

Community Topics

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**The Common
Market's action
program**



***european community
information service***

The Common Market's action program

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Introduction

The rapid progress of the European Community in setting up a customs union implies further – and greater – tasks for the six countries. The removal of internal trade barriers has itself emphasized the need to implement speedily the common policies laid down in the Common Market Treaty. The Common Market Commission therefore believes that the time has now come for the Community to press on more quickly from customs union to wider economic union. In its Action Program, published on October 29, 1962, it set out proposals which will provide, in the light of its five years of experience, a cohesive framework for Community policy and action in the coming years.

Political union has already begun

The draft Program stressed the political nature of the Community. “The fields of activity which have become a Community responsibility are in fact part and parcel of government policy . . . It would be unrealistic to see a distinction between economic affairs – pooled in the Economic Community – and political affairs, the essential part of which still remained to be dealt with in a political union . . . The European Community is in no way a purely economic venture, now to be paralleled by a political undertaking. On the contrary, it can be said that political integration has already begun in an essential field (that of economic and foreign-trade policy), while the other fields – cultural policy, the remaining elements of foreign policy, defence policy – still remain in the hands of member states.”

The Commission also stressed the Community’s growing rôle in external affairs: in connection with the Atlantic partnership which the passing of the US Trade Expansion Act has brought to the stage of political realities, and in relations with the developing countries, especially those associated with the Community.

Finally, concluding the introduction to its Action Program, the Commission said that it “cannot but adopt a positive attitude to any extension of European unification in fields other than economic and social policy, and notably to defence, the non-economic sector of foreign affairs, and cultural policy – in short, to whatever comes under the heading of ‘political union’. While it can be argued legitimately that such an extension ought to take the form of an enlargement and strengthening of the existing Communities, the Commission nevertheless realizes that in new fields it may be necessary to adopt organizational arrangements which are not completely identical with those of the Economic Community. Its experience, however, warns it against solutions which do not contain an element embodying the Community interest. It also maintains the view which it has always advocated: that no extension of European integration should have the result of endangering or weakening . . . the existing Communities; it should rather strengthen their effectiveness.”

Free movement for goods, people, services and capital

Speeding up the Common Market

Tariffs between Community countries were reduced by 50 per cent during the first 4½ years of the Common Market's existence, and the Commission saw no reason why it should not be possible to abolish the remaining 50 per cent in a similar period. It therefore recommended that, if the general economic situation permits, all tariffs between Community countries should be removed completely by the end of 1966.

Internal tariffs will in any case have been reduced to one-fifth of their pre-Common Market level by the end of 1965 as a result of cuts already made or scheduled – 50 per cent by the end of 1962, with three further cuts of 10 per cent envisaged: on July 1, 1963, December 31, 1964 and December 31, 1965.

The Commission also proposed that the third and last step towards harmonizing Community external tariffs should be taken on January 1, 1967. (The first move of 30 per cent towards a common external tariff was made on January 1, 1961, and the second, also of 30 per cent, is scheduled for July 1, 1963.) By the same date, the Commission believed that all national equalization taxes on imports and all national quota arrangements should have been abolished. The latter should be replaced by Community quotas where these are necessary for the protection of Community industries faced by specific difficulties.

These proposals would therefore mean that the customs union, the European Common Market for goods, would have been achieved by January 1, 1967 – three years ahead of the timetable envisaged in the Rome Treaty.

Free movement for workers

The Community's policy aims to allow workers to accept jobs anywhere in the Community, wherever opportunities or conditions are best, and to enable firms to recruit labour beyond the frontiers of their home countries. By progressive application, this policy will ensure equal treatment for all Community workers, in whichever of the six countries they happen to be employed, and discriminations based on nationality will be abolished.

In the first stage of the Community's program for removing restrictions on the free movement of workers, which came into force on August 26, 1961, Community workers have been able to apply for jobs advertised anywhere in the Community on the same terms as local workers, subject only to a three-week delay intended to give priority to applicants in the country in which the vacancy occurred.

The Commission's new proposals, first outlined in the Action Program and then presented to the Council of Ministers in November, 1962, as a draft for concrete Community regulations, are due to come into operation on September 1, 1963. The most important of these would have the effect of removing the priorities for nationals of the country in which the vacancy is first advertised. Areas with local unemployment problems, however, could be authorized to maintain or re-establish priorities for national applicants.

Community priority, on the other hand, would be strengthened: firms would be obliged to take workers from Community countries in preference to those from other countries, provided that suitable persons were available.

. . services . .

Freedom of establishment and freedom to supply services mean that nationals of Community countries must be able to set up businesses, undertake professional activities, or supply services anywhere in the Common Market, under the same conditions as nationals of the host country.

Programs already approved by the Council of Ministers divide the Common Market's transition period into four stages, in each of which freedom of establishment or freedom to supply services must be achieved for specified sectors of the economy. The rapid development of the customs union must be matched by similar progress in other economic fields, however, and even when equality of

treatment has been achieved between nationals of the various member countries, there may still remain legislative differences controlling the exercise of trade and professions, and differences of standard between university degrees and other qualifications. These may still, in practice, restrict freedom of establishment, and Commission therefore recommended studies with a view to harmonization of national regulations in all these fields.

