



*Bulletin from the*

# EUROPEAN COMMUNITY

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

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## PRESIDENT MEETS PRESIDENT

THE UNITY OF EUROPE was the subject of discussion when Presidents John Kennedy and Walter Hallstein met at the White House on May 16. During his two-week visit to this country, the first since 1959, President Hallstein is also conferring with other top officials of the new Administration. His schedule includes major speaking engagements in New York and Cambridge, Mass., before he returns to the Common Market's Brussels headquarters on May 25.

### THE CHARLEMAGNE PRIZE

Dr. Walter Hallstein, on the eve of his departure for the United States, was awarded the International Charlemagne Prize of the City of Aachen (right). Presented annually since 1949 to individuals "of merit who have promoted the idea of Western unity by their political, economic and literary activities," this distinguished award has previously been won by such world statesmen as Konrad Adenauer, Winston Churchill, Alcide de Gasperi, General George Marshall and Jean Monnet. (For a picture taken at M. Monnet's award ceremony, see page 5.) The award to Dr. Hallstein was made in the Aachen City Hall on May 11. The President arrived in the U.S. the following day.



# NATO AND THE EUROPEAN COMMUNITY

by WALTER HALLSTEIN

*President of the Commission, European Economic Community*

IT IS EASY TO STRESS THE DIFFERENCES between NATO and the European Economic Community: differences in immediate aim, differences in structure, differences in membership. But at the outset, I should like to dwell for a moment on those things that we both have in common.

The first, and the most important, is that both the Atlantic Alliance and the European Economic Community are means of strengthening the West and of furthering Western values. In seeking to achieve the economic integration of our six countries, and of any other European countries that are willing to join us, we are trying to build up a powerful and peaceful bastion here in Europe. We seek to make our free economy more efficient, and to prove—to our own peoples, to our friends overseas, and to the uncommitted nations—that freedom is not only better than totalitarianism, but that it works better.

I know that in NATO circles the word “integration” has a special and somewhat controversial significance; but I do not think that any reasonable person can deny that both the economic integration that we are trying to achieve and the collective defense which is the task of NATO share one very necessary assumption about the means of strengthening the West: that is, that our task is a common task that must be tackled in common. To do so, in our view, demands something more than traditional forms of economic cooperation, traditional trade agreements, and traditional international institutions. This “something more” is what economic integration means.

What about the membership of the two organizations? All the six Member States of the European Economic Community—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands—are themselves members of the North Atlantic Treaty Organization. But not all members of NATO, and not even all European members of NATO, are members of the Community. This is not because the Community is some kind of exclusive “bloc.” The Rome Treaty explicitly states that any European country may apply for membership and that any country may conclude an agreement of association with the Community.

At the present moment, we are negotiating for the association of two more NATO members, Greece and Turkey. Others may perhaps follow. But even without necessarily embracing all the member countries of NATO, the European Economic Community, in my view, represents a very great strengthening of the Atlantic Alliance, not only through the closer consolidation of its own six member states, but also through its efforts to look at problems in their wider framework, and to promote cooperation and mutual understanding on an Atlantic scale. If, as my friend Jean Monnet has put it, we are building in the European Community “a second America in the West,” it is our intention that this “second America” shall be no “third force,” no divisive factor in the Alliance, but a strong and valid

partner for the “first America” and for all our other friends and allies.

## *Nightmare Trip to Washington*

Just imagine for a moment that you are a New York businessman making a trip to Washington. Imagine that before you leave Pennsylvania Station, you have to make sure that you have your passport, a sufficient supply of foreign currency or travelers’ checks, duly authorized, and that you are not carrying contraband. Imagine that along the route, perhaps at Newark, or Wilmington, or Baltimore, you are visited by immigration and customs officials. Imagine that at each state line you have to pay duty on goods you import. Imagine that there is a limit on the amount of capital that you may transfer from state to state, that there are restrictions on the movement of your employees, and that you yourself do not enjoy the right freely to set up business in any state of the Union. Imagine, finally, that each separate state has its own individual and radically different regulations and policies, not only in regard to your own activities as a businessman, but even regarding foreign trade.

In such circumstances, is it likely that the United States would today have reached its present economic strength? Would it today be one of the leading powers in the world? Of course, the answer is obvious; but the lesson, for many years, was not.

As the United States did almost 175 years ago, the European Economic Community seeks to achieve economic integration within a common market. In Europe, it is true, differences of language and national tradition have very deep roots; but there is no reason why we should seek to eradicate them. To achieve our aim, it is quite enough that we should begin to eradicate the anomalies and contradictions that they produce in Europe’s economy.

## *The Beginning of It All*

That process of eradication began eight years ago with the common market for coal and steel opened by the European Coal and Steel Community, the first of the three European Communities—or perhaps I should say the first branch of the European Community, for in truth all three are branches of a single stem. Four years later came the signature, on March 25, 1957, of the two Rome treaties, for Euratom, the European Atomic Energy Community, and for the Common Market, the European Economic Community. The role of Euratom is of course to prepare the way for the Community’s peaceful atomic energy industries and to insure that their development is not hindered by national barriers. The task of the European Economic Community is to unify the economies of the member states in all other fields.

The institutions of the European Economic Community are now entering upon their fourth year of operation. They mesh with those of the Coal and Steel Community and Euratom, with whom they share the European Parliament and the Court of Justice, respectively representing demo-

Professor Hallstein’s article has been based on his policy speech before the Defense College of the North Atlantic Treaty Organization, delivered in Paris January 23, 1961.

cratic and judicial control over the executives. National governments are represented in the Councils of Ministers of the three Communities which differ from the ministerial councils of traditional international organizations in that their normal system of voting is by majority.

Our achievements so far may be grouped under two main headings: first, the negative process of removing national economic barriers between the member states; and second, the more creative process of forging common policies and creating a new solidarity which allows a new approach to the problems which Europe and the free world face together. In both these tasks, we are moving ahead of schedule.

### ***Eliminating the Barriers***

Under the Rome Treaty, all barriers must be eliminated within 12 years, which may in exceptional circumstances be extended to 15 years. Already, we have gone nearly one-third of the way. Under the treaty, we should have reduced our internal tariffs by 20 per cent; we have gone one better and reduced them by 30 per cent. Under the treaty, we should relax internal quota restrictions by 20 per cent each year; instead, we shall have abolished quota restrictions on industrial products within the Community by the end of this year. Under the treaty, the first steps in approximating the separate external tariffs of our six member states to the common external tariff should be taken at the end of this year; instead, we took them at the end of last year.

