

THE COMMON MARKET

The European Economic Community

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THE FREE WORLD'S STAKE IN THE COMMON MARKET

An Address by the Honorable Robert Marjolin, Vice President of the European Commission of the European Economic Community before a Joint Meeting of the International Press Institute and the American Society of Newspaper Editors at the Statler-Hilton Hotel, Washington, D. C., April 17, 1958

I am particularly honored and pleased of the opportunity to speak to you today, which is given me by the International Press Institute and the American Society of Newspaper Editors. If there is one thing of which I am absolutely certain, it is of the vital importance for our European Economic Community, and for our work of economic integration, that it should be subject to the full and constant scrutiny of a free and well informed press. Only by frank and free discussion, by asking and answering candid questions, can we hope to achieve that true understanding between peoples that is so essential to the success of our task.

The Duke of Cambridge, commander-in-chief of the British army in the Crimean War, said once: "There is a time for everything. The time for change is when it can no longer be avoided."

If this be true the Governments and Parliaments of six European countries - France, West Germany, Italy, Belgium, The Netherlands and Luxembourg - have committed a great political error. For in concluding and ratifying the Common Market Treaty they have taken a deliberate act, perhaps the most important of modern times, to alter the course of events - an act which will bring about drastic changes in the economic and social structure and indirectly in the political structure of Europe.

The European Economic Community which is created by the Common Market Treaty has existed only since January of this year. It is at once so new, so complex in its technical aspects, and so revolutionary in its implications and consequences that I am sure it has raised a great many questions for all

of you. As I can answer only a few of these questions today, I have selected five that I know are being asked by people throughout the world.

These questions are: First, what is the European Economic Community? Second, why was it created? Third, will it pursue open and liberal policies or behave as a protectionist trading bloc? Fourth, will the Community be expanded beyond the six countries who joined in its creation? Fifth, what is the meaning of the Community for the Free World and for peace?

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First of all, what is the European Economic Community? It is an effort by the six countries to combine their economies into a single economic unit of continental scale. This economic unit will form an impressive aggregate of wealth, manpower and production facilities. The countries that are members of the Economic Community have a population of 164 million people, about equal to that of the United States. In fact the working force is larger. The gross national product of the Community is not far from half that of the United States. It produces 250 million tons of coal a year and nearly 60 million tons of steel, and the value of its total annual imports is nearly twice that of the United States.

At this point you may well ask what I mean by a single economic unit. I mean, essentially, a Common Market -- a vast mass market in which goods, services, labor and capital can move freely.

Of course the greatest Common Market is in the United States. The American Common Market, I need hardly point out, did not develop automatically; it was created by an act of statesmanship. In 1789, America checked the trend toward protected state markets that was already under way on this continent. A Constitution was adopted that prohibited states from imposing barriers to the free flow of trade with one another and created federal institutions which had the power to enforce that prohibition.

What the six nations of Europe have done is not far different. In the Common Market Treaty they have provided for the elimination of national barriers to the free flow of goods, services, labor and capital among the member states of the European Economic Community. In addition they have

created a set of institutions to oversee the carrying out of these provisions and to make sure that national policies are so harmonized that the Common Market will be a fact and not a theory.

I shall not attempt to describe in detail the institutions which the Treaty has established. That would be a speech in itself. The organic institutions are four in number. What might be called the executive body of the Economic Community is the European Commission of which I have the honor to be Vice-President. The Commission has the responsibility for the day-to-day supervision of the Common Market and for making sure that the terms of the Treaty are carried out. It also has the responsibility for initiating policy. Its policy formulations are in the form of proposals to the Council, which consists of one representative from each member government.

In addition to a Commission and a Council there is a Court of Justice and a 142-man European Parliamentary Assembly. The Court and the Assembly serve as the judicial and parliamentary bodies not only for the Economic Community but also for the Coal and Steel Community and Euratom, the new atomic energy community.

One question most frequently asked is whether the European Community will lead to European Federation - a United States of Europe? My answer is that the European Community already contains many of the elements of federalism.