. . and capital

Freedom to transfer capital between the Community countries has been achieved for the transactions most directly bound up with the process of economic integration. For example, unconditional and complete liberalization has been granted for direct investments, transfers of personal funds and emigrants' remittances, short- and medium-term commercial loans, and the buying and selling of stocks and shares. For other transactions, including particularly new issues and medium- and long-term loans not tied to commercial transactions, a system of conditional liberalization has been adopted subject to safeguard conditions for member countries' capital markets.

During the second stage, progress in the coordination of monetary and financial policies would lead to Commission proposals for gradual extension of unconditional freedom to transactions in connection with new issues, bank loans and medium- and long-term industrial investment.

The Commission will cooperate with the member Governments in seeking ways to eliminate the remaining legislative and administrative obstacles to the floating of loans by foreign firms on domestic capital markets, the introduction of foreign securities on domestic stock exchanges, and the buying of foreign securities by trusts and friendly societies.

In addition, the Commission intends to continue its work, with the cooperation of member Governments, on the harmonization of assessment and collection of taxes on new issues and on the transfer of securities. On the basis of the progress made in this direction, the Commission expected to present the Council of Ministers with draft proposals in this field some time in 1963.

Competition in the Common Market

"The more intense competition becomes, the more use business and industry will be obliged to make of their existing opportunities for production, distribution, rationalization and improvement to satisfy the needs of consumers," the Commission's Action Program stated. For this reason, the Commission believed that the removal of restrictions on fair competition is one of the most efficient ways of achieving the aims of the Rome Treaty.

As far as **agreements** between firms are concerned, the Commission was satisfied with the powers which it was given under the regulations on competition adopted by the Council of Ministers at the beginning of 1962. It intended, however, to discuss with member Governments the question of restrictions on competition caused by **dominant positions** resulting from industrial mergers.

The Commission cannot confine itself, however, to keeping a strict watch over the conduct of firms now occupying dominant positions. It therefore attached particular importance to preventing the artificial encouragement of **concentrations** which have no over-riding economic justifications. The Action Program envisaged discussions between the Commission, member Governments and business interests concerned as a first step to solving this problem.

Government aids

As other obstacles to trade are progressively eliminated in the Common Market, competitive advantages granted by member Governments to certain firms or sectors of industry become all the more significant. The Commission's inventory of such aids in Community countries was almost complete, the Action Program stated; during 1963 the Commission will complete its examination of these aids and their effect on competition.

By and large, Community policy aims at protecting competition from all distortion caused by incentives offered by public authorities. Aids to regional development or structural reorganization in particular industries are a special case, however. Here the Commission will try to reconcile the demands of fair competition with those of regional and redevelopment policies.

Fiscal policy

The Commission also considered it essential to eliminate distortions to competition resulting from differences of fiscal policy or practice in member countries. To this end, it has drafted proposals for the harmonization of turnover taxes throughout the Community.

In the first stage of harmonization, taxes on gross turnover would be abolished in countries where they exist at present, to be replaced by an added value tax, possibly applied, to begin with, at a single point in the production-distribution cycle. During this stage, member Governments, in collaboration with the Commission, would work out the principles of a Community system for taxing turnover. This would be based on the value added at each stage of production, and might be supplemented at the retail stage by a second tax, the details of which the member Governments would be free to fix for themselves.

During a second stage, member Governments would introduce the Community system of turnover taxes, and during a third stage it might be necessary to bring the rates so close together that refunds on exports and countervailing charges on imports would no longer be needed within the Common Market.

In the field of consumer taxes, discrimination and distortion of competition arising from current systems of tax remission on exports and imports should be eliminated without delay, the Commission stated. The Governments would also have to decide how far it would be possible to abolish consumer taxes peculiar to particular member countries and whose yield plays only a small part in Government revenues. A further study will have to be made of the extent to which these taxes, if they cannot be abolished, can at least be harmonized, the Commission added.

Since differences in direct taxes could lead to distortion of competition, the Commission is now studying whether the development of the Common Market requires common or harmonized rules on valuation, depreciation, and other factors in the assessment of direct taxes. The gradual implementation of a Community system of turnover taxes would, of course, create a tendency for the closer alignment of direct tax rates.

The various conventions for the elimination of double taxation now in force between the member countries should be adapted immediately to conform with the model convention prepared by the OECD, and then incorporated in a general agreement covering the whole Community, the Commission stated.

As a further means of removing restrictions on competition, the Action Program also envisaged harmonization of economic legislation. In particular, the Program recommended harmonization of patents and industrial property law, national definitions of unfair competition, technical regulations, company law, social legislation, and the mutual recognition of bankruptcy and other judicial decisions in the commercial field.

The common agricultural policy

For the Community to achieve its aims in agriculture, the Commission believed that it would be necessary to solve the following problems :

Common organization of markets

The mechanism and institutional bases for common marketing organizations have been established by Community regulations for grains, pigmeat, poultry, eggs, wine, fruit and vegetables. Additional provisions for wine still have to be worked out. For milk and dairy produce, beef, and rice, common marketing organizations comprising similar mechanisms and institutions were expected to come into force some time in 1963, in accordance with proposals which the Commission has already presented to the Council of Ministers.

