

EUROPEAN ECONOMIC COMMUNITY
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MEMORANDUM FROM THE COMMISSION

to

THE SPECIAL COMMITTEE

for the study of problems concerning a
European Economic Association

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Despite the redoubling of efforts since the First Memorandum of the Commission was submitted and work was begun by the Special Committee for the study of problems concerning a European Economic Association, it has so far proved impossible to reach unanimity within the Community on the way in which these problems are to be solved. The resulting situation is unsatisfactory, if only on the psychological plan.

The failure to define the future relations between the European Economic Community and its European neighbours is producing a sense of uncertainty in industrial and commercial circles. The protagonists of the various solutions have not been able to reach agreement. Disquiet has been increased by public controversy, and the result has been disharmony, not to say tension, in the relations between the Community and its commercial partners in Europe, and even within the Community itself.

In these circumstances the Commission has considered whether it was not necessary to change or at least to improve the methods employed in approaching the problem. The experience of recent months confirms its conviction that the solution of the problem of the European Economic Association can be brought nearer only by regarding the Association as a part of the progressive economic policy to be pursued by the Community vis-à-vis the world at large. This means that the problem must be solved step by step, as time moves on, and that one should not merely attempt to settle it wholly and perfectly at a stroke. Such an attempt might involve disappointments similar to those experienced in December 1958, and during the wait for conditions suitable for a "perfect and final" solution the various positions would harden, with all the psychological and political disadvantages which this entails. It must be remembered that there is not only one feasible form of association, and care must be taken to avoid both dogmatism and perfectionism.

For these reasons the Commission wishes to recommend a pragmatic and gradual way out of the present impasse. Rather than bow to the alternative of "all or nothing", the Commission considers that an attempt should be made to reach agreement among the six Governments on a programme which, though not meeting all the wishes of each of them, does not require any one of them to sacrifice basic positions which they are not prepared - or not yet prepared - to abandon. To be realistic and suited to present circumstances, such a programme would have to fulfill the following conditions:

1. It would have to make possible a substantial improvement in the situation of those within the Community and outside it who, in the absence of such a programme, would feel that their commercial interests were suffering.
2. It would have to recognize that Europe's problems cannot be solved in the abstract, but only if the relations between Europe and other parts of the world are kept constantly in mind and given due weight.

This implies:

- a) That contact must be maintained with the United States of America, and that we must not lose sight of the effects of our policy on that country. The United States has not only made possible the reconstruction of Europe by large-scale financial aid, but in consideration of the European balance of payments situation, it has for many years accepted an appreciable degree of discrimination against its trade, while its own balance of payments has by now been radically changed;
- b) That the highly developed industrial countries of Europe should refrain from any action which might appear to lack solidarity with the less developed countries; this is the more important in view of the constantly widening gap between these two groups of countries.

3. The programme would also have to apply organisational methods and to use joint action on the basic points of economic policy as means of promoting the feeling of solidarity between the Community and all those who are affected by its external economic policy.

4. Conditions would have to be created for the steady improvement of commercial relations between the Community and other countries, especially those in Europe; there would have to be a definite "slant" in this direction. This would entail overcoming the difficulties which stem from the comparatively recent creation of the Community, from its relative lack of maturity, development and consolidation. Indeed, the stronger and more stable the Community is, the more liberal will its commercial policy be and the more easily will it be able to co-operate with the other European countries.

These then are the reasons underlying the suggestions which follow. They are intended as an earnest of the Community's good will. They make no pretence of being either complete or final. The Commission nevertheless believes that if these suggestions were taken as a starting point, it should be possible to escape from the present deadlock, to resume discussions and so to bring about a renewal of common efforts within the Community and outside. With regard to the further progress which must be made in the question of association, the present suggestions in no way prejudge any possible future solution; in this respect the door is left open.

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I. QUOTA MEASURES

In line with the proposals submitted by the Commission in its First Memorandum, and bearing in mind the economic and legal changes which have occurred in international commercial relations, the Community would propose to abolish by stages all quota restrictions in the industrial sphere vis-à-vis the whole world.

