

THE EUROPEAN COMMUNITY

P R E S S R E L E A S E

EUROPEAN ECONOMIC COMMUNITY • EUROPEAN COAL AND STEEL COMMUNITY • EUROPEAN ATOMIC ENERGY COMMUNITY

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HALLSTEIN PRESENTS COMMON MARKET COMMISSION'S TENTH REPORT
TO EUROPEAN PARLIAMENT
STRESSES NEED FOR "COMPLETE POLITICAL UNITY OF EUROPE"

WASHINGTON, D.C., June 28, 1967 -- "We must do all that is humanly possible to guarantee the complete political unity of Europe, open to the greatest possible number of European states," Walter Hallstein, President of the European Economic Community's Commission, told the European Parliament recently.

Dr. Hallstein presented the EEC Commission's tenth and last report to the European Parliament in Strasbourg on June 21st. The report covers the EEC Commission's activities of the past year and reviews the main events since the signing of the treaty instituting the EEC ten years ago in Rome.

It is the EEC Commission's last report. A new "European Commission" will be formed this July, merging the executive branches of the EEC, the European Atomic Energy Community, and the European Coal and Steel Community. "The imminent merger of the executives is a necessary first step towards the merger of the Treaties which must lead to a homogeneous whole and strengthening of the tried and tested constitutional principles of the Communities," Dr. Hallstein said.

"In the economic field, we can already see that united Europe taking shape that was our distant aim ten and fifteen years ago," Dr. Hallstein said. "The EEC Treaty is the first chapter in a constitution for Western Europe."

(more)

The future objectives of economic unification are well known, Dr. Hallstein continued: "To merge the economies of the member states in a large economy and to organize the Community's relations with its neighbors in such a way that they may also share in the economic benefits of unification. . . No doubts may be entertained of the honorable intentions of states wishing to join the Community, but from the outset we must make sure that the increased number of members does not initiate any tendency to loosen our structure and that the political objective embodied in the Communities does not suffer. . ."

"We must remain unshakably true to the idea embodied in the preamble of the Treaty of Rome -- we must remain 'determined to establish the foundations of an ever closer union among the European peoples, decided to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe,'" he concluded.

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NOTE: A resume of the introductory summary to the tenth annual report of the EEC Commission is attached. The summary of the report itself and the text of the EEC Commission President's address to the European Parliament may be obtained at the above address.

RESUME OF INTRODUCTION TO 10TH ANNUAL REPORT
OF THE E.E.C. COMMISSION

As its term of office closes, ten years after the signing of the Treaty of Rome, the Commission takes the opportunity in its Tenth Annual Report to the Parliament to outline its thinking on the main aspects which it considers should guide the work of the Community institutions in the coming few years.

With customs union soon to be completed, efforts must now be concentrated on the achievement of economic union, and this is urgent since the halfway situation of the Community presents risks of imbalance if not of rupture. The two themes of this set of thoughts are, therefore, the achievement of economic union and the definition of the directions of Community policy.

Economic union means all the measures needed to create conditions akin to those of an internal market in the Community area. There has been considerable progress, but it would be a mistake to speak of a real common market. Numerous restrictions face intra-Community trade, even though it has more than trebled since 1958. Strictly speaking, it is still "external trade." There are still the other frontiers of different fiscal systems, patents, monopolies, and customs legislation. These are the main areas of tasks for the future. Included here are different national arrangements for temporary imports of third country goods not subject to Community tariff or levy treatment for which Common policies and close customs collaboration are needed.

Until there is a common commercial policy, there can be no real common market, which implies two prerequisites: basic agreement on measures concerning different products; juridical arrangements defining and guaranteeing these measures. The Commission believes that it is necessary now to contemplate a procedure to ease the transferral of the numerous bilateral and multilateral agreements of member states to the Community.

Divergencies in the national legislations on foodstuffs and agricultural products present a considerable volume of work to the Community, requiring special effort from the Community institutions. Technical obstacles to trade are many and must be harmonized. Fiscal frontiers must be approached, not only by harmonization of structures, but also by a very big rapprochement of taxation rates. The Commission is aware of the difficulties posed here.

