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Strasbourg, 28 June 1961

S T A T E M E N T

made by Professor Walter HALLSTEIN  
President of the Commission of the European Economic Community  
to the European Parliament  
Strasbourg, 28 June 1961

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The Fourth General Report on the activities of the European Economic Community, which I have the honour to introduce in this House today, covers the period 16 May 1960 to 30 April 1961, that is to say the third year of practical work by the Community.

The Report - which the Commission has endeavoured, despite the extent of the subject matter to keep within manageable size - describes and analyzes the problems that face our Institutions, the work that has been done and the measures that have been taken. Once again it cannot be the purpose of these introductory remarks to duplicate the report itself. What I am aiming at is something different.

The idea of requiring the Executive to prepare a general report for submission to the Parliament is drawn from the Treaty establishing the Coal and Steel Community. In our case the Report is not the only means through which the Parliament can exercise control. It provides, however, a welcome opportunity to draw up a balance and to examine our conscience; this applies both to the results attained and the tasks ahead. It is, if you like, an embryo "State of the Community Message".

In this connection I would like to put the question: how far have we got today with the Community? What have its successes been, and where are its weaknesses? What external and internal factors have exercised their influence upon it? What direction will it be taking in the more immediate future and by what methods will it work?

When we look at the balance sheet of the past year, there is one point that catches our attention: it is the start made on 1 January 1961 with the execution of the acceleration decision.

I need hardly remind this House of the content of this decision. Its essential importance lies in the fact that from the start of 1961 the provisions concerning the reduction of tariffs between Member States and those concerning the common external tariff were put into practice a year earlier than was laid down in the Treaty.

But this is not the only reason why this decision is of such importance. That the reaction to the decision was so striking within the Community and beyond its confines is because it showed the Member States to be in earnest about going beyond the first - and certainly the most easily assimilated - tariff reduction of 10%; with their tariff reduction of 30% they made a real breach in the customs barriers that were dividing their economies into watertight compartments. What is more, the three reductions of 10% were all made across the board; this means that the minimum reduction of 25% which the Treaty requires for all products by the end of the first stage has already in practice been exceeded. Of no less importance - both because of the determination it reflected and the consequences which ensued - was the first alignment of national tariffs on the common customs tariff. This is not only a prerequisite if there is to be a common commercial policy; it will also be one of the tools of this policy.

When in addition we recall that infringements of these provisions have affected less than 1% of the volume of trade we may well say that in connection with the customs union Member States have met the obligations undertaken by them and even gone considerably further. Because of its intrinsic importance and because of the precise nature of the timetable laid down for it in the Treaty, this customs union can be looked upon as the real structural framework round which the whole process of integration is built up.

But we must not forget - and the Commission for its part never loses sight of this fact - that our Community is not just a customs union, it is a true economic union.

It is, therefore, a characteristic of the past year which should be noted that the Institutions have been paying increased attention to agreement on common policies in specific fields. Our Parliament, which has an essential share in this work, is fully aware of all that this entails: thorough knowledge of the situation, creative imagination and a balance between opposing interests.

And here we find ourselves face to face with a problem of the greatest importance. For several forms of production which are of vital importance to broad groups in the population, the common agricultural policy aims at translating the Common Market into practical reality.

In connection with this policy we may be said to have moved from the phase of investigation to the phase of decisions. What has been done in this connection in the last twelve months is not inconsiderable, even if it does not go far enough. By December 1960 the Council had decided on principles that would govern a European market organization for agricultural produce; the Commission has just submitted to governments two draft regulations on the application of the levy system in two key sectors, grain and pigmeat; two more proposals by the Commission deal with the application of the rules of competition and the settlement of minimum prices; further draft regulations are in preparation and are to follow shortly. Meanwhile, you are well aware of the great difficulties which are holding up the approval of these proposals by the Council and consequently slowing down the practical application of the common agricultural policy.