The Commission intends to put forward, as soon as possible, proposals for the common organization of the markets for sugar, potatoes, oils and fats, ethyl alcohol, tobacco and non-edible horticultural products. It is also engaged on framing a common policy for fisheries and forestry.

When all this has been accomplished, about 90 per cent of member countries' agricultural produce will be subject to markets organized on a Community basis.

In developing and implementing the common agricultural policy, the Community will take account of the interests of the associated African countries, whose agricultural products are sometimes in competition with those produced in the Community and subject to Community control.

Common price policy

Where there are disparities between the prices of agricultural products in member countries, the establishment of a common agricultural market is hindered by the absence of a common price policy, the Action Program stated.

The level fixed for agricultural target prices will determine to a large extent the degree of protection to be given to the Community's agriculture.

As the basis of the Community's future policy, the Commission intended to make proposals on the criteria to be applied in fixing target prices for agricultural products. The criteria would involve three main factors :

The level of farmers' and farm-workers' incomes ;

The guidance of production to meet demand ;

The development of the economy as a whole.

The Commission intended, as soon as possible, to make proposals for a price policy in line with the aims set out in Articles 39 and 110 of the Rome Treaty. "The Community, by adopting measures designed to raise the individual incomes of those engaged in agriculture and encouraging the rational development of agricultural production, will make its contribution to the harmonious development of world trade by ensuring a satisfactory level of trade between the Community and non-member countries," the Commission stated.

The move towards a common level of agricultural prices must begin with the alignment of basic product prices, which are now fixed by the member Governments. The Commission presented draft proposals for the alignment of grain prices to be applied during the 1963-64 harvesting season to the Council of Ministers on March 12, 1963.

Encouraging fair competition

Measures for the protection of national markets which are still permitted during the transition period will be gradually abolished before the end of 1969. As production and trade in the Community's single market must be allowed to develop under conditions of fair competition, the provisions of the Treaty and the regulations issued by the Council of Ministers for the gradual removal of distortions to competition on agricultural markets may need to be supplemented. This applies particularly to :

Government aids. (A common policy should be established for those forms of aid which might be allowed to continue, the Commission stated) ;

Freight rates for agricultural produce and raw materials ;

Taxes on agricultural produce and raw materials.

Common financial responsibility

To enable the European Guidance and Guarantee Fund to take over common financing of the agricultural policy, the Commission planned to submit proposals to the Council of Ministers on the way in which this fund should operate. These proposals would deal particularly with the types of expenditure to be met by the Fund under the common policy.

Agricultural reorganization

Economic expansion has a twofold influence on agriculture: in the first place, demand, particularly for livestock products, increases with incomes; secondly, the general development of the economy presents farmers with the need to adapt themselves continually to changing conditions if they are to maintain their incomes in relation to other sectors of the population. This adaptation is made difficult, however, by a number of obstacles which are typical of agriculture in the Community. The Community should therefore facilitate and direct this process by an active and specific policy. In particular, the Commission believes it essential to eliminate the "structural" defects of farms (especially family farms) and to help workers who find the rewards of agriculture insufficient to take up other employment.

To achieve these aims, the Commission recommends that measures intended to encourage the reorganization of farming should be reinforced; educational facilities, occupational training (agricultural and other), and agricultural advisory services should be increased; credit policy should be adapted more closely to farm needs; and lastly, agricultural co-operatives should be encouraged.

At the same time, the Community will encourage economic and social development in less favoured rural areas as part of its regional policy. Positive action in this field will include the provision of schools at all levels, improved communications, and industrialization, with the general aim of providing alternative employment for those who cannot earn a satisfactory living from agriculture.

The Commission has submitted proposals to the Council of Ministers for a Structure Fund which will stimulate and guide agricultural reorganization through grants to projects considered to be in line with the aims of the common agricultural policy.

Annual report

To aid Community institutions in making decisions within the framework of the common agricultural policy, the Commission will prepare an annual report, beginning in 1964, on the agricultural situation, including the state of agricultural markets and foreseeable trends. This report will be in addition to the report on structural reorganization and the annual reports on Community financing.

A common transport policy

Among measures intended to ensure, by the end of the Common Market's transition period, a transport market organized on Community principles and sensitive to the needs of transport users, the Commission's Action Program advocated :

The harmonization of national legislation governing access to the transport markets in each country: particularly the gradual abolition of bilateral quotas for international road transport between Community countries, and the substitution of Community quotas open to the transport concerns of all member countries regardless of nationality.

Published upper and lower limits on freight rates for all types of transport and important categories of traffic. Fixed lower limits would prevent excessive competition in transport, and upper limits would prevent the abuse of dominant positions. Firms would be free to fix their prices at any point between the limits.

Coordination of national fiscal, social and technical regulations on transport.

- Coordination of Community investment in transport infrastructures.

An examination of the effects on traditional methods of transport of the increasing use of pipelines. The Commission envisages Community control of refined-product pipelines; crude-oil pipelines presented few major economic problems, the Action Program stated.

By the end of 1964, the Commission would make proposals for Community regulations on international sea transport, with particular reference to shipping conferences. The Commission would also consider the problems of coastal sea traffic and internal air traffic.