About fifteen commercial monopolies exist in the Community. Measures in hand, or planned, promise a Community solution for many of these, but for others of great importance, the situation is less clear, notably in the cases of petroleum and natural gas whose solution is bound tightly to a future energy policy. Proposals in this field will be urgently needed by the new Commission.

Free movement of labor already exists in the Community for wage earners but this progress has not been matched in the field of services and the right of establishment. There have been new signs of progress recently, but much still remains to be done. In particular, sustained effort is required in the field of free establishment for liberal professions and in company law.

Progress in establishing economic union must be matched by progress in the free movement of capital, but there are still numerous obstacles to this development in the Community. The Commission believes that a series of measures must be taken and that if customs union is not underpinned by the integration of financial markets, there is always a risk of jeopardizing the progress achieved so far. A European capital market will be a fundamental element of a competition policy aiming at equal opportunity for enterprises and a determining factor for the creation of monetary union in the Community.

Achievement of a common transport policy has so far met serious difficulties; its slowness is regrettable and progress can be deferred no longer. The chief difficulty so far concerns the choice of measures to remedy risks of abuse of dominant positions and of ruinous competition. The Commission has proposed a working program for the achievement of a common transport policy covering two stages until 1973. Application of these measures must be prudent in a field which has long been marked by restrictive and interventionist methods.

Competition policy has two tasks: it must contribute towards the effective establishment of a common market, and it must guarantee its smooth operation. Priority in the Commission's work has been given to practices sealing off parts of the market, and this course must be pursued. There is also the question of national aids, the development of which continues to be of concern to the Commission.

As achievement of complete customs union nears, coordination is needed in the monetary, financial, and cyclical economic policies of the member states. This is essential if there is to be maintenance of the cohesion already achieved and if harmonious economic development is to be maintained. Confrontation of national budgetary policies on a Community level has enabled the Commission to make precise proposals whenever the situation has required action. The Commission believes that in serious situations the Council should be able to take directly applicable decisions for rectification on the basis of Article 103. Reinforced economic policy collaboration has helped to maintain existing parities. Growing interdependence has shown the need for avoiding the risk of individual parity changes -- particularly with the common agricultural policy. The Commission believes that there should be more coordination of financial and monetary policies among the member states by giving advance notice of measures to be taken. Member states should collaborate closely on public spending programs and they should be planned to cover several years.

In 1963, the Commission proposed a medium term economic policy to reconcile the different needs of growth with stability since rapid and balanced growth was more difficult than anticipated. The Community must face competition not only from countries of more advanced technology but also from low-wage countries

producing goods of comparable quality at lower prices. The aim of the medium term economic policy was to facilitate a series of rapid structural changes in the Community.

Important steps taken in the field of social policy include harmonization of living and working conditions, increase of real wages, and virtual disappearance of unemployment. The positive evolution has undeniably been aided by the establishment of the common market as well as by Community actions in the social field. This work must be expanded and improved in two essential areas: employment, and working and living conditions. The Community has an instrument, in the form of the medium term economic policy, which enables it to assure the development of social progress.

The objective of industrial policy should be to enable industry to contribute as much as possible to the improvement of productivity, high employment, and competitiveness on an international level. Industry itself must make use of the available possibilities. This task must be accomplished in a Community framework, rather than a national framework. The Community should therefore examine its industrial structures and coordinate the actions of the member states as well as take its own measures.

Three factors must be taken into consideration:

1. Increasing difficulties have been experienced in certain sectors, such as coal, steel, shipbuilding, textiles, and paper, in spite of the favorable growth of the economy. These difficulties are similar in all Community countries, indicating that they result from profound structural changes.
2. The wave of investments from third countries, primarily the United States, affects all the countries of the Community, and brings with it considerable advantages. The techniques and new methods of production accompanying these investments are forcing European firms to modernize in order to meet the new competition.

