

the common market



A simple line-art outline map of Europe, showing the continent's borders and major islands like the British Isles and the Mediterranean islands. The map is centered on the page, with the title text overlaid on it.

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THE COMMON MARKET

summary

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ow has

already begun

Already, for well over three years, the Common Market has been facing the political and economic challenge presented to Europeans by the rapidly-changing postwar world.

The drive for European unification, which began ten years ago with the Schuman Plan, and whose ultimate aim is a united Europe, has reached a decisive stage. Within the Community, which at present comprises Belgium, France, Germany (Federal Republic), Italy, Luxembourg and the Netherlands, the customs union is rapidly taking shape and common policies are being hammered out—sometimes painfully, but none the less surely. Among the Community's neighbours, Britain, in a spectacular change of policy which may have historic consequences, has formally applied for membership and other countries have followed her.

The revolution now taking place in Europe stems from the radically changed continent which in 1945 emerged from six years of devastating war. The divided nations of Western Europe were no longer great world powers; their weakness, political and economic, before the new military giant in the East made nonsense of old nationalistic policies. Colonialism was dying. New ideas and new methods were needed.

The European Community is building a Europe which will be capable of standing on its own feet and playing a full part in this new world. It is not an alliance or an inter-governmental organization; the technical and economic nature of its work should not mask the fundamental political significance of what is being done.

An economic union of 170 millions people is being created; the first steps are being taken towards political unity; and the decision of the British Government offers the bright hope that the Community, nucleus of European unity, will expand into an even stronger union, determined, as part of the wider Atlantic community, to defend the values of freedom and democracy in which it believes.

TO MEET THE TECHNICAL CHALLENGE:

merging the national economies

WHY ?

It is no accident that the economic giants of the modern world—the United States and the Soviet Union—are both continental powers. Over an increasingly wide range of industry, modern technology demands an increasingly large scale of production.

Only a large economic area, offering a vast unrestricted market, is able to permit this scale of production. In many fields, too, it is impossible to organize investment and research on a sufficiently large scale, without the resources of such a market.

And, finally, only in a large market can fair and healthy competition, with its indis-

pensable stimulus to investment, production and consumption, be preserved among firms, the average size of which tends continually to increase.

In 1960, the United States, with 180 million inhabitants, had a national income of 503 billion dollars. The national income of the six Community countries, with 170 million inhabitants, was only 180 billion dollars. By establishing in Europe a vast single internal market, Europeans hope to play a full rôle in developing their own economies and those of the developing nations who look to them for aid.

HOW ?

—By creating a vast, single internal market

The task is not simply to permit trade in goods between separate economies, but to merge existing markets, and establish in their place the conditions and characteristics of a single market. This means:

—abolishing the traditional barriers to trade (customs duties, quotas, etc.) and less obvious hindrances such as discrimination and private agreements to share out markets;

—aligning the conditions in which imports from the rest of the world can enter the new economic area (a common external tariff) ;

—ensuring the free movement of persons, capital, firms and services.

—By putting into force a common economic policy

Gradually, the separate and divergent national policies must be merged in a harmonious whole (particularly in the field

of agriculture) while moving towards a common economic policy for the Community as a whole.

—Through common rules and institutions

To establish a single market and work out common policies the European Community has established an institutional system whose basic structure is federal: a European Executive Commission, independent of the member states, a Council of Ministers, in which sit the representatives of the Governments (deciding by weighted majority in most cases and thus avoiding the veto), a European Parliament entrusted with democratic control, and a Court of Justice.

The activity of these institutions, set up to work out and apply the common rules of the European Economic Community, is in fact political in kind, though economic in its field of operation: it aims not only at integrating the actions of producers, workers and businessmen, but also at harmonizing the policies of the national Governments and the major rôle they play in determining the conditions of economic activity.

TO MEET THE CHALLENGE OF HISTORY:

a political community

The European Community has chosen an economic path to unity, but it aims fundamentally at ridding Europe of the anomalies which have plagued her development in the past, and at enabling her to play a full political part in building the world of tomorrow.

The challenge of modern civilization

The appearance, at the dawn of the 20th century, of the automobile, the aircraft, the telephone and radio, reduced distances and barriers between the nations. One of the consequences of these inventions was that states tried to draw closer together in international cooperation.

Today, as the world changes even more rapidly, and television, atomic energy and space travel develop apace, further progress on the political level is becoming urgently necessary. We can already see in various fields, and not only in Europe, cooperation between nation-states giving way to the closer and deeper links of true integration.

The challenge of the Communist world

Europeans must also meet a second challenge: that of the political forces whose aim is the destruction of the Western way of life.

From the balance of power to the fusion of interests

To meet the new challenges, six European countries decided, ten years ago, on a radical change of course in their traditional policy. At the turn of the century, Europe consisted of a multiplicity of separate states moving into temporary groupings under the promptings of expediency. Fundamentally, the system rested on a balance between France and Germany. This was the "balance of power", the tragic finale of which began in 1939. When it ended, reconstruction was necessary. To the founders of the European Community—Jean Monnet, Robert Schuman, Konrad Adenauer, Alcide de Gasperi and Paul-Henri Spaak—fell the honour of substituting for the balance of power a fusion of interests. In place of the precarious co-

Faced with the expansion of the Communist empire, Europe has to prove not only that its free system is better, but also that it works better. Its people are becoming conscious that this is not simply an economic problem. New political ideas are needed. That is why the Community countries are now studying ways of achieving further political unity.

The challenge of poverty

The modern world has made clear the responsibility of the industrialized countries towards the less favoured countries for whom poverty is a constant menace.

The strengthening of European unity is likely to prove an indispensable condition for an all-out European effort of co-operation in solving the problems of underdevelopment.

operation of the nations, they proposed the pooling of problems and resources, defining as their objective an ever closer union cemented by common institutions—leading, eventually, to a United States of Europe.

The move towards integration is not an affair of technocrats or bureaucrats. It is an essentially political development which concerns all shades of opinion. That is why, in the following pages, the progress of the Common Market in the first three years of its existence—the difficulties which have been faced and the obstacles which have been overcome—is charted in some detail. It shows how Western Europeans are facing the political and economic challenge of today—and tomorrow.

FOR THE ACHIEVEMENT OF UNITY

THE INSTITUTIONS OF THE COMMUNITY

To work out, put into force and supervise the common rules and common policy of the Common Market, the Community has been provided with an institutional structure, the major features of which are federal: an Executive independent of Governments and of private interests, subject to parliamentary and judicial control, and acting in close

cooperation with a Council of Ministers in which the six Governments are represented. Experience shows that this balanced institutional system assures effective action and that it will not be possible to continue the drive for European integration unless its rules are observed and its possibilities of development further exploited.



*The Executive Commission of the
Common Market:*

(from left to right)

Walter Hallstein (President)
Robert Marjolin (Vice-President)
Sicco Mansholt (Vice-President)
Giuseppe Caron (Vice-President)
Robert Lemaignen
Jean Rey
Hans von der Groeben
Lambert Schaus
Lionello Levi Sandri

the common market's executive commission

The Executive Commission of the Common Market is composed of nine members who act in full independence of Governments and of sectional interests.

Appointed by the six Governments acting together, they are forbidden to accept instructions from their country of origin, and are answerable exclusively to the European Parliament. The Executive is collectively responsible for its decisions which it takes by simple majority.

In addition to its daily task of taking and putting into force directly decisions relating to the Common Market as a whole, the Executive Commission has a triple role:

—It is the mainspring which stimulates and gives the initial impulse to Community action: it proposes action over a large

number of fields, and its proposals can only be modified by unanimous vote of the national representatives in the Council of Ministers (see below).

—It is one of the guardians of the Treaty, with the task of keeping the Governments and the citizens of the Community within the bounds of the path they have chosen. It may call to account before the Court of Justice offenders who break the Treaty rules.

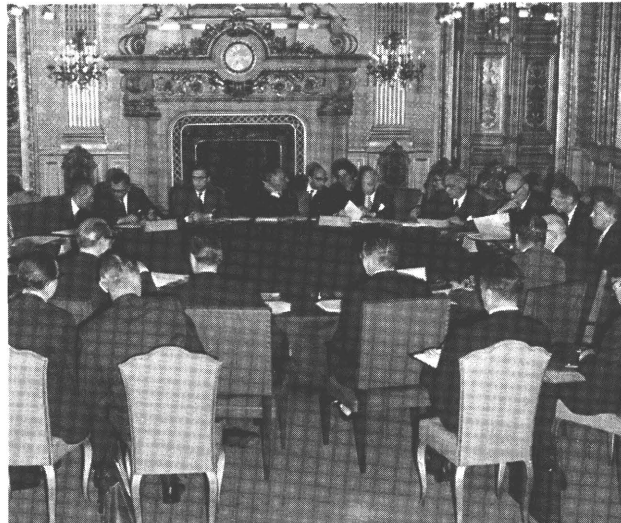
—It is the Community body which furthers agreement among the six member states and thus ensures the possibility of joint action.