Cooperation between the Commission and the European Conference of Transport Ministers would make certain that the interests of neighbouring non-member countries were taken into account when Community policies on such matters as transport infrastructures and a Community highway code were framed. By the end of the Common Market's transition period, the Commission intends to have established a Community policy towards non-member countries on such matters as shipping treaties and bilateral air agreements.

A common energy policy

Proposals for a common energy policy were submitted to the member Governments by the Inter-Executive Energy Committee set up by the three Community Executives (the Coal-Steel Community High Authority and the Common Market and Euratom Commissions) in June, 1962. For oil, which is subject to Common Market control, the Commission made twelve proposals in its Action Program:

Free circulation within the Community for crude oil and refined products ;

- Unrestricted imports of crude oil and refined products from the rest of the world other than the Communist countries ;
 - Community quotas for oil imports from the Communist countries ;
 - Nil tariffs on crude oil imports from non-member countries ;
 - Low external tariffs on oil products ;
 - Uniform taxes, at the lowest level consistent with budgetary needs, for fuel oil throughout the Community ;
 - Harmonization of taxes on petrol (gasoline) ;
 - Possible preference for crude oil from Community and other specified sources to broaden the basis of supply ;
 - A Community stockpiling policy and harmonization of relevant national legislation ;
 - Price publicity for petroleum products, and application of the Rome Treaty's rules of competition to the oil market ;
 - Permanent consultation between member Governments and the Commission on trends in the oil market ;
 - Permanent consultation between member Governments and the Commission on oil industry investment.
- Wherever possible, the Commission recommends that similar steps should be taken for natural gas.

Social policy

The Community must have its own social policy, coordinated with the other elements of Community policy but not subordinate to them, the Action Program stated. It would be inconceivable for the Community to be created in an atmosphere from which social preoccupations were artificially excluded, while in its six member countries these preoccupations play an increasingly important rôle in national political and economic policies.

The Program recommended immediate action in these specific fields of social policy :

Community regulations on the free movement of workers should be fully applied, and extended; Social security for migrant workers should be improved, and national legislation in this field should be more fully and efficiently coordinated;

The operations of the European Social Fund should be extended.

The Community's main task in the social field in the years ahead would however be concerned with two major problems: vocational training and employment, and the harmonization of living and working conditions in an upward direction, the Commission stated.

Vocational training and employment

The Commission attached fundamental importance to the implementation of a common policy on vocational training. Active assistance and coordination by the Community – through the exchange of information and Community pilot schemes – must back up action by member Governments. A common policy on vocational training would also enable a common employment policy to be defined, and could exert a decisive influence on the geographical and occupational mobility of labour within the Community. (The Commission's second set of proposals for such a policy were adopted by the Council of Ministers on February 21, 1963.)

The Social Fund would be an important instrument in the Community's employment policy. The Commission considered that the Fund's first years of operation had shown clearly that it should not only be an organization for refunding member Governments' expenditure on retraining schemes : it should also be in a position to encourage member countries to initiate projects and carry out experiments in this field. Believing that this was the only way in which the Fund could fully achieve its purpose, the Commission expected to submit precise proposals to the Council of Ministers on this subject during the second stage.

Harmonizing social conditions in an upward direction

Full harmonization of living and working conditions in an upward direction, which would be aided by the mere fact of the Common Market's existence, would still necessitate Community action to achieve close cooperation on social matters between member Governments, and the Commission regarded it as one of its duties to encourage this process. The Rome Treaty already makes specific provision for equal pay for women and a Council of Ministers' decision has laid down a time-table for achieving this aim.

On the general level, the Commission stated that harmonization did not mean casting the various countries' social systems in an identical mould. It was more a question of eliminating differences that were not justified by specific occupational or regional needs, and of gradual all-round improvement. Moreover, harmonization should not be based on authoritarian action, but on studies, consultations, and recommendations. Harmonization would thus be the fruit of voluntary cooperation between the Commission, Governments and experts on social matters. (In this context, the Commission is studying the results of the European Social Security Conference which it organized in Brussels in December, 1962, as a possible basis for recommendations to member Governments.)

The Commission also considered that there must be a gradual harmonization of legislation on the length of the working week in member countries. In the field of labour relations, the Commission advocated joint committees at Community level for branches of industry. The Program also stated that workers' and employers' organizations should be encouraged to conclude collective agreements based on model Community contracts.

Existing legislation on industrial health and safety should be harmonized, the Program urged, with particular attention to protection of women and young people.

The Commission believed that special attention should be paid to housing policy, with particular reference to :

Total housing requirements in the Community, especially low-cost housing ;

Qualitative housing conditions in general, and those of migrant workers in particular ;

Improvements in rural living conditions ;

Financial cooperation between member countries to subsidize housing for workers moving from one Community country to another.

The Commission proposed that joint advisory committees should be set up to study social security in the agricultural sector, and that a round-table conference of interested parties should be called in the near future to consider the special problems of transport workers.

For agriculture, action would have to be taken on the suggestions made at the conference on the social aspects of the common agricultural policy, with particular reference to living standards, incomes, working conditions and social security for farm workers.

For transport workers, the Commission, in its recently approved General Program, has already decided the main lines of the social measures to be taken. Consultation between the interested parties would make it possible to draw up a detailed program and a time-table for putting it into effect.

