

Information document on the Common Market (June 1957)

Caption: In June 1957, the French Embassy in New York publishes an information document on the Common Market to send to its American correspondents.

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A new step in building Europe. A Common Market for 175 million consumers (June 1957)

At the end of the Second World War, it was becoming urgently necessary to bridge the constantly growing gap between the position of Western Europe and that of the great world economic units. If Europe was to continue to expand economically, it had to merge its various national markets and set up a vast common economic zone. That is why economic unification has been a major concern of European Governments during the past ten years.

Six European Countries Establish Economic Ties

As long ago as April 16, 1948, sixteen European states, which were beneficiaries of the American program of economic aid, set up the Organization for European Economic Cooperation (O.E.E.C.). Within the framework of this organization, a European monetary clearing house —the European Payments Union— was instituted on September 19, 1950.

An important milestone in the construction of a European economic union was the signing, on April 18, 1951, of a Treaty constituting the European Coal and Steel Community, which had grown out of a plan presented by the French Minister of Foreign Affairs of that time, M. Robert Schuman. Thus six countries of Western Europe— France, West Germany, Italy, Belgium, The Netherlands and Luxembourg — opened their frontiers to coal and steel. The common market for coal was opened in February 1953, and that for steel in May of the same year.

Meanwhile, on February 14, 1953, the Dutch Government proposed to the other members of the European Coal and Steel Community that they adopt measures preparatory to setting up a European Common Market gradually eliminating customs duties and placing a single tariff on the goods imported from foreign countries into the Community. The six nations of the Community agreed in principle to this memorandum at their Rome Conference held in February 1953. The advocates of a Common Market continued their efforts during the meetings of the Consultative Assembly of the Council of Europe and within the O.E.E.C.

On May 14, 1953, the Assembly of the Coal and Steel Community, on the recommendation of the President of the High Authority, M. Jean Monnet, adopted a motion asking the ministers of the six member countries to see that the necessary draft treaties were drawn up "for the realization of the next steps in European integration, of which the European Coal and Steel Community had marked the beginning." Shortly afterwards, on May 18, the ministers of the Benelux countries sent their plan for economic integration to the three other ministers of the Community, proposing, in particular a pooling of atomic energy for peaceful purposes, and a general economic integration through the creation of a common market and the harmonization of the social security systems of the six countries.

The Messina Conference Adopts Principles of Economic Integration

From June 1-3, 1955, the six foreign ministers of the member countries of the Coal and Steel Community held another conference at Messina. There they adopted the principle of a European Economic Community for the purpose of eliminating the tariff barriers which interfered with the circulation of industrial and commercial goods within the national territories. They also agreed in principle to the creation of a European Atomic Energy Community (Euratom), a common European organization for the development of atomic energy. Their final resolution provided for:

- gradual elimination of obstacles to trade between the participating countries;
- harmonization of the general policy of these countries in the financial, economic and social fields;
- coordination of monetary policies;
- creation of a fund for the relocation and retraining of workers;

- gradual establishment of the free movement of labor;
- rules that would guarantee free competition in such a way as to prevent any national discrimination;
- setting up of the appropriate institutions;
- creation of a European Investment Bank in order to develop in common the economic potentialities and, in particular, the overseas regions of the member states.

A committee of delegates from the Governments, assisted by experts, then met in Brussels and, on July 20, 1955, came to the conclusion that a Common Market was feasible.

The French Government Pledges Its Support to Proposed Treaties

In his declaration of investiture of January 31, 1956, M. Guy Mollet stated: "The Government will give all its support to the efforts of the Brussels intergovernmental committee to implement the resolution of the Messina Conference."

During 1956 and the beginning of 1957, a new series of Conferences of "the Six" was held to go over the reports of the intergovernmental committee and to negotiate certain questions which had arisen when the treaties were being drawn up, in particular, the ways of associating the overseas territories with the future Common Market. These meetings were held in Brussels (June 26-27, 1956), Paris (October 20-21), Brussels (November 16) and Paris (February 17-20, 1957).

Meanwhile, the French National Assembly started to debate the proposed treaties for the Common Market and Euratom and, by 331 votes to 210, approved them in principle on January 15, 1957.