The effective operation of the Community depends on constant cooperation between the independent Executive and the national representatives in the Council of Ministers.

the council of ministers

The Council of Ministers, which comprises one member of each of the member Governments, is in most cases the decision-taking body of the Community. Though its members represent the national Governments, it is a Community body and its decisions—unlike those of international organizations—are increasingly taken by weighted majority as the Common Market progresses. This means that no single country has a veto.

While the most important decisions must be taken by the Council of Ministers in the last resort, the latter can act only on the proposal of the Executive Commission. Its vote, therefore, does not represent a sum of differing national interests; it expresses the general interest of the Community as a whole.



the european parliament



Following the democratic traditions of Western Europe, the Common Market Executive, like the Executives of the Coal and Steel Community and Euratom, is answerable to the representatives of the people—the European Parliament. This body's 142 members—36 each for France, Germany and Italy, 14 each for Belgium and the Netherlands, and 6 for Luxembourg—are at present appointed from among the members of the national Parliaments, but steps have already been proposed by the Parliament to have its members elected in future by direct universal suffrage.

The Parliament's task is to exercise control over the Executive, which it can compel to resign in a body by passing a vote of censure by a two-thirds majority. It can also put parliamentary questions, to which the Executive must reply, and in many cases it must be consulted when the Commission puts forward proposals.

The Parliament influences day-to-day policy through its debates and its thirteen standing committees. Thus its members, who sit in three political groups—Liberals, Christian Democrats and Socialists—play an active part in furthering European integration.

the court of justice



Like all federal-type systems, the European Community is subject to strict judicial control. The Community Institutions and the national Governments are subject to control by the Court of Justice of the Community, composed of seven judges assisted by two Court advocates, who ensure the respect of law in the interpretation of the Common Market, Coal and Steel Community and Euratom Treaties.

The Court of Justice decides whether decisions of the Executives and of the Council of Ministers shall be upheld or annulled. Its judgments have the force of law in the Community, where they are directly enforceable on private individuals, firms, governments and the European Executives themselves.

the european community INSTITUTIONS

ECSC
EUROPEAN COAL AND STEEL COMMUNITY

COMMON MARKET
EUROPEAN ECONOMIC COMMUNITY

EURATOM
EUROPEAN ATOMIC ENERGY COMMUNITY

THE EXECUTIVES



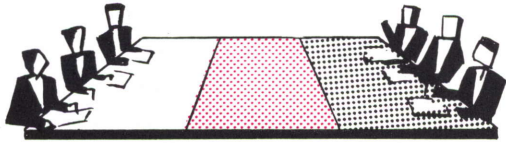
- European Investment Bank
- Monetary Committee
- European Social Fund
- Overseas Development Fund



- Economic and Social Committee



- Supply Agency
- Scientific and Technical Committee
- Joint Nuclear Research Center



COUNCILS OF MINISTERS

DEMOCRATIC CONTROL



EUROPEAN PARLIAMENT

JUDICIAL CONTROL



COURT OF JUSTICE





owards a single market

The first task of the Community has been to put into force measures ensuring the gradual achievement of a single market of 170 millions consumers, in which people, goods, services and capital will be able to circulate freely at the end of a transition period originally timed to end in 1969.

However, the first results in removing trade barriers were so favourable that it proved possible to speed up the Common Market timetable for a wide range of matters, and thus to envisage a shortening of the transition period.

Among the major tasks of the Common Market in removing the barriers to a single market are:

- the elimination of obstacles to the free circulation of goods: the dismantling of customs and quota barriers, and the improvement of the conditions of trade in certain products ;*
- the free movement of workers, the right of free establishment and of offering services freely, the free movement of capital ;*
- the establishment of fair and healthy competition ;*
- the introduction of a common external tariff.*

customs duties have been cut by 30%

Customs duties: the Community countries had already carried out, by the beginning of 1961, three internal tariff reductions of 10 per cent each from the level applied to industrial products in 1957: on January 1, 1959, July 1, 1960, and January 1, 1961.

A fourth tariff cut of 10% was due to be made on December 31, 1961. However, the Community's Executive Commission proposed that this cut should be increased to 20%, following the decision to speed up the Common Market. If this is approved, the total cut will reach 50% and the Community will have gained three years on the timetable initially laid down.

For agricultural products, the total reduction had reached 25% on December 31, 1960.

Community preference: the tariff preference enjoyed by the six member countries of the Community, in comparison with other countries, is not, however, so great as may at first appear from the figures.

The reasons are as follows:

- the first tariff cut on industrial goods and on non-liberalized agricultural produce was extended to all the member countries of GATT (the General Agreement on Tariffs and Trade), without however bringing duties below the level of the Common External Tariff (*);
- the second tariff cut was extended by the Benelux countries to non-member countries for products on which the duty levied was higher than that of the Common External Tariff (*), again without going below the level of the latter;
- in Germany (Federal Republic), the second tariff cut had no effect on the level of duty for the majority of industrial products, owing to the "trade-cycle" tariff cut carried out in August 1957 for all member countries of GATT;
- in April 1961, the French Government decided to cut tariffs in general by 5%, with 10% cuts for a number of products (automobiles, engineering products, textiles, chemicals). These cuts were applicable to all countries, though for non-members they cannot bring tariffs below the level of the Common External Tariff (*).

(*) See page 17.

quota restrictions to end in 1961

The Common Market Treaty provides for gradual reduction of quota restrictions (quantitative restrictions to trade). The rapid growth of the Community's economy has, however, permitted a much more rapid dismantling of quota barriers than was originally foreseen. Under the speeding-up of the Common Market timetable, all quantitative restrictions on *industrial products* will be abolished within the Community by the end of 1961.

Present situation: global quotas were opened without discrimination to all Community countries a year after the Treaty entered into force; they are based

on the sum of all bilateral quotas previously in existence between Community countries and have since been increased by 60% of their total value.

Nil and negligible quotas have been increased, on an average, to 5% of the national production of each member country.

The enlargement of quotas also affects farm produce and food in so far as they are not subject to national marketing organizations or a minimum-price scheme.

For certain agricultural products, global quotas have been increased since the start of the Common Market by 50%, or fixed at 5.2% of national production.

safeguards do their work

Built into the Common Market Treaty are a number of safeguards. They are intended to avoid the endangering of the Community's objectives through economic dislocation during the transition period in which economic frontiers are gradually being abolished.

1) The safeguard clauses

In case of serious and persistent difficulties in a particular sector or region, a member state can ask for permission to take safeguard measures which will enable it to bring the situation back into balance and to adapt the sector to the Common Market's economy. A very small number of requests for the application of the safeguard clauses has been made in the first three years by the member countries' Governments; as a result the Commission has:

- authorized Italy to adopt safeguard measures for the Italian market in several products, including sulphur, various chemicals, raw silk, lead and zinc. These measures should enable reorganization to be carried out in several crucial sectors of the Italian economy, with the help of the European Social Fund and the European Investment Bank;
- exempted Italy from enlarging import quotas for wine, owing to the difficulties

caused by surpluses which have been occurring for several years in the Italian wine-growing industry (with the exception of a quota of 10,500 hectolitres for Benelux and German wines);

- authorized Germany to levy a temporary tax on bread coming from the Netherlands and on fondant paste coming from Belgium and the Netherlands, owing to difficulties arising from disparities in the conditions of competition.

2) Minimum prices

If the gradual abolition of customs duties and quotas is likely to lead to prices capable of imperiling the objectives of the common agricultural policy, each member state may adopt, for certain products, a system of minimum prices. When prices fall below these levels, imports can either be temporarily suspended or reduced, or allowed only at a price not lower than the minimum which has been fixed.

The Commission has made proposals to the Council for determining the criteria by which minimum prices may be fixed. So far these prices have been applied mainly for fruit and vegetables. France has also adopted them for pig meat, lard and poultry, Italy only for butter and beef; the Netherlands, on the other hand, has not used them at all

common market timetable

HOW TRADE BARRIERS ARE BEING REMOVED

Entries in red show measures taken under the decision of May 12, 1960, to speed up the Common Market timetable.

