

'Crisis in the Common Market' from the Bulletin mensuel d'information du Comité français pour l'Union paneuropéenne (July 1965)

Caption: In July 1965, the French Committee for the Paneuropean Union analyses the reasons which led to the open crisis within the European Common Market and mentions the blackmailing of France.

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Crisis in the Common Market

The crisis in the Common Market is very serious because, by blackmailing France, those who provoked it have deliberately undermined the Community principles laid down in the Treaty of Rome.

The six EEC countries have unequal resources and produce unequal wealth, both in volume and in type. The principle involves pooling this wealth to make a whole. France has significant agriculture, while Germany has powerful industry. The former agrees — and agreed — to open its borders to products manufactured across the Rhine; the latter had to open its markets to our agricultural produce; if it did not do so (it and the others), it had to consider (with France and the others) the surpluses as surpluses common to everyone, the Six dividing up any costs relating to their marketing in third countries amongst themselves.

This is the mechanism of the Common Market, full compliance with which encapsulates what has been called the ‘Community spirit’. Over the last four years, however, our partners have contrived to delay the common agricultural policy, call it into question and empty it of its meaning. With limited interests which they are naturally anxious to safeguard, Italy and the Netherlands have meanwhile shifted political opposition against France, the causes of which originate in various complexes, into debates on the Common Market.

By embracing such opposition and doubtless to try to win forgiveness for the assistance that it gave France in its fight for the common agricultural policy, the Commission, headed by Professor Hallstein, finalised the bargaining mechanism, i.e. the 31 March 1965 proposals, which can be summed up as ‘You scratch my back, I’ll scratch yours’. In other words, it was a case of France being made to pay, by means of political measures not provided for in the Treaty of Rome, for the economic advantages that it will gain from faithful application of the Treaty in the area of agriculture.

Given that the Hallstein Commission was not unaware of the French Government’s position, it thereby compelled it either to abandon its agricultural objectives, at least in the near future, or to accept political measures that it deemed to be excessive or premature. The bargaining thus went as far as blackmail.

Four years of procrastination

Before examining the purely political dimension of the matter, we must review the substance, which we have already shown lay in the patent reluctance of some of France’s partners to establish a common agricultural market in parallel with the common industrial market.

A simple chronological summary is enlightening in this respect and will show that no progress has ever been possible without the French Government being compelled to use what its opponents call ultimatums.

This began in autumn 1961: France was being urged to agree to the transition to the second industrial stage of the Treaty of Rome. In exchange, Paris called for the first agricultural regulations to be approved: cereals, pigmeat, poultrymeat, eggs, fruit and vegetables and wine. The prospects for negotiations with Britain provided an additional argument for the French position: Britain should be made aware of what it would have to accept if it joined the Common Market. In order for the first step to be accomplished, a first ‘marathon’ would be required that was not to conclude until 14 January 1962. At the end of December there was an exchange of letters between the very reticent Chancellor Adenauer and the more than insistent General de Gaulle. Agreement was finally reached for regulations to be drawn up on the above products; for the first three years, moreover, a financial regulation would lay down the means for financing the common organisation of the markets and for improving structures.

The Germans immediately showed their determination to prevaricate in the application of these agreements. They proposed a ‘synchronisation plan’: they felt that Europe was going too fast in agriculture! Yet they wanted to accelerate in other areas, particularly trade policy with third countries, proving themselves to be particularly liberal in the Kennedy Round negotiations.

The French position was the contrary: the accelerated dismantling of customs barriers was effective in industry; the common agricultural policy meanwhile only covered 50% of output. The other regulations therefore had to be adopted as a matter of urgency (beef and veal, dairy products, rice, oils and fats, sugar). This was achieved with difficulty at the end of November 1963. Price alignment, however, and then the fixing of single prices had to be resolved, particularly since the Kennedy Round required a decision to be taken. The Germans nonetheless continued to hold back during the early months of 1964. Mr Mansholt, Vice-President of the Commission, proposed solutions. On 2 June 1964 the Six finally undertook to resolve the problem of price alignment, before 15 December. After the summer recess, however, the Germans gave the impression yet again of wanting to stall. This inertia once more compelled the French Government to remind everyone in no uncertain terms that a timetable had been established and that it had to be adhered to.

On 1 December the Germans relented and accepted the principle of a cut in cereal prices, but two weeks of discussions were still required before they were persuaded to lower their expectations. At the same time the Italians called for their payments into the European Agricultural Guidance and Guarantee Fund (EAGGF) to be reduced.

Failure to keep their word

On 15 December 1964 the final compromise represented considerable progress and marked a hard-won French victory:

- 1) the fixing of a single price, which had been due to come into force on 1 January 1970, was brought forward to 1 July 1967;
- 2) on the same date the Community was to take responsibility for surpluses; the financial responsibility of the Six, which had hitherto amounted to only 50%, would become total.