At the same time, we have already reduced our internal tariffs on agricultural products—notoriously more difficult to deal with—by 25 per cent instead of the 20 per cent laid down in the treaty. Finally, within six months' time, our member states have to decide whether the next internal tariff cut shall not bring internal barriers down to a mere 50 per cent of their previous level by the end of 1961, or whether this shall only reduce them to 60 per cent, which in itself would still be 18 months ahead of schedule.

One of the reasons for accelerating the opening of the Common Market, and one of the most striking testimonies to its success so far, has been the response of business and industry to its challenge. Provisional figures for 1960 suggest that during that year, trade among the member countries of the Community rose 28 per cent higher than in 1959, and trade with the rest of the world 23 per cent higher. This last figure may serve to show that the Common Market has given an important stimulus to world trade. This is only natural. It is, after all, the world's foremost trader—its biggest importer of raw materials, and, with the United States, its foremost exporter of manufactures. In 1960, its total imports from the rest of the world amounted to \$20 billion worth of goods and its total exports to \$19.6 billion.

### ***Three More Goals***

Eliminating the classical barriers to trade that have so long stood between our countries is only one part of the story. In addition, we have to do at least three things more.

First, we must remove the less obvious or less traditional barriers to trade. It is no use dismantling such traditional obstacles if, for example, state monopolies, subsidies, discrimination, private trusts and cartels, or other arrangements are allowed to do the same job as tariffs and quotas—that is, distort or restrict competition or divide the single

market that we are trying to create. There must be positive rules of competition as well as the mere dismantling of tariffs and quotas.

Secondly, we must not only remove the barriers to the free flow of goods, we must make possible the free movement of persons, including business, the unrestricted supply of services and the exercise of the professions, and the free circulation of capital. In the language of the economists, the Common Market must liberalize all the factors of production.

Thirdly, to insure that these barriers remain down, and to insure that their lowering really brings about the advantages of greater competition, modernization, and specialization, it will be necessary also in some degree to harmonize economic policy in general. We cannot allow a lack of balance within the Common Market to imperil its existence. Partly for this reason, we must encourage a regional policy with a helping hand to those less favored by circumstances—in Southern Italy, for example.

### ***A Common Currency?***

At the same time, in those fields where free competition is at present difficult to achieve or where a measure of co-ordinated action is especially necessary, we must make common policies for the whole Community. This is particularly so in the fields of agriculture, transport, and foreign trade; but it is indeed arguable that a fully operating and fully effective common market will demand common policies for almost the whole range of economic, financial, and monetary affairs, and may in time lead toward a common currency.

Starting with the process of eliminating traditional trade barriers, one logically arrives at a very much more advanced degree of economic integration which quite clearly has very strong political overtones. How far has the Community come so far along this road?

To take first the question of dismantling other obstacles to competition outside the field of tariffs and quotas, the Commission has submitted to the Council and the European Parliament its first proposals for Community-wide anti-trust regulations. Already, on the Commission's suggestion, those of our countries which did not originally have national anti-trust legislation are now in the process of establishing it. Moreover, in many spheres of national legislation as it affects competition—including for example tax legislation—we are studying ways of eliminating the many disparities which at present exist between our member states.

At the same time, in the transport field, the Community has issued the first regulations to prevent certain forms of discrimination hindering the proper working of the Common Market; and a system of quite important financial penalties has been set up, to prevent infractions of the rules. The problems in all these fields are many and complex, and we are still only at the beginning of the road; but this is as it should be, since the importance of such secondary economic barriers will obviously increase as tariff and quota obstacles diminish.

### ***Progress in Free Circulation***

One of the Community's first acts when it was established in 1958 was to adopt as an immediately binding regulation a convention originally established in favor of coal and steel workers, whereby they could continue to enjoy their social-security rights and benefits even if they moved from

the Community country in which their original contributions to such benefits had been made. This now applies to all Community workers. Since then, the Commission has proposed the first draft directives which will, at the latest by the end of the transition period, insure the freedom of labor to take up offers of jobs in any Community country, no matter what their nationality.

Similarly, we have made our first proposals for the right of free establishment for businessmen and firms, and we have set out a first list of priorities for the progressive easing of present restrictions on the supply of services and the exercise of the professions. I need not remind you that there are many thorny problems, rooted in tradition and in the jealously guarded professional standards of our universities and associations of doctors, lawyers, and so on.

In the liberalization of capital movements, we have again made a good start. Early last year, the Community issued its first directives on the subject, fully liberalizing certain types of capital movement and conditionally liberalizing others. But it has not yet freed so-called "hot money"—short-term capital movements—and this for a very simple reason. To do so at the present time might well lead to extremely serious distortions. While in certain ways the emergence of the Common Market has stimulated a greater degree of harmonization in monetary policy, much still remains to be done. We have a monetary committee; we have periodic meetings of our national finance ministers; we are all enjoying a period of expansion. But it remains to be seen how effective the present system would be in a period of depression—which, of course, we all hope that our policies will succeed in avoiding—and it remains to be seen also whether the present degree of harmonization in our policies would be sufficient to withstand the shocks that might be administered if completely free movement of "hot money" were to be introduced at this stage.

### **The Bank and the Fund**

We have supplemented the Monetary Committee provided for in the treaty with a special trade-cycle committee with

analogous tasks in its own sphere. But progress in this respect is not easy to document, and the objectives of the treaty are not very precisely defined. The same applies to regional policy, where once again the treaty provides us with certain instruments—the European Investment Bank and the European Social Fund—but does not lay down precise and well-defined objectives. It is our task to fill in such blanks in the light of experience. Already, we are beginning to do so: the bank has made its first loans, chiefly to benefit the Community's less developed regions; and the Social Fund was brought into being last year although in the present favorable economic circumstances it has not yet been called upon to act.

Similarly, in the field of social policy in general, the treaty is relatively unspecific. It sets up the Social Fund, it provides for free movement of labor, and it stipulates that the principle of equal pay for men and women shall be applied from the end of this year. It is up to us to complete these provisions by further studies, further proposals, and further action.

There are, however, certain fields where the Rome Treaty positively prescribes the adoption of common policies. These are agriculture, transport, and foreign trade.

### **Agriculture Under Fire**

In agriculture, we have made our first proposals for a common policy; and by the decision to accelerate the Common Market in agriculture, taken by the Council on December 20, 1960, certain features of a common policy are indeed beginning to be applied. This is not to say, of course, that the whole of the Commission's proposals have as yet been accepted. Indeed, they are under fire from critics of all complexions; some say we are too protectionist, others that we are too liberal; some say that we are too interventionist, others that we are too *laissez-faire*. Perhaps this means that we have struck the happy medium—or perhaps the unhappy medium. But at all events, things are on the move.