DATE	INTERNAL TARIFF CUTS	QUOTA ENLARGEMENTS		
		Normal quotas		Small quotas
	Total	Total	Minimum for each product	
Stage 1 :				
1958	—	—	—	—
1959, Jan. 1	By 10 %	By 20 %	By 10 %	To 3 % of production (all bilateral quotas become global).
1960, Jan. 1	—	By 20 %	By 10 %	To 4 % of production.
July 1	By 10 %	—	—	—
Dec. 31	By 10 % (*)	—	—	—
1961, Jan. 1	—	By 20 %	By 10 %	To 5 % of production.
Dec. 31	By 10 % or 20 % (**)	Abolition of quota restrictions on industrial goods (***)		
<p>By end of Stage 1: Total internal tariff cuts on each product must be at least 40 % and export duties and export quotas must be abolished within the Community. By the end of 1960, the Common External Tariff must be applied on those products where the previous national duty was no more than 15 % higher or lower than the common tariff; in other cases the difference must be reduced by 30 %. This Stage may be prolonged if the Council does not unanimously decide to end it.</p>				
Stage 2				
1963, July 1	By 10 %			
1964, Dec. 31	By 10 %			
1965, Dec. 31	By 10 %			
<p>By end of Stage 2: Total internal tariff cuts on each product must be at least 50 %; the difference between remaining national tariffs and the Common External Tariff must be cut by a further 30 %. This Stage may only be prolonged by unanimous vote of the Council.</p>				
Stage 3				
1966, Jan. 1	Acting on the Commission's proposal, the Council fixes the rate of remaining internal tariff cuts during Stage 3.			
1969, Dec. 31	To zero			
<p>By end of Stage 3: All internal tariffs and quotas, and restrictions on the free movement of men, services, and capital to be removed. The Common External Tariff to be applied. This Stage may only be prolonged by unanimous vote of the Council: the total transition period may not be prolonged by more than three years.</p>				
<p>(*) By 5 % only for agricultural products. (**) The six Governments were to decide in 1961 whether the 10 % cut laid down in the Treaty would be doubled. (***) Special arrangements were made for enlargement of agricultural quotas.</p>				

towards a common external tariff

By the end of the transition period, i.e. by 1970, the Community will have replaced its members' existing tariffs for imports from the rest of the world by a single external tariff. On January 1, 1961, a year ahead of schedule, the six member countries carried out the first alignment of their national tariffs on the common external tariff.

The common external tariff

One of the Community's first tasks was to fix the duty rates of the Common External Tariff.

Two years earlier than laid down by the Treaty—on February 13, 1960—the Community published this single tariff for Common Market imports from the rest of the world. Only five positions still remain undecided: four for oil products and one for manufactured tobacco.

The first step

Under the Common Market Treaty, the gradual alignment of the national customs tariffs on the Common External Tariff was not due to begin until December 31, 1961. However, the six Governments decided, following an initiative by the Common Market Commission, to bring forward the first alignment to January 1, 1961, as part of the general plan to speed up the Common Market timetable.

This alignment is being effected on the basis of the common tariff reduced by 20 % provided that tariffs above the common tariff level are not brought down below it. In this way, the Community wished to make a positive contribution to the work of GATT in reducing world tariffs in general. The concessions will be made permanent, in whole or in part, depending on the degree of reciprocity obtained in the negotiations in GATT in 1961.

It is one of the simplest tariffs in the world. Its 1,097 positions comprise 2,875 lines, compared with 3,585 for the United States and 3,410 for Great Britain.

Apart from a list of products for which the Governments agreed to fix the common tariff by negotiation among themselves (list G), the duty rates of the Common External Tariff were fixed on the basis of the arithmetical average of the national customs duties in force on January 1, 1957.

As the situation stands at present, each Community country has:

- fully aligned on the Common External Tariff those of its national customs duties which were not more than 15 % above or below the Common Tariff rate;
- reduced by 30 % the difference, in either direction, between the remaining national tariffs and the Common External Tariff.

For a certain number of sensitive products in List G, France and Italy were authorized by the Commission to carry out the alignment on the basis of the Common External Tariff without the 20 % reduction. Products affected by this measure amount to only between 3 and 4 % of the Community's total volume of imports in 1957.

Waivers

Waivers from the Common External Tariff can be granted by the Commission when Community output of certain products is insufficient, and when the supply of one or several of the member countries traditionally depends on imports from non-member countries. In these cases, tariff quotas at reduced or nil duties may be granted to the country concerned. Of the tariff quotas

requested by member countries, roughly 50 have been granted.

Tariff quotas involve for the Community a number of risks, since they bring a break in the unity of the Common External Tariff and in the achievement of the customs union. They should be considered as transitional measures, the Commission believes.

Examples

The examples given in the table below show more clearly the mechanism for the abolition of customs duties inside the Community and for the adoption of the

Common External Tariff (CET). They take into account only decisions adopted up to August 1, 1961; the possibility of further reductions remains.

PRODUCT	FOR IMPORTS INTO	CUSTOMS DUTIES (%)					
		BEFORE COMMON MARKET (BASIC DUTIES 1-1-1957)	PRESENT SITUATION (1-8-61)		BY END OF TRANSITION PERIOD		
		For all imports	For imports from other Community countries	For imports from non-member countries	For imports from other Community countries	For imports from non-member countries	
					CET	CET minus 20 %	
Motor-cars up to 4000 cc. cylinder capacity	Benelux	24	16.8	24	0	29	23.2
	France	30	18	29	0		
	Germany (F.R.)	17 - 21	11.5 - 14.5	17 - 20.7	0		
	Italy	40 - 45	28 - 31.5	34.9 - 38.4	0		
Tractors up to 7000 cc. cylinder capacity	Benelux	6	4.2	9	0	18	14.4
	France	25	16.25	21	0		
	Germany (F.R.)	10	7	10.3	0		
	Italy	36	25.2	28.9	0		
Newsprint	Benelux	10	7	8.6	0	7	5.6
	France	0 and 7	0	0	0		
	Germany (F.R.)	0	0	1.7*	0		
	Italy	9	6.3	8.1	0		
Refrigerators domestic, up to 2 cu. m. capacity	Benelux	12	8.4	12	0	13	10.4
	France	18	11.7	14.5	0		
	Germany (F.R.)	5	3.5	6.2	0		
	Italy	20	14	17.1	0		
Ammonium nitrate	Benelux	0	0	2.4	0	10	8
	France	20	13	15	0		
	Germany (F.R.)	10	7	7.5	0		
	Italy	10 and 18	7 and 12.6	10 and 15	0		

(*) Duty-free tariff quota exists for 310,000 tons a year.

other steps to increase trade

In addition to the measures to remove trade barriers, the Common Market Executive has taken special steps to improve trade in certain particularly difficult sectors.

The modification of trading monopolies

Under the Treaty, the Community countries are obliged gradually to modify national trading monopolies, so as to exclude all discrimination in supply and marketing conditions as between nationals of the member countries.

The major achievements so far have been in the field of tobacco, where both the French and the Italian Governments have radically modified their tobacco monopolies, bringing them into line with the rules of the Common Market. As a result imports of cigarettes into Italy in 1960 were 45.6 % higher than in 1957, and into France 50.4 % higher.

Imports of cigarettes (in kilograms)

	1957	1958	1959	1960
FRANCE	184,700	208,400	235,400	269,100
ITALY	97,100	161,900	90,500	146,100

In Germany and the Benelux countries, tariff quotas at reduced duty rates were opened in 1961 for tobacco products from other Community countries.

Agreement has also been reached on matches, and consultations were being held with the French and Italian Governments on various other national trading monopolies in those countries.

Long-term contracts for farm products

For farm products for which national marketing organizations exist, so as to ensure the sale of home production, and to which the rules on quota enlargements are thus inapplicable, member countries may conclude long-term agreements or contracts with the Community's exporting countries. These agreements and contracts must be concluded before the end of 1961. They will be valid until the common agricultural policy comes into force.

For products on which it has not proved possible to conclude a long-term agreement, the Treaty does not lay down measures for promoting trade expansion outside the common agricultural policy. This gap was filled by the decision of May 12, 1960, to speed up the Common Market timetable. This decision obliged member states to admit in 1961 imports corresponding to the average annual imports of the last three years before the Treaty came into force, increased by 10 % for each of the years 1959, 1960, 1961.

An agreement has been concluded between France and Germany on wheat and coarse grains.

Negotiations have also been held between Germany on the one hand, and the Netherlands and Belgium on the other hand, between the Netherlands and Belgium, and between France and the Netherlands. They concerned brewing barley, cattle fodder, meat, butter, sugar and wheat.

free movement in the common market

The Common Market Treaty lays down that the freeing of trade in goods in the Community shall be accompanied by freedom of movement for persons, capital and services. Though the obstacles to freedom of movement are not due to be fully eliminated until the end of the transition period (in 1969), substantial progress has in fact been made towards this objective in the first three years.

The free movement of workers

The first regulations on free movement of workers have been approved by the Council of Ministers and are now in force. They constitute an important step towards abolition of the administrative procedures and practices which hamper the freedom of movement of labour.

The regulations:

- set out the rights of workers from any of the Community countries with regard to their entry, stay and employment in another country of the Common Market,
- set up mechanisms enabling offers of employment and requests for employment to be brought together,
- ensure the necessary cooperation between national administrations, and between the latter and the Common Market's Executive Commission.

Priority is still given to workers from the country in which a vacancy occurs. After three weeks, however, the vacancy is open to workers from the other member countries of the Community. After a year of regular employment, workers from other Community countries are entitled to have their authorization renewed for the same occupation; after three years, they can also move to another occupation for which they are qualified. After four years, the worker is entitled to exactly the same treatment as workers of the country in which he is employed. Provisions are also made for members of his family with regard to access to employment and education.