Nevertheless, the size of these investments creates concern in business circles and in the governments of some countries. The problems vary, depending on the sector involved, such as, petroleum, automobiles, electronics, or aircraft. It would be desirable for the member states to control more strictly the advantages given to third country firms, such as, direct or indirect regional aids (infrastructure, industrial lands). One of the most effective methods of avoiding an excessive development of these investments, without harming general economic progress, would be to develop firms in Europe with sufficient technical and financial means to compete equally with third country firms.

3. The agreement of the Kennedy Round will have great repercussions on European industry. Creation of a large dynamic market is a factor of major importance for improving the Community industrial structures and competitiveness. A number of specific actions are also necessary.

- a. Creation of a legal and fiscal framework needed for a large market. This includes the right of establishment, conventions for mutual recognition of companies, the international merger of companies, and a European company law. In addition, the tax barriers hampering structural adaptation and the formation of large-size firms should be removed. Finally, other legal obstacles could be overcome by the convention for a European patent law, a convention on legal competence and execution of foreign judgments, and a convention on European bankruptcy law.
- b. The Community competition policy must be continued and made more precise.
- c. Structural adaptation and more competitiveness of European firms implies an increase in their financial reserve and reorganization of their financial structure. An indispensable prerequisite is the opportunity to choose the conditions and the means of financing on a European-sized money market. A European capital market would permit the solution of common problems in the capital markets of the member states. Measures should be taken in the national capital markets by the public authorities to permit a better utilization of available capital.
- d. Specific measures of sectoral policy favoring certain industry sectors should be undertaken only when absolutely required by circumstances and should be limited to necessities. Such interventions should aim at facilitating the necessary changes in declining industries and reinforcing advanced technological sectors.
- e. The development of a common energy policy has been delayed partly because jurisdiction is split among the three Communities, and partly because of the inadequacy of legal instruments in the treaties. Disparities of prices leading to unequal competition and the placement of investments not always conforming to economic profit have resulted. Two tasks can no longer be deferred. The first is to lay down the objectives and means of the common energy policy. The second is to assure the free circulation of energy products in the Community. It will be the task of the new Commission to make proposals leading to a true common market for energy by January 1, 1970.
- f. Regional policy is an integral part of economic policy in each member country, and the coordination of these policies is the best way to face the difficult problems posed by technical progress, reconversion, and placement of investments. An increase of uncoordinated state aids could be disastrous for the customs union. Since 1958, the divergencies among different regions have not been reduced to any great extent, and only immediate difficulties have been dealt with rather than overall solutions. The problem of regional disequilibrium in the Community has not been attacked on an overall basis. In addition to general coordination of national policies, other measures must be taken, such as the elaboration of regional statistics, the examination of regional

aids, the carrying out of regional studies, and the regional orientation of economic policies.

- g. Without the capacity of research and industrial innovation, Community industry would be condemned to cumulative and irreversible decline in its relative position. The main cause of the technological delay is the weakness of structure and financial means of European firms. The establishment of economic union should lead to a new organization of Community efforts in scientific research, extending to new sectors. The cooperation undertaken with third countries should be continued and intensified. It seems desirable that financial means be placed at the disposal of Community institutions in order to stimulate governmental and private efforts.

If the common agricultural policy is successful, future progress in other sectors of the Community is assured. The remaining tasks in the agricultural sector are the administration of the markets and the modernization of structures. The administration of the markets must take into consideration a real competition and satisfactory income for farmers and the responsibilities of the Community in world trade. An international agricultural policy in progressive steps must be established. Community programs will be essential for the development of a structural policy.

The volume of foreign trade of the EEC in 1966, which exceeded 60 billion dollars for the first time, has had a determining influence on the economic expansion of the Community. In order to be able to sell on world markets, the Community must conduct a liberal import policy, including reduction of tariff barriers and suppression of other restrictions. Concerning customs duties, the results of the Kennedy Round represent the maximum progress to be expected for the next few years. Non-tariff obstacles were also considered, and in view of the international anti-dumping code which was adopted, the Community must enact its own anti-dumping regulation by July 1, 1968. It is important that the United States accept the Brussels conventions on tariff nomenclature and customs valuation, and certain assurances were given on these points.

