

Report by the US State Department on the EEC Treaty (Washington, 11 April 1957)

Caption: On 11 April 1957, with a view to the imminent opening of negotiations in Geneva on the General Agreement on Tariffs and Trade (GATT), the US State Department draws up a report which sets out the position of the United States vis-à-vis the Treaty establishing the European Economic Community (EEC).

Source: SLANEY, William Z. (Ed.). Foreign Relations of the United States, 1955-1957. Volume IV: Western European Security and Integration. Washington: Department of State, 1986. 659 p. p. 550-553.

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Report to the Council on Foreign Economic Policy regarding the European Common Market

Statement of Problem:

To determine whether the European Common Market Treaty is in accord with United States policy objectives and merits United States support.

Facts Bearing on Problem:

It has been the policy of the United States to support Western European efforts towards closer economic and political integration within the framework of the Atlantic Alliance. This policy was expressed by the CFEP in its review of the common market proposal. At the same time it also expressed special interest in the arrangements that would be developed for agriculture, balance-of-payments controls, tariffs, restrictive business practices and the freedom of movement of labor and capital. The CFEP in its decision of November 20, 1956 indicated a desire to undertake a further review when the proposals for the European Common Market had matured.

President Eisenhower on January 5, 1957 in his State of the Union message and on February 28, 1957 in a joint statement with the French Premier reaffirmed the United States support of the Western European economic integration endeavors. In the February 28 statement the President also indicated his full accord with the historic importance of the objectives of the Six to associate the overseas territories with the common market.

The European Common Market Treaty was signed by the Six governments on March 25, 1957.

The Intersessional Committee of the Contracting Parties to the General Agreement on Tariffs and Trade is meeting in Geneva on April 24, 1957 to determine when definitive GATT action on the Common Market Treaty will take place. At that time the United States Delegation must be in a position to indicate United States views on the Common Market Treaty.

Discussion:

Outline of the Treaty

An essential feature of the "European Economic Community" will be the establishment of a customs union. The member states over a period of 12-15 years will progressively eliminate tariffs and quantitative restrictions on trade among themselves and will establish a common tariff and commercial policy toward non-member countries.

The Treaty also contains provisions for:

1. The elimination of restrictions on the movement of labor and capital among the member states;
2. The progressive harmonization of labor and other social legislation affecting competition among the members;
3. The elimination of restrictive business practices;
4. The establishment of a common agricultural policy involving, during the transitional period, a system of minimum prices and long-term purchase contracts;
5. The establishment of an escape clause for balance-of-payments difficulties;

6. The establishment of a readaptation fund to facilitate adjustments by labor to the removal of restrictions on trade among the member states;
7. The establishment of an Investment Bank responsible for financing public and private investment projects in the six countries which fulfill criteria set forth in the Treaty;
8. The economic development of the dependent overseas territories of the member states through a special fund, and the association of the territories with the Community under special conditions; and
9. The establishment of common institutions designed to assure attainment of the objectives of the Treaty.

Action by the United States

While the United States did not participate in the negotiation of the Treaty establishing the "European Economic Community", the Treaty was examined by the United States at various stages of its negotiation. During the negotiations the United States made several approaches to the Messina countries to influence the development of certain key provisions along the lines of the CFEP policy statement of November 20, 1956. While it is impossible to state precisely the effect on the negotiations of these representations, the treaty was modified during the negotiations and as a result came somewhat nearer to the United States view with respect to such provisions. A broad recognition of the interests of third countries is contained in the provision that the Treaty does not affect obligations under other international agreements (such as the GATT and the IMF Agreement).

While this and other recognitions of the interests of non-member countries are included in the Treaty, some major difficult problems remain in the areas with which the CFEP was concerned in its policy statement of November 1956. Among these are the following:

1. The Treaty provisions relating to agriculture, and in particular those regarding the conclusion of long-term contracts among the members of the Community to promote trade among them in agricultural products and those with respect to minimum prices for such products;
2. The provisions of the Common Market Treaty and the intentions of the common market countries regarding the conditions under which restrictions would be imposed or relaxed on imports from non-member countries for balance-of-payments reasons;
3. The establishment of new tariff preferences favoring the Community members as a result of the arrangements affecting the overseas territories; and
4. The height of the external tariff of the Community which the United States will wish to study carefully, particularly with respect to agricultural products.

The question remains as to what further steps might be taken by the United States to obtain reasonable assurances that the establishment of the common market will not adversely affect the interests of third countries, including the United States. It is impracticable at this stage to obtain changes in the Common Market Treaty without jeopardizing the chances of the establishment of the Community. Extensive formal consideration of the Treaty by the Contracting Parties to the GATT prior to ratification could seriously

interfere with favorable parliamentary action. Moreover, a more meaningful decision on the matters to be resolved would be possible in the better negotiating atmosphere that would exist after ratification of the Treaty. For these reasons, the United States has been proceeding on the assumption that the best time to have definitive consideration of the Treaty would be after its ratification. At the same time, the Six governments have been urged to avoid making commitments which would prejudice GATT consideration.

The best means of proceeding would be to have the Treaty considered by the Contracting Parties to the GATT in accordance with the provisions of the General Agreement which are designed to assure that a customs union will adequately take into account the trade interests of other Contracting Parties. It may well be that the provisions relating to agriculture and to the dependent overseas territories will require a GATT waiver.

Conclusions:

1. The European Common Market Treaty is on balance in accord with the United States policy objectives in Western Europe and merits United States support.
2. However, certain important problems of a commercial policy nature particularly with respect to agriculture are posed by the Common Market Treaty and should be the subject of negotiations with the Messina countries within the framework of the GATT for the purpose of establishing safeguards for the commercial interests of third countries.

Recommendations:

That the United States position should be:

1. The European Common Market Treaty is on balance in accord with the United States policy objectives in Western Europe and merits United States support.
2. The important problems posed by the Common Market Treaty particularly with respect to agriculture should be the subject of the negotiations within the framework of the GATT. ⁽¹⁾

(1) In a memorandum of April 18 to the CFEP, Paul Cullen noted that CFEP 539/4 had been distributed to the Council members on April 11, with the indication that a telephone poll would be conducted on April 16. As a result of that poll, Cullen stated, a consensus of the Council had been reached that the following should be the U.S. position on the European Common Market Treaty:

"a. The European Common Market Treaty is on balance in accord with the United States policy objectives in Western Europe and merits United States support.

"b. Important problems posed by the Common Market Treaty, including those with respect to agriculture, should be the subject of negotiations within the framework of the GATT. (Eisenhower Library, CFEP Records)