Parliamentary Assembly
Assemblée parlementaire
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 855
23 September 1958

Agricultural aspects of the negotiations for the establishment of a Free Trade Area

Report[1]
Committee on Agriculture and Rural Development
Rapporteur: Mr Jean LEGENDRE, France

1. 1958 - 10th Session - Second part

A. Draft Recommendation on the creation of a European Economic Association

The Assembly :

Welcomes the progress made in the negotiations to set up a European Economic Association;

Trusts that these negotiations will lead to the conclusions of an agreement in which agriculture would be treated as a separate economic sector and made the subject of special clauses;

Asks that the Interministerial Committee of O. E. E. C. consider the possibility of including Commonwealth countries and overseas territories in the proposed Association;

Takes the view that the Consultative Assembly of the Council of Europe should become the parliamentary assembly of the Association;

Considers that the following principles should be borne in mind to facilitate the successful conclusion of these negotiations; and

Recommends that the Committee of Ministers should communicate the following points to the competent bodies, namely the OEEC Intergovernmental Committee (Maudling Committee) and the European Economic Community:

1. The proposed arrangements for agriculture in the European Economic Association must take into account its particular nature;
2. Holding that agricultural problems should be dealt with in a separate treaty, the Assembly trusts that its implementation will be made conditional upon the implementation of provisions relating to the industrial sector, that the transitional period will be of the same duration for both sectors and that transition from one stage to another-will take place simultaneously;
3. The provisions governing agricultural policy must in no way be allowed to hinder implementation of the common agricultural policy of the six-Power Community;
4. Member countries must work out among themselves a concerted agricultural policy having the same objectives as those laid down in Article 39 of the Rome Treaty:
    a. The said aims shall be achieved by stages;
    b. During the initial phase member countries must undertake not to raise their customs tariffs or reduce their quotas so as to ensure that agricultural trade between Members of the Association shall be kept at its present level;
    c. Transition from the first to the second stage must be conditional upon defining measures for increasing agricultural trade among the Seventeen;
    d. The comparison of agricultural policies must be made the subject of directives to the Contracting Parties. These directives shall be adopted by appropriate institutions in accordance with procedure to be determined;
5. Effective provisions must be drawn up for defining the origin of products and preventing fraud and the diversion of trade, activity and investment. Their study must be carried out sector by sector;
6. Special measures must be taken to help the economically less developed areas, among other things by setting up a European Development Agency.

B. Explanatory Memorandum

1. INTRODUCTION

Since the opening of the Tenth Ordinary Session of the Consultative Assembly in Apri 1958, negotiations on the Free Trade Area have passed through two quite distinct phases.

1. A lull due to the Italian and Belgian elections, domestic events in France and the divergent attitudes of the negotiating partners;
2. A resumption of the talks in an easier atmosphere making it possible to reckon— without undue optimism—on important, perhaps decisive, results this coming autumn.

The stage of doctrinal controversies is past. Discussion has now moved from the political to the more technical plane, and the time has thus come for each of the future partners to define the precise limits of the concessions which it considers compatible with the protection of its vital interests and the observance of its international obligations and which could secure the assent of public and parliamentary opinion.

No European Economic Association— for such is the new title given to the Free Trade Area—can be established without at least the tacit support of the peoples. May the fate of the stillborn E. D. C. remain ever present in the minds of the negotiators;

Before surveying their present activities, it may be useful to recapitulate the positions adopted in the past:

1. by the Consultative Assembly of the Council of Europe; and
2. by our Committee on Agriculture, within our field of competence.

1.1. Attitude of the Assembly to the problem of agriculture in the Free Trade Area

On learning of the establishment of a Common Market in Europe the Assembly, in Resolution 101 of 23rd October 1956, declared itself in favour of the principle of including agriculture; it stressed forcibly the necessity of taking due account of the equilibrium between economic, social and human factors' resulting from the family structure of agriculture, its anxiety not to bring about greater disparities between the agricultural production of the different countries and its determination to improve the standard of living of the farming population by ensuring fair prices without prejudicing the legitimate interests of consumers (paras. 12, 13, 14 and 16).

These objectives, placed before the six-Power Community by the Fifteen, remain fully applicable to a wider economic partnership.

The Assembly mentioned the following means of attaining these ends: expansion and organisation of markets, and harmonisation of the conditions of production and of the different legislations now in force (para. 15.)

Thus as early as 1956 the European parliamentarians indicated how agriculture could be integrated in the European community. Finally, they welcomed the initiative taken by the Council of O. E. E. C. in studying possible forms of economic association between the Six and the Eleven in a free trade area.