The main problems to be solved for the three systems of inland transport were the make-up of crews, the length of working hours and rest periods, and overtime payments. Education and vocational training were specific problems for inland water transport. The Commission would also pay particular attention to specific social-security problems affecting transport workers.

Lastly, the Commission considered that a comprehensive Community social policy must rest on appropriate wage policies framed at either national or Community level. Such policies, the Commission added, would be indispensable to Community economic and monetary policies. Their broad outline should be clarified in discussions between both sides of industry and the member Governments. In this way, the Commission believed, income growth could be related to general economic expansion.

Achievement of the above aims would be compromised if employers' and workers' organizations did not lend their support, the Commission stated. That was why it would continue to seek the cooperation of these organizations, as it had always done in the past.

Economic policy

The Community's action in the field of economic policy falls naturally into two parts : short-term measures covering a year or eighteen months, and measures requiring several years to take full effect. A distinction has been drawn between economic development policy and structural policy, rather than the usual arbitrary distinction between trade-cycle policy and long-term policy : economic development policy takes economic structures as they stand and structural policy seeks, by their constant improvement, to increase continuously the overall efficiency of the economic system.

ECONOMIC DEVELOPMENT POLICY

Under economic development a further distinction is drawn between short-term and longer-term objectives.

Short-term objectives

The Commission has already introduced several innovations in the Community's short-term development policy. These include :

Annual general forecasts for the Community economy contained in a message to the European Parliament every January. These forecasts are accompanied by recommendations to member Governments on steps to avoid possible dangers and, in particular, to increase output and to stabilize prices ;

Quarterly economic surveys ;

- Occasional recommendations to Governments when the Commission feels that measures should be taken to preserve equilibrium and the general momentum of the Community economy ;

Monthly business surveys, based on answers to questionnaires sent out to Community firms ;

- A proposal by the Economic Policy Committee for an annual economic forecast for each country and a joint Community forecast based on the separate national forecasts. This procedure was carried out for the first time in the autumn of 1962 ;

A memorandum to the six Governments containing precise recommendations on measures to be taken in the event of a downturn in economic activity ;

A study of the various instruments of short-term economic policy in each of the six countries, and ways of improving and supplementing them.

The Action Program makes two recommendations for the continuation and extension of these activities :

More detailed business, investment and consumer surveys ;

Development of economic forecasting techniques to a point where it will be possible to obtain a single forecast for the whole Community.

The Commission also intends to provide the member Governments with precise recommendations for measures to avoid labour shortages in periods of rapid economic expansion. With the earlier memorandum on recession policy, this document would form the outlines of a code of good conduct for member Governments in economic affairs.

In addition, the Commission intends, with the support of the Monetary Committee and the Economic Policy Committee, to strengthen cooperation between itself and the six Governments so as to :

Strengthen the instruments of trade-cycle policy at the disposal of national authorities :

Supplement the general economic forecasts, wherever possible, by separate forecasts for the more important branches of economic activity ;

- Develop a system of economic indicators to permit rapid diagnosis of changes in economic activity, and thus move towards a system of quarterly national accounts ;

Improve existing coordination in each country between the various public authorities whose actions influence the course of economic activity.

The Commission aims gradually to bring into being a Community short-term economic policy, into which the national policies will dove-tail. To attain this, the Commission is relying mainly on the

national economic forecasts, which it will discuss every autumn with the authorities responsible for economic and financial policy in the six countries. The scope and content of national policies will be examined in the light of their expected results, and the advisability of adjustments discussed at Community level.

The Commission planned to propose in 1963 that comparison of the economic forecasts should be followed by a comparison of the national budgets for the following year. Such a study would probe more deeply into the working of economic machinery and increase the possibilities of effectively altering its course. The foundations of this policy were laid by the Commission during the Common Market's first stage by its efforts to obtain comparability of budget data between the six countries.

For the longer term

The Commission believes that the Community should consider its future development in terms of a period of several years. This would not imply an authoritative plan, imposed on individual firms and interfering with the freedom of the market, but would constitute a framework for action by the Governments and institutions of the Community. Taking as a starting point the estimated growth potential of the Community economy in the period under consideration, the object should be to achieve the fullest possible utilization of the Community's productive resources, while avoiding inflationary pressure. Such a general view could be termed a program; naturally, it would require constant revision to take account of unforeseen developments. If for any length of time economic activity should get too far out of line with the program, by going ahead too fast or too slowly while the bases of the initial forecast remained unchanged, it would be up to the economic and financial authorities to stimulate or put a brake on the economy, as the case might be. Programming as thus envisaged would not run counter to the policy of competition; on the contrary, an essential part of programming would consist of finding and applying means of restoring active competition between firms wherever it had disappeared or been restricted.

Such a program, extending over several years, is also necessary for the following reasons:

To guide national and Community economic decisions, the effects of which would not be visible for some time;

To help achieve a rational distribution of the limited financial resources of public authorities; As a guide for the national economic plans or programs being drawn up by a growing number of member countries. To begin with, the Community program would be the outcome of these national plans, but later it would provide the indispensable framework for them;

Without such programming, it would become extremely difficult to implement common policies for agriculture, energy and transport;

Structural economic changes, particularly regional development and industrial reorganization, can only be made effectively if they are planned in a long-term context;

Community programming is a necessary basis for an incomes policy aimed at relating income growth to the expansion of production potential, and at securing a fairer distribution of total income. It is also necessary to ensure a proper balance between consumer spending and investment.