Signed in Rome on March 20, 1957, the treaties setting up the European Common Market and Euratom are at the present time up for ratification by the Parliaments of the six countries.

Principal Provisions Of The Common Market Treaty (1)

Stages and Rate of Setting Up the Market

The Common Market comprising France, West Germany, Italy, Belgium, The Netherlands and Luxembourg, will be established gradually, in three stages each of which, in principle, will last four years.

The second stage, however, will not start until after all six Governments have unanimously established that the objectives of the first stage have been achieved. If it is impossible to reach unanimity, the beginning of the second stage will be postponed for a year, and this delay can be extended by a second year. Thus it is only after two years that the six Governments will be able to decide by a qualified majority (2) that the second stage is to start. Nevertheless, a State finding itself in the minority will have the right to institute legal proceedings — which will have a suspensive effect — before the *ad hoc* court of arbitration; the decision of that court will be finally binding on all the member states.

Furthermore, the six Governments can decide, at the end of the third stage, to extend the duration of the transitional period by one to three years.

The result of these provisions is that the transitional period will last for a minimum of 12 years but may extend for 17 years or even beyond if the *ad hoc* court should prolong the first stage beyond six years.

Institutions and Budget

The Community will include the following institutions.

- A *Council of Ministers* representing the Governments of the member states, will be empowered to take decisions and will rule, depending on the case, either unanimously, or by a simple majority, weighted or not weighted, or a qualified majority. In the cases defined by the Treaty as those requiring a weighted vote in the Council of Ministers, France, West Germany and Italy will have four votes each, Belgium and The Netherlands two votes each, and Luxembourg one vote; the qualified majority — always weighted — will be 12 votes, including the votes of at least four member states.

- A *European Commission* of nine members will be appointed by the Council upon the nomination of the Governments. The Commission will have certain powers of decision, especially in the matter of economic aid and of escape clauses; but its principal function will be to make recommendations, subject to the approval of the Council, for the realization of the Treaty's aims.

- A *Consultative Assembly*, whose members will be chosen by the national Parliaments from among their own membership, will be the same for the Common Market, Euratom and the European Coal and Steel Community, which is already in existence. The number of delegates will be as follows: Germany - 36, France - 36, Italy - 36, Belgium - 14, The Netherlands - 14 and Luxembourg - 6.

- A *Court of Justice* will serve the Common Market and Euratom as well as the European Coal and Steel Community.

- An *Economic and Social Committee*, composed of representatives of producers, labor, etc., will act in an advisory capacity and will be the same for the Common Market and Euratom.

The Community will also include a *Monetary Committee*, serving in an advisory capacity and charged with coordinating the monetary policies of the member states, as well as a *European Investment Bank* and a *European Social Fund* for the retraining and reemployment of workers.

The Governments of the member states will make annual contributions to the Community's budget. Proposed by the Commission, it will be approved by the Council voting unanimously.

Trade Between Member States

The quota and tariff restrictions on trade between the member states must be completely abolished by the end of the transitional period.

Tariff Rates - Customs duties on trade between the member countries will be lowered gradually during the three stages provided for setting up the Common Market. During each of the first two stages, there will be three general tariff cuts. The cut in rates on each product must amount to a minimum of:

- 25 % of the basic tariff by the end of the first stage,
- 50 % of the basic tariff by the end of the second stage (3).

Further reductions will be made during the third stage, the rates varying with the goods in question at the discretion of the Governments, it being understood, however, that all customs duties must be abolished by the end of the transitional period.

Increase in Quotas - A year after the Treaty has entered into force (4), each member state will pool the bilateral import quotas allowed to each of the other member states into over-all quotas open to all the member states. The sum total of these over-all quotas will be increased by 20 % each year, with a minimum increase of 10 % in the over-all quota for each product.

The over-all quotas for each product must, at the end of the tenth year, amount to at least 20 % of the production of said product by each member state. This percentage is considered equivalent to a liberalization of imports.

A procedure is provided for more rapid increase of very small quotas (less than 3 % of the national production at the date of the Treaty's entry into force).

