

The Spaak Report

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The Spaak Report

Dated 21 April 1956, the Spaak Report formed the cornerstone of the intergovernmental negotiations at Val Duchesse. In the foreword to that voluminous 135-page document, the Heads of Delegation of the Six proceeded from the observation that, faced with the growing power of the United States and the collectivist countries, Western Europe was seeing its foreign-policy positions weaken, its influence decline and production capacity diminish in its component countries.

They also estimated that none of the six member countries of the European Coal and Steel Community (ECSC) was capable of summoning up the immense research and investment efforts required to initiate the technological revolution that the nuclear age seemed to promise. These developments were, in fact, being thwarted by the excessively narrow confines of the separate European markets. Accordingly, in the wake of the Messina Conference of June 1955, attention was focused on two essential ventures: bringing the nuclear industry under one supervisory authority and creating a general common market. The solutions proposed in the Spaak Report constituted a specific action plan that the Heads of Delegation recommended to their governments as a basis for the negotiation of future treaties, although the governments were not legally bound by the text resulting from the work of the Spaak Committee.

The report was divided into three parts: the first dealt with the common market, the second with Euratom, and the third with areas where the need for action was considered most urgent.

I. The common market

The introduction to the first part defined the concept of the common market, which had only been outlined in the Messina resolution: 'The purpose of a common market must be the creation of a large area with a common economic policy, so that a powerful unit of production is formed and continuous expansion is made possible, as well as an increased stability, an accelerated increase of the standard of living, and the development of harmonious relations between the Member States'.

The experts from the six member countries believed that the fusion of the separate markets would serve to eliminate wastage of resources and excessively high production costs. In their view, the creation of a common market would automatically open up new outlets; this would be conducive to the use of the latest technology and would therefore induce companies to invest more in developing and modernising production and thus improve the quality of their products.

These benefits, however, would not be attainable unless transitional periods were granted, unfair competitive practices were stopped and governments cooperated in the quest for monetary stability, economic expansion and social progress.

The Spaak Report therefore recommended the creation of a regional common market, based on a customs union and pursued by means of a three-pronged strategy, involving:

- the elimination in stages of all protective measures that obstructed trade;
- the establishment of rules and procedures designed to cancel out the effects of state intervention or of monopoly situations;
- the creation of new resources for the purpose of boosting underdeveloped regions and taking advantage of unused labour forces, the provision of assistance for industrial retraining and free movement of capital and people.

Aware that such transformations could not be effected overnight, the authors of the Spaak Report provided for a transitional period divided into three four-year phases, with the option of an additional period not exceeding three years.

As far as the institutions were concerned, while the French delegation in Brussels had been anxious not to let itself be drawn too far along the path leading to abandonment of sovereignty, the Spaak Report proclaimed

that the increasing need for flexibility resulting from the free play of market forces and changing circumstances would make it increasingly necessary to rely on institutions with clearly defined powers and on procedures designed to deal with the wide range of problems that might arise.

For these reasons, the adoption of the following three principles was proposed:

- First of all, matters of general policy should remain the preserve of the governments, since the speed with which such matters needed to be examined and resolved was incompatible with the complex workings of intergovernmental relations or organisations.
- The report then formulated a diffident invitation to establish supranational institutions, expressing the view that some decisions were so indispensable to the operation and development of the market that, if the common institution so proposed and on the basis of the resultant guarantee of objectivity, the rule requiring unanimity among the member governments might occasionally be waived.
- Lastly, provision was made for means of legal redress and parliamentary scrutiny. On the basis of the ECSC system, the report provided for four separate institutions: a Council of Ministers, serving both as the channel through which the governments would consult for the purpose of coordinating their general policies among themselves and with the Community and as the body in which decisions to be taken jointly by the governments would be adopted, a European Commission, responsible for administering the treaty and for overseeing the operation and development of the common market, a Court of Justice, which would rule on actions brought for infringement of the treaty by the Member States or by companies and on actions for annulment of decisions taken by the Commission, and the European Parliament established by the ECSC Treaty, which would guarantee parliamentary scrutiny.

In addition, provision was made for an investment fund, which would be an autonomous facility designed to facilitate the implementation of projects of European interest and of regional-development schemes and the conversion of industrial plant.