Although the terms of reference of the OEEC Working Party unquestionably covered the agricultural sector, its first proposals, influenced by the attitude of the United Kingdom, pointed to the creation of a " partial" free trade area which would exclude foodstuffs, feeding products, drinks and tobacco.

In January 1957, confronted by this situation, the Assembly adopted Recommendation 130 which emphasised the large share of intra-European trade represented by agricultural products, particularly in the case of certain mem-Iber countries of 0. E. E. C, expressed the fear that the total exclusion of this sector might •create an obstacle to the participation of several States in the Free Trade Area, recognised the meed for the United Kingdom to maintain its -economic links with Commonwealth countries and recommended that the Committee of Ministers

" consider ways by which the development of freer trade between European countries can proceed on lines which enable member countries to participate on a basis of reciprocal advantages for all sectors of their economies, and, in particular, to examine ways by which agricultural exporting countries can look forward to an expansion of their markets in the food-importing countries "

This position was consistently re-affirm--ed on later occasions: in Recommendation 134 •of 3rd May 1957 (para. 4), Resolution 126 of 4th May 1957 (paras. 4 and 6) and Recommendation 152 of 29th October 1957 (para. 9).

Paragraph 9 of the latter Recommendation included a number of practical suggestions making it possible to resume the negotiations, •which had reached a deadlock.

It may be worth while to recapitulate them.

" Th e Assembly,

Recommends to the Committee of Ministers:

1. that, on the one hand, exemptions from the general rules governing the elimination of trade barriers, and, on the other hand, special assistance, specifically in the form of investment finance, be provided for the industrially less developed countries, particularly Greece and Turkey;

2. that the definitions of origin to be applied for the purpose of establishing the right of a given commodity to duty-free treatment should be sufficiently liberal, and the necessary administrative procedures be as simple as possible, with due regard to the need to avoid any fraud;

3.
   a. that a solution to the problems of trade in agricultural and fishery products be sought by a pragmatic approach aiming at the expansion of such trade, taking into account the special regime for agriculture envisaged in the Rome Treaty, and the overriding need to assure the non-discriminatory treatment of agricultural goods traded throughout the Free Trade Area;

   b. that the starting-point for such a new approach might be found in the First Report of the OEEC Ministerial Committee for Agriculture and Food;

   c. that, in the course of the negotiations between the new institution of the Common Market and the other countries of Europe, the Ministerial Committee for Agriculture and Food of 0. E. E. C. should be consulted;

   d. that, in order to take account of the legitimate interests of countries benefiting from Commonwealth preference, such countries should be consulted in the course of those negotiations;

   e. that the negotiations should not proceed solely upon broad principles but should involve a close examination of the conflicting interests, product by product and country by country;

   f. that the instrument setting out the arrangements agreed for agriculture and the Free Trade Area Convention should be formally linked to each other; and

   g. that, if the Working Party, the creation of which has been requested by the Assembly, for the establishment of the Common Market in the field of agriculture comes into being, it should be extended to include representatives of the other member countries so that they can make their contribution to the negotiations."

Mr. Maudling, Chairman of the Ministerial Council of 0. E. E. C, addressing our Assembly on 23rd October 1957, said that the argument as to whether agriculture was in or out was unreal, that agricultural products could not be treated in the same way as industrial products, that this fact had been the cause of Great Britain's reserve but that steps for associating agriculture with the Free Trade Area would be examined in the near future.

These conciliatory assurances gave the " go ahead signal " for new talks.

The French Government, hitherto reti-•cent, announced that it would submit constructive proposals, and the Italian Minister Carli made an interesting suggestion for solving the delicate problem of the origin of goods.

Accordingly, in its Recommendation 160 of April 1958, the Assembly recorded satisfaction with the progress made and noted that

" a solution to the problem of trade in agricultural and fishery products is being sought on the basis of a draft Agreement directed to the expansion of such trade and the co-ordination of policies, to be linked to a Free Trade Area Convention as suggested by the Assembly in paragraph 9 of its Recommendation 152."

The foregoing gives but a sketchy and highly condensed account of the numerous studies, reports, discussions in committee and public debates devoted by the Consultative Assembly to the Free Trade Area problem. It may be said, without special pleading that, side by side with the official negotiations, the Assembly has made a useful contribution, by putting forward constructive proposals and enabling the different points of view to be argued out broadly •and frankly, thus doing much to remove prejudices, disarm criticism and soften intransigence; and finally by informing parliamentary and public opinion in the various countries.

1.2. Attitude of the Committee on Agriculture to the Free Trade Area

The agricultural sections of the Assembly's Recommendations and Resolutions on the Free Trade Area project have benefited from the teamwork of our Committee and from the well-merited influence of its Rapporteur, our friend M. Charpentier, an influence due to regard for his character and ability.

