'A high price' from the Süddeutsche Zeitung (1 March 1957)

Caption: On 1 March 1957, commenting on the signing of the Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom) on 25 March in Rome, the German daily newspaper Süddeutsche Zeitung considers the impact of the provisions governing the Common Market on the German economy in the context of world trade.

Source: Süddeutsche Zeitung. Münchner Neueste Nachrichten aus Politik, Kultur, Wirtschaft und Sport. Hrsg. Friedmann, Werner; Goldschagg, Edmund; Schöningh, Dr.Franz Josef; Schwingenstein, August ; RHerausgeber Friedmann, Werner. 01.03.1957, Nr. 52; 13. Jg. München: Süddeutscher Verlag. "Ein hoher Preis", auteur:Thoma, Franz , p. 9.

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A high price

The die is cast: the Treaty establishing the Common Market is due to be signed in Rome in March; if ratified by the parliaments, it will come into effect on 1 January 1958. Only individual issues remain unresolved; the fundamental principle has been clarified. After so many European projects have come to a lamentable end in the past, the Coal and Steel Community being the only exception, tangible success has finally been achieved. This is welcome to everyone who thinks further than their own borders. The general open-mindedness has, however, given way to a visibly cool reception since details became known. And that is understandable.

If we look at it more closely, there is not much cause for boundless enthusiasm — the whole undertaking is attended by too many reservations, encumbrances and also sacrifices. It will be possible, no doubt, to overlook the fact that, from the outset, only a Little European solution is on offer whereas an international division of labour becomes all the more appropriate, the larger the context in which it takes place. From this point of view alone, a free-trade zone involving the 17 OEEC states would be preferable. It would, nevertheless, remain a major advance if the free movement of all goods and services and free choice of place of work were at least implemented within the six countries and if these countries were also to coalesce politically as a result. Enhanced performance, such as a higher standard of living, would be the concomitant effects — and who would not warm to that?

There are, admittedly, severe restrictions on practical implementation. Convincing reasons can be given to explain why the effect of freedom from customs duty is subject to lists of exceptions. Each of the countries, including the Federal Republic, has structurally weak industrial sectors which they cannot close down overnight. One complication is that, from the outset, the Federal Republic's economically most significant partner, France, will be given a *special status* which allows that country to introduce into the Common Market its confusing system of import and export levies which often have a greater impact than the actual customs duties, shield itself against competition from its partners and, at the same time, safeguard its economic and financial power. If, in addition, agriculture is in practice completely left out because German and French farmers evidently live in constant fear of each other, only a fraction of the freedom of movement remains. Any European Commission which, as a bureaucratic superstructure, is to implement a customs union consequently threatens to become the administrator of protectionism rather than a liberal institution, protectionism additionally being preserved by the uniform external tariff. The fact that this external tariff is calculated from the arithmetic mean of the existing customs duties bestows tariff increases upon low-tariff countries such as the Federal Republic and the Netherlands.

The proportion of West German imports affected is all the greater because, in the past year, these have shifted overseas and, in particular, to the dollar area. It is still unclear to what extent the Common Market will take over the tariff concessions that its individual members have, to date, granted to non-member states within the General Agreement on Tariffs and Trade (GATT). Britain wants to investigate whether the inclusion of the colonies in the Common Market is actually compatible with the GATT provisions. The United States, in principle open-minded on the customs union, will, like Canada and other countries at the spring GATT conference, try to save its tariff concessions, and we can only hope that this proves successful. Otherwise, with our free scope for imports already being restricted by quotas, the customs union would have the effect of additional *discrimination* against trade with *third countries*. Quite apart from the problems of trade policy, this cannot in any way be in the German interest; increased quantities of low-cost overseas imports have recently made a major contribution to the relative price stability in the Federal Republic.

This leads to a major loophole in the customs union — the lack of coordination of monetary policy. Putting it on a voluntary basis, contrary to German ideas, means renouncing it, as shown by the example of the European Economic Council, which in practice foundered on this. The autonomous monetary policy will merely result in the process of price increases from countries with clearly inflationary tendencies (such as France and Italy) being transferred in an even more sustained manner to the partners with healthy financial and monetary policy (such as the Netherlands and West Germany) than already happens today as a result of the unreal monetary parities. This could only be countered by devaluing overvalued currencies, particularly the French franc and the Italian lira — a tough alternative which has been successfully avoided for years and which all citizens of the Federal Republic have to pay for through higher prices in their own country. The weak currencies will cripple the strong ones; there is a threat of an alignment towards *bad* rather than *good money*, downwards rather than upwards.

Many usable compromises have without doubt been struck in Brussels, including the one on transport and trade between the zones. As this has turned out to date, despite fears to that effect, the Soviet Zone is not in any way a foreign country in terms of tariff policy. On the other hand, the inclusion of the overseas territories remains the heaviest encumbrance. It is not 'merely' a matter of France receiving the lion's share with 511 million dollars and the Federal Republic having to stump up the lion's share of 200 million dollars. More serious is the danger that the Federal Republic identifies itself with a declining *colonial policy*. Only use of the money in the colonial territories' own interests will guarantee that the common investment fund will make it easier for colonial policy to be replaced and not become an instrument for prolonging it. Such use is in no way guaranteed, however.

Although the main thrust is fixed, many a detail yet to be negotiated will be capable of contributing to the avoidance of undesirable developments and of bringing the *encumbrances which are accepted in spite of everything* down to a tolerable level. This appears necessary because the whole Brussels compromise has, at all events, come close to the limit of what is acceptable.