

THE EUROPEAN COMMUNITY

P R E S S R E L E A S E

EUROPEAN ECONOMIC COMMUNITY • EUROPEAN COAL AND STEEL COMMUNITY • EUROPEAN ATOMIC ENERGY COMMUNITY

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March 25, 1967

FACTS ABOUT

THE EUROPEAN COMMUNITY

A Tenth Anniversary Review

(March 25, 1957 - March 25, 1967)

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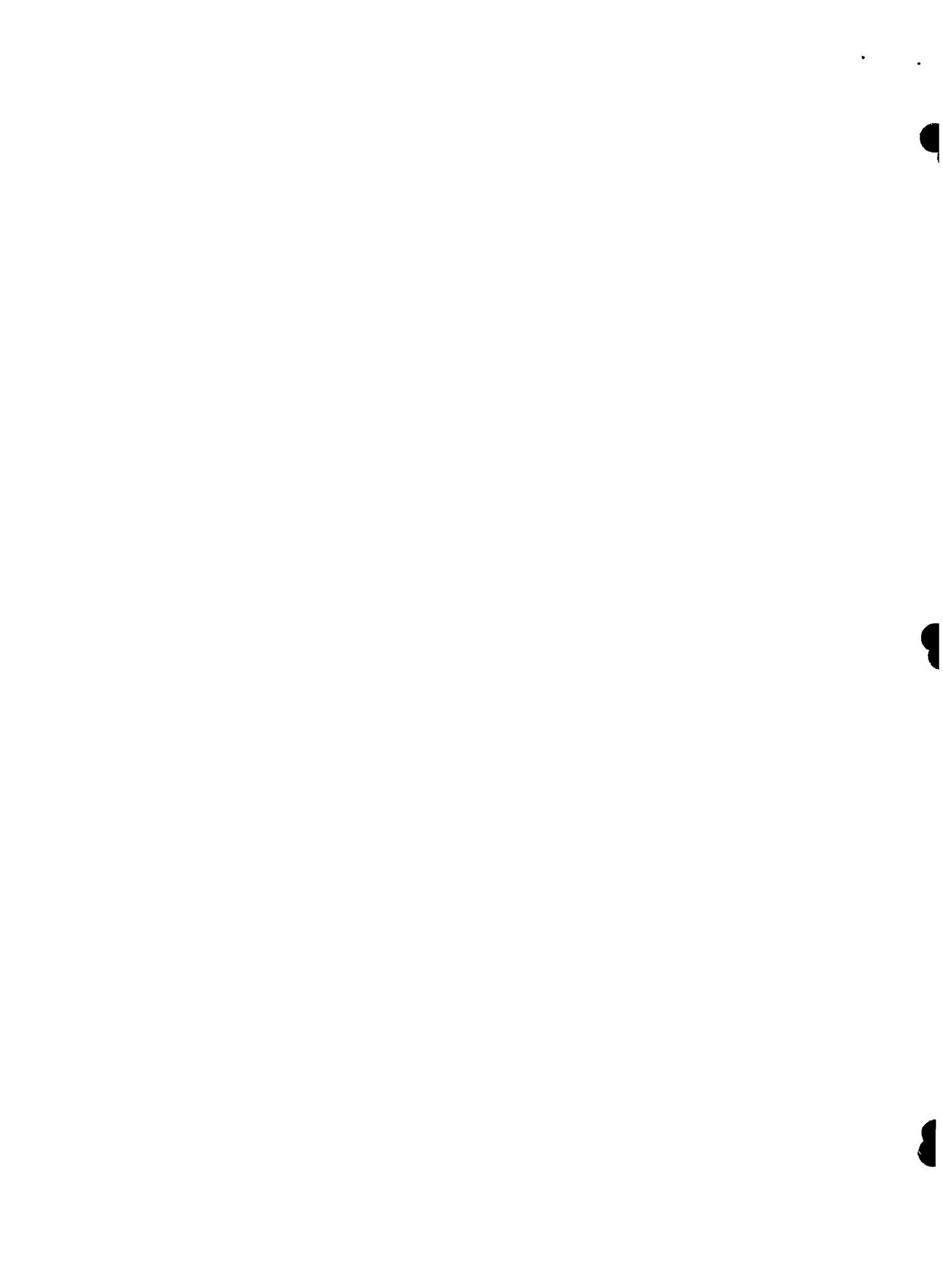
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Tenth Anniversary
Background Facts
March 25, 1967