Let me illustrate this by two or three examples. The European Commission has the day-to-day responsibility for the Common Market. Yet the members of the Commission are not responsible to the member governments. Our tenure is fixed by the treaty and we cannot be dismissed by the governments. We can be dismissed only on a vote of censure by the Assembly. For the time being the Assembly is elected by and from the parliaments of the member governments. But one of the tasks assigned it by the Treaty is the preparation of a plan under which it will be directly elected by universal suffrage of all the peoples of the six countries of the Community

Another example: as the transition period comes to an end the Council, which represents the governments, will be empowered to take more and more of these decisions by a majority vote with the concurrence of the Commission. This means that member governments will be bound by majority votes of the Council and of the Commission, even though they are in disagreement with the Council's decisions.

Again, in considering the question of federalism, one should not overlook the fact that the Court of Justice has exclusive jurisdiction over the Treaty and supersedes national courts in its interpretations of the Treaty. The Court of Justice has the power to give judgments even against governments of member states. It can order governments to take actions which are required by the Court's interpretation of the Treaty.

Lest I appear to overstate the strides we have made, let me make clear that the authority of our federal institutions is limited to the economic field; even in that field those institutions do not have complete powers. Yet the Treaty itself contains a kind of built-in motor, an inner logic that will compel the extension of its principles in new fields of economic policy. During the transition period, which will last from twelve to fifteen years, our six member countries are pledged to create the Common Market I have described. However, not later than the end of the transition period, they must implement a common policy in matters of external trade. Trade agreements with the rest of the world will be negotiated for the whole Community by the Commission under instructions of the Council. I need not remind you that this will require a strict coordination of action in matters of credit, fiscal, monetary and budgetary policy.

In other words, having started down the road toward economic integration, there can be no holding back. The success of the Common Market will depend upon the adoption of a vast body of common policy which will cut across all aspects of national government.

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We come now to the second question - why did the six nations embark upon this revolutionary course? Particularly at a time when Europe has been enjoying an extraordinarily high level of economic activity and prosperity, why should the European peoples elect to take a new and largely uncharted road across difficult country fraught with hazards which cannot be fully measured or assessed?

The answer, in part, is that the statesmen who conceived this Treaty recognized that small national markets are an anachronistic form of economic organization in a world of mass industrial production. Only by organizing the economy in a manner consistent with the imperatives of modern industrialism could productivity be increased and the standard of living of the people raised to the maximum possible extent.

But this is only a partial answer. The principal driving purpose which has animated - I may say has inspired - the creators of the Community, is not economic but political.

The six countries have much in common in addition to traditions and culture. All of them are nation states in a world where great powers are continental in scale. The shrinking size of the modern world, the vast expansion of industrial life, the growing speed of communications, and above all, the shocking waste and bloodshed of two world wars have made it increasingly clear to us that our countries must unite if the European people are to continue to play a significant role in world affairs. If Europe is to be preserved as a force for freedom and peace, if it is not to become in its turn one of the world's underdeveloped regions - a relic from the Nineteenth Century - then it must adjust itself to change and progress. That means it must unite.

Had we Europeans not shared among us this political ideal, it is certain that we should never have come as far as we have. Had the Governments and Parliaments of our six countries been concerned only with their production and mutual trade, they would never have overcome the immense difficulties that stood in the way of the signing and ratification of the Economic Community Treaty.

It is the resolve to unite in order to survive and preserve the values of European civilization that is the basis for our confidence in the ability of our new federal institutions to overcome the many crises which they will no doubt meet over the next few months and years.

Along with the Common Market Treaty we have created an Atomic Energy Community (called Euratom) for the purpose of developing this new source of energy for peaceful use on a European scale. Yet neither the Common Market nor Euratom was created out of nothing. They are further stages along a road on which Europe embarked more than five years ago with the establishment of the European Coal and Steel Community. Under that Community we created Europe's first Common Market albeit limited to coal and steel. But from the experience in this relatively narrow sector we have gained great confidence. The transition period designed to ease the passage of the six nations and their coal and steel industries into a common market has come to an end this year. This first step has proved an extraordinary success -- not only in the limited area

of coal and steel -- but also as a pilot plant for wider economic integration and as a spur to our contries to go further along the same road.

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We come now to our third question - will the Economic Community be an open community or will it be a trading bloc following restrictive policies in its relations with the rest of the world?

Let us consider first of all the question of customs duties. It should be remembered that the common external tariff which will surround the Community under the provisions of the Treaty will not be higher but probably will be substantially lower than the average of the existing national tariffs. Moreover, Article 18 of the Treaty reads as follows:

"Member states," Article 18 provides, "have declared their willingness to contribute to the development of international commerce and the reduction of barriers to trade by entering into reciprocal and multilateral arrangements directed to the reduction of customs duties below the general level which they could claim as a result of the establishment of a customs union between themselves."