The same is true of transport. Here again our task is extremely complex. So far, we have made some fairly far-reaching proposals for the development and modernization of present transport routes within the Community; and we have issued the first regulations against discrimination on grounds of nationality. Our development proposals look as if they stand a good chance of being adopted. But beyond this, we must seek to secure a greater degree of harmonization between national transport networks, and to achieve a reasonable balance between the different means of transport on a Community-wide scale.

The third of the fields where the Rome Treaty calls for a common policy is that of foreign trade. Clearly, if our Common Market is to approximate conditions of a normal home market, and if we are to achieve full economic union, it is essential that our union should follow a single policy in its dealings with the rest of the world. The starting point of this single policy must be a single external tariff.

Imagine, for instance, the difficulties in which the United States would find herself if the State of Texas had one external tariff, perhaps a very high one, and the State of Louisiana next door a totally different one, perhaps very low. One would either have to install customs posts along the frontier between them so that goods entering the United States through Louisiana paid a compensatory duty before they went into Texas, or else one would find that the port

## **THE COMMUNITY'S WORLD TRADE**

(in billions of \$)

IMPORTS	1958	1959	1960
Intra-Community .....	6.790	8.091	10.139
From Associated Overseas Countries and Territories.....	1.546	1.352	1.667
From the Rest of the World.....	14.610	14.870	17.753
<b>TOTAL</b> .....	<b>22.946</b>	<b>24.313</b>	<b>29.559</b>
<b>EXPORTS</b>	<b>1958</b>	<b>1959</b>	<b>1960</b>
Intra-Community .....	6.864	8.176	10.243
To Associated Overseas Countries and Territories.....	1.860	1.698	1.884
To the Rest of the World.....	14.051	15.353	17.594
<b>TOTAL</b> .....	<b>22.775</b>	<b>25.227</b>	<b>29.721</b>
<b>TRADE WITH THE U.S.</b>	<b>1958</b>	<b>1959</b>	<b>1960</b>
Imports from the U. S.....	2.796	2.491	3.827
Exports to the U. S.....	1.655	2.371	2.243

Source: STATISTIQUES MENSUELLES, No. 2, 1961, and TABLEAUX SYNOPTIQUES, No. 2, 1961, Statistical Office of the European Community.

of Galveston no longer handled any imports because they all were diverted through New Orleans, making nonsense of the Texan tariff. Either result would surely be less than ideal.

### **Common Tariff Steps**

So the Common Market must have a single tariff and a single trade policy. The first steps toward the common tariff were taken at the end of last year—a full year ahead of schedule and at a level provisionally reduced by 20 per cent. This was one of the features of the decision to speed up the Common Market. Broadly speaking, this means that we have made the first moves in a process which will somewhat raise the present Benelux and German tariffs—surrounding a market of some 70 million people—and greatly reduce the present French and Italian tariffs—surrounding a market of some 90 million. In fact, the average incidence of our common tariff is actually lower than that of the previous national tariffs, and, furthermore, we made the first approach toward it on a level reduced by 20 per cent. This reduction, we hope, will be consolidated in the forthcoming GATT negotiations. We have even proposed that these be followed by further negotiations to lower world tariffs even more than in the present round.

### **The Truth Is Recognized**

Our policy is a liberal one. We are not closed to the outside world, either to new members or associates, or to the goods of those who trade with us. Of course, we have always said this in the past, but not everyone believed us. Now, I think that our words are proving their worth.

At this moment we are engaged in negotiation with two of our other NATO partners, Greece and Turkey. We hope that before long these two nations will be associated with our Community, cemented to our union. At the same time, we are in negotiation with the rest of the free world, in the GATT, in a great drive to reduce trade barriers all around. Finally, in a new body, the Organization for Economic Cooperation and Development, we are hoping to make the first steps in a general confrontation of policies with our partners in the rest of Europe and across the Atlantic, to define our common problems, and to increase our contribution to the development of less-favored nations in the free world as a whole.

I know that the creation of the Community has caused some anxieties in various quarters. Any new venture is bound to do the same. Our friends in the GATT were at one time worried lest the association with the Community of those overseas countries with special relations with our member states should harm their own exports to the Common Market. Clearly, we could not neglect these overseas countries any more than Great Britain could neglect the British Commonwealth, and our aid to them is an important contribution to a vital and sorely needy region of the world. But we have agreed to discuss any real difficulties that association may produce; so far it has not produced any.

### **More Community Imports**

Similarly, some of our friends in Europe have been worried lest their exports to the Common Market should fall off—although so far, the reverse has happened, as we always



*EEC President Hallstein, 1961 recipient of the International Charlemagne Prize, is shown congratulating Jean Monnet just after M. Monnet was presented with the award in 1953.*

believed that it would. However, here too we have agreed to discuss any real difficulties should they arise, and a special committee—the Committee of 21—was set up to do so. It bore a strange resemblance to the contact committee which we ourselves had proposed much earlier but which was not a very popular suggestion at the time. Meanwhile, we are constantly looking for ways in which we may help our partners in the rest of Europe without forgetting our friends on the other side of the Atlantic who also have important interests to consider.

These are some of the problems of external policy which the creation of the Community may be said to have raised. There are other problems too which would have existed anyway, whether the Community were there or not; and these, I think, the existence of the Community makes it a little easier to solve. I am thinking of such problems as those of the underdeveloped world and the stabilization of raw-material markets, the difficulties of farm surpluses, the question of liquidity and world reserves, and in general all the many economic dilemmas which are steadily pushing the Western world toward closer and closer collaboration. The creation of the European Community is a further step in this direction, a new element which forces us to bring up fresh ideas and gives us the opportunity to act effectively.

(Ed. Note: Copies of the full English text of President Hallstein's address—seven pages mimeographed—are available without charge from the European Community Information Service, 235 Southern Building, Washington 5, D. C.)

# A COMMON POLICY FOR AGRICULTURE

by **SICCO L. MANSHOLT**

*Vice President of the Commission, European Economic Community, with Particular Responsibility for Agriculture*

THE PROCESS OF CREATING ONE LARGE MARKET of 170 million people implies more than a mere adding up of the existing economies. It means the creation of a new economic framework with possibilities for further expansion, and, most important, leads us toward political unification of Europe. Neither the United States nor the Community can develop in a world free of internal or external cares. But we believe that two strong partners can offer each other more than two weak ones. It is through our economic rehabilitation, through the further development of our capacity, that we will be able to solve common problems jointly and to our mutual advantage.