Trade Between the Community and Outside Countries

Common External Tariff - At the end of the transitional period the member states will impose a common tariff on imports from other states. For each product, this tariff will in principle be equal to the mean of the national tariffs at the date of the Treaty's entry into force.

Nevertheless, it may not exceed 3 % for raw materials and 10 % for semi-finished goods. Special provisions are stipulated for certain products, such as those used in the mineral chemical and organic chemical industries. Finally, the tariff for a certain number of products is fixed in the Treaty itself, or will be determined by direct negotiations between the member states during the first stage.

The common external tariff will gradually be put into effect by means of a reduction of 30 %, at the end of each stage, of the discrepancy existing, in each case, between the national tariff and this common tariff.

Common Trade Policy - At the end of the transitional period, the trade policy of the six member countries will be based on uniform principles, especially with regard to tariff modifications, the conclusion of tariff and trade agreements, the standardization of measures of liberalization and the export policy.

Escape Clauses

Any member state may, in case of emergency, resort unilaterally to escape clauses, in order to remedy serious difficulties in its balance of payments. The Council of Ministers will rule by a qualified majority and *a posteriori* on the maintenance, abolition or modification of measures thus taken.

During the transitional period the Commission may likewise, at the request of a member country, authorize the application of special measures intended to meet grave difficulties in a given sector.

Agricultural Problems

The rules laid down for the establishment of a Common Market will be applicable to agriculture subject to the reservations stipulated, which are aimed especially at fixing minimum prices allowing a degree of preference within the Community and establishing European agricultural organizations within the framework of a common agricultural policy.

Fixing Minimum Prices for Imports - The European Commission must present — within four years following the Treaty's entry into force — for the approval of the Council of Ministers ruling unanimously, a system of fixing minimum prices for essential products in each country. These minimum prices are those below which imports may be temporarily either suspended or reduced, or authorized provided the products in question are sold above the minimum price.

If the countries reach a unanimous decision, during the transitional period, each member state will fix the minimum prices bearing upon its national production. If not, the Council of Ministers, ruling by qualified majority, will itself act to set minimum prices after the beginning of the third period.

At the expiration of the transitional period, only the Council of Ministers, by qualified majority vote, may establish minimum prices.

Community Preference - Preferential buying, by the member states, of the Community's products will be assured by agreements and long-term contracts concluded, in each case, for specific quantities, at a price equal to that paid to the producer in the purchasing country. The arrangements will be concluded within the limits of existing needs, taking into account traditional trade channels, and applying only to commodities for

which there exists a regulated market.

Common Agricultural Policy and Organizations - The fixing of minimum prices and Community preference constitute, to a certain extent, interim provisions to be put into effect until a common agricultural policy is defined, and when European organizations are substituted for national agricultural organizations.

The national organizations will be maintained in the absence of common organizations, or if the latter do not offer equivalent guarantees with regard to farm income or the level of trade within their community.

An "Area of Common Economic Policy"

Social Legislation - During the first stage of the transitional period, the member states must put into effect the principle of equal wages for men and women; they must also standardize the wage scales for overtime work. If this standardization is not completely achieved by the end of the first stage, the state which has the most advanced legislation in this field will be given the benefit of a special escape clause.

Furthermore, the Commission will submit to the Council of Ministers — which will rule unanimously— recommendations aimed at harmonizing legislation bearing directly on the establishment of the Common Market.

In addition, the Commission will enter into negotiations with any member state whose laws and regulations might result in a distortion that would interfere with competition. If no agreement is reached, the Council of Ministers, from the beginning of the second stage, can adopt, by a qualified majority, measures intended to eliminate this distortion.

Finally, the Treaty establishes a procedure for preventing new distortions liable to have a serious effect on the functioning of the Common Market.

Free Competition — State subsidies, direct or indirect, which inhibit or threaten to inhibit competition by favoring certain enterprises or certain products are forbidden. The European Commission will decide if and when existing subsidies are to be abolished. Nevertheless, the prohibition is not aimed at subsidies designed to stimulate the development of certain regions or certain activities, when they do not affect the terms of trade to an extent contrary to the common interest.