There is no need to belabor the importance of this statement. It is a solemn declaration by the Six that they are willing to reduce their common tariff by negotiations within the framework of GATT. In other words, the six members are to continue as they have during the whole post war period to strive through reciprocal negotiations with other countries to bring about the maximum free flow of trade for the benefit of all. I do not know how a commitment to liberal trade could be more clearly stated.

What is true of tariffs is also true of quota restrictions, which, as many of you know, have since the end of the War been a more serious impediment to the development of trade between Europe and the rest of the world. In Article 3 of the Treaty the members of our Community have clearly stated that:

"They aim at securing uniformity between themselves at as high a level as possible of liberalization in regard to third countries or groups of third countries."

This technical language means that the Community is committed to following the most liberal policies that can be permitted by the balance of payments positions of the member countries. The Common Market nations declare expressly that they will not use quantitative restrictions, such as quotas, as a protectionist device to shield their industries from the affects of competition.

Undoubtedly, there will be pressures on the Community institutions to behave in a protectionist way. But I can assure you that it is our firm determination - and I think that I can speak for all my colleagues - to resist these pressures and to see that not only the letter but the liberal spirit of the Treaty provisions are carried out.

Obviously the best hope for increasing the volume of international trade lies in a rising level of world prosperity. Since the end of the war, economic expansion has made of Western Europe one of the fastest expanding markets in the world. The value of annual imports into the six countries has more than doubled between 1950 and 1956.

We are fully aware that the continuous development of our production is a duty not only to ourselves but to the whole Free World, especially to the raw materials producing countries.

Our experience shows that economic unification makes for more rapid economic expansion and, therefore, for a faster increase in imports from the rest of the world. At present all our forecasts are somewhat overclouded by the fears engendered by the American recession. A lasting recession in the United States or even a lack of economic expansion would certainly strengthen the forces of protectionism in Europe. But if, as I am convinced, your difficulties are shortlived, we should be able to continue to press for increasing the flow of trade with Europe.

As the Common Market continues to grow, it should provide a great investment opportunity for foreign capital. The six member nations of the Community welcome investments from overseas. Europe, like the rest of the world, suffers from a shortage of capital and we know that capital from abroad often brings with it equipment, technology and know-how.

Industries this side of the Atlantic wishing to establish sources of production in the Common Market must proceed with the realism for which American businessmen are famous. The ideal working arrangement for overseas and European capital is a partnership. This, most of your businessmen instinctively understand. With the coming into being of the Common Market the long-term prospects for close cooperation through partnership arrangements are almost unlimited.

We come now to the fourth question. How big will the Community be and will it be expanded to include countries other than the Six?

Before answering this question directly I think it well to point out that, while what we have created is called a European Economic Community, it will have substantial effectiveness beyond the continental boundaries of Europe. As you well know, France and Belgium have special responsibilities with respect to Africa. Through an arrangement of association the African countries and territories have been given free access to the Common Market as though they were members. However, under this arrangement they can maintain tariff protection against the Six countries "corresponding to the needs of their development." Furthermore, all countries of the Community have undertaken to contribute substantial sums to an investment fund for the development of African countries and territories. Finally, and this may turn out to be the most important provision, the people of these countries and territories will be able to buy the goods they need at substantially lower prices than now, through the elimination of trade restrictions.

Since Morocco and Tunisia are independent states, a separate treaty of association is being offered to them.

In incorporating these provisions in the Treaty, the Six were motivated by a philosophy not unlike that which inspired the American Point IV Program. They hope to contribute to the rapid increase in the standard of living of the African peoples and to create a solid base for their continued economic development.

Let me make emphatically clear at this point that these provisions for the association of African territories with the Common Market have no political implications. They are inspired solely by the economic interest of the countries and peoples concerned.

Nor do these provisions of the Treaty mean that the Six are preoccupied with the countries and territories of Africa to the exclusion of other world areas producing the same commodities. A more rapid economic development and a faster rise of the standard of living in Europe will lead to an increase in imports from all sources. The European Economic Community will always be ready to study and discuss projects aiming at an increase in the flow of trade between the six countries and the producers of primary products.