Nor has there been neglect of the other sectors for which the Treaty envisages that a common policy shall be established or that steps shall be taken to prepare or to establish the conditions which would make possible a co-ordination of policies. Progress on the different items has been variable. As you know, the Regulation on the European Social Fund has been passed by the Council. The Fund, which is an essential factor in applying a social policy within the Community, will soon be in a position to fulfil the tasks allotted to it by the Treaty. Another Regulation just passed by the Council, acting on a proposal from the Commission, concerns the free movement of workers; it lays down the conditions which shall apply to this freedom of movement for an initial period of two years.

In other sectors less has been achieved; in most cases this lack of progress is due to the multiplicity of the problems to be solved.

A number of proposals have been transmitted to the Council by the Commission. At present they are the subject of discussions as a prelude to the decisions which the Council will take. Here I will mention only the most important of these proposals:

- (a) Proposal for a regulation on cartels and dominant positions on markets;
- (b) Proposals, worked out jointly with the High Authority of the Coal and Steel Community and the Commission of Euratom, on the first measures to be taken for the co-ordination of energy policy;
- (c) Draft general programmes for the removal of limitations on the right of establishment and on the freedom to supply services;
- (d) Memorandum on the lines to be followed by the common transport policy - a subject discussed by the Council for the first time at a meeting held here yesterday with the Ministers of Transport of the Member States.

I would like to sum this up by saying - and I will come back to this point in a minute - that progress has also been made in establishing our economic union, and the Commission has been paying special attention to this aspect. But here, where we have to take complex sectors of economic policy and shape them according to circumstances, the difficulties are much greater than in connection with the more or less automatic advance of the customs union. That is in the nature of things and was to be expected. But appreciation of this does not alter the fact that both the Treaty and economic common sense force us to insist that the two sectors shall keep in step and to remind all concerned of this requirement again and again.

The review of the activities of the Community would be incomplete if I were to omit certain results which have been attained in the field of our external relations. The negotiations between the Commission and the Greek Government for the association of Greece with the Community have been brought to their conclusion; this House will shortly be called upon to give its opinion on the text of the Agreement, which can then be taken through its final stages. I hope you will allow me to express the satisfaction which the Commission feels at the conclusion of this Agreement,

the political importance of which cannot be exaggerated. But you will also allow me to give expression to some regret about the difficulties which have occurred in the application of the procedures laid down in the Treaty. Their application should have rested on two principles:

- (a) Mutual trust between the Institutions of the Community in the common will to a loyal collaboration which takes both the joint and the individual interests of members into account;
- (b) The correct execution of the Treaty, which allocates the responsibilities incumbent on each of the Institutions.

If we take a firm stand on this basis it should not be difficult to draw from our experience the lessons which will improve our working methods without being petty and without deviating from the path laid down for us by the Treaty.

Less spectacular because more technical, and yet also of considerable political importance, were the lengthy customs negotiations carried on in GATT on the basis of Article XXIV (6) of the General Agreement; the conclusion of these negotiations led to the recognition of the common customs tariff by the Contracting Parties, which include all those countries that contribute most to world trade.

Although the negotiations proved more difficult than had been expected, their aim has in the main been attained. The decision taken by the Council of Ministers on 3 May 1961 opened the door for the beginning of the so-called "Dillon" round of negotiations, although the re-negotiations had at the time not all been concluded in every detail. With its offer of a 20% tariff reduction across the board, the Community gave the new round of negotiations a lively start and it is to be hoped as a result that these negotiations, which are based on the principle of reciprocity, will take us a great step forward towards the liberalization of world trade.

Finally, the years 1960 to 1961 have shown that the African countries which were associated with the Community because of their special relations with particular Member States wish to maintain the links established by this association even after attaining their independence and until such time as a system is found that is better fitted to meet the new situation. This Parliament, which is watching with the closest attention, the problems of relations between the Community and our African partners, and which took the initiative for the great conference held here last week, is so well informed about the questions that arise in this field and the attitude of the other Community Institutions to these problems that I need go no further on this subject.

The review we have prepared can be said to have much on the credit side of the balance. In the world of industry and economic policy there are two points which also deserve mention:

- a) The Community has moved further along the path of economic expansion and the prospects for the future are favourable;
- b) The consolidation of the Community, and in particular the extra strength given to it by the speed-up, have themselves contributed in no small measure to the favourable economic development.