In addition, a Convention on Social Security for Migrant Workers—covering about one million persons—has been in force since January 1, 1959. It enables workers to retain benefit rights when they move to another Community country.

The free movement of capital

A first directive for freeing certain types of capital movement has been approved by the Council of Ministers, on the proposal of the Common Market Executive, and entered into force on June 27, 1960.

It establishes:

- **unconditional** freedom for capital movements connected with the freeing of trade in goods, of services and of the movement of persons, and also with the free exercise of the right of establishment;
- **unconditional** and irreversible freedom, subject to safeguard clauses, for sale and purchase of stocks and shares quoted in the Community stock markets;
- **conditional** freedom with regard to the issuing and placing of stocks and shares on capital markets, and for the purchase of stocks and shares not quoted in the market. Any Community country may thus maintain or reimpose existing restrictions, if their abolition is likely to hinder the achievement of its economic policy objectives.

The right of establishment

The Common Market Treaty lays down the principle of free establishment for independent activities. This means that citizens of the Community wishing to exercise a non-wage-earning activity in another Community country must be given the same rights as a citizen of that country.

The removal of obstacles to the free establishment of persons (whether physical or legal personalities, i. e. including firms and organizations) must be carried out gradually over the transition period, at the end of which every firm and every non-wage-earning person of the six member countries will be able to carry out his occupation in any of the other countries, whatever his activity, without hindrance and without any formalities or restrictions which are not imposed on firms and persons belonging to the country to which he has moved.

To arrive at this result, the Commission has submitted to the Council of Ministers a general program for free exercise of the

right of establishment. This program, which lists existing obstacles to free establishment, sets out a timetable for their abolition, giving priority to activities which will be particularly useful for the development of production and trade.

Thus the program envisages the abolition of discriminations based on nationality which restrict access to numerous activities. For example:

- by the end of 1963, for a number of industries (textiles, footwear, paper, basic chemicals, metalworking), wholesale trade, banking, dealings in property;
- by the end of 1965, for retail distribution, department stores, food industry;
- by the end of 1967, for pharmacies (chemists), veterinary surgeons, insurance agents, transport;
- by the end of 1969, for education, film production, and publicity material.

Freedom to supply services

Services—insurance, banking, finance, distribution, personal services and the exercise of the liberal professions—play an ever-increasing rôle in the development of advanced industrial economies.

The Common Market Treaty provides that by 1969 all obstacles to the movement of services inside the Community shall have been removed. This will occur gradually over the transition period, when restrictions on freedom to supply services will be

abolished in so far as they are imposed on Community citizens who establish themselves in a country of the Common Market other than that in which the services are carried out.

The Common Market Commission has submitted to the Council a general program for establishing freedom to supply services anywhere in the Community. The timetable proposed follows closely that for the right of establishment, but at a rather quicker rate.

the rules of competition take shape

While the Common Market means the abolition of all internal barriers to trade, the Community is aware that it cannot fully achieve its objectives unless all practices tending to prevent, restrict or distort fair and healthy competition are eliminated.

The dismantling of internal frontiers in order to create a large economic area makes specialization agreements and other measures of rationalization in industry essential, both within the member countries and on the Community scale. It would not, however, be in the interests of healthy

economic growth and the improvement of living standards if control of the market should pass into the hands of cartels or a very small number of firms.

Moreover, for competition to work fairly, the balance of the market must not be distorted by national legislation or regulations. In its three years of existence, the Common Market Executive has taken a series of important measures on these matters, notably in the fields of: competition, dumping, state aid, the alignment of legislation and the conditions of transport.

Dealing with cartels

The Common Market's Executive forwarded to the Council of Ministers in October 1960 a first draft regulation for applying the Treaty provisions on cartels and on the abuse of "dominant positions". (A firm or group of firms is held to exercise a dominant position when it is able to impose its prices and its selling conditions arbitrarily upon the market.)

The principles set out by the Treaty are as follows:

"The following are incompatible with the Common Market and are prohibited: all agreements between enterprises, all decisions by associations of enterprises, and all concerted practices, which are likely to affect trade between the member states, and which have as their object or effect the prevention, restriction or distortion of competition within the Common Market... Nevertheless, these provisions may be declared inapplicable in the case of agreements and practices which contribute to the improvement of production or distribution of goods, or to the promotion of technical or economic progress..." (Article 85).

The Treaty provisions recognize that competition can be restricted or distorted

not only by state intervention but also by concerted practices and cartel agreements. The Commission's draft regulations therefore set out a series of practical, legal and procedural rules which will enable these provisions to be put into practice.

At the centre of the Commission's proposals is the concept that Article 85 of the Treaty places a general ban on cartels, with automatic nullity. Agreements which may continue to exist therefore require specific exemption from this general rule under certain conditions.

Article 86 of the Treaty bans the abuse of dominant positions. The trend towards optimum operating size of firms—justified from the point of view of economic expansion—is not, however, hampered by this article.

The draft regulations would give the Commission power with regard to provision of information, control, and, in cases where the rules were not observed, to impose penalties and fines.

The aim of the regulations is to achieve uniform application of the law in all the Community countries and to guarantee the rights of all concerned.

Dumping

Dumping occurs when goods are exported at a price below their "normal value" and thereby cause serious damage to industry in a Community country.

The Treaty lays down that if, in the course of the transition period, the Common Market Commission discovers dumping practices in trade between Community countries, it must address a recommendation to the firm at fault, asking it to desist.

If the practices continue, the Commission can authorize the member state affected to take protective measures, the conditions and forms of which the Commission defines.

Under these provisions, the Executive has taken action in eleven cases in three years. In most of the cases, the practices in question have been voluntarily abandoned by the firms at fault.

State aids

The Common Market Commission carries out, in conjunction with the Community's member states, a constant examination of the latter's systems of aid and subsidies, and proposes the steps required for the development or operation of the Common Market.

Various aid projects have been notified to the Executive which in fact aimed essentially at promoting economic expansion or development in particular sectors. In two cases, however, steps have been taken to eliminate advantages which were held to be discriminatory.

The harmonization of legislation

- *Industrial property:* the alignment of national systems of protection of industrial property is one of the objectives of the Commission. It has set up a coordinating committee which is studying the fundamental problems involved in working out a European law for patents, trade marks, designs and models.
- *Fiscal provisions:* The Commission has set up a committee of economists to examine existing disparities between taxation systems in the six countries,

and ways of harmonizing them when they interfere with the achievement of the Common Market.

Pending a complete solution to the problem of harmonizing turnover and purchase, or sales, taxes, the Commission has proposed a provisional solution, based on a procedure of prior consultation before any new measure is taken in connection with the compensatory taxes paid when goods are imported and the rebates granted when goods are exported.

The abolition of discrimination in transport

The Council of Ministers has adopted regulations proposed by the Commission for suppression of discrimination in transport rates and conditions. The regulations introduce:

- a ban, enforced by powers to impose heavy fines, from July 1, 1961, on discriminations in transport rates and conditions based on the origin or destination of the goods carried;

- the obligation for member governments to notify rates, price conventions and agreements in force in their countries laying down rates and conditions by country of origin or destination of the goods.

The question of price publicity has been set aside until July 1, 1963, in order to ease a solution in the framework of a common transport policy.



to



wards **common policies**

The Common Market does not merely mean abolishing barriers to free trade within the Community. The spur to economic expansion and the consequent rise in living standards which will result from the opening of frontiers, could not be maintained without simultaneous moves, in the vast new economic area being created, towards the harmonization of the member states' national policies and towards genuine common policies for the Community.

Thus, while the mechanisms of the customs union tend to work more and more automatically, the major task of the Community institutions is becoming increasingly to work out these common policies and to put them into practice.

In its three years of activity, the Common Market's Executive has been laying the foundations of this joint policy. It involves the general development of the economy, and of industrial and commercial activity, as well as energy, transport, social problems, agriculture and Community policy towards the associated countries in course of development—particularly the African countries—and also towards the rest of the world.

A high annual growth rate

The Community policies which the Commission must work out in the different fields of its powers are dependent on the general lines of economic policy which it envisages for the development of the Common Market.

To justify itself, the Common Market must maintain the expansion of production at a more rapid rate than would have been possible for each of the member countries in isolation. In this light, the Commission considers an annual increase of 4 to 5 % in the gross national product a reasonable possibility. This would enable the Community to bring all the advantages of integration to its peoples, and to carry out for countries in course of development—and in particular those which are associated with it—the responsibilities which are the price of prosperity.

To achieve this general aim, Governments, administrations and firms must in future work out their plans and their activity not merely in a national framework but on the basis of the new economic unit constituted by the Community. One of the tasks of the Community institutions is to provide a global view of the new economy which is rapidly coming into being—an economy of 170 millions producers and consumers—and to see that expansion can be pursued in stable, healthy conditions, so as to benefit all sections of the population.