It would declare its readiness to renew on 31 December 1959 the measures of quota enlargement already agreed upon on 3 December 1958, maintaining the same conditions of reciprocity and taking care not only not to increase but rather to reduce the differences in treatment in this sphere between Europe and the rest of the world.

The Community would in particular declare its readiness to allow non-member States a considerable share in the enlargement of small or nil quotas.

It would be ready to collaborate in any study carried out to determine precisely and in a restrictive manner those exceptional cases in which quantitative restrictions may still be justified economically.

II. TARIFF MEASURES

a) An immediate measure

Having regard to the fact that the next tariff reduction within the Community is to take place on 1 July 1960, at which time the results of the multilateral negotiations in GATT will not yet be known, the Community would declare its readiness to extend the tariff reduction which is to take place between Member States on that date, to non-member States, on the same conditions as those envisaged in the Council resolution of 3 December 1958.

b) The Dillon Negotiations

The Community has already expressed its agreement with the principle of the tariff negotiations to be organised, on the proposal of the United States Government, at the multilateral GATT conference in 1960-1961.

The Community would declare its readiness to begin immediate consultations with its partners in order to ensure that these negotiations should cover the largest possible field and should deal in particular with critical points in the trade between the Community and its European partners.

c) Further Reduction

The Committee would declare without delay its intention of practising a broadly liberal policy towards the whole world.

In consequence, it would state forthwith that, on the completion of the work of the multilateral tariff conference due to be held in GATT in 1960-1961, it would take the initiative in proposing a further considerable reduction of customs tariffs on a reciprocal basis.

d) Tariff Quotas

With a view to remedying difficulties which might be observed in the flow of trade between the Community and its partners, the Community would declare its readiness to grant tariff quotas on the lines indicated below.

III. GENERAL ECONOMIC POLICY OF THE COMMUNITY (Countries in course of development and policy relating to economic trends).

In its First Memorandum, the Commission emphasized the world responsibilities of the Community.

It sketched the main lines of a possible Community policy vis-à-vis countries in course of development and advocated a concerted policy in the matter of economic trends.

The Governments of the Member States have shown their sympathy for these ideas, but the Community as such has not yet taken any stand on them.

The Community would accept this policy as its own. It would declare its readiness to play its part in the working out and execution of a world programme of aid to the countries in course of development. It would take the necessary internal action to fix the volume of the aid to be afforded in the various fields and the procedures by which the Community would make it available.

IV. PROCEDURE

a) Atlantic co-operation

The Community would propose to the Government of the United States and the United Kingdom that regular consultations, in which other countries or the specialised international agencies could join, be organised for the rapid working out of a coherent and efficient programme of aid to the countries in course of development.

The same procedure would be used to work out a concerted policy on economic trends.

b) European Liaison Committee

The Community would declare its readiness to set up a Liaison Committee consisting of the spokesmen of the Community on the one hand and of the other European States or groups of States on the other.

The task of the Liaison Committee would be:

1. to study the flow of trade between the Common Market and its partners and to single out the sectors in which the trend of trade is giving rise to difficulties on either side, for governments or for enterprises;

2. to propose concrete solutions to remedy the difficulties noted and to bring about agreements between the interested parties.

Among the measures to be taken, the Community would declare itself prepared to grant, on a reciprocal basis, tariff quotas to European partners in such forms and on such conditions that the granting of them should be consonant with the rules of GATT.

V. INTERNAL STRENGTHENING OF THE COMMUNITY

As the Commission has already stated in its First Memorandum, the strengthening of the Community is not only an internal objective for the latter, but the very condition of its ability to carry out a liberal policy towards the outside world.

The Community would therefore state that it is in this spirit and with this object in view that it is taking measures to speed up its integration, to shorten the stages provided for in the Treaty, and to expedite the working out of the common commercial policy and the strengthening of its monetary solidarity.

The Community would declare its readiness to implement proposals, based on the memorandum of Professor MÜLLER-ARMACK, for closer co-operation in the field of policy on economic trends.

At the same time, it would express its satisfaction at the evident desire to strengthen political co-operation within the Community.
