

**EUROPEAN  
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COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

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BACKGROUND INFORMATION

ECONOMIC PLANNING IN THE COMMON MARKET

In connection with the European Parliament's endorsement March 31 of the Common Market acceleration proposals advanced by the Commission of the European Economic Community, the recent report of the Commission "Economic Situation in the Community and Prospects for 1960," offers significant predictions regarding the direction of the Community's economy. It is anticipated that economic expansion will continue through coming months in all six member countries of the Community. It is further estimated that the gross national product of the member countries as a whole might be five to six per cent greater in 1960 than in 1959.

The economic expansion in all the industrial countries of the world has stimulated exports from the European Community. It is expected that external demand for Community products will continue to develop in 1960, but sales to the U.S. are not anticipated to progress at the exceptional pace noted in 1959. On the other hand, the Community is counting on increased exports to other outside countries, especially to those countries which are in the process of development.

Like external demand, internal demand is expected to increase greatly during 1960. Greater investment will be stimulated by the prospect of more investment opportunities. The extension of fixed capital investments in the form of industrial equipment and construction will be facilitated by more available liquid assets although a tendency to increase interest rates will become apparent during the year. At the same time, wages are expected to rise faster during 1960 than during 1959. Private consumption will increase more rapidly in 1960 than during the past two

years. Internal production within the Community will adjust less readily than in the past to this rapid increase in demand. Increased productivity, resulting from the present trend of investments, will not be noted until later on, but these investments will contribute rather quickly to the increased demand.

Imports can also be expected to increase over the next year. A net increase in imports of finished products, including industrial as well as consumer goods, is indicated for 1960, and imports of raw materials and semi-finished products should be considerably higher than in 1959. A greater expansion of inventories will be noted. Thus, despite the anticipated growth in exports, and even in the absence of appreciable fluctuations in trade patterns, the surplus in the export-import balance of the Community should show a certain reduction from the previous year.

The effectiveness of national measures planned to meet the economic changes will be aided by coordination of policies relating to economic trends within the Community. Such Community-wide coordination will become even more important for the orientation of an expanding economy in 1961.

Programs for the efficient utilization of manpower reserves (tied in with the manpower shortage in the German Federal Republic and in the Netherlands) represent another consideration for the European Community in the year of 1960. For that reason, a working group has been assigned the task by the Commission to study the actual and the anticipated fluctuations in the employment market of the member countries and to propose appropriate measures to deal with them. The programs for a stepped-up development in the exchange of goods and services constitute another one of the goals of the Community.

Development of external trade can contribute to the maintenance of the internal balance in the various Community countries. Therefore, the Commission has advocated the acceleration of the achievement of the full Common Market, accompanied by a liberal commercial policy vis-à-vis third countries, not only as an attainable goal under the present economic situation, but also as a means of stimulating economic expansion.