Nobody denies that the Community is going through a period of vigorous economic expansion. Despite the recession in the United States and the slowing down in world economic activity, the rate of economic growth in the European Economic Community was very high in 1960. The aims which the Member States have to pursue by means of a co-ordinated economic and cyclical policy - economic expansion, a high level of employment, a higher standard of living, stable prices and an equilibrium in the balance of payments - have been achieved.

In this connection I may be allowed to give you a few figures. The real growth in the gross national product works out for the Community as a whole at about 7 %. Industrial production in particular increased its rate of growth from 7% in 1959 to 12% in 1960.

Trade within the Community was about 25 % higher than in 1959 and nearly 50 % higher than in 1958. Such high rates of growth used not to be attained in those years of the past when industrial output was rising at a comparable pace. This development shows the dynamic effects of the process of integration.

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The lively expansion of demand in the Community led to a sharp increase in purchases from non-member countries: in comparison with 1959 the increase was 20% (by value); this means that the expansion of trade amongst the Six has not hampered trade between the European Economic Community and non-member countries, although the demand from these countries has slackened.

Confirmation of this dynamic force in industry can be seen in the fact that capital investment from abroad, particularly from the United States, has increased in the Community. In 1958 166 million dollars of foreign capital were invested in the six countries of the Community taken together; in 1960 this figure rose to about 270 million.

Finally - and this is a particularly important point - the last few years, and 1960 in particular, have confirmed the growing independence of the business trend in the Community from business developments in outside countries. The favourable development registered in the first few months of 1961 and the trends which are becoming apparent suggest that the national product of the European Economic Community at the end of 1961 will show a rate of growth of 5% and that the rate for industrial production will be at least 6 to 7%. There is nothing to suggest that economic activity in the early months of 1962 will not follow the same trend.

Of course it would be exaggerated - and would not, therefore, be in line with the facts - if these remarkable economic results were depicted as being solely due to the establishment of the Community. But one thing can be stated with certainty: the action taken so far in execution of the Treaty has made a vigorous contribution to the expansion of the European economy. It has done so in a variety of ways:

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- a) The first steps taken in the sphere of customs and quota restrictions have made a direct contribution to a considerable increase in the volume of trade among Member States;
- b) The favourable repercussions on the trend of business noticed as soon as the Treaty was approved have been confirmed and reinforced by the application of the Treaty during the last three years;
- c) In the individual undertakings there has been a slow but sure recasting of the whole system of production as a result of the dynamic engendered by the Common Market; this has in some cases led to entirely new forms of approach and encouraged a better division of labour and increased efficiency.

I hasten to add that the beneficial effects of the establishment of the Community are not to be seen in the economic field alone. They go deeper: the idea of European integration has penetrated into the awareness of our peoples. The contacts we have with representatives of many and varied circles show us - and I am sure that your experience is similar - that the aims of our Community are not merely accepted by our peoples today but that they enjoy broad popular support.

In the statement he made on 9 May 1950 President Robert SCHUMAN said that Europe would not be made all at once or according to a single plan. It would be built through concrete achievements which would first create a de facto solidarity. This is just what has happened, and it means that the Communities have created the basis, the foundations for a political Europe.

It is possible to draw from this situation practical conclusions for our future action: for on the European stage we are neither onlookers nor critics but players, and progress is entirely dependent on the firmness and tenacity of our resolve.

To begin with, the situation for the vigorous pursuit of our mission, the integration of the economy, is favourable; the Community

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ought to make good use of it. We know that despite all the precautions and safeguards included in the Treaty the realization of the **Common Market** can lead to difficulties; no better way of avoiding these potential difficulties can be devised than making maximum use of the present tide in our affairs. If the trend of economic development happened to change, we should blame ourselves for an unpardonable sin of omission, and others would not fail to castigate it.

On the other hand the Community is beginning, after it has been in existence for three and a half years, to be justified by the economic and political effects to which it has given rise. These effects correspond to the intentions which inspired our Governments and Parliaments when they decided to begin the great work. That this justification has been so rapidly forthcoming should be far more than just a reward for us; it should be a spur to further endeavours along the same lines, to attempts to make the Community stronger and stronger.

