Memorandum from the French delegation to the Intergovernmental Committee (Brussels, 14 October 1955)

Caption: On 14 October 1955, the French delegation to the Intergovernmental Committee set up with a view to relaunching European integration sends the Committee a memorandum in which it sets out the arrangements to be made for the establishment of a single Common Market.

Source: Archives historiques du Conseil de l'Union européenne, Bruxelles. Négociations des traités instituant le CEE et la CEEA (1955-1957), CM3. Comité intergouvernemental : commission du marché commun, des investissements et des problèmes sociaux, mi-octobre 1955, CM3/NEGO/039.

URL:
http://www.cvce.eu/obj/memorandum_from_the_french_delegation_to_the_intergovernmental_committee_brussels_14_october_1955-en-c0bd3af2-7681-43cb-a127-5c34e06a77e9.html

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Memorandum from the French delegation to the Intergovernmental Committee set up by the Conference of Messina on the establishment of a general common market (Brussels, 14 October 1955)

I. General statement

1. The aim of a European common market must be to create a large area sharing a common economic policy, which would constitute a powerful production unit and would pave the way for continuous expansion, greater stability and rapid improvements in the standard of living.

2. This situation can only be achieved if practices which distort competition between producers are ended, if States cooperate on common monetary and economic policies and policies for expansion and social progress, and if the States which are members of this Community adopt a concerted commercial policy towards third countries.

3. By establishing normal competitive conditions and ensuring that all the economies concerned develop harmoniously, it will be possible gradually to abolish all the protective quotas and customs duties which currently represent obstacles to trade and fragment the European economy.

4. The problems generated by this general economic integration are too complex, the measures required are too diverse and the various technical and economic transformations which the integration process will necessarily involve could well be on too large a scale for such integration to be planned in detail all at once. First of all, therefore, we need to define precisely what progress must be made in European integration during the first four years; the bodies to be given the task of supervising developments during this first phase need to be set up immediately, and they must also be instructed to prepare, on the basis of the experience they gain, proposals to be put before the governments for measures to achieve full European economic integration. These proposals for a new governmental agreement should be such that integration can be completed within around ten years under the conditions and with the objectives set out in this statement.

II. First phase of the common market

1. Working conditions.

If competition is to function correctly and if workers are to have a better standard of living, it is essential that certain disparities in current working conditions are eliminated.

In this connection the French Government regards the following as vital:

— the ratification by those Member States which have not yet done so and the effective application of the agreement on equal pay for men and women;

— the fixing of a uniform number of weekly working hours beyond which pay is increased for each hour of overtime, and the application of a standard rate for such increases irrespective of the statutory working time in each country;

— the standardisation of the amount of paid leave and the payment rules for public holidays.

These measures should be implemented gradually over the first four years, starting at the same time as the first reductions in customs duties and reaching completion at the end of the first phase.

Moreover, the Convention on Minimum Standards in Social Security should be implemented at the highest level currently being considered by the end of the first four-year phase.

2. Redeployment and investment fund.

It is essential to provide for the establishment of a financial body with the necessary funding to facilitate the structural economic changes resulting from the gradual elimination of customs barriers. A European investment fund should therefore be set up, with a fairly broad remit to enable it to intervene in the various categories of operations originating in the common market.

a. For example, the fund might help to finance rationalisation and specialisation operations that could improve the division of labour between producers in the Member States and, more generally, it might provide investment enabling fairly powerful production units to be developed to meet the needs of an enlarged market.

b. The fund could also be used to finance capital works or improvements in the general interest: here it might grant loans to develop under-developed regions, where this is recognised to be in the interest of the Member States overall.

c. The fund would also facilitate redeployment and retraining measures resulting from the gradual opening up of the borders.

d. Finally, allowances paid to workers to facilitate their redeployment might be charged to the fund.

On these last two points, the rules and methods adopted by the fund could usefully be drawn from those currently applied in the ECSC.

In principle, aid from the fund would be reserved for operations that were guaranteed to be profitable; it would also be subject to the provision of at least matching national funding.

As for the financial measures used, these should cover a whole range of options from loans, interest rate subsidies and loan guarantees to aid pure and simple, particularly in the case of redeployment allowances for workers.

The fund would operate as a proper European investment bank. Its capital would come primarily from a budget contribution from States taking part in the common market, plus income from loans issued on the financial markets in those countries and possibly third countries too.

