'The Common Market crisis' from La Libre Belgique (10 July 1965)

Caption: On 10 July 1965, Fernand Baudhuin, Professor of Economics at the Catholic University of Louvain (UCL), who is extremely critical as regards the objectives and operation of the European Economic Community (EEC), sees the root of the empty chair crisis in the very foundations of the Common Market.

Source: La Libre Belgique. 10.07.1965. Bruxelles. "La crise du Marché commun", auteur:Baudhoin, Fernand , p. 1.

The Common Market crisis

by Fernand Baudhuin

A crisis written into the Treaty of Rome

The failure of the negotiations on European agriculture has plunged the Common Market into what is clearly a very serious crisis. It is to be hoped that it can be overcome, and that is indeed the likely outcome. So we shall refrain from trying to make the headlines by speculating on possible solutions.

Nevertheless, a solution must be found. It is desired by all who reflect on the matter unburdened by preconceived ideas or outdated nationalism. We must support the appeal of the Union of European Community Industries (UNICE), an appeal which is all the more significant in that it comes from an institution that represents the industrial federations of the six Community countries, including Italy and France, the two members taken to task in the present crisis.

We shall therefore confine ourselves to analysing the basis of the Common Market and its development since it was established.

The first thing to note is that the industrial part of the economic unification programme has encountered no unexpected difficulties and its institutional development is proceeding smoothly. The agricultural sector is quite another story: every year has brought the threat of breakdown.

This difference was already written into the Treaty of Rome, which provided for rapid integration of the industrial sector while remaining very evasive about agriculture. Articles 38 to 47 simply laid down principles and left numerous outstanding issues to be settled in subsequent negotiations. And that approach continued: subsequent agreements were generally reached on principles only, with the practical arrangements to be determined later. It was during the discussions on those practical arrangements that the real difficulties appeared.

In our view, such incidents were inevitable given the complexity of the system introduced by the Treaty of Rome. It was a bad idea to prescribe full European integration when a customs union along the lines of Benelux would have sufficed. Benelux has been operating for ten years without incident and with excellent results, and the Netherlands has become Belgium’s best customer. Moreover, Benelux is not invasive: its administrative staff is tiny (about thirty people, we believe), whereas the Common Market is constantly expanding if not exploding. Parkinson’s Law is in full swing, the institutions are getting bigger and bigger, and they are complaining that they are sinking beneath the weight of the tasks assigned to them. That is probably true, given the empire-building tendencies of all bureaucracies.

We can see how lucky Europe was in January 1963, when General de Gaulle abruptly broke off negotiations on British entry to the Common Market. Heaven knows what administrative inflation would have ensued. Countless issues would have had to be settled, especially in the agricultural sector. The accession of Britain, followed by the other countries in the free-trade area and the members of the Commonwealth, would have created such confusion that the Common Market would probably not have survived.

But the basic fact remains that the Common Market is here to stay, and there can be no question of any of its members leaving it. Britain at first sought temporary membership, or at least membership that could be terminated after due notice. That proposal, which is contrary to the Treaty of Rome, could not even be considered.

The same considerations now apply to France. While we may regret that the completion of European integration process is being held up by France’s attitude (whether justified or not), there can be no question of going back. What has been accomplished so far cannot be undone.

The present events confirm that structural changes are much easier in growth sectors or in periods of expansion than in sectors that are shrinking. Difficulties were easily overcome in the industrial sector because European industry had been being growing rapidly for ten years. Accordingly, when a given activity was adversely affected by the entry of products from other Community countries, it was able to move into other areas, thereby avoiding tension. In a period of prosperity, some branches expand faster than others, but none shrink.

The situation is different in periods of downturn or in depressed sectors, when certain branches of the economy have to make real sacrifices. That is a much more painful process, one which gives rise to social and political reactions.

Furthermore, the common agricultural market is to be established on a complicated basis of levies and refunds, export bonuses and income stabilisation funds, all of which will create a situation that only a few officials and experts can make sense of.

The fact that some of these measures are described as temporary should not deceive us: adjustments rarely work like that.

The Belgian coal industry is a good example. When the European Coal and Steel Community was launched in 1953, the Belgian coal industry was granted subsidies that were supposed to disappear after five years — the period of time that Belgium needed to carry out the necessary adjustments. And what happened? Our governments proved incapable of closing down unprofitable pits. Instead, they spent more than 10 billion on them, with no hope of a successful outcome. This was not because of weakness on the part of the governments concerned: they were confronted by a coalition of parliamentarians, trade unions and even religious authorities against which they were helpless.

In our view, the difficulties encountered by the Common Market basically derive from the error of theoreticians and command economists who drew up a programme that was by no means essential and could have been the end result of a very long process. The Common Market Commission preferred to rush ahead, with the results that we see today. Let us hope that they do not prove fatal to the institution itself, which is in danger of being crushed by the monumental command-economy structure erected so far.