The Commission intended to make proposals on Community programming along these lines to the Council of Ministers before the middle of 1963.

STRUCTURAL POLICY

Even in times of general prosperity there are always some sectors of the economy which are static or declining, and some regions in a state of depression. But the Rome Treaty provides for a harmonious development of the Community as a whole by narrowing the differences between regions, and a Community policy on structural reorganization therefore becomes a necessary adjunct to development policy.

Sector studies

Although the Commission is not proposing to set targets for individual industries as part of its policy of economic programming, detailed sector studies will be necessary for several reasons:

Medium-term national programs, like annual economic forecasts, cannot usefully be compared in general terms. A certain minimum of information must be available for the main product

categories if an assessment is to be made of the validity of the various national estimates, and of how far the intra-Community trade figures are comparable.

Threats to economic stability are found not only in general disorders such as recession, inflation or balance-of-payments difficulties, but also in particular disorders such as the decline of a specific industry or, by contrast, the excessively rapid expansion of a given sector, with a risk of over-investment.

A sector-by-sector study will also be necessary of changes in the Community's external trade which will result inevitably if the proposed tariff negotiations with the United States, based on the Trade Expansion Act, are successful. Similarly, the effects which industrial development in new countries will have on various sectors of Community industry, and the effects of increased imports of certain products from these countries, must also be carefully studied so that adjustments can be made without widespread economic disturbance.

Studies have been made or are in progress for the motor industry, building and public works, and the paper and board industry. Further studies are planned for shipbuilding, the electronics industry, farm tractors, nitrate fertilizers, clothing, various branches of the textile industry, and chemicals.

These studies will help the industries concerned to make the necessary adaptations to the estimated future pattern of demand, and to plan their investment policy.

REGIONAL POLICY

The wide disparities between living conditions and levels of economic development in various European regions will not be automatically remedied by a liberal economic policy and fair, undistorted competition, the Program states. The different Community regions do not start level and existing gaps could grow wider. Harmonious development of economic life within the Community and a steady and balanced economic expansion (the task laid down by the Rome Treaty) cannot therefore be accomplished without an active regional policy.

The Conference on Regional Economies, which the Commission organized in Brussels in December 1961, made a general survey of the problem. The Commission now intends to proceed on the following lines :

Three committees have been set up to study methods of hastening economic development in the Community's peripheral areas, means of infusing new vigour into depressed industrial areas, and aids to firms with the object of fostering regional development. In the latter context, a study will be made of the relationship between help for development areas and the Community's policy on fair competition.

The Commission is also financing studies and experiments intended to throw light on several other basic problems :

How can new industrial centres be created around which modern industry will develop? A first experiment has been made in Southern Italy.

How can the special problems of frontier regions be overcome?

● How can the effects of local industrialization be spread over wider areas?

How can diversification be achieved in single-industry areas ?

The Commission believes that economic programming in the Community should take account of regional needs. It will therefore recommend that member Governments prepare action programs for the Community's major socio-economic regions. Among other things these programs would serve as a guide for the operations of the European Investment Bank.

The solution to the problems of regional development will lie in a combination of vocational training, industrialization and greater mobility for labour, the Commission concludes.

Monetary policy

Towards monetary union

The Commission states in its Action Program that the full and final development of the Common Market depends on monetary union within the European Community.

In an economic union any important modification would produce such profound disturbances to trade and such sudden changes in the prices of farm products that the Common Market itself might

be threatened, the Commission states. The Program consequently recommends that by the end of the Common Market's transition period at the latest, exchange rates between Community countries should be fixed in such a way as to prevent them from fluctuating beyond very narrow limits. The present international currency system the Commission regards as "fragile", adding that "the appearance of a European reserve currency would greatly facilitate international monetary cooperation and the reform of the present system."

To achieve monetary union, the Commission recommends :

Continuous review of monetary matters in the Community by a body composed of the governors of the six countries' central banks. This body would, when necessary, participate in meetings of the Common Market Council of Ministers.

- Obligatory consultation between member Governments and either the Council of Bank Governors or the Council of Ministers whenever important monetary actions were contemplated. This system should be in operation by mid-1963, the Commission suggests.
- Provision for member countries to address monetary recommendations direct to another member Government whenever the need arises.

Community consultation to precede recourse to the International Monetary Fund by a member country. The Commission also recommends that the Community should decide on a common policy in its relations with the rest of the international monetary system, and that Community machinery which might be needed in this context should be in operation by mid-1963.

Mutual aid for Community countries in monetary difficulties. Community Governments would be obliged to earmark a fixed percentage of their currency reserves for this purpose.

None of these proposals, which the Commission regards as an essential adjunct to financial and budgetary policy, would infringe the rights of Community Governments or central banks to act independently, provided they first consulted their Common Market partners, the Program states. But the Commission envisages that coordinated policy would eventually develop into common policy through the federal banking system which they propose.