Agreements or Restrictive Practices — These are also incompatible with the Common Market if they have the intention or the result of inhibiting competition. Such agreements and practices are lawfully void and cannot be invoked before any court of the member states.

Balance of Payments — In the event that a member state is facing difficulties or is threatened with difficulties, the Council, at the recommendation of the Commission, will grant mutual support in one of the following forms:

- by backing any individual recourse to an international organization;
- by taking measures to avoid diversion of trade if the country in difficulty maintains or reestablishes restrictions on trade with countries outside the Community;
- by arranging for limited credits to be granted to the other member states.

The provisions relative to the escape clauses where the balance of payments is concerned (see above p.5) take effect when mutual support has not been given or when it has been inadequate.

By the terms of a protocol annexed to the Treaty, the French Government will be authorized to maintain the present system of export subsidies, until the French balance of payments has shown no deficit for more than a year and until monetary reserves have attained what is considered to be a satisfactory level.

As long as the system remains in force, the Council of Ministers, ruling by qualified majority, may, upon the recommendation of the Commission, request a certain standardization in the tax rates and subsidies by broad categories of products. On the other hand, the French Government, after consulting with the organs of the Community, may create new taxes on liberated products, not to exceed the maximum rates in force.

Freedom of Services and of Settlement — Discrimination between member states based on nationality will have to be abolished during the transitional period with regard to services and the settlement of persons or corporations within the Community.

Transport — The regulations of the Common Market will be applicable to transportation: by railway, road and waterway, within the framework of a common policy — taking into account conditions peculiar to this sector— which will be defined, upon the recommendation of the European Commission, by the Council of Ministers.

Free Circulation of Workers — Restrictions on the free circulation of workers will be entirely eliminated by the end of the transitional period at the latest.

In particular, discriminations based on nationality with regard to employment, remuneration or other conditions of work will be abolished.

A system will be provided to adjust supply and demand on the Community's labor market by facilitating the access of workers of all the member states to employment opportunities, without entailing serious disturbances on the national manpower markets.

Free Movement of Capital — The member states will, during the transitional period, gradually eliminate restrictions on the movement of capital within the Community, as well as discriminations based on nationality.

Current payments related to movements of capital between the member states will be completely freed at the end of the first stage at the latest.

With regard to movements of capital involving third countries, the member states will be called upon gradually to coordinate their policies in matters of exchange, to the greatest degree of liberalization possible.

Nevertheless, any member state which has to face grave disturbances on its financial market may be allowed the benefit of an escape clause.

European Investment Bank — A European Investment Bank is created within the framework of the Community to help in the development of less advanced regions, the modernization or conversion of enterprises and the carrying out of certain projects of common interest.

The Council of Ministers will act as Governors of the Bank. A twelve-member Board of Directors, composed of 3 Frenchmen, 3 Germans, 3 Italians, 2 nationals of the Benelux countries and one representative of the European Commission —acting independently of their respective Governments— will be appointed by the Council. There will also be an Executive Committee consisting of a President and two Vice Presidents appointed by the Governors upon the recommendation of the Board of Directors.

The Bank will engage in loan operations or will guarantee loans within the Community.

It will have a capital of one billion u. a. E.P.U. (5), subscribed by the member states at the rate of 300 million each by France and West Germany, 240 by Italy, 86.5 by Belgium, 71.5 by The Netherlands and 2 by Luxembourg. The member states will immediately deposit 25 % of the capital to be subscribed. The Bank will borrow in the financial markets.

European Fund for the Retraining and Relocation of Workers - A fund set up within the Community will cover 50 % of the amounts that each member state devotes, after the Treaty has entered into force, to the productive reemployment of workers (cost of retraining, relocation allowances, or compensation for part-time unemployment in cases of reconversion of enterprises).

The fund will be financed by contributions from the Governments written into the general budget of the Community.

Eurafrica

The non-European countries and territories which have special ties with Belgium, France, Italy and The Netherlands are associated with the Economic Community. The aim of this association — commonly referred to as "Eurafrica" — is to promote the economic and social development of the countries and territories and the establishment of close economic relations between them and the Community as a whole.