The consistently high level of agricultural imports into the Community will continue, or even increase. However, changes in the composition of these imports are not excluded. Protective measures in the industrial sector are the exception and limited to particularly weak sectors having difficulties of adaptation.

The imports of the Community from developing countries have increased much more rapidly than from developed countries. The Community is the largest buyer of goods from developing countries, taking one-fourth of their total exports. The efforts of the Community should be concerned, first of all, with raw materials, a great part of which already enter the EEC without duty. The Community should also exercise its influence toward world organization of markets for these products. Finally, the Community should help give developing countries a growing share in trade of manufactured and semi-manufactured products by means of a world preference system. The member states and the Community institutions should make every effort to adopt common positions on the major topics to be discussed at the world conference on Trade and Development to be held in New Delhi in 1968.

The trade of the Community with the countries of Eastern Europe has greatly expanded in recent years although it has never exceeded 6 per cent of the total EEC external trade. The Community should follow a policy of general liberation of imports with certain guarantees.

The successful association between the Community and the African and Malagasy states has permitted an increase in trade, an abolition of discrimination, and a contribution to economic and social development. Politically, it has created or reinforced a climate of friendly relations. A better knowledge of the problems must be acquired by various studies. Financial and technical assistance can be improved by better coordination.

The question of enlarging the Community has been accentuated by the membership applications of the United Kingdom, Ireland, and Denmark. The Commission has always taken a favorable attitude toward the participation of other democratic Western European countries, particularly Great Britain. The Council of Ministers decided on June 5, 1967 to open the procedure foreseen in Article 237 of the Rome Treaty, and therefore the Commission judges that it would not now be useful to publish new declarations.

The success of the association with Turkey was underlined by the recent visit of Mr. Suleyman Demirel, the Turkish Prime Minister. The association with Greece functioned normally up to the spring of 1967, but the Commission is concerned about the evolution of the Greek situation and the consequences which could result for the association. The Commission, in a communication to the Council, stated its preference for an association with Israel. The progress of negotiations with Austria give rise to the hope for the conclusion of an agreement. Beginning talks have been held with Algeria, Morocco, and Tunisia. The opening of negotiations with Spain can be foreseen in the near future.

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The constitutional order of the Community is the indispensable basis of the European structure, the determining element of its past progress, and the best pledge of hope for its coming successes. This conviction of the Commission remains intact, confirmed and strengthened by the facts of the past nine years.

The rule of conduct of the Commission has been: accept all the responsibilities granted by the Treaty, assure the complete execution of the Treaty, assure the respect of constitutional order established by the Treaty, and particularly watch over the regular functioning of the institutions. Acting in this way, the Commission has followed the example of the European Parliament whose vigilance has helped and supported the Commission since the beginning.

It is not sufficient to maintain the present constitutional order. The "ever closer union among the European peoples" must be achieved by universal direct election to the European Parliament, as foreseen in the Treaty. The Commission has never hesitated to urge more power and influence for the Parliament.

The Commission has always viewed the Community as a political union of the economic and social sectors. Its institutions are political institutions. The clear proof of this is the will, expressed by the peoples and governments of the six countries, to maintain and advance the Community in spite of the gravest tensions and difficulties. The Commission has always expressed interest in taking initiatives to extend the Community beyond the economic and social fields, initiatives which can be successful only if they lead to the establishment of a European constitutional order in other fields.

Ten years after the signature of the Rome Treaty and seventeen years after the historic declaration of Robert Schuman, the fusion of the institutions is a useful and necessary change. In the light of the work and ideals of the founders of the Community, the achievements are not unworthy of the original plan. A new Commission is taking over. As it turns to the future, a clear and straight path is open before it.

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