This is true not only of general economic and political problems but for specific questions such as agriculture. Methods contained in our common agricultural policy hold out greater opportunities to the United States in this, the world's largest agricultural import market. But we cannot draft a program that disregards historical realities. Each of our six countries has had and still has a comprehensive system of government control and support in agriculture.

These six are not the only ones. All industrial countries, including the United States, have such systems. Experience has taught us how difficult it is to make basic and extensive changes in a nation's agricultural program. The agricultural programs of the six countries differ vastly. It is not possible simply to eliminate them and leave agriculture in the Common Market to the free play of the market forces. If European farmers, who for many decades have operated under the shelter of government supports, were suddenly deprived of these supports, it would lead to widespread and serious distress.

## ***Half as Many Farmers—Ten Times as Much Farmland***

In the Common Market, there are some nine million farms. Of these, 5.5 million have less than 12 acres. In the United States, there are about five million farms. The area under cultivation in the United States is 10 times as great as in the Common Market (400 million acres against 40 million acres). Yet the United States employs only half our number of almost 15 million agricultural workers. We employ one worker per 2.7 acres; in the United States the ratio is one to 53.3 acres. In the six countries, the size of about half of the farms does not exceed 25 acres of land. In Germany, Belgium and Italy, 70 per cent, 80 per cent and 85 per cent respectively of all farms do not have more than 25 acres. This difference in scope is further accentuated by widespread fragmentation of holdings. On our limited area, we must strive for greater productivity per acre, whereas the United States can concentrate primarily on productivity per man.

Still, we regard the small, efficient family farm as an essential factor in the structure of our society. After all, in

the Common Market a population almost equal to that of America lives on one eighth of the area. In the future, our agriculture will have to undergo structural changes to become more efficient.

Before the Common Market came into being, the six countries had six separate systems of agricultural policy. Some of our countries concentrated on crop production, others on livestock. In pursuing these policies they have developed different price levels. In 1958, the German and Italian price for wheat was 45 per cent above the French price. The German price of barley was more than 60 per cent higher than the French price.

This illustrates the difficulties standing in the way of the creation of a uniform price level—an essential condition for an agricultural common market. This price level will influence the trend of foreign production and the structural changes. It is the key factor in our policy.

## ***Three Criteria for a Common Policy***

Within our market, agricultural policy will be expected to meet the following requirements:

- Agriculture must be an integrated part of the economy as a whole and must be recognized as an essential factor in the life of our society;
- Improvement of agricultural structures must assure, to Europe's farmers and investors, incomes comparable to those in other branches of the economy;
- Production and demand must be balanced with due regard to imports and exports.

As progress is made in our agricultural economy, we will more and more find that we cannot resolve our agricultural problems in isolation from our industry. General economic policy and agricultural policy must go forward hand in hand.

Changing and improving rural conditions means bringing industry to the land rather than letting people migrate to the big industrial centers. It also means that there must be considerable improvements in infrastructure, particularly transport conditions, and in education. Too, it means that smaller industrial enterprises and services must be encouraged to expand and improve. In our situation, such a structural policy must be directed toward intensive farming of relatively small holdings in densely populated areas. Where poor soil conditions or unfavorable climate contributes to lack of productivity, it will be economical to retire land from crop production.

It requires time to carry out this policy of improving the structure of agriculture and the regional economic policy which it presupposes. Meanwhile, marketing policy must provide for the actual needs. Structural, marketing, and commercial policies are interdependent. It will not always be possible to draw a clear distinction between these various measures as they affect individual enterprises. Temporary adjustment aids seem justified in these circumstances.

This article has been prepared from a speech delivered by Dr. Mansholt before the American Farm Bureau Convention in Denver on December 13, 1960.

## Merging for a Common Market

The purpose of marketing policy is to merge the agricultural markets of the member states into one common market. Therefore, a common agricultural price level must be established. This common price level would allow for regional differences in prices between main producer and main consumer areas based on free trade in agricultural products. The criteria upon which EEC price levels will be based have not yet been determined. So far, the Commission has only proposed the first steps toward an equalization of prices.

All governments historically have been guided in their price policy by a desire to raise farm incomes. Price policy also must insure a balance between production and demand, and it must do this without prejudice to imports and exports. Therefore, it will be one of the most important tasks in European agricultural policy to manage prices so that the production of unsalable surpluses is prevented.

A common policy for trade in agricultural products must necessarily be a part of a common agricultural policy. It would be impossible to establish a common agricultural market if control of imports and exports were left to the member countries. Commitments entered into by the Community countries in international economic organizations such as the GATT must apply to the Community's external trade in agricultural products. The aim of these organizations, to contribute to the expansion of world trade, is equally valid for the agricultural trade of our Community. As a highly industrial area, the Community must maintain and increase opportunities for industrial exports. If it is to do so, it will be required to maintain liberal trade policies in industrial and agricultural products.

## Avoiding an Economic Blow

At this early stage of our developing common market, it is not possible to dispense with all protection for European agriculture. Not even agricultural exporting countries enjoying the most favorable production conditions feel capable

of doing so. Any sudden abandonment of the relatively high level of protection to which European agriculture has become accustomed in past decades would be an intolerable economic blow.

It will be necessary to improve both the competitiveness of agriculture by remedying the many grave structural defects and also the conditions which govern competition in the world market. The Community is prepared to take an active share in all international efforts of this sort, as for instance the recent endeavors undertaken in the GATT.

We in the Community have done more than merely establish a series of policy principles on behalf of the economic interests of the Community and its farm trade partners. The Commission has also tried to put these principles into practice.

In 1959, for example, agricultural exports of the United States to the countries of the Community amounted to roughly \$900 million. Of this total the following products constituted about 90 per cent:

Cotton	\$260,000,000
Oilseeds, fats and oils, oilcake and meal	\$170,000,000
Tobacco	\$80,000,000
Fruit and vegetables including juices	\$70,000,000
Grain	\$230,000,000
Total	\$810,000,000

By comparison, total agricultural exports of the Community to the United States in 1959 were only \$221 million.