The translation of this will into practice depends in part on certain conditions and is bound up with the need to take certain action. In this connection I would like to make two points of principle, one concerning procedure and the other dealing with the substance of the matter.

In view of the tasks still ahead of us, the organisational machinery of the Community must be strengthened if it is to cope with certain factors of resistance which occur here and there.

The Commission sees no reason to overdraw the difficulties of this situation. The institutional system of the Community has in fact worked. But it could and should work better. The problem here is not so much the system itself; in the Report before you the Commission has expressed a favourable view on this system; but it should be possible to take decisions with more force and more speed. This comment, which concerns primarily the Governments and administrations of our Member States - for it is the Council which

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has to take most of the decisions - is based on observation of the fact that there is frequently a lack of ardour, that certain out-moded forms of thought, certain out-of-date reactions still live on. Just as we find the mentality of the taxpayer with his defensive reaction to the tax department - although he would find it difficult to manage without the services provided by the State - so too we have sometimes met among officials of the Member States a sort of defensive reflex towards the Community. It seems as though they think it their duty to defend the interests of their country against an interfering power when some matter is not wanted just by their country alone but would work in the general interest as well.

This brings me to make a reference to the question of the political "relance", which this House has been following with such lively interest. If there is a way of bursting the bounds of particularist modes of thought, it is to be found in the strengthening of the solidarity that exists between our States and in endowing this solidarity with permanence. What I had to say on the details of these plans I have said in this House during the last two sessions. I have nothing further to add today. Provided the institutional structure and functioning of the Community, which are fundamental for its development, are respected, and provided it can make itself heard under the new procedure, the scheme offers an appropriate means, subject to future developments, for realizing in fields beyond those covered in the Treaty of Rome the unity of action which is required of Europe.

As I have already hinted in those parts of my resumé which record what has been done, there is, on the material side, a danger that a certain lack of balance might arise in the execution of the Treaty if there should be major delays in applying the first measures of common policy. It cannot be repeated often enough that our Community is more than a customs union for industrial products, and not just because the Treaty says so, but because a purely com-

mercial agreement which could begin to totter at the first setback corresponds neither to the aims allotted to the Community by its founders, nor to the realities of the economic sector.

The Commission, which knows from experience the complexity of certain questions and the difficulties that beset the path to their solution and is therefore convinced of the need for thorough investigations and comprehensive discussion, sees no reason to exaggerate the difficulties in this sphere either. But as it wishes to run no risks it must state clearly that the time is approaching when certain decisions will have to be made and that the necessary steps must be taken to prepare for them.

To illustrate the importance of what I have said, I would like to point to the discussions on two decisions the Community will have to make shortly. Some of these discussions have begun already, others have yet to be broached. In neither case can anyone fail to recognise the importance these decisions will have if our work is to make the best progress possible. They concern the second round of the acceleration decision taken on 12 May 1960 and the confirmatory statement that is the condition of moving on to the second stage.

Legally there is no connection between these two items, and they depend on differing material criteria; but common to both is the fact that they lead down the same road, the road of rapid progress towards our goal. The result has been that both questions have frequently been debated in public from similar angles, one of the most important being the need to keep in step in establishing the customs union and in the gradual realization of the economic union.

The details of the situation are as follows:

On 12 May 1960 the Governments in the Council took the decision to speed up the implementation of the Common Market. On the reduction of internal tariffs the Commission had proposed that this decision should apply for a first phase which was already completed on 1 July 1960 and for a further phase which was to be linked with the reduction due to be made in any case on 31 December 1961.

Although the Council had no objections in principle to the proposals put forward by the Commission, it wanted to make their adoption conditional on the economic situation in the middle of 1961, and it therefore reserved the right to decide by 30 June of that year whether a further speed-up in the reduction of internal duties at the end of 1961 was possible in the light of the economic situation.