Global forecasts are being drawn up of the probable nature of the Common Market's economy in 1970, together with sector and regional studies which aim at throwing light on the prospects for a number of industries facing or likely to face particular problems (for example, textiles, ship-building, sulphur, automobiles, oil and paper-making).

Important studies have also been carried out as guidance for regional policy in the Community.

The European Investment Bank

One of the main instruments of the Community's economic policy is the European Investment Bank, whose capital is \$1,000 million, and whose action is developed in close cooperation with the Common Market Commission. It has already granted a series of loans to aid the development of the Community's more backward regions.

The Bank is not limited to intervention in the field of heavy or basic industries. It is currently widening its operations to new fields such as transport, agriculture and small and medium-sized firms.

So far, loans by the Bank have reached a total of \$120.5 millions, which have enabled a total investment of nearly \$900 millions (loans are not intended to finance projects completely and so far have covered an average of 14 % of the total costs of the projects involved).

Loans have been allotted as follows (millions of dollars): Italy 82.4 (68.4 % of the total); France 31.7 (26.3 %); Luxembourg 4.0 (3.3 %); and Germany 2.4 (2.0 %).

More than 90 % of the total so far loaned by the Bank has gone to underdeveloped regions of the Community.

trade-cycle policy

First steps in coordination

The Treaty binds the member states to consider their trade-cycle policy as a matter of common interest. The permanent objectives set out for the Community in the Treaty are: economic expansion, a high level of employment, the raising of living standards in general, price stability, maintenance of confidence in the currency, and equilibrium in the balance of payments.

So far, these aims have been largely met, and the Community has not had to face particularly important problems in trade-cycle policy or in coordination of economic policies.

Nevertheless, the Common Market Commission has proposed to the Council of Ministers various measures which it regards as desirable in order to ensure a permanent

coordination of trade-cycle policies by adopting a procedure of regular consultation. In particular it has recommended:

- a substantial increase in the export of public and private capital by the Community so as to aid countries in course of development;
- better use of available manpower in the Community and a speeding-up of occupational training;
- a coordination of interest-rate policy.

A Trade-Cycle Committee, which groups representatives of the Governments and of the Commission, has also been set up, and has started an inquiry into the instruments of trade-cycle policy available to the Community countries in the task of maintaining a high rate of economic growth.

monetary policy

The coordination of the Community countries' monetary policies has two main aspects. In the first place, the Community must make sure that progress in freeing trade in goods and services is not endangered by monetary difficulties. For this purpose the Common Market's specialized bodies, the Monetary Committee and the Trade-Cycle Committee, carry out periodical studies of the situation in the countries concerned. No major difficulties have so far appeared in this connection. In general, rapid growth has been achieved in conditions of price stability. The payments balances of the member states have been in surplus.

The second aspect of the coordination of monetary policies, which has presented more difficult problems, is that of drawing together the monetary policies of the member states towards other countries. The importance of the Community's economic potential, of its trade with non-member countries, and of its position in international monetary relations, means that the Community as a whole, like its component states, must keep in mind its responsibilities, and in its decisions take into account the situation of the rest of the world. Close cooperation is particularly necessary, as the Monetary Committee stated in its latest annual report, in finding ways to supplement and strengthen the international monetary system.

energy policy

An emergency program

The difficulties caused in the energy market by the rapid advance in consumption of oil products and coal's loss of ground, have led the Executives of the Common Market, the Coal and Steel Community and Euratom to join forces in seeking solutions to the problem of co-ordinating energy policies in the Community countries.

The Inter-Executive working group on energy, comprising representatives of the three Community Executives, early in 1961 put before the Council of Ministers a programme of immediate action, which recommended:

- an agreement on first steps to bring into line the six countries' commercial policy, their rules of competition governing energy, and fiscal and administrative measures likely to produce price distortions;
- a Consultation Agreement, which would engage governments not to take new measures on energy policy without consulting the other member countries

and the three Executives in the Council of Ministers, and also provide regular general consultations on energy policy;

- an Agreement on emergency measures, such as import quotas or levies, or subsidies on Community coal, to deal with any sudden break in the energy market.

The Inter-Executive group is now working on proposals for long-term measures.

In addition, the Commission has the task of creating a genuine common market in crude oil and refined products. Information so far gathered by the Commission will enable it, in case of need, to propose to the Governments the adoption of a common attitude towards imports from the Soviet Union and East European countries.

The establishment of the Common Market in oil products also requires some degree of harmonization in the rules of competition. The Commission has contacted the national administrations on the subject of certain monopolies which hamper the free movement of oil products.

transport policy

The Common Market Commission in 1961 set out the basic principles of a common transport policy.

The different Community countries have transport systems which differ profoundly in many respects. Their national transport policies are based in varying degrees on two opposed tendencies: the first regulates transport in accordance with what is considered to be the general interest, while the second deals with it as far as possible in a similar way to the other industrial and commercial sectors. At the same time, there is a growing tendency to bring transport rates into line with real costs.

It is the view of the Common Market's Executive that the Community's transport systems must be able to meet, in satisfactory fashion and at the most economic

rates possible, all the new requirements which will be produced by the establishment of the Common Market, while at the same time ensuring that the principles of non-discrimination and free circulation are observed.

The Commission has also submitted to the six Governments recommendations for developing the Community's transport infrastructure, setting out the major priorities for construction and improvement work on railways, roads and internal waterways, and it has drawn up a general map of the major European arteries. On the basis of this global plan, the European Investment Bank has already allocated financial aid to certain key projects (notably large-scale improvements in the electric rail link from Modane to Genoa).

For a high level of employment

Though one of the major objectives of the Common Market is a social one—the raising of living standards for the peoples of the Community—the Commission has only limited powers of direct intervention in social developments. This has not prevented it from undertaking a series of tasks in this field, in close association with the industrial and trade-union organizations and national administrations concerned.

The most important of these have concerned:

- the **European Social Fund**, brought into being in 1960 with the task of promoting employment facilities and mobility of labour, both between areas and between trades, within the Community. This Fund is able to reimburse one half of the amounts spent, by Governments or other public authorities, on reemployment and resettlement of labour. It thus provides financial aid for resettling unemployed workers and for making up the level of wages of workers who are affected by industrial reorganization, during the period when they are waiting to be fully employed once again. For the two years 1960 and 1961, \$ 30 million have been allocated to the budget of the Fund;
- equal pay for men and women for similar work, which should be achieved by 1962 under the Treaty;
- an international conference organized by the Common Market Commission on the theme “Technical Progress and the Common Market”, held in Brussels from December 5 to 10, 1960;
- an inquiry into the cost of labour and into workers’ income in 14 industries;
- a continuing study of the development of employment in the six member countries from 1954 onwards;
- the working out of the general principles which will form the basis of a common policy on occupational training. By making possible a better use of available manpower and facilitating reemployment on the spot rather than encouraging mass displacement of workers, this policy constitutes one of the keystones of social policy;
- compilation of detailed documentation on the whole field of the social security systems of the Community countries, not only for wage earners but also for independent workers;
- equivalence between systems of holidays with pay and the alignment of methods of paying overtime, which are being studied;
- the regulation adopted by the Community’s Council of Ministers for ensuring the free movement of workers in the Common Market (for details, see page 20);
- the Convention on Social Security for Migrant Workers.

Finally, the Community’s Executive attaches major importance in this field to its regional policy and the operations of the European Investment Bank (see page 26). The development of those regions of the Community which are at present least favoured will bring about better and more stable employment and the increase in living standards of the workers which is one of the fundamental purposes of the Common Market.

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Common agricultural policy

Because of its social importance and economic structure—notably the predominance of the family farm—agriculture, the essential wealth of Europe's surface soil, occupies a special position in each of the Community countries. This special position has been marked by increasingly frequent and far-reaching state intervention.

When they decided to bring into being a Common Market, the six Governments determined that they would reach agreement on an agricultural policy which would also be common to all of them.

The Executive of the Common Market in the summer of 1960 submitted to the Council of Ministers the final version of its proposals for this common policy for agriculture. Its aim is to create a single market similar to a national domestic market. To reach this aim, the Commission proposed an agricultural marketing policy and a policy for structural improvement of agriculture.

Since then, discussions have been held between the six Governments with a view to reaching a complete agreement, which will constitute, in this fundamental but highly difficult matter, an important test of their Community spirit. So far, agreement has been reached on the general principles of the Commission's programme. However, substantial differences still persist between the Governments, notably on the level of prices to be adopted, the alignment of these prices, and the policy to be followed towards countries which are not members of the Community.

the four objectives

1 A balance between supplies and needs

The common agricultural policy sets out to guide production towards a balance between supply and demand inside and outside the Common Market. In particular, it is essential to avoid the grave difficulties which would result from permanent overproduction. This balance can be achieved through a policy to improve the structure of agriculture and through action on supply (greater regional specialization, stockpiling, etc.) and on demand (improvement of quality, etc.).