1. The customs union

As far as the customs union was concerned, the Spaak Report recommended the gradual elimination of internal customs duties. To this end, it envisaged an initial 10% reduction after one year, followed by two further 10% reductions at 18-month intervals, which would amount to a reduction of 30% by the end of the first four-year phase. Thereafter, the reduction process would continue, in principle, at a comparable rate. The first reduction phase would be linear. The specified reduction rate would then be applied uniformly, not to each product but as an average rate for a group of products. For each reduction, the average would be weighted on the basis of the value of imports of the commodities in question over the last three years for which statistics were available. Where the existing rate of duty on a commodity was high, it was to be reduced by at least half the general rate of reduction. The starting point would not be the scheduled duty rate but the average effective rate over the previous three years. The elimination of customs duties in the common market would be accompanied by the establishment of a single tariff for imports from non-member countries.

Convinced that the establishment of this common tariff should be based on the simplest possible calculation methods, the authors of the report stressed the need to take account of structural differences between producer countries and importing countries and to provide a basis for subsequent negotiations with non-member countries. The mechanisms described in the final proposal defined a level of common tariff which was compatible with the GATT rules and based on the arithmetical average of the existing duties levied by the Six.

2. Quotas

The Spaak Report provided for the continued elimination of quotas:

a. through consolidation of the progress made in the Organisation for European Economic Cooperation (OEEC) up to a predetermined date, which could correspond to that of the first reduction in customs duties effected under the treaty;

b. beyond that period on the basis of the following principle: agreement would be reached on an annual increase in quotas, by 20% for example, on the whole range of relevant products; by dint of these annual increases, the quotas would gradually become ineffective and could finally be abolished without difficulty.

The starting point for an increase in the most restrictive quotas could be a basic coefficient, such as one per cent of national production of the goods in question, which would be subject thereafter to the normal annual rate of increase.

In the view of the experts from the six member countries, the elimination of restrictions on exports to the other Community countries would be an essential corollary of the elimination of import restrictions and customs duties. The same applied to the export taxes that were levied in certain cases, their preservation being incompatible with the operation of the common market.

3. Services

The Spaak Report postulated that the economic output of the member countries comprised not only goods but also services, which were deemed to be growing in importance: transport, insurance, banking and financial activities, distribution, hotels and catering, personal care, the liberal professions and public administration.

Priority would have to be given to the liberalisation of services which facilitated the operation of the common market in goods. To this end, care should be taken to eliminate any discrimination based on residence or nationality, an exception being made in the case of access to national civil-service posts. The authors of the report also stressed the need to agree on the broadest possible catalogue of recognised equivalents to the university degrees awarded in each member country.

4. Agriculture

The authors of the Spaak Report expressed the opinion that the establishment of a general common market was inconceivable without the inclusion of agriculture, which they regarded as one of the conditions for balanced trade among the Six. They did acknowledge, however, that special problems existed in the agricultural sphere, deriving from the social structure of the farming community, the need for stability of supply, the dependence of the market on the vagaries of the weather, and the inelasticity of demand for certain products. In their view, the common organisation of markets would be beneficial, particularly in eliminating the need to import large quantities of agricultural produce for which there was no elasticity of demand and in encouraging the consumption of certain other products.

A transitional period seemed necessary, however, as did special systems of sluice-gate prices designed to ensure that price differentials were gradually narrowed. By the end of that period, both in the realm of external trade and within the common market, national regulations were to have been replaced by a common set of rules.

5. Rules concerning competition

According to the Spaak Report, the common market would not of itself result in a more rational distribution of activities if suppliers remained able to provide users with goods or services on different terms and conditions, especially if such differences pertained to nationality or country of residence. It was therefore essential to prohibit discrimination.

Similarly, the treaty would have to provide for ways of ensuring that state aid and monopoly practices, such as companies concluding agreements to carve up markets between them, to limit production or to hold back

technical progress, or a single company cornering or dominating the market in a particular product, did not undermine the basic objectives of the common market.

Finally, the correction of distortions and the harmonisation of national legislation were also highlighted as policy objectives for the Six.

6. Transport

In the realm of transport, which was essential to the proper functioning of a common market, the Spaak Report recommended a change in the charging system and in the conditions governing international transport, as well as the formulation of a common general transport policy and the funding of investments in projects of European interest.

7. The balance of payments

The Heads of Delegation concluded that the establishment and functioning of a common market presupposed the implementation of policies designed to prevent disequilibrium in the balance of payments while maintaining a high level of employment. Accordingly, a system of mutual assistance between member countries seemed to be the way to avoid the maintenance or re-establishment of restrictions as well as hiccups in the common expansion process. This mutual assistance would be based on mechanisms such as those of the European Payments Union (EPU) and the International Monetary Fund (IMF), but would be able to take additional forms as the common market developed.