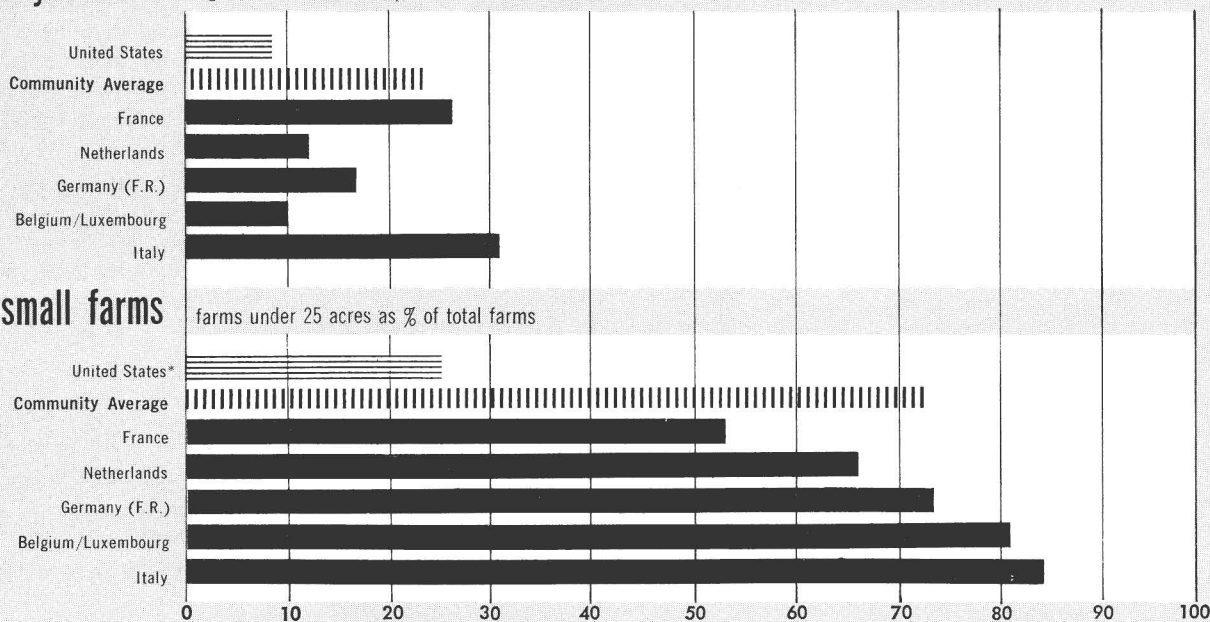
## No-Tariff, No-Quota Policy

For cotton, neither quota restrictions nor an import duty are planned. At the GATT negotiations, the Community declared itself ready to be bound by a customs rate of zero per cent. Thus, we offer the United States a completely free and unprotected market for cotton which, as a result of growing prosperity within the Community, will hold out increasing sales possibilities.

## THE COMMUNITY'S BASIC FARM PROBLEM

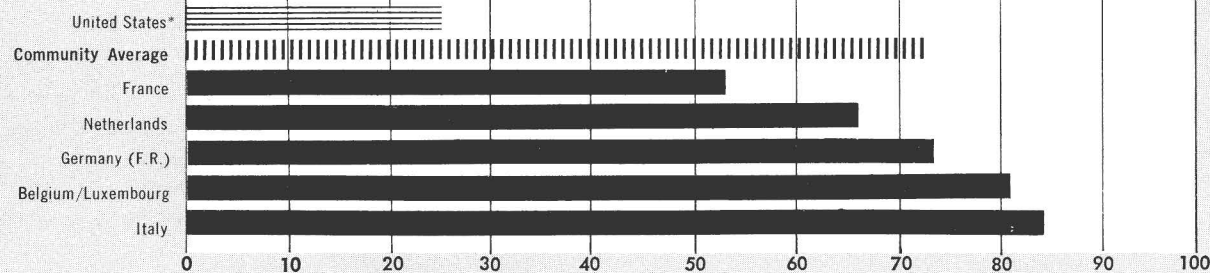
too many farmers

agricultural workers as % of civilian work force in 1958



too many small farms

farms under 25 acres as % of total farms



\*30 acres

Sources: O.E.E.C., E.E.C., and U.S. Department of Commerce

For oilseeds, the Community is bound by the treaty to develop a common program. Since the Commission has already advocated that no quotas be applied for the most important European agricultural products, we can expect that import quotas also will be dispensed with for oilseeds. The duty on oilseeds is fixed at zero per cent in the common external tariff, and in the GATT negotiations the Community has declared itself ready to be bound by this rate.

The same no-tariff, no-quota policy applies to oilcake and meal. Moreover, we can expect a rise in the imports of oilcake, since the consumption of animal products, for which oilcake serves as a feed base, is constantly growing.

As regards imported animal fats, most of the tallow and large quantities of lard are used for industrial purposes. For industrial purposes the customs rates are very low, four per cent for lard and two per cent for tallow. Again, the Community has offered to be bound by these rates in the GATT.

For tobacco, the Community is required under the treaty to work out a common program in the same way as for oilseeds. The Commission has not yet completed its work on this matter; it is certain, however, that it will not advocate the application of quantitative import restrictions. The customs rate originally set in our treaty was 30 per cent ad valorem. Subsequently, the Council of Ministers amended this rate to the effect that the duty must not amount to less than \$29 or to more than \$42 per 100 kilograms (221 pounds). The highest charge on tobacco is now the same as the present German duty rate. This new rate schedule is more advantageous to the United States than the rate set in the treaty. For a large part of its tobacco exports, the United States will pay the \$42 maximum rather than the 30 per cent ad valorem rate. The Community has already offered a proposed duty schedule in the GATT. The United States will probably want to negotiate for reductions in this schedule, and we shall be ready to do so.

The Commission has, as a matter of principle, dispensed with import quotas for fruits and vegetables, including juices. It has merely proposed that there should be a normal customs duty on these imports, which, in general, will amount to the arithmetical average of the duties charged by the individual member states.

The internal program for food and vegetables provides for quality and packaging standards to improve sales and stabilize the market. So that these efforts to improve the market situation shall not be upset, the Commission has reserved the right to establish the equivalent quality standard for imports.

The constant increase in the consumption of fruit, and especially of citrus fruit, in the Community should in the future also offer the United States rising sales opportunities.

### ***Grain Consumption Down***

The situation for grain is more difficult than for the products I have mentioned so far. In the past 10 years, scientific and technical progress in all the member states of the Common Market has brought about considerable increases in production. Looking at quantities only and disregarding quality, we find that the degree of self-sufficiency in wheat has risen from just under 80 per cent to over 92 per cent. Expressed in absolute figures, production has gone from roughly 19 million tons to almost 26 million tons. At the same time there has been a marked decline in annual con-

sumption per capita from 196 pounds to 178 pounds.