Now let me turn for a moment to the possible expansion of the Common Market to include other European countries and specifically to whether the Community of our six countries will be supplemented by a Free Trade Area.

As you know, intricate negotiations are being conducted in Paris on this question today. I don't want in any way to make these negotiations more difficult by inopportune public statements, but I would like to suggest a few principles which define my own position toward this problem.

In the first place, let me underline what I have said earlier: that the Common Market is the beginning of unity in Europe and that it cannot be an exclusive club of six nations. Other European nations can join the Common Market if they are prepared to undertake the obligations which the Treaty imposes. This means, among other things, giving up a part of their sovereignty to common institutions, agreeing to a harmonization of their economic and financial policies, accepting the free flow of labor and capital across their borders, and establishing a common external tariff.

The acceptance of these obligations represents for any country, as I am sure you will recognize, a great national decision. Yet they are essential to the Common Market. It cannot work unless these complementary steps are taken.

Understandably, other European countries are reluctant to relinquish freedom of action, vis-a-vis the outside world, and surrender portions of their sovereignty to institutions of a federal character. We must seek, therefore, to find a form of association which will free trade to the largest possible extent between the Common Market and the other OEEC countries without imposing on those other countries the obligation of entering the same intimate bonds as the Six.

It is too early to say precisely what form these arrangements may take. However, we must spare no efforts to reach agreement on the association of other European countries with the Common Market and I can state my absolute conviction that we shall develop some workable form of association and that we shall be spared any bitterness of feeling between European countries which have worked together so closely since the end of the War.

As a Frenchman I shall never forget the stirring words of Sir Winston Churchill when, in 1940, he appealed for a United Europe and proposed common citizenship between England and France. Sometimes when I am present at

meetings of our Community I feel a twinge of regret that my British friends are not sitting there with us speaking their own language - the language of thoughtful silence punctuated by shrewd and down-to-earth remarks.

Ladies and Gentlemen, I can assure you that the European Commission of the Common Market will do everything in its power to bring about an equitable agreement for some form of association.

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And now I come to the fifth and final point. You will recall that a few moments ago I said that one of the strong reasons that impelled Europeans toward a United Europe was the desire that Europe remain a great political and economic force in world affairs.

I want to make clear beyond any possibility of misunderstanding what I mean by this.

The aim of the Community is not in any sense to become what has been termed a Third Force, an element of doubt or skepticism or interference or division in the fundamental solidarity of the Free World.

We are determined to build a United Europe because we believe in the Free World and that the Free World will be stronger if we are stronger. I can assure you that a United Europe will be the permanent friend and ally of the United States and all other free nations and that it will be a better and firmer friend because it is strengthened through its own unity.

This is a point which cannot be overemphasized. The fundamental solidarity of the Free World will depend to a very large extent upon our ability on both sides of the Atlantic to sustain economic expansion. If our countries let their economies stagnate then our ties of unity will be loosened, for stagnant economies tend to become introspective and defensive. If, working together, we are to build a vigorous community of nations dedicated to freedom, you and we must maintain economic expansion at a high level, must develop our trade with one another and with the rest of the world, and we must continually raise the standard of living of our people.

To tell you in a brief parable what we are trying to do in Europe today, let me draw from that great classic of human wisdom, Alice in Wonderland, or rather from its sequel, Through The Looking Glass. Alice, after running a

long time, dragged by the Red Queen, finds herself sitting on the ground, breathless and giddy. She looks around her in great surprise: "Why, I do believe we've been under this tree the whole time! Everything's just as it was!"

"Of course it is," said the Queen, "what would you have it?"

"Well, in our country," said Alice, still panting a little, "you generally get to somewhere else - if you run very fast for a long time as we've been doing."

"A slow sort of country!" said the Queen.

"Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that."

Well, ladies and gentlemen, today we do not live in a slow sort of world, but a world which is moving at a breathless rate. It is a world, I think, very much like that world which Alice found on the other side of the looking glass - a world in which you must run very fast indeed in order to stand still.

But in Europe today we have no intention of standing still. That is why the six countries have undertaken a giant step, quietly but with a unanimity of feeling among the people which is one of the most heartening experiences of modern times. The step has been taken in a spirit of friendly cooperation with the other European nations in the hope that the union of the Six may in time become a broader union of free nations as our great experiment proceeds. Through our efforts we hope to contribute not only to the strength of the Free World but also to the furtherance of the peace and well-being of all mankind.