THE EUROPEAN COMMUNITY

The European Community covers 449,000 square miles, less than a ninth the area of the United States. Yet 184 million people live in the Community, nearly as many as in the United States. The Community's working population of 77 million is greater than that of the United States.

The Community countries in 1966 produced 85 million metric tons of steel and 226 billion kilowatt-hours of electric power, surpassed only by the United States and the Soviet Union in each. The Community has the world's second largest output of motor vehicles and is one of the leading producers of farm produce - the biggest milk producer in the world and the third largest producer of meat.

It is one of the world's fastest-growing major economic areas: between 1958, the year in which the Common Market began, and 1966 its gross product increased in volume by 52 per cent as compared with 44 per cent in the United States and 30 per cent in the United Kingdom.

The Community is the world's largest trader, importing and exporting more than any other trading area or nation. In 1966 the Community's imports from the outside world totaled \$31.2 billion and its exports \$29.5 billion.

	<u>Community</u>	<u>UK</u>	<u>USA</u>	<u>USSR</u>
Area (thousand sq. miles)	449	94	3,600	8,600
Population 1966 (millions)	184	55	198	233
Active working population 1966 (millions)	77	24	75	108*
Steel production 1966 (millions of metric tons)	85	24	122	97
Electricity production (billions of Kwh)	226	113	724	235
Grain production (millions of metric tons, average 1963-65)	59.2	11.9	160.7	126.7
Meat production (millions of metric tons, average 1963-65)	9.8	2.4	20.4	8.3
Milk production (millions of metric tons, average 1963-65)	67.7	13.4	59.4	63.3
Vehicle production 1966 (millions)	6	2.3	11	0.60
Imports from rest of world 1966 (\$ billions)	31.2	16.9	25.5	8.5*
Exports to rest of world 1966 (\$ billions)	29.5	14.7	29.5	8.6*
Gold and dollar reserves end of 1966 (\$ billions)	20.0	3.0	14.5	-

* estimated

ELEMENTS

The European Community is uniting the national economies of six European countries:

- | | |
|-----------------------------------|-------------------|
| - Belgium | - Italy |
| - France | - Luxembourg |
| - The Federal Republic of Germany | - The Netherlands |

Three sectors now form the European Community:

THE EUROPEAN COAL AND STEEL COMMUNITY (ECSC), created in 1952 by the Paris Treaty, represented the first step toward partial economic unity by pooling the six nations' coal, steel, iron ore and scrap in a single market.

EURATOM (the European Atomic Energy Community or EAEC) began in 1958 under a treaty signed in Rome. It pools the financial, industrial and scientific resources of the Six for the joint development of nuclear energy for peaceful purposes.

THE COMMON MARKET (officially the European Economic Community or EEC), also created in 1958 by a second Rome Treaty, is integrating the six nations' economies into a single market of continental scale.

PURPOSE

- to end the conflicts which so long divided the nations of Western Europe;
- to enable Europe to play a responsible role in world affairs commensurate with her economic strength and Western cultural traditions;
- to improve the working conditions and living standards of the people of Europe;

- to abolish economic barriers which have fragmented Western Europe;
- to make possible an economy of scale demanded by modern industrial technology;
- to help the less-favored areas of the Community and aid developing countries; and
- to form the basis for a future United States of Europe.