Imports of the member states have dropped from 6.0 million to 4.4 million tons, whereas their exports have risen from just under 1.1 million tons to almost 2.5 million tons. It is not likely that the common agricultural policy will be able to reverse this trend for soft wheat. The foodstuffs industry and bread production will, however, continue to require imports of durum hard wheat and other high quality wheats in order to satisfy certain consumer habits. The Commission has proposed to continue the levying of variable compensatory fees on wheat that we find now in Germany and the Netherlands and in the form of periodically adjusted levies in Belgium and in Luxembourg. In France and Italy the state trading monopolies skim off equivalent differences. Under our proposals, the variable fees will, however, replace compulsory mixing regulations. There will be no state trading and under normal conditions no quota control. This more liberal commercial and agricultural policy will make it possible to import larger quantities of durum hard and other high quality wheat.

In regard to coarse grain, the Community has at present an annual import requirement of 6.5 million tons. Under the given natural economic conditions, the greater part of European agriculture will concentrate on animal production, and in regard to animal products it will find a constantly growing demand.

### ***Meat Consumption Up***

In the past eight years, the annual consumption of meat per capita in the Community has risen from 34 kilograms to 46 kilograms (75 pounds to 101 pounds) or more than one third again. Estimates made by the experts entitle us to expect a further 25 per cent increase in the next 10 years, or a consumption of about 52 kilograms (114 pounds) by 1965 and about 57 kilograms (125 pounds) in 1970.

This would mean a further annual requirement of coarse grain in the neighborhood of six million tons. In this context we must remember that, as in the case of wheat, technological progress in Europe will tend further to increase coarse grain yields.

I feel confident that, on the basis of the estimated rise in meat consumption, import needs for coarse grain will continue at their present level. We can safely assume that in the long run the consumption of meat will increase much further still. In the United States, where incomes are virtually twice as high as in the Community, meat consumption has already reached 86 kilograms (190 pounds) per capita.

Accelerated economic expansion, which is already becoming evident as the Common Market is being built up, will in the future lead to a further and more rapid increase in personal incomes and therefore necessarily bring the standard of living in the Community closer to that of the United States. This will also mean more meat and more feed-grain consumption.

### ***Ten Years From Now***

Economic trends in our Community permit us to expect that by 1970 we will, unless some changes occur, have reached the present American standard of income. Thus, we should enjoy the benefits of this expansion in good partnership. This depends, of course, on how much of an opportunity we have to export our industrial and agricul-



tural products to third countries. If this opportunity is good, larger imports of coarse grains can be expected for the future.

In our grain program, we will set target prices to serve as guides for producers, the trade and consumers. Support purchases will, however, be made only at prices somewhat below the target prices. They will be made in the market place.

In principle, no quantitative import restrictions are proposed and imports will be licensed automatically. Only in certain emergency cases when imports increase to such an extent or occur on such a scale as to threaten to cause serious injury to Community producers would imports be temporarily suspended. The Commission reserves the right to decide when these emergency measures must be used.

Customs duties are not to be applied to grain imports. Instead, there is to be a sliding scale of compensatory levies to make up for the difference between prices on the world market and the target prices of the Community. These compensatory levies, with which the Commission has proposed to replace customs duties for some other agricultural products as well, namely sugar and dairy produce, have given rise to lengthy discussion within the Community and on the international level. Certain circles, especially in agriculture, believe that these levies will not provide adequate protection. Others, who are interested in export to the Community, sometimes feel that they are a protectionist instrument.

### ***Common Price Is Decisive***

As a matter of fact, the compensatory levies are in themselves neither more protectionist nor more liberal than any other measures such as fixed tariffs, quotas, state trading or mixing regulations. The protective effect of any of these measures will depend on the future common price level for grains. If the future European price is fixed close to the world market price, the levies will be low and their protective effect will be small. If, however, a very high price level were set in the Common Market, then the compensatory levies would have to be high and their protectionist effect would rise proportionately. We need only think of the areas of arable land that France could put under cultivation if it were tempted to do so by unduly high support prices. The common price level will therefore be of decisive importance. It is considered one of the most important functions of the future price level to establish a balance between production and forthcoming demand with due regard to imports and exports.

The system of compensatory levies on imports will not prevent the Community from granting adequate agricultural concessions to its trading partners in the GATT. We will very probably meet our obligation to grant the GATT concessions in this sector by making offers which affect the most important agricultural commodities exported from America. Exact calculations are being worked out now. If it should be found that the concessions offered hitherto are not yet sufficient, the Commission will consider in what way suitable solutions can be found in the grain sector. The Council of Ministers will, of course, have to make the decision before negotiations can be undertaken by the Commission.

Despite all internal problems which have to be faced by agriculture in Europe as in America, the Commission has

gone a long way in its agricultural policy to meet the interests of Europe's external trade partners.

### ***Fair Competition Sought***

The Commission intends to conduct its price policy in such a manner as not to impede the development of external trade. It intends to improve the competitiveness of our agriculture, and it intends to cooperate in creating fair conditions of competition on the world market.

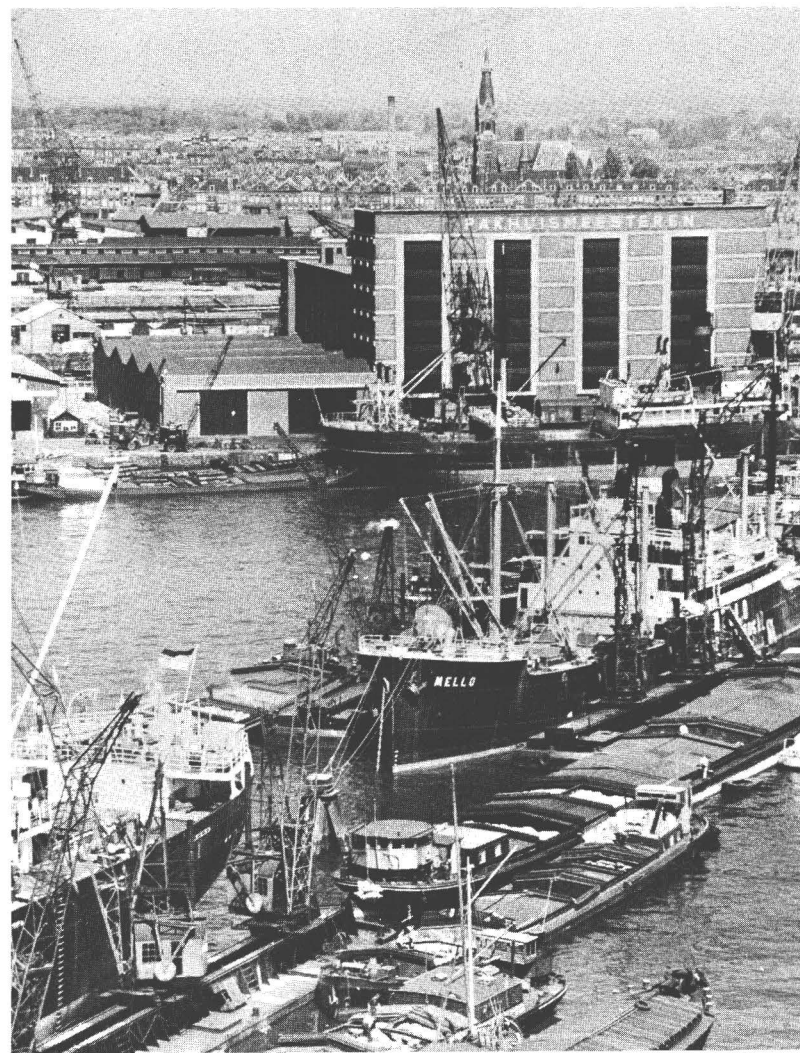
In order to attain these objectives we hope that the cooperation of our trading partners throughout the free world will be as close and understanding as possible.