A monetary union could thus become the aim of the Third Stage of the transition period, with the Finance or Economics Ministers deciding on the global volume of the national and Community budgets in the Council of Ministers. The Council of central bank governors would become the central body of a federal-type banking system.

The Community and the world

The Community's leaders have said on many occasions that the Community is not a self-centred organization of rich nations, but that it is, on the contrary, aware of its duties towards other European nations and the rest of the world, and that it wishes to assist in raising world living standards.

Expansion of the Community

The Action Program states that the authors of the Rome Treaty did not intend the Community to be confined to the six founder countries, and from the outset they "called upon the other peoples of Europe who share their ideal to join in their efforts." In this context, the Community has worked on the principle that any extension must also add to its strength. This means that nothing must be done which could impair the original provisions or the institutional structure of the Treaty.

Relations with the United States of America

The prosperity of the Community and the passing of the US Trade Expansion Act increase the significance of relations between these two large communities, the Commission states. Formal tariff negotiations in GATT under the Act will not get under way until May, 1964, but the Commission intends to make use of the intervening period for the following purposes :

To complete its studies on the commercial possibilities and general economic implications of the Trade Expansion Act, and of the concrete proposals that the American Administration will make under the Act.

To submit to the Council of Ministers proposals on the attitude which it thinks the Community should adopt in these negotiations.

To explore, with the United States, the opportunities for widening the scope of the negotiations. The Commission also believes that the consequences for trade of the dismantling of customs protection between the Community and America should be studied in advance, as should the extent to which such dismantling ought to be accompanied by harmonization of the rules of competition in the two areas. Finally, the Program urges, the Community's negotiating methods should be re-examined and the Commission should be granted greater freedom to manoeuvre in the future, since it has to do the negotiating.

The success of these negotiations would go a long way towards solving the problem of the Common Market's relations with non-member countries, both inside and outside Europe, the Program states, and would be of great benefit to the developing countries.

Aid to developing countries

The Community has been aware since it was founded of the responsibilities of industrialized countries for aiding the developing countries. The following chapter (page 15) describes the Commission's policy in this field in detail, particularly as it affects the associated African countries.

In Europe, the Community has concluded an association agreement with Greece which came into force on November 1, 1962. The general aim of this agreement is to aid Greek economic development and to enable Greece to become a full member of the Community as rapidly as possible. A similar association agreement has also been negotiated with Turkey.

The Latin American States are also faced with special problems, of which tariff protection for tropical products is one of the more important. The Commission has therefore prepared a memorandum in which it proposes a series of measures for assisting these countries as the basis for a general Community policy for the area.

Commercial policy

A Community commercial policy is taking shape, and during the transition period national policies will be gradually merged into a common commercial policy.

This common commercial policy must be developed at the same pace as the customs union, the Commission states. To this end, the Commission will :

- Take an active part in the tariff negotiations which will follow the passing of the US Trade Expansion Act.

- Make proposals before July 1, 1963, for removal of all remaining quota restrictions on trade with the dollar area.

- Prepare, before the end of 1963, a joint list of products which the Community countries regard as sensitive in their trade with other GATT countries.

- Propose a Community safeguard clause for these products incorporating the various measures already adopted by member countries. This would be subject to negotiations between the Community and the other countries concerned.

The Commission also proposes that national quotas for trade with the Communist countries should be replaced by quotas negotiated or fixed on a Community basis. National liberalization lists will also be pooled and replaced by a Community list. The Commission intends to submit its initial proposals on this subject before the end of 1963.

Anti-dumping and countervailing duties should be harmonized at national level and ultimately replaced by Community measures, the Program states.

Since the establishment of the Common Market, the Commission has, in practice, conducted tariff negotiations on the Community's behalf, but it is only from the end of the transition period onward that such negotiations must necessarily be handled by the Commission. This does not mean, however, that the Community as a whole cannot even now conclude trade agreements with non-member countries, and negotiations of this kind have already been undertaken.

World agricultural markets

In the Commission's opinion, world markets for agricultural commodities have not proved very effective in establishing a balance between areas of plenty and areas of shortage. It will therefore take the initiative in preparing and convening international conferences on world commodity agreements.

Aid to developing countries

Under the Rome Treaty, the Community has assumed special responsibilities towards a number of associated countries in process of development, and the new association convention which has been negotiated with the eighteen associated African countries provides increased resources for aiding their economic development.

The implementation of the Treaty, particularly in its impact on world trade, has also created wider responsibilities for the Community with regard to other developing countries. The Commission considers that the Community must take increasing account of these problems and seek appropriate solutions for them.

The Commission's Program therefore advocates :

The maintenance and improvement of the association system as a global effort covering a large area of the developing world and enabling the Community to apply the methods best calculated to help the associated countries without impinging on their sovereignty.

- Consideration for the interests of developing countries not linked with the Community.

The new association agreement

The new association convention between the European Community and the eighteen independent African associated countries was initialled by the Ministers of all 24 countries in Brussels on December 20, 1962. Based on the principle of complete equality between the partners, it reaffirms the close economic ties between the Community, with its 170 million inhabitants, and the African countries with their combined population of 58 million.