THE INSTITUTIONS

The ECSC, Euratom and the Common Market are administered by separate executive bodies. Plans are now under way to fuse the three executives into a single body and draft a single treaty to replace the Treaty of Paris and the Rome Treaties.

The members of the three collegial executives - the ECSC High Authority, the Common Market and Euratom Commissions - are appointed by unanimous agreement among the six member governments but are pledged to independence of national, political or industrial interests. They accept joint responsibility for their decisions which are taken by majority vote and are subject to a common parliamentary and judicial control. In the Common Market and Euratom, policy decisions are taken by the Council of Ministers (representing the member states) on the basis of proposals by the executive organs. However, the Council cannot itself initiate proposals. The executives take part in Council meetings and may facilitate agreement by amending their own proposals in the light of the Council's discussion. The executives are then responsible for ensuring that the Council's decisions are put into effect.

The Executive Branches

The ECSC High Authority

The ECSC executive body consists of nine members whose decisions are directly binding on the industries and governments concerned. It supervises the common market for coal and steel to ensure fair competition. It stimulates and coordinates investment and research. It aids workers threatened by technological unemployment and lends economic adjustment assistance to industry.

The Euratom Commission

Euratom's five-member executive branch is responsible for the execution of the Euratom Treaty. It makes policy proposals to the Council of Ministers and carries out programs resulting from policy decisions. Its work includes supervising the nuclear common market, controlling and supervising the movement and use of fissile materials to ensure their peaceful application, supporting and coordinating nuclear research, and operating a supply agency which concludes all contracts for outside supply of fissile materials. The Euratom Commission also carries out long-term economic studies and concludes cooperation agreements with third countries and international organizations.

The Common Market Commission

The EEC executive organ has nine members whose role is to ensure the step-by-step establishment of a full Common Market. It is the initiator and executor of Community policy and acts as mediator between the governments and as the guardian of the Common Market Treaty.

The Council of Ministers

The Council is a Community institution whose six members directly represent the member governments. For coal and steel, the Council's function is largely limited to an advisory one. Its decisions on ECSC matters are taken mainly by majority vote.

For the Common Market and Euratom, the Council of Ministers takes the final policy decisions but does so only on the basis of proposals from the respective Commissions and can modify such proposals only by unanimous vote. In the first eight years, decisions in many fields were unanimous, but weighted majority voting in the Council, which is a basic principle of the Rome Treaty, became the general rule from January 1966 onwards. (As a result of the seven-month French boycott of the Council over agricultural financing, however, Council members make every effort to reach unanimity on matters of vital national importance.)

The Parliament

The Parliament is a 142-member assembly whose members are elected from and by the legislatures of the member countries. The three Executives must report annually to the European Parliament. The Parliament may oust the High Authority by a two-thirds vote of censure on its report but can dismiss the Common Market and Euratom Commissions by such a vote of censure at any time. The Common Market and Euratom must consult the European Parliament before taking certain decisions, and their annual budgets are subject to parliamentary review. The Parliament comprises four political groups: Christian Democrats, Socialists, Liberals, and the European Democratic Union. Members are seated in the Assembly according to political groups rather than nationality.

The Court of Justice

The Community's supreme court of seven judges has the power to rule on the application of Community law and to decide whether acts of the Executives, the Council of Ministers, member governments and other bodies are compatible with the Treaties. The Court's judgments have the force of law throughout the Community and are directly binding on all parties whether individuals, firms, national governments or the Community's executive bodies themselves.

The European Investment Bank

The European Investment Bank, with a capital of \$1 billion, aids investment in the Community's underdeveloped regions, helps finance modernization, makes investment loans to European associates and development loans to overseas African associates.

In addition to these Community institutions, a number of consultative bodies aid the Community's work, such as the Economic and Social Committee, the Monetary Committee and the Medium-Term Economic Policy Committee.

