

## Memorandum from the Department of European Integration at the Quai d'Orsay (Paris, 7 April 1955)

**Caption:** On 7 April 1955, the Department of European Integration at the French Foreign Ministry sums up the possible ways of continuing European integration while emphasising its preference for general economic integration.

**Source:** Ministère des Affaires étrangères; Commission de publication des DDF (sous la dir.). Documents diplomatiques français. Volume I: 1955, 1er janvier-30 juin. Paris: Imprimerie nationale, 1987. 849 p. p. 418-421.

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The various aspects of European integration may now be summarised as follows.

### 1. Transport

As European integration moves into the field of transport, the following points must be borne in mind:

The question is not new. There is already a Transport Conference, linked to the OEEC, which includes Spain as well as OEEC Member States. It seems that the Conference has undertaken minor but useful work.

The ECSC already has powers over transport. Some interesting results with regard to direct international tariffs have recently been achieved.

Transport coordination problems arise in various countries. Experience shows that such problems are very hard to solve, especially the coordination of road-rail operations. Even the competition between inland waterway and rail transport poses difficult problems (Rhine barge traffic and the corresponding rail routes compete against each other following recent tariff changes made by the ECSC).

All tariff problems are extremely complicated. Tariffs are linked; changes made to one set of tariffs may have repercussions on others. The economic impact of transport tariffs is very significant. The economy of a country may be substantially changed through transport tariff policies.

The United States has a federal organisation (the Interstate Commerce Commission) which includes a kind of court of appeal with regard to tariffs. Studies of this system have been undertaken, and they merit consideration when a European project is being drawn up.

With regard to the railways, most of the European railway companies, if not all, run at a loss. The national parliaments that allocate the funds required to offset the losses will be very keen to ensure that national control over rail transport is maintained.

There may be an advantage in coordinating investment to some extent with regard to international motorways and electrification projects. Technical cooperation would also be helpful, for example in the determination of the type of current to be used for electric traction, etc.

Aviation raises a different problem. A common project could be envisaged that would make Europe independent of the American aeronautical industry. The market would have to be large enough to enable Europe to produce modern aircraft comparable to the American models. Perhaps the civil and military aspects might, at some point, be combined.

Some people feel that it would be dangerous to entrust powers in the transport sector to an organisation that already has powers with regard to some raw materials. As we have seen, tariffs affect the entire economy. A body whose views might be influenced by considerations connected with certain areas of the economy might well ignore the genuine interests of other sectors of the economy or of the transport sector. An example from the coal and steel sector: coal and steel account for about 40 % of goods transported by rail. The arbitration required of the High Authority would be distorted from the outset.

### 2. Energy

It is clear that the problems of competition between the various forms of energy are increasing. In particular, competition between coal and oil is one of the key factors which will determine the future of the coal industry.

Accordingly, there would be obvious advantages in a coordinated policy on energy. Gas is linked to coal;

electricity is also dependent in part on coal, etc.

As far as coal is concerned, the problem is covered at European level by the ECSC.

As for electricity, interconnections between networks might be advantageous. There is not much likelihood of or advantage in coordinating investments, save in the case of some specific projects, nor in having a common pricing or tariff policy. At all events, the industry seems to be hostile to ideas of this kind.

As far as oil is concerned, the product is linked to world markets. European countries are all in different positions as regards control of production outside Europe (for instance, France, whose interests have been taken over in Germany, and the Netherlands, etc.). As far as distribution is concerned, the problem is connected with the transport problem referred to above. With regard to refining, coordination of investment might be envisaged, but it would encounter serious difficulties (national or international interests of the oil companies, etc.).

In general, even if we assume that the energy issue be treated as a whole, transcending national boundaries, it must be stressed that any such projects should not be based on an accepted stance governed by political considerations but must be the result of an objective analysis of the problems to be resolved, which might be eased either by a policy of coordination or integration.

### **3. The green pool**

The green pool has now found its place in the OEEC. It is too soon to tell what might come of this organisation's agricultural projects, but it is clear that agriculture is one of the areas where any form of integration will probably encounter the most serious resistance and the fiercest protectionism. A common market in agricultural products seems currently unimaginable, however many countries participate (aid and subsidies in the various countries, lack of complementarity, discrepancies between European and world prices, practical difficulties in drawing up long-term contracts, the question of mutual concessions).

### **4. Free trade area. Customs union.**

Ideas of this kind have often been put forward, especially by Benelux. All in all, and despite the resistance encountered, they merit close consideration. Commitments to a gradual reduction in customs duties, accompanied by escape clauses, an appeals process and, perhaps, by some mechanism for readjustment and restructuring, together with an attempt to harmonise, not equalise, social security and fiscal charges, do not seem unfeasible.

One of the conditions would be for Benelux to accept that customs protection outside the free trade area was adequate.

At all events, it may be preferable to put in place a mechanism that has a unifying effect on national economies — continuous, but very gradual — rather than one that isolates one particular sector.