2 A fair return for farmers

The family farm is not only an attractive form of working, but an existing social reality. The common agricultural policy aims at ensuring the profitability of production, by offering a fair return to farmers operating family holdings in normal conditions. In order to achieve a lasting improvement in income and living conditions, which are at present unsatisfactory for large numbers of farmers, energetic steps will have to be taken towards improving the structure of agriculture in the different regions of the Community: regrouping of holdings, electrification, better means of transport and systems of land tenure, instruction in new methods, and occupational training.

3 Stable markets

To ensure a sufficient and stable return to farmers, the Community's agricultural common market must be sheltered from the speculative movements of international commodity prices, without however being cut off from the influence of long-term movements in the world market.

While agricultural markets must be stabilized, in order to prevent excessive price fluctuations, with their unfavourable consequences to farmers' incomes, the elimination of economic risks would hold up adaptations to changes in demand and must therefore be avoided.

4 A fair deal for consumers

The common agricultural policy aims at guaranteeing the interests of consumers and the processing industries. Obstacles which might make it difficult to satisfy the needs of the processing industries and of efficient distribution must be removed. An adequate flow of supplies must be maintained at the various stages of processing and marketing farm products, so as to ensure maximum consumption. This will mean strengthening and developing the activities of the processing industries and also of the distributing trade, which should not be prevented from participating in external markets at reasonable, competitive prices.

Consumers must be assured of reasonable prices, which makes it essential that prices should not be fixed on the basis of the production costs of marginal farms.

Agriculture's place in the Community

Agriculture is a key sector of the Community's economic and social life, contributing roughly 12% of its national product and employing nearly one-quarter of the Community's total working population.

The Community produces about 87% of its total agricultural requirements, and for all products except feed grains, citrus fruits and vegetable oils and fats, its output meets or exceeds its needs.

In spite of this, however, the Community plays a leading rôle in world agricultural markets: it accounts for one third of total world imports of farm products and is the world's leading agricultural importer. It is also the world's second exporter of farm products, coming after the United States—though at some considerable distance—with ten per cent of the world total.

The increase in future consumption appears unlikely to be more rapid than that of production except for beef and eggs.

the common policy for marketing

The transition period

Before the stage of a single market is reached, a "preparatory stage" will enable gradually the alignment of prices, the coordination of national marketing organizations, the harmonization of legislation, an increase in trade within the Community, and the coordination of trade policies towards non-member countries. The preparatory stage should permit agriculture to find its feet in the new conditions of a single market.

During this period, which will not, generally speaking, last more than six to eight years, steps will be taken to bring prices in the different Community coun-

tries gradually into line for those products which are subject to national marketing organizations. This procedure will be linked to a system of variable levies, which will apply both to trade with non-member countries and to trade between the Community countries themselves. The levies will replace customs duties. In trade between member countries, the levies will be reduced gradually in proportion to the reduction in the differences in prices as between the countries. As a measure of protection for the Common Market, the levies imposed on imports of products from non-member countries will be higher than the internal levies.

The final stage

At the end of the preparatory stage, agricultural markets should be integrated in a common market which will have the characteristics of a single national home market. This means that it will be free not only from customs duties and quotas, but also from the numerous administrative restrictions and regulations the effect of which is to impede freedom of trade. Indeed, there would be little point in abolishing customs barriers if, by the device of administrative arrangements, discrimination were allowed between produce from any single country and produce from other Community countries (for example: divergent sanitary arrangements for meat imports or for the use of colouring matter in foodstuffs; timetables allowing fruit or vegetable imports outside the domestic production seasons only; rules making it compulsory to include a certain proportion of home-produced wheat in bread, and so on).

The organization of marketing

At the stage of the single market, the Commission's proposals envisage three kinds of system for specific products:

1) For wheat, coarse grains, sugar and dairy produce, Community marketing organizations would be set up. There would be detailed intervention in the internal markets of the Community, and external protection in the form of variable levies, the operation of which would be supervised through import certificates. Indicator prices would be fixed annually for all these products and the marketing organizations would buy up grain at any time of the year at a price 5 to 7 % below the indicator price.

2) For beef, pig meat, poultry and eggs, the chief feature of the system would be the arrangements for protection from

world markets, with internal organization ensured by coordinating the marketing bodies of the member states.

3) For fruit, vegetables and wine, the major feature would be supervision of quality. The common organization would permit free circulation within the Community of goods coming up to certain standards. External protection would be provided by customs duties.

Stabilization funds

Stabilization funds would be set up for all the above products except fruit and vegetables. They would be grouped together in a European Agricultural Fund administered by the Common Market Commission. The Fund would obtain its income from the levies on imports and also, for wheat and sugar, from

contributions from producers in certain circumstances. For wine, the income would be provided solely by a levy on producers.

Market support and supervision

European Bureaux would be set up for the various products with the task of coordinating the measures taken to support internal markets and the arrangements for protecting the market at the Community's external frontier.

Consultative Committees, grouping representatives of the Community's agricultural organizations, would be set up and attached to the European Bureaux. They will enable the Commission to consult all interested groups on problems of agricultural reorganization and the common marketing bodies.

a policy of structural change

To be genuinely successful, the common agricultural policy must raise income per head for those who live on the land and provide them with reasonable living standards. The measures proposed by the Executive for agricultural marketing and prices cannot achieve these objectives fully by themselves: they cannot eliminate the fundamental causes of inadequate income levels. Only the structural modernization of agriculture can promote the required growth in productivity and create conditions which will favour the adoption of the most recent technical advances and the development of the more backward regions.

The Common Market Executive has therefore proposed a policy of structural reorganization aimed at:

— coordinating structural improvement

policies in agriculture in the six member countries, in the light of the objectives of the common agricultural policy. Each year the Commission will submit to the Council of Ministers a report on the coordination of structural improvement policies and will draw up recommendations on the measures to be taken and the volume of expenditure required;

— granting Community financial aid for structural improvements in agriculture. This aid, which will be additional to any help already granted by the member states, will be provided by a **European Structural Improvement Fund for Agriculture**. It will consist of subsidies to reduce interest rates or extend the duration of loans granted by the European Investment Bank and other bodies.

a foreign-trade policy for agriculture

At the single-market stage, the common agricultural policy will be supplemented by a common commercial policy. This will enable the Community's foreign trade in farm produce with member countries to be developed without exposing the Community's agriculture to the untempered winds of world competition.

Meanwhile, to pave the way for this common commercial policy and to allow effective application of the measures planned for the preparatory stage, both

inside the Community and at the external frontiers, the Commission regards the coordination of the member states' commercial policy on farm products as immediately necessary. The Commission has therefore included in its proposals for each product specific measures for this coordination. In particular, it has proposed that the member Governments should keep it continually informed on their bilateral and multilateral relations with non-member countries.

a social policy for agriculture

After a conference which it is organizing on the social aspects of the common agricultural policy, the Common Market Commission will present firm proposals in this field.

Essentially, it will aim at providing all who work on the land and the members of their families with a social protection equivalent to that enjoyed by other categories of workers.

In particular, it will try to achieve: better

social security for all who work on the land, an improved social situation for workers, the provision of educational facilities as good as those available in larger towns, aid to young farmers wishing to set up on their own account, aid for transfers to other sectors of the economy, better housing conditions, better social and cultural facilities on the land, and help for employers and workers who wish to retire from agriculture for reasons of age.





partnership with africa

The political and economic developments of recent years have emphasized the need for close cooperation between the highly industrialized nations and the new and developing countries of the world. The economically advanced countries have a particular obligation to aid the poorer countries, so as to raise their living standards and help them make their economies viable.

For the Community, Africa stands in the forefront of these obligations. The Common Market Treaty laid the foundations for a true partnership between the two continents by creating new links between the Community and those overseas countries which, when the Treaty was drawn up, had special relations with the Community's member countries. In particular, it set up a Development Fund to finance economic and social investments in these associated overseas countries.

Since 1957, the political face of Africa has changed out of all recognition. Nearly all of the countries which were then colonies have achieved independence, and their relations with the Community must be re-defined on an entirely new basis.

It might have seemed that accession to independence would have placed in jeopardy the whole concept of association with the Community. In fact, the result has been very different.

association - achievements to date

Association is based on three main features:

- the Community countries must gradually abolish all customs duties and quantitative restrictions on imports from the associated overseas countries;
- the associated countries will in general gradually abolish customs duties on goods from all Community countries, but may impose customs duties on them to safeguard their development and industrialization;
- a Development Fund has been set up to finance economic and social investment in the associated countries.

The expansion of trade

The reduction of customs and quota barriers has already brought about an increase in trade. To hasten this increase, however, the Common Market's Executive has proposed to the Council of Ministers:

- speedier abolition of customs tariffs for certain major products of the associated overseas countries—such as bananas, tea, coffee, cocoa, tropical woods, etc.—which do not compete directly with Community products; it proposes abolition by the end of 1964;
- aid in maintaining the associated overseas countries' income from exports (such as loans during price recessions, contributions to price regulation agreements and direct aid for production).

To help producers of tropical products in all countries, the Commission proposes that consumption in the Community be increased through substantial cuts in tariffs on coffee and bananas and abolition of consumer taxes on coffee and cocoa.