We have stressed the latter point because the crisis arose precisely out of this issue. The 1962 financial regulation provided for financing until 1 July 1965; the transitional arrangements would remain in place for two years, and from 1 July 1967 new arrangements for financing the common agricultural policy would come into force with the Community taking responsibility.

As the Six had been unable to reach agreement on the financial regulation, during the night of 30 June to 1 July Mr Couve de Murville was entitled to declare that ‘without a financial regulation there is no green Europe. A community in which engagements entered into are not kept is not a community.’

On the following day the headline in the newspaper *Aurore*, as unlikely a source as any to sympathise with the government of the day, read: ‘They have broken their word.’

Four and a half years of exhausting discussions to persuade France’s partners to apply the agricultural provisions of the Treaty of Rome, capped, dare it be said, by their breaking their word, is surely sufficient justification in itself for Paris’s attitude towards the authorities in Brussels.

Professor Hallstein’s error

We shall now address the not inconsiderable political aspect of the crisis.

Instructed by the Council of Ministers to submit a proposal, the Commission drafted not one but three, which were published on 31 March last under the following title:

I — Financing of the common agricultural policy; II — Own resources of the European Economic Community; III — Strengthening of the powers of the European Parliament.

Even the titles of these proposals appeared to show that they were not indissociable, as the Commission was invoking Article 201 of the Treaty only in relation to the second point (own resources) and not in relation to

agricultural policy.

It should be noted that Article 201 provides for Member States' financial contributions to be replaced by own resources, particularly by revenue accruing from the common customs tariff when it has been finally introduced. This condition has not yet been met, however, and it is impossible to predict what is going to happen in this area. The system to be established must furthermore be submitted to national parliaments for approval. Finally, as its prerogatives stand the Commission cannot expect to have a budget, autonomous to some extent, the foreseeable revenue of which (coming as we know from total customs revenues) would far exceed its expenditure.

On 20 May 1965 Mr Couve de Murville could rightly inform the French National Assembly's Foreign Affairs Committee that France's partners were allowing themselves the luxury of approving unreasonable provisions, knowing that France would not accept them.

It was in fact obvious that, under the guise of ensuring own resources for the European Economic Community, i.e. by means of a budgetary mechanism, the Commission intended to ensure that it promoted itself to the rank of arbiter between the Council of Ministers and the Parliamentary Assembly, or in other words to set itself up as a supranational political power.

Professor Hallstein naturally had to seek enthusiastic support from a majority of the Members of the Strasbourg Parliament during last May's part-session. His wishes were actually exceeded by the report from the French Socialist Francis Vals, whose proposals went as far as to turn the institutional provisions of the Treaty of Rome upside down by establishing a parliamentary system on the scale of the Europe of the Six, intended to round off the Commission's supranational authority. The Council of Ministers, meanwhile, the only body actually responsible, was to take a back seat behind the two other bodies. Things went from excessive to extravagant, but it was nevertheless approved by the tripartite majority in Strasbourg, while the European Democratic Union was against it.

Parliamentary scrutiny in budgetary matters must definitely not be rejected a priori. Too broad an extension of the prerogatives of the current Parliament in Strasbourg, however, would not be acceptable for two reasons: 1) it is not genuinely representative and its election by universal suffrage can only render it representative if it is founded on demographic proportionality; 2) a European legislative power cannot exist until a political union has created an executive power, unless the Vals proposal of an omnipotent Parliament is accepted.

During the most recent meetings between General de Gaulle and Chancellor Erhard, it was acknowledged that the political Europe should in some way gain momentum from completion of the economic Europe. Seeking to force France's hand, regardless of the logic and the commitments made, was to say the least a new obstacle hindering the pursuit of European union.

The error made by Professor Hallstein (some of whose remarks in Düsseldorf were truly regrettable) moreover demonstrated the ineffectiveness of a supranational power. Who could imagine that the reconciliation of opposing positions or interests could arise out of a majority restriction? It could in fact only be the result of reciprocal persuasion and willingness to compromise. Otherwise the breakdown point would threaten to arise in any circumstances where the issues would call major national responsibilities into question. It was in fact sufficient for the EEC Commission, exceeding its mandate and acting out of role, to have tried to impose its views in the name of the legitimacy that it had bestowed upon itself for the edifice of the Common Market to be jeopardised. This should serve as a lesson.

When this Bulletin comes off the press we hope that the Governments of the Five will have decided to accept their responsibilities, responsibilities which are theirs and theirs alone. If they act in full respect for the commitments given and subject to a fair appraisal of the Commission's responsibilities, the crisis of 30 June will not have been futile, either for the future of the Common Market or for reviving political union.