

THE COMMON MARKET

The European Economic Community

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Summary Analysis of a Memorandum* by the Commission of the European Economic Community on Problems Involved in the Creation of the European Economic Association.

NOTE: Following the breakdown of negotiations in Paris last year for the creation of a Free Trade Area, the Commission of the European Economic Community was charged by the Council of Ministers with the re-examination of problems involved in the establishment of a multilateral association between the Common Market and other nations of the OEEC and of the possibilities of solving them.

This summary covers the findings of the Commission in its first document submitted March 16, 1959 to the Community's Council of Ministers. The report did not provide a complete blueprint for European Economic Association but considers the basis of a possible new approach upon which later talks could be undertaken with some guarantee of success.

A Review of Past Negotiations

The Memorandum of the Commission undertakes a brief analysis of the 13-month long negotiations pursued within the framework of the Organization for European Economic Cooperation (OEEC) which were suspended on November 15, 1958 and also probes the deep-rooted reasons for the present impasse.

Before studying the technical aspects of the problem of association of other member countries of the OEEC with the Common Market, it is important to clear up certain persistent misunderstandings regarding the legal and political bases of the Community's relations with its European partners.

The Problem of Association Extends Beyond Europe

After this broad statement of the point of view of the eleven nations of the OEEC and that of the Community, the Memorandum examines the economic aspects of the problem of association, showing that great diversity of economic interest exists among the eleven OEEC nations in their relations with the Common Market and also that a number of important non-European factors must be considered in the equation. Not only must the problems involved in the relations of European countries with non-member countries be considered in discussing European Economic Association, but also world-wide factors are of direct concern to the Community.

Thus the Commission questions whether the concept of the Free Trade Area as originally proposed and upon which the Paris negotiations were based, could permit consideration of these broader aspects. Moreover, the Commission concluded after analyzing the mechanism envisaged for the operation of the Free Trade Area, that the objective of Free Trade could be reached only if a number of very precise conditions were fulfilled despite the fact that agreement on these conditions was not reached in the negotiations.

The Memorandum declared it was desirable to enlarge the framework of negotiations to take account of the problems as a whole and, meanwhile, to

* Copies of the memorandum entitled: "First Memorandum from the Commission of the European Economic Community to the Council of Ministers of the Community, pursuant to the decision of 12/3/58, concerning the problems raised by the establishment of a European Economic Association" are available from the European Community Information Office.

immediately turn toward practical cooperative solutions which would not raise prior difficulties of principle.

Balanced Economic Relations with the Free World

The Community's particular relations with European countries must first be considered in the framework of general policy of a world-wide nature. A policy on the part of the Community which is liberal in the broadest sense of the term will enable a certain number of problems to be solved. The Commission specified that this should be the Community's action on tariffs and quotas, as well as on questions of agriculture.

But it is also important that the policy of the Community makes clear the Commission's positive will to establish a proper balance in economic relations within the Free World. Certain problems, such as those of relations with less developed countries, demand concerted action on the part of the great industrial regions which have a comparable responsibility, especially the United States, Great Britain, and the Community. In these fields the Memorandum indicates the broad lines of closer cooperation for these common goals. While the world-wide aspects of its responsibilities are borne in mind, the Commission cannot neglect the particular need for European solidarity. The general policy it intends to pursue will involve more precise and immediate obligations on a European scale, and also a reinforcement of European unity with regard to the various problems which Europe has to face.

Short Term Vs. Long Term Solutions

It is necessary, therefore, to establish a multilateral European Economic Association, but it is difficult at present to predict the definitive and complete form which this will take. A large number of reasons, some of them inherent in the world situation, some of them confined to the Eleven, and others due to the fact that the Community itself is still in full development, prevent conditions or mechanisms being fixed for too long ahead.

What is important is to set up for the immediate years to come a modus vivendi which will take account of all existing fears and enable them to be met in a satisfactory way while at the same time firmly engaging the external policy of the Community in a liberal direction both on tariffs and on quotas, which fact itself will facilitate later agreement.

A permanent European examination of the flow of trade should enable the interests of the Community's partners to be safeguarded. Furthermore, it is proposed that a mechanism should be adopted to give further stimulus to the elimination of trade barriers among all 17 OEEC member countries, by an annual 20% increase of existing quotas. Finally, consultations should be undertaken to define a common attitude in the tariff negotiations to be pursued in the framework of GATT; and more vigorous efforts made by the 17 European countries from now on to deal with those products which are chiefly concerned in intra-European trade.

Other proposals in the Memorandum deal with agriculture and the less developed countries of Europe.

Summary

In brief, the basic ideas of this new approach are the following:

-- It is impossible to treat entirely separately the world-wide and the European aspects of the Community's external relations: nevertheless, its relations with European countries must take account of this particular solidarity, and seek to reinforce it.

-- The Community must pursue within the framework of existing organizations -- the OEEC on the European scale and the GATT on the world-scale -- the liberal policy that it intends to follow.

-- On the European scale, more precise commitments can be undertaken in the field of quotas, where cooperation between the 17 member countries of OEEC has already produced outstanding results.

-- In the field of tariffs it is primarily desirable to seek to develop to the full the possibilities for tariff reductions offered by the Dillon proposals. A further complementary effort on a European basis is not excluded.

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-- These practical short-term measures should provide time for longer-term solutions to be sought by the establishment of a European Economic Association between the Common Market and its OEEC partners.

-- At the same time the common responsibilities of the United States, Great Britian, and the Community should induce them to reinforce their cooperation on the world-wide scale.

The Commission's document is only a first memorandum. The new approach it introduces aims at spurring further specific cooperation simultaneously on the world-wide and on the European scale; it is at once flexible and capable of further development. By a resolution of March 16, 1959 the Council of Ministers of the European Economic Community took note of the Commission's Memorandum and in particular of the proposals which it contains. A special Committee, presided over by the Commission, and comprising representatives of the Governments of the Member States, has been set up to continue the study of these problems as well as of the observations and suggestions of the Member States.

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