THE FIRST STEP - COAL AND STEEL

The European Coal and Steel Community pioneered the common market concept with the creation of a single market for coal, steel, iron ore and scrap. The ECSC was conceived as the forerunner of more extensive economic integration; though limited to "sector integration" of the vital resources of a modern economy, it introduced new economic ideas on the European scene, such as the "transition period" for moving from a national to a European market framework, economic redevelopment aid, retraining programs for the technologically-unemployed, and financial aid for industry modernization, anti-trust laws, and worker housing programs -- all on a European scale.

The ECSC introduced the first European tax -- a levy on the value of coal and steel produced in the six states -- and established the Continent's first truly "European" institutions whose structure and experience became the foundation stones for the EEC and Euratom.

THE COMMUNITY AND ATOMIC ENERGY

In its nine years of existence Euratom has

- established a common market for nuclear materials;
- established European research centers in four Community countries;
- allotted \$647 million to joint research and scientific training;
- contracted over 700 specific research assignments to national centers, private firms and universities;
- allocated \$32 million to participate in building power reactor projects;
- established a computerized center for retrieval of information on nuclear science and technology;
- created a radioisotope information bureau;
- set up a security control system to ensure that nuclear materials are not diverted to military uses;
- carried out a joint research and power "partnership" with the United States;
- participated in a joint nuclear insurance convention;
- established basic standards of health and safety to protect nuclear industry workers and the general public.

The financing of the research budgets, as well as the operational expenses of Euratom, are currently met by national contributions in proportions fixed by the Treaty.

TOWARDS FULL ECONOMIC UNION

In the first decade of its existence the Common Market has

- increased internal trade among the member countries by 240 per cent since 1957;
- cut industrial tariffs among the Six by 85 per cent from 1957 levels (as of July 1967);
- moved toward the achievement of a common external tariff by eliminating 60 per cent of the differences between the national tariffs toward third countries;
- substantially removed quota restrictions on imports of manufactured goods;
- accelerated progress towards a common agricultural policy ahead of the schedule prescribed by the Rome Treaty;
- reduced internal tariffs to 35 per cent of their 1957 level for certain agricultural goods and to 40 per cent for all other agricultural goods;
- gradually removed restrictions on capital movements among the Six and prepared a study looking to the creation of a single capital market;
- established common pricing policy schedules for nearly all of Community agricultural production;
- established common external trade policies for several agricultural products;
- established common systems of market intervention to support agricultural prices for the major part of Community production;
- established machinery to match job vacancies and applications throughout the Six;
- allowed freedom of movement for labor within the Six and freedom of establishment for certain Community enterprises and individuals;

- created freedom to supply certain services in any Community country;
- established a social fund which provided \$40.4 million up to the end of 1966 to aid in retraining and relocating workers;
- established rules to restrain unfair competition and cartels;
- made investment loans to aid in developing backward Community regions of more than \$500 million;
- signed association agreements with Greece and Turkey and made \$300 million in investment loans available to them;
- signed a second association convention with 18 associated states in Africa providing technical assistance and direct aid totaling \$730 million for development and diversification;
- set short-term economic guidelines to coordinate the adjustment process in the economies of the member states;
- adopted a medium-term economic policy program to ensure harmonized economic growth;
- drew up plans for a common transport policy for rail, road, and inland water freight;
- made progress towards equalizing men's and women's pay;
- moved towards equalizing national pay scales;
- moved towards equalizing regional pay scales and living standards;
- initiated moves toward common external trade policies.

Common Market Budget

The administrative budget of the Common Market is at present financed by the member governments in the following proportions: France, Germany and Italy 28% each, Belgium and the Netherlands 7.9% each, Luxembourg 0.2%.

The 1966 administrative budget totaled about \$45 million.

The common farm policy requires finances in order to support domestic prices, modernize agricultural production and marketing and subsidize agricultural exports for the world market. These are provided partly by levies on agricultural imports collected by the national governments and partly by direct contributions from the national treasuries. When the common agricultural policy is fully operative, total Community expenditure for it will amount to about \$1.5 billion a year, including \$285 million for agricultural modernization under the Guidance Section of the Fund.