The Commission considers that this condition is fulfilled. In May this year it therefore put before the Council of Ministers an analysis of the economic trends in which it stated that an additional reduction of internal duties at the end of 1961 was calculated to reinforce the favourable development shown by the economy and would in addition, by helping to stabilize prices, reduce the strains on the markets of some Member States.

From this it can be seen that the further reduction of internal duties at the end of the year is not merely possible but in many respects desirable. These conclusions were supported by the Committee on Policy relating to Economic Trends and the Monetary Committee.

This then is the situation in which the Council will have to take its decisions.

The position with respect to the transition from the first to the second stage is different in that the conditions are laid down in the Treaty itself. If I may call on my recollection of the negotiations which preceded the conclusion of the Treaty - they are confirmed by the text of Article 8 - these conditions are very carefully defined in order to reduce to a minimum the danger of delay in the implementation of the Treaty. From this it appears that it was the clear intention of the signatory Governments to make the transition to the second stage possible as soon as certain economic results had been achieved. The confirmatory statement to this effect is the signal for transition to the second stage. The role of the Commission in this procedure is to make a report on the basis of which the Council can make the confirmatory statement. The necessary work for this report has been put in hand.

These then are the two developments which will be occupying our attention till the end of the year. It would be naïve of us not to recognize that their preparation will provide an opportunity for a comprehensive examination of the measures which have so far been taken in execution of

the Treaty and we would be lacking in political sense if we did not hope to find amidst all the relationships brought to light during the discussions an additional motive force that will further the realization of our Community. It was with this in mind that I expressly linked the discussion of this set of questions with the need to keep the customs union and the economic union moving in step.

This brings me to the close of my remarks, which would be incomplete if I made no mention of the prospects opened by our relations with the outside world. It was the constant aim of my remarks to show that the internal development which was touched off by the formation of our Community requires, nay, demands rapid further progress. This is equally true of developments in the outside world, developments which have not been entirely unaffected by the formation of our Community. Here too we find trends which have been caused or at least encouraged by us and which we are in duty bound to promote and strengthen by our own progress when we consider them to be of value.

If we need to be convinced of this, all that is needed - to begin with Europe - is a glance at the increasing interest shown in the Community by its neighbours in Europe.

Since the Treaty was signed the aims pursued by other European States in their efforts to establish a link with the Community have been essentially economic. Meanwhile the circumstances underlying the problem have in the last few years been changing almost imperceptibly, but decisively. Our relations to the other European countries can no longer be understood in an exclusively European light or from an exclusively economic angle. In view of the threats hanging over the whole free world they have to be seen in a broader context, which includes politics and embraces in particular the United States.

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In the long run the functioning of the new economic order in the West depends on the fact that a centre of attraction is arising in Europe which is capable of bringing together the nations of our continent and of forming them into a whole that will act together and undertake its own share of responsibility in an Atlantic partnership. Responsible Europeans have understood that a simple association with economic aims will not be enough to achieve this, but that a closer bond is necessary. Thanks to its aims, its principles and its procedures our Community provides this centre of attraction.

The attitude of our Community to those who wish to join it is based on the above considerations and on the similar content of Article 237 of the Treaty. Since the beginning of the negotiations for the Treaty to establish the Coal and Steel Community in 1950 it has been clear that the limitation of the Community to six countries depends on the fact that only these countries considered it right to become members; but the door has remained open, as can be seen in Article 237 of our Treaty; this provides for accession, in other words for the acquisition of full membership.

Perhaps you will allow me to illustrate what the acquisition of full membership means by using a simile and likening our Community to a ship whose course and speed were fixed when it left port. If anyone wants to join the ship afterwards he must accept these given factors and cannot expect that the ship shall return to port and perhaps lie at anchor there for some time, or that the course should be altered or the speed reduced. Accession to the Treaty cannot be a new fact which could upset the content and balance of the Treaty; instead it covers acceptance of the Community in the form it had to assume if it was to fulfil its task and meet its obligations.