In April 1957, on behalf of our Committee, he presented a draft Resolution which, without taking up a definite stand, expressed the hope that

" the genuine effort to reach agreement between the Six and the Eleven will result in a solution whereby European cohesion and unity should be strengthened " (para. 3.)

To that end, he offered a choice of three solutions:

" extension of the Common Market, a treaty associating the Six with the Eleven, or a free trade area."

He said that the majority of the Committee preferred the first two solutions, and expressed doubts about the third. These doubts were due to uncertainty as to the way agriculture would be treated. He called for the inclusion of agriculture and, in that context, drew attention to the difficulties involved in defining the origin of products and setting up a system of effective control which would eliminate fraud and prevent deflection of trade.

In October 1957 our Committee unanimously adopted the following Recommendation;

1. " that the solution of the problem of trade in agricultural products be sought on pragmatic lines, taking into account the special regime for agriculture provided for in the Rome Treaty;
2. that negotiations be conducted between the new institution of the Common Market and the other countries of Europe, with the possible participation of the Ministerial Committee for Agriculture and Food of 0. E. E. C;
3. that the definition of origin to be applied for the establishment of the right of products to duty-free entry be the object of precise agreements with a view to avoiding any possible fraud;
4. that the Working Party, the creation of which has been requested by the Assembly for the establishment of the Common Market in the field of agriculture, be extended to include representatives of the other member countries so that they can make their contribution to the negotiations."

The Committee went on to request:

" that the negotiations should not proceed solely upon broad principles but should involve a close examination of the conflicting interests, product by product and country by country."

These suggestions were adopted and may be found in Assembly Recommendation 152 (para. 9.)

I am glad to note that the negotiations, at the highest level, are inclining towards the solutions advocated by our Committee and are making use of its conclusions.

The Committee asked that agriculture should not be excluded from the plans under negotiation, that trade in agricultural produce should be subject to separate provisions, taking account of the special system instituted by the Rome Treaty, and that the conclusion and implementation of an agreement on agriculture should coincide with the conclusion and implementation of a Free Trade Area Treaty.

We shall see later that these principles run through all the present discussions.

2. PROGRESS OF THE NEGOTIATIONS IN 1958

At the beginning of 1958 the French Government announced the imminent publication of a counter-plan which would make a positive contribution to the negotiations. The ministerial crisis, followed by a constitutional •crisis, put a full stop to that move.

2.1. British Memorandum

Early in January 1958 Mr. Maudling presented a paper to the Ministerial Council of 0. E. E. C. on the position of agriculture in the Free Trade Area. His proposals included an annual comparative review of agricultural policies, the immediate abolition of export subsidies and an undertaking to remove quantitative restrictions in the future.

The proposed comparative review of agricultural policies carried no sanctions; the abolition of export subsidies, insisted upon by some, was not counterbalanced by a proposal to abolish the production subsidies now resorted to by others! Nor was the proposed elimination of quantitative restrictions to be accompanied by the elimination of customs duties, the United Kingdom having expressed the wish for a clause releasing her from any obligation on that point.

The Maudling proposals did allow for the possibility of concluding long-term contracts for certain produce; but the provision in question seemed to be directed against the equivalent clauses of the Rome Treaty.

No agreement was possible on the basis of these proposals, which were considered inadequate or unacceptable by the great majority of the OEEC countries.

The negotiations then reached a deadlock and remained at a standstill until July.

2.2. The European Parliamentary Assembly and the Free Trade Area

It is for our colleague, M. Charpentier, a distinguished member of the European Parliamentary Assembly, to report to us on the attitudes towards our problem adopted by European parliamentarians at their last Session in June.

Meanwhile let us note the terms of the Resolution adopted unanimously, with one abstention:

" The Assembly approves the principle of an Agreement for a European Economic Association covering both agricultural and industrial products, which would associate the other OEEC countries with the European Economic Community and the European Coal and Steel Community, and hopes for a successful outcome to the negotiations... The Assembly, while willing to approve the conclusion of an economic association with the other European partners, could not agree to any absorption of the three six-Power Communities in a wider whole as a result of which they, as well as the associated overseas countries and territories, would forfeit the advantages of the economic and political integration already under way."

At their meeting in Stresa at the beginning of July the Ministers of Agriculture bore in mind the anxieties expressed by the parliamentarians of the Six.