Under the new agreement, which will run for a period of five years, the Community will provide development aid for the associated countries totalling \$800 million, compared with the \$581 million provided under the previous agreement. Of the new sum, the 18 independent associated countries will receive \$730 million, while the remaining \$70 million will go to dependent French and Dutch African territories. Of the \$730 million allotted to the independent countries, \$620 million will be in the form of non-returnable aid, \$46 million in the form of special loans, and \$64 million in European Investment Bank loans.

The provisions of the old association agreement relating to trade between the African countries and the Community are to be retained or extended under the new arrangements. Community tariffs on some exports from the African countries will be abolished right away, while their remaining exports will continue to benefit from the progressive reduction of Community duties. In principle, the associated countries' tariffs on imports from the Community will be reduced by 15 per cent annually, but in practice the African countries will be allowed to maintain old tariffs or create new ones where these measures are required to protect infant industries.

The associated countries will abolish all national quantitative restrictions on trade with the Community countries not later than four years after the entry into force of the new agreement, and replace them by a global quota open to the Community without discrimination. This provision is subject to the same safeguard clauses for the protection of developing industries as the reduction of the associated countries' tariffs. The Community countries will apply the same quota rules on trade with the associated countries as they apply on trade among themselves.

The new agreement envisages that within three years, nationals and companies from the Community countries on the one hand, and the associated countries on the other, will have reciprocal rights of establishment and freedom to supply services in each other's countries.

The new convention also provides for a considerable expansion of technical assistance to the associated countries in the form of scholarships and training facilities and in the planning and carrying out of investment projects financed by the European Development Fund. The Commission will increase on-the-spot training facilities for nationals of the associated countries in various technological subjects.

Administration of the new agreement will be controlled by three joint institutions. The Council of Association, consisting of the Common Market Council of ministers and one representative from each associated country, will meet once a year to survey the broad working of the convention.

Detailed day-to-day administration will be carried out by the Association Committee, made up of one representative each from the Community countries and the associated countries.

A Parliamentary Conference, consisting of members of the European Parliament and parliamentarians from the associated countries, will meet once a year to consider the Association Council's annual report. A Court of Arbitration, appointed by the Council and consisting of a President and two nominees each of the Community and the associated countries, will settle disputes on the interpretation or application of the convention if the Council fails to agree.

Relations with other African countries

One of the commonest criticisms of the association system is that it hinders African unification, but the Commission does not consider it to be incompatible with economic cooperation between associated countries and non-associated countries.

The Commission believes that it is both feasible and desirable to develop cooperation in a liberal and constructive spirit, between the Community and organizations grouping association and non-associated countries, provided always that the fundamental rules of the Rome Treaty and the convention are observed.

Relations with other developing countries

In relations between advanced and developing countries, it is becoming difficult to draw the line between commercial relations and financial and technical aid. As the Commission is responsible for working out a common policy on trade with non-member countries, it will also have to propose a common policy of financial aid and technical cooperation.

Community machinery for financial aid and technical assistance will not do away with the existing national arrangements, but will make increasingly close coordination between them both easier and more necessary. The Commission therefore believes that the Community countries should set aside, over a lengthy period, annual sums to finance such aid. These sums would take account of expenditure which the country concerned was already undertaking on its own account in this field.

The use of these resources would be governed by coordinated or joint decisions under a long-term Community policy of aid to the developing countries.

The Commission also wishes to see discussions between the Community and the developing countries put on a permanent basis. To maintain and increase the export income of these countries, an overall policy, based on world or regional commodity markets, stabilization of commodity prices at higher levels, and the gradual removal of obstacles to higher consumption of basic commodities in advanced countries, should be established, the Commission states.

In particular, the Commission believes that sympathetic consideration should be given to the interests of the developing countries liable to be significantly affected by the Community's common agricultural policy.

To achieve these ends, the Commission believes that the Community should :

Adopt a common attitude towards commodity agreements, treaties, and international conferences.

Coordinate national policies on credit, credit insurance and guarantees, and participate as a Community in the public and private financing of investment plans in the developing countries.

Coordinate member countries' policies in the sphere of technical cooperation with the developing countries, and consider the award of scholarships to nationals of non-associated countries.

Coordinate national information and liaison contacts with the developing countries on a Community level.

The Commission believes that it would be in the Community's interest to speak with one voice whenever a specific position can be formulated in its discussion with these countries.

It is convinced that its efforts along the lines indicated above will contribute to the establishment of a coherent common policy on development problems. The association system is both the first manifestation of such a policy and an example from which there are many lessons to be learned, the Commission concludes.

Community Topics

An occasional series of documents on the current work of the three European Communities.

1. **The Common Market 1960-1 (July 1961)** *out of print*
2. **Economic integration and political unity in Europe by Walter Hallstein** (August 1961)
3. **A guide to the study of the European Communities** (November 1961) *out of print*
4. **The Common Market and the Law by Michel Gaudet** (November 1961) *out of print*
5. **French Industry and the Common Market** (December 1962)
6. **The right of establishment and the supply of services** (November 1962)
7. **Euratom's second five-year research program 1963-7** (January 1963)
8. **Ten years of ECSC 1952-1962** (January 1963)
9. **Energy Policy in the European Community** (June 1963)

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