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Draft Treaty embodying the Statute of the European Community, adopted by the Ad Hoc Assembly

Opinion¹

Committee on Economic Affairs and Development

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A. Explanatory Memorandum

1. The establishment of a common market among a restricted number of Member Countries of the Council of Europe, as envisaged in the Draft Treaty setting up a European Community, raises problems closely connected with the whole economic policy of the Consultative Assembly. The Assembly's overall attitude to these problems was made clear in the Recommendation it passed in September, 1952 on economic co-operation with associated countries overseas, commonly known as "The Strasbourg Plan". In view of the new developments foreseen in the Draft Treaty, this attitude needs further clarification. Some factors of particular relevance in the present situation are summarised below.

2. The European Community to be set up is endowed in the Draft Treaty with economic powers which would make possible a step-by-step development towards a common market. The Draft Treaty does not, however, contain any obligatory provisions concerning economic integration, and the safeguards foreseen are such that if they are exploited they would make impossible any substantial progress towards achieving the objective proclaimed. One might almost say that the economic provisions contained in the Draft Treaty presented the only possible compromise that could be reached by a majority of the Ad Hoc Assembly, rather than a unanimous or a wholehearted support for immediate action towards the establishment of a common market among the six countries concerned.

3. Within the Ad Hoc Assembly there was a widespread feeling that the question of the establishment of a common market must be tackled in close co-operation among all Members of the Council of Europe and the O. E. E. C. Thus, in its only published text on relations with the O. E. E. C., the Constitutional Committee found it essential "to take at the earliest possible moment the measures necessary for the coordination of the activities of these various bodies (O. E. E. C., E. P. U., Council of Europe, European Community) so as to define a uniform European economic policy and, in time, to institute uniform political agencies to implement this policy."

4. In connection with the so-called Beyen Plan, which is based on roughly the same principles as the chapter on economic powers of the Draft Treaty, the Governments of the six countries have undertaken to examine not only the Plan itself, but also the measures required for the application of these principles. This study will, apparently, be combined with that of the Draft Treaty.

5. One reason why the Beyen Plan has been put forward now seems to be that it is becoming increasingly recognised that the method and machinery of integration now being applied in the sector of coal and steel at the level of the Six do not lend themselves to imitation in other sectors; but that, nevertheless, the measures so far taken towards the creation of a common coal and steel market within the six countries area seem to lead necessarily to an overall economic integration of the participating countries. On the other hand,

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increasing balance of payments difficulties of one of the six countries may lead not only to a decreasing willingness on its part to make further surrender of sovereignty, but also to a greater interest in establishing a freely functioning system of international trade and payments over a wider area.

6. Again, in the two other sectors, where integration efforts are most advanced, i. e. agriculture and transport? the tendency seems to be to arrive at methods of co-operation in which countries outside the Community of the Six may also be willing to join. In the field of agriculture, for example, this may well lead to results far removed from the establishment of the common market foreseen in the draft Treaty, and in working towards this ultimate objective the Six will no doubt be compelled in certain fields to accept the approach " by sector ".

7. The functioning of the common market for coal and steel will lead the O. E. E. C. to take an increasing interest in safeguarding and co-ordinating the commercial policy of third countries. Once a European Community has been set up, or if agricultural and transport authorities are established, this will be even more the case.

8. While there is general agreement on the desirability of proceeding faster with European integration than has so far been possible, at the same time it is generally recognised that ?without detracting from its long-term advantages? the creation of a common market, be it among the Six or within the whole O. E. E. C. area, does not provide an immediate solution of the dollar gap problem.

9. In this connection, it should be borne in mind that at present less than half of the trade of France, Germany and Italy, for example, takes place within the O. E. E. C. area and only between one-fourth and one-fifth of it within the Community of the Six itself; and that, in other words, at least half the French, German and Italian trade with member countries of the O. E. E. C. is directed towards countries outside the Community.

10. As far as the broader aspects of the European economic problem are concerned, the present tendency would therefore seem to be enlarge the O. E. E. C. circle rather than to concentrate on the inner ring of the Six?in order to arrive at convertible currencies as a result of co-ordination of efforts between the European Community, on the one hand, and the U. K. and Commonwealth as well as other O. E. E. C. Member Countries, on the other.