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I hope no fair judge will find that the expectation of such willingness goes too far and betrays a lack of that open attitude which the Treaty seeks to state in Article 237; but even in cases where for one reason or another this readiness cannot be found, or cannot yet be found, we do not close the door. The authors of our Treaty have arranged not only for the possibility of accession, they have also provided for association with the Community. This possibility, then, with its varied and elastic possibilities, is also open to discussion.

In addition to the attraction exercised by our Community in Europe, a still growing interest can be observed on the other side of the Atlantic in the United States of America; it is not confined to official quarters, but broad circles of the population are also evincing an interest in the Europe that is coming into being. On my journey to the United States I was given several proofs of this. This youthful Government, whose energy and sense of responsibility impress everybody who has to deal with them, and who are subjecting every aspect of the foreign policy of the United States to a fresh investigation, have, in the words of the communiqué published after my conversations with the President of the United States, assured the European Economic Community and the movement towards European unity envisaged in the Treaty of Rome of its "strong support."

This attitude is no longer based on the expectation that our Community will be a success but on the knowledge that it is succeeding. It no longer depends, as in the past, merely on the wish that Europe should recover in its own interest. On the contrary the challenge facing the free world is such that the United States, despite its own vast power, is seeking the collaboration of a strong Europe in a more balanced partnership. Obviously our allies across the Atlantic in adopting this attitude are not looking for the collaboration of some mere association with economic aims which in the long run would hamper their own interests more than they would promote them, but

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they need the assistance of a bloc of nations organically bound together and able to bear the joint responsibility for the maintenance of the international order which rests upon the economically strong nations.

This is the meaning behind another sentence of the communiqué, which states that the President and I "were in full agreement that the European integration movement of the six signatory countries of the Treaty of Rome complements and reinforces the progressive development of a true Atlantic community which will be given new impetus by the coming into force of the OECD."

We can be glad to note that our Community is already becoming active in this direction by its contribution to the establishment of the OECD and by making a concrete contribution to the Dillon proposal for negotiations on the reduction of tariffs in GATT.

Let us at the same time be mindful of the responsibility conferred upon our Community today and in the future by the part it has played in bringing about and shaping this development. The free world is no longer conceivable without our Europe which is now coming into being; this means that we carry the responsibility placed upon us not only on our own behalf but in the interests of the greater whole to which we belong.

In conclusion I would quote the last paragraphs of the introduction to our Annual Report in which we have endeavoured to give a carefully balanced summary of the state of our Community:

"In this fourth year of its term of office, the European Commission can state that since coming into force the Treaty has, broadly speaking, been correctly applied, that the Institutions

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have functioned normally and that the relationships established between them by the Treaty have been respected. Thanks to the work of these Institutions and the stability and continuity of their policies, appreciable, and sometimes even impressive, progress has been made towards the economic unification of Europe above and beyond the particular problems of each of the Member States. Though this progress does not yet guarantee that the wider objectives which the architects of this vast movement set themselves will be reached, it does provide a solid basis which is already a token of the determination of the six Member States to ensure the economic and political integration of Europe.

The Commission does not underestimate the cases of resistance that have appeared as the effects of implementing the Treaty began to make themselves felt in the increasingly clear assertion of the international personality of the Community, the effective elimination of obstacles to trade in all fields or the rapid establishment of common policies. Since most of the decisions to be taken by the Council are still subject to the rule of unanimity, it has sometimes been more difficult or more time-consuming to overcome such resistance.

This is not surprising, since the problems involved in adapting national policies or administrative habits to the European requirements are becoming more apparent. Such problems can only be solved in a Community spirit. The Commission would like at this point to make an appeal to the Member States that they should let themselves be governed by this spirit in their everyday work, so that each country shall be less concerned with its own difficulties than with a better understanding of the difficulties facing its partners, and that each shall seek common solutions to problems which, from now onwards, are common to us all.

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The Commission knows such an attitude to be consonant with the cherished hopes of our peoples. It realizes that the European Institutions are strong and determined to remain loyal to the political and institutional principles they must ensure and therefore has the firm hope that whatever the future may hold, the Communities will, in the words of Robert Schuman's declaration of 9 May 1950, be 'the first step in the federation of Europe' that is indispensable if peace is to be safeguarded."

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