When we look beyond day-to-day difficulties—including those of agricultural policy—it cannot be the aim of any sensible American or European policy to abandon the established principles of sharing responsibility in the Atlantic Community.

The difficulties which flow from our Community's common policy can be overcome. The decisive question is whether we will help each other to benefit mutually from the dynamic and expansive development of which our economies are capable.

We have more reason to do so because we have common tasks in the world which we can only fulfill by common effort. As I see it, a twofold task awaits us: to help those in the developing countries who can help themselves only with our cooperation; and to make the free world safe from the still present danger that all those things which make life worth living may be destroyed.

*The Community's world trade expands outward from all ports, like this harbor in Rotterdam.*



# THE COMMUNITY'S FOREIGN AID PROGRAM

## Common Market Spurs Investments and Technical Cooperation in the Developing Countries

by **ROBERT LEMAIGNEN**

*Member of the Commission, European Economic Community,  
with Particular Responsibility for Overseas Countries*

IT HAS BEEN SAID that the 19th century was the century of the explosion of national movements in Europe. It will perhaps be said that, after the atom, the 20th century was the century of the explosion of nationalism in the developing countries, in the East to begin with (first half of the century), then in Africa (second half).

What is Europe's policy toward Africa, the policy of that Europe of the Six which has traditional links with Africa based on culture, on language, on trade?—of that Europe which today approaches Africa afresh as a Community, offering association of the overseas countries with the Common Market—an association which may doubtless be considered as the first global approach to the problem of underdevelopment, since it covers simultaneously institutions and trade, investments and technical assistance?

In dealing one by one with these four chief headings under which our work falls, I should like to show the great flexibility of the provisions found in the Treaty of Rome. The authors of the Treaty cannot in 1957 have imagined that there was any serious possibility of halting the course of destiny and avoiding all change in the conditions of 25 associated overseas countries, populated by 55 million people, where political development has since then been proceeding at a terrific pace.

### **Political Development**

Was not the Treaty of Rome politically out of date overseas almost as soon as it had been implemented? Association with the Common Market, settled at a time when the most advanced of these countries was still no more than semi-autonomous in internal affairs, once again appeared as a status "granted" from above and settled by the metropolitan territories responsible without consulting the principal beneficiaries.

It was all the less easy for Africa, with its characteristic passion for equality, to tolerate such a situation when its accession to international sovereignty was to take place two or three years later. There was great danger that the association might be stillborn.

What was to be done, in particular, for these associated countries which were day by day gaining their independence and were turning to the European Community to ask it in what way and on the basis of what clauses they could continue their association?

Should the reply be that the transition to international sovereignty constituted a radical transformation of the former conditions, that the former associates were from now on to be considered as non-member countries without any links of association with the Community, and that long and laborious diplomatic negotiations on the basis of Article 238 of the Treaty would consequently have to be under-

taken? Or was the reply to be that independence did not necessarily mean breaking off existing association relations, once these were freely confirmed by associated countries which had become sovereign states?

Considerations of opportuneness finally weighed the balance in favor of the second solution, which permits more immediate results by avoiding the complications of weighty negotiations in each particular instance; there must in any case be general negotiations for the renewal of the Implementing Convention relating to the Association since the authors of the Treaty were wise enough to restrict the validity of this Convention to the five years ending on December 31, 1962.

This important decision shows that the EEC considers itself as having responsibilities toward its overseas associates which do not disappear—quite the contrary—when these acquire independence, and that it can imagine flexible solutions capable of adapting the Association to political developments by giving the associates the chance of making their voice heard in Brussels.

### **Expansion of Trade**

The development of trade between member and associated countries, which is one of the purposes of association, is to be furthered by two principal measures: the progressive abolition, through customs and quota disarmament, of all trade discrimination between the Six in the overseas markets; and the opening of European markets to the tropical products of the associated countries, which will benefit in these markets through the protection afforded by the common external tariff.

In theory, the associated overseas countries cannot lose by these arrangements. This holds true for their imports, as the increased number of sources of supply is likely to exercise on the level of local prices that healthy pressure which can only come from broad competition. It also holds true for their exports since free access to an expanding market of 170 million consumers must facilitate the marketing of tropical raw materials.

It remains true that two remedies can and must be applied to the extreme fragility of the economy of the overseas countries: industrialization and stabilization of the income of rural producers.

Industrialization tends to soften the impact of fluctuations in the prices of raw materials because semi-finished or finished products, being more easily kept in stock, are much less sensitive to cyclical fluctuations. In this connection it is important to note that the Treaty of Rome, which is an instrument for free trade, has provided for an important exception to free trade precisely for the purpose of protecting the nascent overseas industries against the effects of a competition which would probably prove fatal. Article 133 expressly states that the overseas associated countries and territories "may levy customs duties which correspond

Further commentary on the relationship of the Overseas Countries with the Common Market may be found in the *Bulletin of the European Economic Community*, Nos. 8-9, 1960, Brussels.

to the needs of their development and to the requirements of their industrialization or which, being of a fiscal nature, have the object of contributing to their budgets.”

The stabilizing of the incomes of rural producers is today becoming fashionable, but the problem is far from new. In fact, during the last 50 years, the 18 most important primary products, representing about 90 per cent of the production of the tropical countries, have experienced annual average fluctuations of 14 per cent in prices, 19 per cent in volume and 23 per cent in export income.