2.3. Stresa Agricultural Conference

This first comparative review of national agricultural policies was intended to lay the foundations of a common policy as defined in one of the key passages of the Rome Treaty. As was to be expected, each Minister dwelt on the demands of his own Government and public opinion. Behind these virtuoso displays could be heard much dissonance, and the need became apparent for a fully harmonised orchestral work on a single theme. Such a work leaves no room for improvisation. So they gave themselves 18 months to produce it—a wise and prudent decision. They did, however, agree on a number of general principles, which constitute the nine commandments of European agriculture.

These are as follows:

1. Agriculture must be regarded as an integral part of the economy and as a fundamental factor in the life of society.
2. Implementation of the Treaty must lead as a matter of course to progressively expanding trade within the Community. Account must at the same time be taken of the need to maintain trading relations and contractual, political and economic links with non-member countries and to preserve the possibility of self-protection against artificial competition from outside.
3. A close correlation must be established between structural policy and marketing policy. Structural adjustments must help to equalise costs and rationalise production. Marketing policy must be such as to stimulate greater productivity.

4. A balance must be sought between production and sales possibilities, having regard to potential exports and imports and to such specialisation as is consistent with economic structures and natural conditions within the Community.

5. Such an effort to increase productivity should enable a price policy to be applied which would both obviate over-production and make it possible to remain or become competitive. At the same time a policy of assistance to less favoured regions or farms will enable the necessary reconversion to be carried out.

6. The abolition of all subsidies contrary to the spirit of the Treaty must be regarded as essential.

7. The development of production and demand in the associated countries and territories should be taken into account when working out the common agricultural policy.

8. Agricultural structures must be so improved as to enable the capital and labour engaged in European agriculture to secure returns comparable with those prevailing in other sectors of the economy.

9. In view of the importance of the family structure in European agriculture and of the unanimous determination to preserve its family nature, it is desirable that everything should be done to increase the economic and competitive strength of family holdings. The vocational retraining of available agricultural manpower and the greater industrialisation of rural areas would gradually solve the problems of marginal holdings which cannot be made to pay their way."

Although the problems raised by the establishment of a free trade area were not on the agenda of the Stresa meeting, they were none the less mooted. How could it have been otherwise, in view of the " psychological offensive " and the conspicuous pressure brought to bear from outside?

The first shot was fired by the Bulletin of the British Embassy in Paris, which stated on 5th June 1958 that Britain was vitally affected by the creation of the Common Market. The Common Market might of itself divide Europe, and the Free Trade Area was a compromise designed to prevent that division

On 9th July, right in the middle of the Stresa Conference, The Times brought up its big guns: " The Six, without a Free Trade Area, will create a new bloc, and will divide Europe."

These preliminary assertions are uncomfortably reminiscent of the more explicit statement made a year earlier to the Federation of Commowealth Chambers of Commerce by Sir David Eccles, President of the Board of Trade. Sir David said that six European countries had signed a Treaty which, although neither military nor of hostile intent, would have the very effect of creating something that Britain had for centuries held to be incompatible with her security... Unless Britain formed a Free Trade Area with the other countries of Western Europe, the Common Market would end. by falling under German control. He thought that, if such a Free Trade Area could be realised, a great political danger would have been averted; for European unity— so often attempted and so often thwarted by Britain— might then come about under British leadership.

I do not mention these statements with the idea of reviving a dead issue. I am merely regretting that certain people should think fit to attack the Rome Treaty in order to demonstrate the necessity of a free trade area.

What are they aiming at? To convince the members of the six-Power Community that the Area is directed against them? To give them an uneasy conscience? To arouse a sense of guilt in them—as though it had been their wish to set Europe against Europe?

The six-Power Community is neither closed, exclusive, autarkic, nor directed against anyone. It may not suit some of the States on our ancient continent. All right, then! Let us look for a formula whereby they may be associated with it, without prejudicing its future or the hopes that it embodies!

That is substantially the point made by M. Mansholt, Chairman of the Stresa Conference, after declaring forcibly that " it was impossible to have an agreement on the Area which did not include agricultural produce."

That is also the Danish view. Denmark asked to take part in the Conference, although not a signatory of the Rome Treaty. On receiving a polite refusal, she informed the delegates that she could not allow the industrial manufactures of the Six free access to her territory without reciprocity for Danish agricultural produce. Thus the problem of economic relations between the six-Power Community and the other OEEC countries suddenly came to the fore.

It was announced at Stresa on 10th July that the Common Market executive had requested M. Rey, former Belgian Minister for Economic Affairs and Chairman of the External Relations Committee of E. E. C, to visit Member Governments with all dispatch and ask them to reach a common attitude on the Free Trade Area.

Thus M. Rey's mission, the informal talks behind the scenes at the Stresa Conference and the softening of French policy paved the way for a revival of the negotiations which had been marking time for months.