The European Development Fund - aid to date

While the amount available for the period 1958-62 is \$581 million, 420 projects have

so far been presented by the overseas countries, for a total of \$630 million.

Aid granted by the Community so far totals \$148 million. The procedure for handling projects, taking decisions and getting the work under way is being speeded up appreciably. Priority is being given to infrastructure investment (roads, railways, harbours, water and electricity supply, schools, hospitals, technical colleges, etc.).

The Community has also been providing substantial aid in education and training: financial aid for study and research, scholarships for citizens of the associated countries, special courses and discussions at the Common Market institutions for university teachers, industrialists, and farmers from the associated overseas countries.

Grants earmarked as at May 1, 1961 (millions of \$)

Congo (Léopoldville)	9 384
Ruanda-Urundi	2 297
Cameroon	7 322
Central African Republic .	3 372
Comoro Archipelago	421
Congo (Brazzaville)	2 768
Ivory Coast	17 495
French Somaliland	742
Dahomey	2 405
Gaboon	5 070
Upper Volta	11 682
Madagascar	13 724
Mali (formerly Sudan) . . .	7 468
Mauritania	2 343
Niger	7 290
New Caledonia	273
Polynesia	2 769
Senegal	13 656
Chad	8 067
Togo	8 040
Réunion	1 682
Groups of countries	5 251
Somalia	1 950
Netherlands New Guinea .	12 487
Total	147 958

association and independence

Since the Common Market Treaty was signed, sixteen African countries associated with the Community have achieved independence: the Republics of Senegal, Mali, the Ivory Coast, Dahomey, Mauritania, Niger, Upper Volta, the Congo (Brazzaville), the Central African Republic, Chad, Gaboon, Madagascar, Togo, Cameroon, Congo (Léopoldville), and Somalia (which is composed of the former British Somaliland and the former Italian trusteeship territory of Somalia).

Accession to full independence has not jeopardized the association of these countries with the Common Market; association has been maintained for all of these new states which have expressed their wish for it. Several of these countries already have direct diplomatic representation with the Community, and are now presenting their own projects for social and economic investments.

These steps will maintain the current arrangements with the associated overseas

countries and the Community until December 31, 1962, when the present convention on association expires.

For the period beyond that date, the association conceived in 1957 will have to be put on an entirely new basis to take into account the new situation in Africa. The Community Institutions are at present working on this task in close cooperation with the associated states.

The new relationship between the Common Market and the Overseas Countries must be based on a spirit of complete equality and true cooperation.

In particular, the new convention of association must strengthen the economies of the new states so that they may reach as rapidly as possible the stage when, on their own resources, they can enjoy economic independence, strength and expansion. These are the fundamental aims of the Community Institutions.

action on a world scale

Although the activity of the Common Market has primarily concerned the associated overseas countries, the Community Institutions have also contributed to cooperation on a worldwide scale with countries in course of development, particularly in meeting the shortage of technical experts and capital, and combating the instability of trade.

To this end:

- a Technical Assistance Group has been set up, with the task of coordinating technical cooperation offered by the Community countries to all countries in course of development;
- an inventory has been drawn up of everything that is available in the six

Community countries in the field of research, studies, scholarships and the training of experts;

- a coordinating group has been formed for credit insurance policies, and financial guarantees and credits;
- studies have been made of ways of achieving a better balance in the division of labour and production in the world, an increase in the consumption of raw materials in the Community countries, and greater security in export revenue for the countries in course of development;
- the Community has participated in numerous international activities dealing with development problems.





the community, europe, and the world

The existence of the Community should contribute to a general expansion of world trade and thus to greater world prosperity. Initial results show that this is in fact happening. The establishment of this large new economic unit has, however, aroused various fears in other countries as regards trade questions.

The Institutions of the Community have sought to prove that these fears were unjustified by following a liberal external trade policy, and by making abundantly clear the Community's consciousness of its world responsibilities and its desire to participate in worldwide solutions of economic problems.

To achieve unity, the member states of the European Community have surrendered part of their sovereignty and adopted common institutions, common policies and common rules. The Community remains open to any country willing and able to join it, and ready to cooperate closely with all those who feel unable to do so.

For several years, and for a variety of reasons, Great Britain and other countries in Europe felt unable to make the major policy change which membership would have implied. But at the end of July, 1961, the British Government, after consultation with its partners in the Commonwealth and in Europe, announced a decision which could prove one of the most momentous since European integration began with the Schuman declaration in 1950.

a liberal policy

The external tariff

Easily the most important aspects of the Community's liberal external policy have been the rapid completion of the common external tariff (see page 17) and the efforts made to lower this tariff and thus encourage imports from other countries.

The weighted average rate resulting from the application of the Common External Tariff to the Community's imports amounts to 7.4%, compared with 9.1% for the weighted average incidence of the six member countries' national tariffs. As a whole, the incidence of the Common External Tariff also appears appreciably lower than the British tariff, whether applied to the British or Community pattern of imports.

Full support for worldwide tariff cuts

At the GATT tariff conference which opened in September 1960, the tariff concessions previously granted by the Community's member states and affected by the move towards the Common External Tariff were re-negotiated. Subsequently, the Community and other contracting parties to GATT started on multilateral negotiations aimed at a general worldwide reduction of tariffs. The Community hopes that its 20% cut in the bulk of the Common External Tariff, subject to reciprocity in the GATT negotiations, will be made permanent by agreements reached during these talks.

In addition, the Community as a whole and various member countries have decided on substantial unilateral concessions to their trading partners to cushion any economic difficulties which they might encounter following the reduction of trade barriers within the Community (see page 14, "Community preference").

Various measures taken by the Community's member states in 1960 helped to emphasize the liberal nature of the Community's foreign trade policy. In particular,

the trend towards removal of quantitative restrictions (quotas) on imports from the rest of the world continued.

Percentage of imports liberalized for goods from OEEC countries and dollar area

	OEEC		Dollar area	
	Dec. 1959	Dec. 1960	Dec. 1959	Dec. 1960
	%	%	%	%
Germany (Fed. Rep.)	92.3	92.5	86.2	88.9
Benelux	95.6	97.0	86.0	94.0
France	91.3	93.7	79.8	96.8
Italy	98.4	98.4	85.0	97.0

With these measures, the amount of discrimination against dollar goods was reduced to negligible proportions.

Atlantic cooperation

A Community of 170 millions people has responsibilities and potentialities greatly exceeding those of its member countries taken separately. It is bound to play a major part in world economic problems, and it must adapt its policies to the new relationship of Europe and the United States following the emergence of the Community as an area with a substantial payments surplus.

The Common Market's Executive has participated fully in the moves towards new forms of Atlantic cooperation which were first worked out at a special economic meeting held in Paris in January 1960.

It takes part in the new Atlantic organization, the Organization for Economic Cooperation and Development (OECD), which has replaced OEEC and in which the United States and Canada are full members. OECD provides a forum for consultation aimed at speeding economic growth, aiding the less developed countries and expanding world trade.

towards a wider community

Britain applies for membership

On July 31, 1961, the British Prime Minister, Mr. Harold Macmillan, announced to a tense and crowded House of Commons that Britain had decided to ask for full membership of the Community, and for the opening of negotiations to see if conditions acceptable to both sides could be worked out. His statement marked a turning point in post-war European politics and also in the Community's relations with its European neighbours.

Following the breakdown in November 1958 of the talks for a wider free trade area (similar to a customs union, but lacking a common external tariff) in Europe, the six Common Market countries and the seven countries of the newly formed European Free Trade Association (EFTA)* had decided to resume talks on a different basis in the Committee on Trade Problems of the OEEC.

Subsequently, bilateral conversations had been held between British experts and experts of some of the member countries of the Community.

Mr. Macmillan's historic announcement was welcomed by all six member countries of the Community. The Common Market's Executive Commission stated that it regarded it as "a fresh recognition of the economic and political value of the work of European integration undertaken since 1950." It welcomed particularly Mr. Macmillan's declaration to the effect that the Treaty of Rome has an important political objective—"to promote unity and stability in Europe, which is so essential a factor in the struggle for freedom and progress throughout the world."

The Commission added that it was resolved to give full support to a positive solution of the problems raised by British admission, "in order to contribute to the realization of this new step in the economic and political unification of Europe, and thereby to tighten the bonds which link the free world on both sides of the Atlantic."

(*) Austria, Denmark, Great Britain, Norway, Portugal, Sweden, Switzerland; Finland later became associated.

The British announcement put an entirely new complexion not only on Britain's relations with the Community, but also on those of the other countries of Western Europe. Of the seven EFTA countries, which had concerted their policies in Geneva before Mr. Macmillan's announcement, Denmark and Norway, and also the Republic of Ireland, announced that they would apply for full membership of the Community. Another, Austria, for whom full membership would have raised difficulties concerning her neutral status, announced her intention to request negotiations for association with the Community.