The European Social Fund contributes to financing occupational retraining, resettlement and other aids, in order to ensure the re-employment of workers who have been left jobless by structural changes wrought by the Common Market. It operates by refunding 50 per cent of economic adjustment assistance undertaken by the member governments in agreement with the Commission. By the end of 1966 the Fund had paid out \$40.4 million.

THE COMMUNITY AND THE WORLD

The European Community has made a sharp impact on European and world affairs since 1958. Its significance for Europe can be judged by the number of other countries which have requested membership or association. Its influence in the rest of the world is evident from the growing list of African and other countries which have achieved or are seeking association. In addition, its economic strength and its position as the world's leading trading power have been major factors in stimulating global moves towards freeing trade.

Sixty-eight countries had accredited ambassadors to the European Economic Community by the beginning of 1967, 30 had diplomatic relations with the ECSC, and 27 with Euratom.

The Community's links with other countries can take four forms:

- full membership for European states;
- association of certain European countries (usually regarded as a step to eventual full membership);
- association of developing countries overseas;
- trade agreements.

Full Membership

Britain, Denmark, Ireland and Norway all have sought full membership in the Community. Their entry requires the unanimous agreement of all six member states. France, however, indicated her disapproval of British entry at the beginning of 1963, and all entry negotiations came to a halt. Renewed British efforts beginning in November of 1966 have revived the interest of the other nations.

European Association

Greece and Turkey have signed association agreements leading to membership in the EEC customs union and economic integration within the Community. Provision is also made for both associates to receive Community loans. Austria is in the advanced stages of negotiating close association status for herself. Sweden, Switzerland, Spain, Cyprus and Portugal have also investigated association with the EEC. Algeria, Morocco, Tunisia and Israel are holding talks to learn whether, as non-Europeans, some form of association might be open to them.

African Association

In 1958 the Community signed a five-year agreement forming the European Development Fund and earmarked \$581 million in development aid to territories which were then 18 African dependencies. By 1963 these territories had become independent nations. All except Guinea chose to continue their relationship with the EEC and signed with it the Yaoundé Convention, providing for \$620 million in grants and a further \$110 million in loans, for technical assistance and for the gradual freeing of trade with the EEC. In 1966 Nigeria signed an association agreement under which she would liberalize her trade with the Community. She is the first English-speaking nation and the first member of the British Commonwealth to associate. Nigeria did not request development aid of the EEC. Both forms of association, like full membership, require the unanimous accord of the Community's member countries.

Trade Agreements

The Community has concluded three-year trade agreements with Israel and Iran and an agreement for technical assistance with Lebanon. Such agreements need only the assent of a weighted majority of member countries to be effected.

Trade Policies

The European Community aims at a liberal trade and tariff policy compatible with its internal cohesion. Its common external tariff, which will be fully in force from July 1, 1968 onwards, is the most liberal -- and also the simplest -- customs tariff among those of the world's major trading powers. Moreover, the Community has shown itself ready to cut its

tariff rates both unilaterally to help developing countries and reciprocally with developed nations in worldwide negotiations in the General Agreement on Tariffs and Trade (GATT). In 1963 it suspended its duties on tea, maté and tropical hardwoods, reduced its duties on coffee and cocoa by 40 per cent and those on shellac, various spices and other tropical products by 15-20 per cent.

Worldwide Tariff Cuts in GATT

The first test of the EEC's ability to negotiate as a unit for the six members came in the so-called Dillon Round of GATT negotiations from 1960-62. These negotiations, though aimed at 20 per cent reductions, did not lead to substantial overall cuts because the United States was not able to negotiate "across-the-board" reductions but had to proceed laboriously, item by item. The conclusion brought concessions on world trade totaling over \$5 billion and cuts of less than half those originally proposed.