With regard to the overseas countries of the French Republic and the states which maintain special ties with France, the Treaty provides as follows:

Algeria and the Overseas Departments — The clauses relative to the customs union, to the rules of competition, to the free movement of services and to institutions will be applicable — as soon as the Treaty enters into force — to Algeria, Guadeloupe, French Guiana, Martinique and Réunion, which are Departments of the French Republic. The implementation of the other chapters of the Treaty will take place under special conditions which will be determined within a maximum period of two years upon the recommendation of the Commission and by a unanimous decision of the Council.

In addition, these French Departments will benefit from grants from the Investment Fund set up for the "overseas territories." They may also receive loans or guarantees, on a special basis, from the European Bank, upon the authorization of the Board of Governors ruling unanimously.

Morocco and Tunisia — In a declaration annexed to the Treaty, the Contracting Parties state their readiness to negotiate as soon as possible agreements of association with the non-European states retaining special ties with a member state of the Community.

Overseas Territories — The provisions of the Treaty relative to the "association of the overseas countries and territories" affect the following French overseas territories or groups of territories:

French West Africa
French Equatorial Africa
Madagascar
French Somaliland
New Caledonia
French Oceania
Saint Pierre and Miquelon
French Southern and Antarctic Lands

It also applies to the following countries under French trusteeship:

The Autonomous Republic of Togoland
The State of the Cameroons

The Treaty marked the determination of the six states to associate the overseas territories with the Common Market, and to contribute to the investments required for their gradual development. A first convention, to be in effect for five years, has been concluded to this end.

A Fund for Investment Overseas has been set up, amounting to \$ 581 million for five years.

The contributions for the member states have been set as follows:

West Germany	\$ 200 million
France	200 million
Belgium	70 million
The Netherlands	70 million
Italy	40 million
Luxembourg	1.25 million

As for the French territories, they will receive a total of \$ 511.25 million over the five-year period or, counting only non- French contributions, \$ 311.25 million, invested according to the following schedule:

1st year	\$ 30.25 million
2nd year	40.25 million
3rd year	50.25 million
4th year	70.25 million
5th year	120.25 million

With regard to *trade*, the rules provided by the Common Market Treaty for the first five years of its application regarding the abolition of customs duties and quantitative restrictions, as well as the first measures setting up the common tariff, will apply to commercial relations between the member states on the one hand, and the overseas territories on the other.

The *right of settlement* of nationals of the member states in the overseas territories will be governed in accordance with the Treaty's general provisions on that matter.

Before the expiration of the convention, the Council of Ministers ruling unanimously will adopt new provisions for the next period, in keeping with the general principles written into the treaties.

Pending adoption of the new provisions, the measures concerning trade and settlement will be reinforced. Nevertheless, the gradual elimination of customs duties between the member states and the overseas territories will be continued, following the schedule provided for in the Treaty.

The Common Market and World Economy

Population (in millions)

China	600
India	382
U.S.S.R	200.2
Common Market	173.4
U.S.A.	168.1

Foreign Trade (in million \$)

Common Market	37.5
U.S.A.	26.8
Canada	19.2

Great Britain	18.7
U.S.S.R	6.5

Coal (in million tons)

U.S.A.	488.3	
U.S.S.R.	305.0	
<i>Common Market</i>		249.1
Great Britain	225.6	

Steel (in million tons)

U.S.A.	104.3	
<i>Common Market</i>		56.7
U.S.S.R.	48.6	
Great Britain	21.0	

Electricity (in billion Kwh)

U.S.A.	547.5	
<i>Common Market</i>		172.8
U.S.S.R.	170.2	
Great Britain	80.2	

Automobiles (in thousand units)

U.S.A.	7,900	
<i>Common Market</i>		1,500
Great Britain	900	
Canada	400	

[...]

(1) For an analysis of the Treaty Creating a European Atomic Energy Community, see European Affairs — No. 11.

(2) See next page, under *Council of Ministers*.

(3) The tariff levels of January 1, 1957 are taken as the base.

(4) The Treaty will enter into force on the first day of the month following the filing of the instrument of ratification of the last signatory state to complete this formality.

(5) One European Payments Union unit of account equals one U.S. dollar.