A second path—association

Association does not imply full acceptance of all the obligations of the Rome Treaty, but involves an agreement on specific matters. The Common Market's first association agreement, linking the cradle of European civilization with the new bastion of Western values and economic strength, was signed with Greece on July 9, 1961, in Athens.

The **Agreement of Association with Greece**, which followed a Greek request for association made in June 1959, is based on the formula of a customs union: over a transition period of 12 years, extended to 22 years for certain Greek imports, customs duties and quota restrictions between Greece and the Community will be gradually abolished and Greece will adopt the Community's common external tariff. Provision is made for free circulation of persons, capital and services along the lines of the Common Market Treaty, and commercial, agricultural, economic and transport policies will be coordinated. Finally, the Community grants Greece credits of up to \$125 millions over five years for the development of her economy.

With Turkey, who asked for association with the Community on July 31, 1959, the Community has resumed talks after an interruption due to the change of government in that country.





after three years - a booming community

The progress of European integration, which began ten years ago and has been continued since 1958 by the Common Market, explains to a substantial extent the spectacular expansion of production in the Community, whose growth has been several times greater than that of the United States and of Great Britain.

Since the Treaty of Rome came into force—i.e. in the three years 1958, 1959 and 1960—industrial production in the Community rose by approximately 25%, compared with 13% in Great Britain and just over 8% in the United States. In 1960, the growth in industrial production reached the record figure of 12%. Of the remarkable increase in 1960, about 40% was due to an increase in activity—more people employed and more overtime worked. The remainder came from a sharp rise—of 7%—in productivity.

Among the main causes of the Community's rapid expansion of recent years, at least three are closely linked with the start of the Common Market: a remarkable rise in trade within the Community—by 50% in two years; the spontaneous reaction of industry and trade, which have been basing their projects and their activities on the large new single market; and the inflow of foreign capital attracted by growth prospects in the Common Market.

intra-community trade up 50% in two years

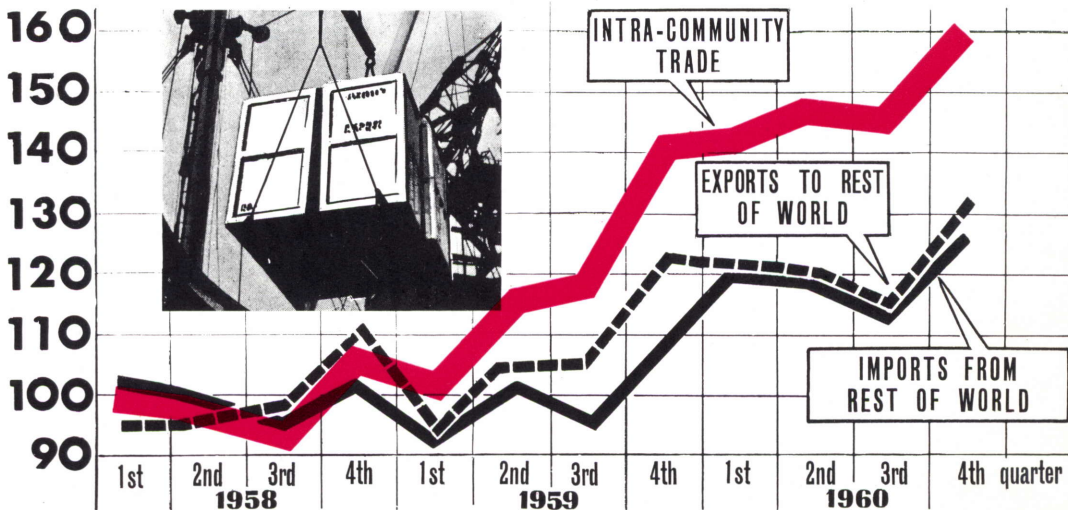
The rapid growth in trade between the Community countries in 1959 and 1960 was the most striking indication of the Community's success. In 1960, the value of intra-Community trade reached \$10,200 millions dollars—an increase of 25% over 1959 and of 50% over 1958. A revealing feature was that the country which most expanded its exports to its Common Market partners—the increase

was 79%—was France, the country which had most feared the impact of the Common Market on its economy.

The growth in trade within the Community was not achieved at the expense of trade with non-member countries, which rose by 8% in 1959; in 1960, Community imports from the rest of the world rose by some 20%.

The Community's trade since the start of the Common Market (1958-1960)

(1958=100)



Trade between Community countries by major product groups (millions of dollars)

Product group	1958	1959	1960	increase from 1958 to 1960
Food, drink and tobacco.....	908.8	1 126.0	1 297.2	42.7 %
Energy products.....	744.5	747.5	834.9	12.1 %
Raw materials.....	622.2	792.4	993.5	59.6 %
Chemicals.....	486.1	584.6	745.6	53.4 %
Machinery and vehicles	1 514.4	1 771.0	2 237.4	47.7 %
Other manufactured products.....	2 547.5	2 996.9	3 976.7	56.1 %

Percentage increase in trade between Community countries, 1958 to 1960

Exporting country	Importing countries					Total exports to rest of Common Market
	Germany	France	Italy	Netherlands	Belgium-Luxembourg	
Germany.....	—	52	74	38	26	45
France.....	69	—	157	71	48	79
Italy.....	55	91	—	49	40	60
Netherlands.....	45	64	53	—	19	38
Belgium-Luxembourg.....	73	24	79	28	—	41
Common Market.....	59	51	91	37	30	49

industry backs the common market

The spectacular increase in intra-Community trade occurred partly because of the resumption of rapid economic expansion and partly as a direct result of the removal of tariff and quota restrictions. But the most remarkable factor in the expansion of trade has been the way in which industry and trade in the six countries have broadened and intensified their activities, so as to adapt them to the large, new single market.

Anticipating to some extent the full implementation of the Treaty, business has been "putting its money on the Common Market"; it is tending more and more to draw up its development programs and its distribution networks on the scale of a Common Market in full operation.

Many firms have already set about adapting their factories and sales organizations to the new conditions by modernizing plant, increasing production capacity, widening their financial basis through mergers and purchases, increasing specialization, and establishing branches and sales networks in the other Community countries.

Cooperation is beginning to develop on the Community level between firms, particularly the big department stores and chain stores, between other retail distributors and between wholesalers. Various agreements have been reached for sharing national sales organizations and for setting up subsidiaries.

Since 1958, Community-wide groupings have proliferated in industry, trade, the liberal professions, handicrafts and agriculture. In coordinating their work, they provide a broad basis of support for Community-wide action, and thus contribute effectively to the achievement of the Common Market.

On the workers' side, the two chief central organizations of free trade unions have set up Community groupings which coordinate their action on a Community basis. Even the Communist unions, openly hostile to the Common Market, have set up a coordinating committee for the six countries—an unexpected recognition of the reality of the Common Market.

a magnet for foreign investment

In the last three years the Community has exercised a growing attraction for foreign investment, of which nearly \$600 millions flowed in.

In the same period, more than 500 American firms established themselves in the Common Market, compared with 180 in the rest of Europe.

The following table shows how the balance of foreign investment in Europe has been moving in favour of the Common Market countries:

Foreign investment in:	1958	1959	1960
Common Market	166	157,1	269,2
Rest of Europe	293	222,0	231,7

towards full unity in Europe

The Common Market has already, in less than four years, made a deep impact on Europe and the world. Already, its experience has changed many conceptions and prejudices. Some of the lessons it has taught are set out below.

- **WITHOUT** dislocation or major disturbance, **notable progress has been made towards the economic integration of Europe.** The general public—the consumers of Europe—are gradually becoming aware of its significance as gradually they find in their shops more and more products from other Common Market countries. Producers have found in the Common Market a stimulus to expansion and new outlets for their products.
- **THE** resistances which have appeared here and there as the Common Market gradually takes effect have shown that difficulties occur in adapting national policies and administrative habits to Community needs. They have also made it clear that **these problems of conflicting interests can only be settled at a Community level.**
- **EXPERIENCE** has shown that **the institutional structure of the Community,** based on cooperation between the Council of Ministers, representing the governments, and the independent Executive Commission responsible to the European Parliament, **is balanced and effective.** The goal of European unity is unlikely to be attained unless the future development of these Community institutions is assured.
- **THE** European Community has already proved itself **a major pole of attraction for European countries who are not yet members.** Great Britain's historic decision to abandon her traditional policy and apply for full membership of the Community is perhaps the best proof of the success of the policy of integration. It is also a reminder of the fact that any European country can join the Community, provided it is ready to accept its economic and political objectives—as set out in the Treaty—and the measures taken to apply the Treaty.
- **THE** political implications of developments in the Common Market so far have provided ample evidence that **economic unification is only a step on the road towards the political unification** of Europe.
- **THE** expanding international role of the Community, and its growing internal strength, are daily bringing closer the objective set by its originators: **to lay the foundation of a wider and more closely knit Community—of a European union able to preserve Europe's democratic values and ancient cultures, and to take its rightful place as a force for peace and prosperity in the world.**