A certain percentage of the customs revenue obtained by States from trade with other Member States might be allocated to the fund as an additional source of income.

3. Competition rules.

Trade barriers can only be abolished and the resulting increase in trade will only lead to a better use of productive resources if guarantees are given at the very outset against dumping and two-tier pricing, the abuse of agreements and monopolies, and discriminatory treatment on the basis of nationality.

The rules to be adopted will have to be developed in such a way that, as far as possible, practices of this type can be effectively banned at the same time as the first reduction in customs duties is introduced.

4. State intervention.

All State intervention measures affecting production costs and external trade operations and having an impact on competitive conditions must be recognised as incompatible with the common market. Any procedures not designed to correct distortions, reduce disturbance or limit price differences which are harmful to the operation of the market or price fluctuations which prejudice economic expansion should be eliminated.

5. Customs duties between Member States.

Customs duties must be reduced by 10% at the end of the first year, 10% eighteen months later and 10% at the end of a further period of eighteen months.

The reductions in duties must modify the average protection rate for each of the ten categories into which all the products listed in the customs tariff are to be divided.

6. Quantitative restrictions.

A procedure for eliminating quantitative restrictions is being developed by the European Organisation for Economic Cooperation. The same methods will be used until the procedure reaches its conclusion, if necessary involving concerted action by the countries taking part in the common market.

7. Customs duties for third countries.

Those countries which establish a common market together should move towards establishing a customs union applying a single customs tariff to third countries. This customs tariff will, in principle, be equivalent to the weighted average of existing tariffs. It cannot be reduced below this level except through concessions negotiated with third countries.

Each country's tariff must be brought into line with the common tariff in gradual stages as the customs duties between the countries taking part in the common market are reduced. In order to avoid any delay, the first change to the external tariff could be made by using a simple method, such as by weighting the duties for each product, without waiting for the final tariff to be defined.

The necessary negotiations between third countries and the group of common market Member States must commence as soon as the agreement is concluded.

8. Agricultural products.

The predominantly family-based social structure in farming in the Member States, special factors resulting from differences in climate and custom, the lack of flexibility in demand and the artificial nature of the international market for certain agricultural products all mean that agricultural products will need special treatment when the common market is established. The experience of the Benelux countries has also shown this to be necessary.

The common market Commission has not subjected agricultural products to the same detailed scrutiny as industrial products, and so this memorandum will merely state the following general principles:

a. The common market cannot be established unless certain measures relate to agricultural products from the very outset.

b. Such measures must take account of the special characteristics of how agricultural products are produced and consumed in the Member States.

c. For a large number of products, measures to reduce obstacles to trade must be accompanied by a common policy on the organisation of the markets.

9. Safeguards.

Where there is a problem with the situation of a particular product, or with developments in the balance of payments, a country may be allowed either to defer certain reductions in trade barriers or to reintroduce certain quotas or increase certain customs duties. Such measures must only be temporary.

The procedure adopted must be sufficiently flexible to allow certain obstacles to trade to be introduced without prior authorisation in the event of an emergency or serious problems, on the understanding that measures not recognised as justified would have to be revoked.

To make it easier to restore a balance, countries with a financial surplus may be asked to go further than the planned reduction in duties in order to help others to resolve their problems.

For the purpose of applying these adjustments, balances of payments, causes of imbalance and suitable solutions will all be examined periodically.

III. Organisation

If it is to be successful, the introduction of a common market in line with the principles described above requires strict compliance with jointly agreed rules and the judicious application of safeguards. All those concerned, both States and undertakings, must ensure that these essential guarantees are implemented fully and correctly.

A. To that end, a small body of prominent figures chosen for their general ability by all the governments may be called upon to act as a joint authority which would be completely independent and impartial. Acting in liaison with the relevant ministers in the Member States, its task would be to ensure compliance with the rules adopted by common accord and to promote the completion of the common market, having carried out the necessary prior consultations and subject to appropriate checks on the effects of its activities and their conformity with the treaty signed with the Member States.

It would also have the task of putting before the governments for approval all the measures required for the establishment of the common market such that it may be completed within a maximum of ten years following the end of the initial period.

B. A European economic adaptation and development fund will be set up to carry out the tasks referred to in paragraph II 2 above.