11. Before attempting to reach conclusions with regard to the suggested establishment of a common market, attention should furthermore be drawn to the following main elements of the economic policy so far pursued by the Consultative Assembly :

1. The Assembly advocated and drew up schemes for the setting up of a European Payments Union and supported the O. E. E. C. programme of liberalisation of trade and payments;
2. The Assembly advocated an extension of the powers of O. E. E. C. with regard to co-ordination of monetary, trade and investment policy, etc. ;
3. The Assembly pronounced itself in favour of sectional integration in the fields of coal and steel, agriculture and transport, and it elaborated proposals as to how co-operation might be organised in the two last-named fields, paying special attention to the position of member countries which might not be ready to adhere to the Authority or Community suggested;
4. The Assembly submitted a proposal for a European Low Tariff Club comprising all Member States and being open to third countries which are., prepared to offer corresponding concessions;
5. The Assembly recommended closer economic co-operation between Member States and associated countries overseas as forming among them a self-sufficient economic unit, its Committee on Economic Questions having submitted detailed proposals to this effect in the form of the Strasbourg Plan;
6. In the institutional field the Assembly has pronounced itself repeatedly in favour of a closer integration of the Council of Europe and O. E. E. C.

12. Recent trends seem to confirm the wisdom of this policy, and there is no reason whatsoever why it should be changed. But, in view of the new situation, and as a contribution to a consistent and coherent economic policy, the Committee on Economic Questions draws attention to the following considerations:

1. The establishment of a common market, as foreseen in the Draft Treaty setting up a European Community, is in accordance with the aim of the Council of Europe as expressed in para. 1 of its Statute in conjunction with the statutory texts on Specialised Authorities and Partial Agreements; it marks the most important step which has so far been considered towards the achievement of this aim in the economic field.

2. Emphasis is placed on the desirability of the closest possible co-operation with non-member countries at all stages of the development of the common market, not only bilaterally but also and, in particular, through the Council of Europe and O . E. E. C.
 3. It is essential that increased efficiency should be achieved in the economic co-operation among all the Member States of the Council of Europe and of the O . E. E. C, particularly as regards elimination of trade and payments restrictions through O . E. E. C. and E. P. U., and the lowering of tariff barriers on the lines of the Low Tariff Club, so t h a t the establishment of a common market for the six countries does not lead to a split to t h e detriment of all.
 4. To this end, there should be a closer integration of the Council of Europe and O . E. E. C. in order to arrive at a concentration of political and economic power among all the States of Western Europe similar to that which will exist within the Community of the Six.
 5. The Committee re-affirms its belief in the conception of the Strasbourg Plan that neither the Six nor the Fifteen (Eighteen) form an adequate framework for a solution of the European economic problem in its broader aspects and that the area of freer trade should be extended as far outside Western Europe as possible. In this connection the Eurafrican conception of the Draft Treaty, although more wholeheartedly developed in a few remarkable statements before the Ad Hoc Assembly than in t h e Treaty itself, should be greeted as a step in t h e right direction. The hope may be expressed t h a t the member countries concerned will, as a rule, be in a position to make laws, recommendations and all other decisions of t h e Community applicable to non-European territories, as foreseen in the second paragraph of Article 101 of t h e Draft Treaty. The E. C. S. C. Treaty, which is to become an integral part of the Stat u t e of the Community, is not applicable to overseas territories, which remain outside the common market of the E. C. S. C. It, nevertheless, holds out some prospects in this respect in stipulating t h a t each Member State " binds itself to extend to the other Member States the preferential measures which it enjoys with respect to coal and steel in the non-European territories subject to its jurisdiction ;" (Article 79).
13. In the light of t h e above observations, the Committee on Economic Questions moves the following amendment to the draft Recommendation (I) tabled by the Committee on General Affairs, [Doc. 120](#).

B.

Amendment A Amendment to Draft Recommendation (I) (to the draft recommendation)

Before the last paragraph of the preamble, insert the following paragraph :

" Emphasising that in the economic field, in particular, the prosperity and wellbeing of the Community and of the European States which are not Members thereof are inevitably interdependent, and therefore it is desirable that, in any new relationships which may arise between them, the measures taken by the Community should be in harmony with those adopted within the larger framework of t h e Council of Europe, of the O. E. E. C. and of the European economic organisations, of which the Member States of the Community form an integral p a r t ; "