It is therefore urgent to find the elements for the solution of this grave problem. This can be done on two different levels: on the world level first, as the state of certain markets (like that for coffee, where stocks are equal to two years' supply) has reached such a point that only sweeping measures can be of any use; and also, for many other products, on a purely regional plane, by following the regulatory techniques which have proved their worth both in the British territories and in the overseas French and Belgian countries. On this point the Commission has already submitted to the member states certain suggestions which are still under discussion. The fact that the EEC is at present the leading world importer of raw materials (with about one third of the trade in primary products) more than justifies it in taking the initiative in these matters.

### ***Capital Investments***

One of the chief means of action available to the Community in the associated overseas countries is the European Development Fund (EDF), a Community organ administered by the institutions of the Community. Over the five-year period 1958-1962 this Fund is making a global contribution to the investments of our associates in the form of grants amounting to \$581.25 million.

The first financing convention with an associated overseas country (Ruanda-Urundi) was signed on April 7, 1959, first year of real activity on the part of the Fund when 69 projects were approved for a total expenditure of some \$50 million. By the end of 1960 the Fund had committed more than \$120 million for 180 projects.

This aid is applied specifically to 55 million people living in the overseas countries associated with the EEC. It represents for them a supplementary public contribution of \$2.10 per head added to the bilateral efforts made by the six member countries, to which the European Community's aid is by definition complementary, and also to the investments of private capital which cannot fail to follow public investments. Specifically, the public aid of the EEC to the overseas countries maintaining special relations with France (\$100 million annually on the average) should be compared with the bilateral public aid which France grants these same countries (\$200 million annually on the average). As France has not relaxed its own efforts—quite the reverse—the action taken by the EEC means an actual net increase of 50 per cent in public investment in the associated overseas countries of the franc area. This is a considerable contribution.

### ***Technical Cooperation Is Vital***

Technical cooperation covers all forms of aid involving the communication of knowledge. It is necessary both before and during investments; it prepares the way for financial aid and more often than not determines its practical value.

What must be remembered is the enormous and unsatis-

fied demand from the non-committed countries for supervisory personnel and technicians and, above all, the gap still existing between these unsatisfied requirements and the means at present being made available to the developing countries.

The multiplicity of the agencies—multilateral, regional, bilateral, private—interested in technical cooperation is such that it is a delicate undertaking nowadays to obtain an over-all view of the results achieved. The EEC Commission, wishing to have a clear picture before laying down a general policy toward the developing countries, has had such a composite picture prepared and, as far as I know, this had never been done before.

This study shows that the present volume of technical cooperation activities financed from public funds in the whole world amounts to \$500 million yearly or about one fifth of total public aid to all developing countries. This technical aid, of which nearly half is financed by the six member countries of the EEC alone—in particular under bilateral agreements—represents an important response to the demand for technicians and occupational training media. In the world today, it may be estimated that a total of 25,000 scholarships for students and trainees are made available to the developing countries each year and 52,000 experts, supervisory personnel and technicians brought in from outside.

However impressive these figures may appear, they are tragically inadequate. Paul Hoffman, managing director of the United Nations Special Fund, estimates that one million experts, supervisors and trained technicians would be necessary to undertake large-scale development in the 100 developing countries populated by 1.25 billion people. In the face of these requirements, it is evident that the 25,000 scholarship holders and the 52,000 experts in technical collaboration can do no more than plug up the worst holes.

From the resources of its budget or those of its Development Fund, the Community is engaging in certain technical cooperation activities for the benefit of the overseas countries associated with it. It welcomes in its services young African and Malagasy civil servants who are enabled to complete their professional training and acquire knowledge of European problems, while inevitably bringing to the Brussels services their invaluable experience as born Africans. The Commission finances planning studies, research for the evaluation of natural resources (mineral and agricultural in particular), demographic studies, institutions for technical or occupational training.

The Commission is especially concerned to make better use of technical potential at present existing in the six member countries in the form of outstanding research institutes which have long specialized in tropical problems and which are not employed to full advantage. The first emergency measure is a special program for 100 scholarships, financed by the Commission's budget, to be applied from the beginning of the next university year for nationals of the associated overseas countries to be given postgraduate specialist training at the institutes of the six member countries.

The Commission also wishes to enlarge its technical cooperation activities by going beyond the associated countries to make its own contribution to the vast effort of coordinated aid to developing countries at present being undertaken in the West through the newly established Development Assistance Group.

## NEW BOOKS

AMERICAN ENTERPRISE IN THE EUROPEAN COMMON MARKET: A Legal Profile.

Edited by Eric Stein and Thomas L. Nicholson.  
*The University of Michigan Law School, Ann Arbor, Michigan, 1960. Volume I, 510 pp.;*  
 Volume II, 732 pp. \$25.00.

This book is designed to give American lawyers an overall picture of the new legal framework of the Common Market and of the laws of business organization, labor relations, industrial property, competition, and taxation which prevail there.

THE EUROPEAN COMMON MARKET by Isaiah Frank.  
*Frederick A. Praeger, New York, New York, 1961.*  
 324 pp. \$8.50.

The author, Director of the Office of International Financial and Development Affairs of the Department of State, explores the world-wide effects of the Common Market and its major problems of commercial policy.

THE EUROPEAN COMMON MARKET AND THE GATT  
 by James Jay Allen  
*The University Press, Washington, D.C., 1960.*  
 244 pp. \$6.00

In his analysis of EEC and the GATT, the author examines five particular aspects of the Common Market: internal operations, the common external tariff, quotas, agriculture, and the associated overseas countries.

### A Selected Bibliography on European Integration

This 32-page pamphlet covers principally the period from mid-1955 and is broken down into six categories: General Material, the OEEC, the Council of Europe, the European Community, EFTA, and the United States and European Unification. It is con-

finied to material published in English and includes a listing of 64 sources of information.

Begun by the American Committee on United Europe a year ago, it has been brought up-to-date and completed by the Washington Office of the European Community Information Service. Copies may be obtained free of charge through the library: 235 Southern Building, Washington 5, D.C.



A new motion picture tracing the development and the goals of the European Community has recently been made available on a free loan basis. In sound and color, the 16-millimeter film runs 22 minutes and includes maps, animation, and current scenes of Europe in transition. Prints may be obtained by writing to the distribution office of *Association Films, Inc.*, nearest you:

- Broad at Elm Streets, Ridgefield, N.J.
- 561 Hillgrove Avenue, La Grange, Illinois
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