8. Development and full utilisation of European resources

The Spaak Report provided for two financial instruments designed to ensure that the common market developed in a balanced and harmonious manner.

1. An Investment Fund, which would have substantial resources and could feature as a lender of the first order in European and international marketplaces, seemed to be an imperative instrument for the funding of projects which, because of their scale or nature, did not lend themselves to support from the budgets of individual member countries. This Investment Fund was also intended to promote joint efforts to develop the least favoured regions.
2. The second development tool envisaged by the Heads of Delegation was an adaptation fund for the conversion of industrial plant and the retraining of workers.

9. Free movement of labour and capital

For the free movement of workers, the Spaak Report argued for a system of gradual liberalisation based on annual increases, at a predetermined rate, in the number of nationals of the other member countries that each state would permit to take up employment.

As for free movement of capital, this was based on the liberalisation of capital transfers relating to commodity or service transactions or to free movement of labour. It also required recognition of the right of nationals of member countries to acquire capital from any of the six member countries and to transfer and use it within the common market.

II. Euratom

With regard to atomic energy, the Spaak Report, with Louis Arnaud as its main driving force in this domain, emphasised the urgent need for the Six to pool their research and investment efforts. The activity of Euratom was to revolve around five main aims:

1. Development of research and exchanges of information: the European Atomic Energy Commission, assisted by an Economic and Scientific Committee and in liaison with the existing institutes, would create a

research centre and colleges for the training of specialists. The bulk of research would continue to be conducted in each country by public or private research institutes or by the industry itself. In order to facilitate the coordinated development of research, the European Commission would have to establish indicative production targets for nuclear energy, which would define the scale of the effort to be made within the context of actual requirements. The aim of reconciling the rights of inventors or proprietors of discoveries with the interests of the Community would be pursued through voluntary cooperation, for example by promoting agreements on the use of patents.

2. Establishment of control and safety standards: the Commission would be responsible for drawing up standards for absolute protection of the workforce and the general public from the risks posed by radioactivity.

3. Development of investments and joint facilities: the role of Euratom with regard to investment would be analogous with the role it was to play in the realm of research, making it possible to create installations that would be beyond the means of companies or any of the six individual states.

4. Supply of ores and nuclear fuels: Euratom would be given first option on the purchase of uncommitted resources from the member countries or their overseas territories. This preferential purchasing right had implications: on the one hand, if purchase prices could not be set on a purely contractual basis, the European Atomic Energy Commission, assisted by a joint committee of producers and users, had to arbitrate on the prices, although its decision could be contested before the Court of Justice; on the other hand, the producers' commercial negotiations had to be accompanied by political negotiations conducted by Euratom and focusing particularly on the security guarantees given by external purchasers. The arrangements under which ores and nuclear fuels were made available to user installations had to meet the requirements of equal access to resources and control of their use. To perform these supply-related functions, the Spaak Report recommended that the Commission set up a trade-management agency, which would enjoy financial autonomy but be under the direct authority of the Commission.

5. Establishment of a common market for the nuclear industry: the Spaak Report expressed the view that the establishment of a common market for specialised materials, supplies and equipment, the application of special facilities for capital investments in the nuclear industry and the free movement of specialists must be supported, because all of these things were indispensable to the development of nuclear energy in Europe.

On the institutional front, the authors of the report considered that these responsibilities could be exercised only if the routine administration of the European Atomic Energy Community were entrusted to a permanent body that could act swiftly, in other words to a European Commission whose members, as few in number as possible and appointed by agreement among the governments, were vested with authority of their own and given a joint mandate. This Commission would be responsible to the Assembly, or European Parliament, to which its budget would be submitted for approval before being adopted by the Council, acting by a qualified majority.

III. Areas where urgent action was needed

Of the areas where urgent action was needed, the Heads of Delegation drew attention to the following:

1. Energy: observing that oil was the business of large multinational corporations which transcended the bounds of Europe, and that gas and electricity remained subject to purely national distribution systems, the Spaak Report advanced the view that an extension of the common market in coal and steel to other energy sources should not be a priority objective. Nevertheless, limited action was considered to be urgently needed as energy sources became increasingly scarce and expensive.

2. Air transport: the Spaak Report focused especially on the need to organise the joint funding of aircraft construction, on extension of the right to use another carrier's aircraft, and on commercial stopover rights granted on a multilateral basis by member countries for air traffic between their territories.

3. Postal services and telecommunications: the recommendations made by the Heads of Delegation included the creation of a limited postal union, an increase in collaboration between postal administrations, and the organisation of a European system of night mail flights.