In the period after the negotiations the Community's industrial tariffs reached their present configuration, calculated at an average of 11.7 per cent ad valorem. This compares with 17.8 per cent for the U. S. tariff and 18.4 per cent for the British industrial tariffs. Community tariffs, being based on averages of prior national tariffs, tend to be uniform; 93 per cent of all duties are under 20 per cent ad valorem and 80 per cent between 4 and 19 per cent ad valorem.

In October 1962 the U. S. Administration under President Kennedy received authorization through the Trade Expansion Act to grant reciprocal across-the-board tariff cuts up to 50 per cent -- the most extensive

in U. S. history. The United States therefore proposed the new GATT negotiations which came to be known by the name of the Trade Expansion Act's sponsor.

The Kennedy Round aims at broader measures than previously bargained. It seeks to negotiate reductions in barriers to trade in agricultural products as well as in manufactures, and to eliminate certain non-tariff barriers to trade, such as quotas, dumping, and internal taxation.

In the present GATT round of negotiations, the U. S. and the EEC are the chief negotiators at the bargaining table because of their major trading roles. The EEC Commission, which represents the six member nations at the Geneva talks, is putting the finishing touches to its offers to be tabled next month. There is every indication, unless U. S. agricultural demands or the EEC position on "American Selling Price" prove unsurmountable, that the Kennedy Round will be a resounding success.

European Coal and Steel Community

Relations with Great Britain

Through an Association Agreement signed at the end of 1954, the Community and the United Kingdom established a Council of Association where U. K. and High Authority representatives meet regularly. They discuss removal of trade barriers and coordinating action on long-term development and on cyclical adjustment. Through the association, Great Britain and the Community agreed in 1957 to reduce their steel tariffs.

Consultation and Rail Agreements

The High Authority and Switzerland signed an Agreement of Consultation in 1956 creating a permanent Joint Committee. In 1956 the High Authority

signed a rail agreement with Switzerland extending the Community's international through rates to ECSC coal and steel in transit through Switzerland. A similar agreement was signed with Austria in 1957.

Euratom

External Agreements

The United States Government and Euratom on November 8, 1958, signed an Agreement for Nuclear Cooperation involving a \$350 million, 1,000 megawatt joint program for building nuclear power plants and a \$100 million joint research and development program.

A Nuclear Cooperation Agreement with the United Kingdom covering the exchange of information, training facilities and the supply of fuel was signed on February 4, 1959.

Cooperation agreements with Canada, covering a five-year, \$10 million research and development program, were signed on October 6, 1959. Since 1964 the agreement has been renewed on a yearly basis. A Cooperation Agreement with Brazil was signed on June 9, 1961, and one with Argentina on September 4, 1962.

Euratom is participating in a joint reactor project sponsored by the European Nuclear Energy Agency of the OECD: it is the Dragon high-temperature, gas-cooled experimental reactor at Winfrith, England, to whose cost Euratom is contributing 46 per cent. The United Kingdom applied to join Euratom on March 5, 1962.

WHAT REMAINS TO BE DONE?

By mid-1968 the customs union is scheduled to be complete. While the Community is approaching this goal rapidly, several important tasks remain:

- complete removal of the last 15 per cent of tariffs on internally-traded industrial goods, scheduled for July 1, 1968;
- complete removal of the last 35 or 40 per cent of tariffs on internally-traded agricultural goods, scheduled for July 1, 1968;
- full common reimbursement of agricultural support, scheduled for July 1 of this year;
- completion of common agricultural regulations, scheduled for December 31, 1969;
- completion of financial arrangements for the Common Agricultural Fund, to be put into effect December 31, 1969.

The Community must go beyond the customs union stage to complete economic union. There are under discussion a number of tasks still to be achieved to this end:

- harmonization of fiscal and monetary policies;
- formation of a unified capital market;
- integration of social policies;
- creation of a single Community executive body;
- achievement of a common energy policy.

Europeans looking further ahead do not exclude some form of political integration evolving out of economic union and see the desirability of giving legislative power to a European Parliament whose members would one day be elected by universal suffrage.

A BRIEF EUROPEAN COMMUNITY CHRONOLOGY

- 1947 June 5 General Marshall proposes American aid to stimulate recovery in Europe.
- October 29 Creation of Benelux -- economic union of Belgium, Luxembourg and the Netherlands.
- 1948 April 16 Convention for European Economic Cooperation signed -- the birth of the Organization for European Economic Cooperation (OEEC).
- 1950 May 9 Robert Schuman makes his historic proposal to place French and German coal and steel under a common Authority.
- 1951 April 18 The Treaty creating the European Coal and Steel Community (ECSC) is signed in Paris.
- 1952 August 10 ECSC High Authority starts work in Luxembourg under its first president, Jean Monnet.
- 1955 June 1-3 The foreign ministers of the ECSC member states meet at Messina, Sicily to propose further steps towards European integration.
- 1956 May 29-30 The foreign ministers meet in Venice and agree to establish a treaty-drafting conference for Euratom and the Common Market.

- 1957 March 25 The Rome Treaties creating the Common Market and Euratom are signed in Rome.
- 1958 January 1 The Rome Treaties come into force and the EEC and Euratom commence operations.
- 1959 January 1 The Common Market makes its first tariff reductions and quota enlargements. Euratom establishes the common market for nuclear materials.
- 1960 May 10-12 The EEC accelerates the time-table for establishing the Common Market.
- 1961 July 9 Greece signs an association agreement with the EEC in Athens (effective November 1, 1962).
- July 31 The Republic of Ireland applies for membership in the European Common Market.
- August 9 Great Britain requests negotiations for EEC membership.
- August 10 Denmark requests similar negotiations.
- December 12 Austria and Sweden apply for association with the Common Market.
- December 15 Switzerland also applies for association.
- 1962 January 14 Community decides on the basic features of the common agricultural policy.

- 1962 February 9 Spain applies for association with the Common Market.
- April 30 Norway requests negotiations for full membership in the Common Market.
- July 16 The Community reduces the common external tariff level by 20 per cent subject to reciprocity.
- July 30 The first regulations under the common agricultural policy take effect.
- 1963 January 14 President de Gaulle in a press conference declares that Britain is not ready for membership in the Community.
- July 20 Eighteen independent African states and Madagascar sign in Yaoundé the Convention associating them with the EEC for five years, starting June 1, 1964.
- September 12 Turkey signs association agreement with Community (entry into force December 1, 1964).
- 1964 May 4 "Kennedy Round" of tariff negotiations in the GATT opens in Geneva.
- 1965 March 31 Common Market Commission proposes that, as of July 1, 1967, all Community countries pay their receipts from import duties and levies into the Community budget and that the powers of the European Parliament be increased.

- 1965 April 8 The Six sign treaty agreeing to fuse the Community Executives.
- July 1 The Council misses deadline for a decision on financing the common farm policy. France boycotts the Council for seven months.
- 1966 January 17 The six foreign ministers meet in Luxembourg without the Commission and agree to resume full Community activity.
- May 11 The Council agrees to complete the customs union by July 1, 1968. Then all tariffs on trade between the member states will be removed, the common external tariff will come into effect, and the common farm policy will be completed.
- July 16 Nigeria signs an association agreement with the Community in Lagos to come into force after ratification of the signatories' legislatures, enabling free trade in main agricultural products by July 1, 1968.
- November 10 Britain's Prime Minister Harold Wilson announces plans for "a high level approach" to the Six with intention of entering EEC.
- 1967 February 8 Community adopts first coordinated medium-term economic policy.

- 1967 February 9 Community adopts harmonized system of business taxation.
- March 25 Tenth anniversary of the Rome Treaties.
- July 1 Internal tariffs dropped 5 per cent on industrial goods in next-to-last step towards complete removal.
- Common Agricultural Fund takes over complete reimbursement of farm expenses.