2.4. From the Free Trade Area to the European Economic Association

On 22nd July the European Economic Commission met under the chairmanship of M. Hallstein to put the finishing touches to the Community's proposals.

On 23rd July its conclusions were placed before the Ministerial Conference of the Six, with M. Erhard in the chair, and received the official blessing of the Governments represented.

On 24th and 25th July they were transmitted to the Inter-Governmental Committee of 0. E. E. C. (Maudling Committee), which accepted them as a basis for discussion.

The general lines of the proposals put to 0. E. E. C. are known from the press, from official communiques and from statements by MM. Maudling, Mansholt and Hallstein. It would be premature to forecast what will be adopted, rejected or amended in the negotiations which are to be resumed at ministerial level on 18th September in Venice in the context of the Community and in mid-October in the context of 0. E. E. C.

However, the following results may be regarded as certain:

1. The " Free Trade Area " will now be called " European Economic Association ", as suggested some time ago by M. Maurice Faure, former French Secretary of State for Foreign Affairs;
2. France no longer insists on a time-lag between the entry into force of the Common Market of the Six and of the Association of the Seventeen;
3. In response to the good will shown by France, Great Britain has also announced certain concessions and agreed to discuss technical problems " sector by sector " ; The definition of origin of goods and the harmonisation of external tariffs and compensatory taxes will be studied by a Committee of Experts, under the chairmanship of Baron Snoy (Belgium);
4. It has been agreed to include agriculture in the European. Economic Association. The memorandum submitted by the European Economic Commission is being taken into consideration and will provide an outline for the negotiations of the coming months.

On the other hand, the Inter-Governmental Committee of 0. E. E. C. has not yet reached a final conclusion on M. Hallstein's proposal, made at Stresa on 9th July, that the 10% tariff reduction, originally intended to apply to the six Common Market countries with effect from 1st January 1959, should be extended provisionally to all Members of 0. E. E. C.

The July meetings mark an important stage in the negotiations which have been in progress for eighteen months. Not only have they contributed to the resumption of negotiations: they have laid down, for the first time, a possible basis for agreement. But there is still a long way. to go, with many obstacles to be overcome, before a final conclusion is reached.

The negotiators would do well to show greater flexibility than intransigence, if they want to reach their goal!

2.5. Memorandum presented by the European Economic Community on the inclusion of agriculture in the European Economic Association

We have already seen that the Maudling Committee took the proposals of the Six as a basis for discussion. Although unacquainted with the details, I am nevertheless in a position to give a broad outline of them and indicate their trends.

1. The Community records its preference for a single treaty of association. If it is decided to have two separate treaties, then, in its view, they should be concluded and put into force simultaneously, should be interdependent and should be implemented in exactly parallel phases.

2. Since the agreement under negotiation is designed to associate the member countries of 0. E. E. C. with those of the Common Market on a multilateral basis, it is obvious that the following principles must be accepted:

a. the agricultural provisions of the Treaty of Association must in no way obstruct the implementation of the Community's common agricultural policy;

b. the Treaty of Association will not apply to relations between Member States of E. E. C, those relations being governed by the Rome Treaty, whose implementation may not be interfered with by the new agreement;

c. those Member States of the Association which do not belong to the Common Market will acknowledge the consistency of the objectives of the Rome Treaty with the principles of international trade.

3. The objectives of the seventeen-Power Association will be the same as those defined in Article 39 of the Rome Treaty. However, the agricultural policy of member countries will not be common, as in the six-Power agreement, but concerted. These terms bring out the fundamental difference between the " Community " and the " Association ". The former implies some relinquishment of sovereignty; the latter does not.

4. A " concerted " policy entails a virtually continuous comparative review of national agricultural policies, beginning with a systematic study of the problems involved. The Treaty must therefore lay down the procedure, set up appropriate institutions and provide for the issue of directives to the Contracting Parties in connection with the collation of policies. In view of the nature of the proposed Association, the Community suggests that these directives should be adopted unanimously.

5. The Treaty of Association will come into effect by stages, the Community setting the targets without laying down a time-table. The abolition of tariffs, quantitative restrictions and production and export subsidies will keep pace with the introduction of a concerted policy.

6. The escape clauses of the European Economic Association Treaty will be applicable to agricultural matters.

2.6. Aid to countries in process of development

Both our Committee and the Consultative Assembly have always advocated the adoption of special measures to help the economically less developed countries.

A special Working Party (No. 23) has been set up by 0. E. E. C. to make proposals to this end. It has submitted its first report, which was well received on the whole, but despite the insistence of the representatives of the Mediterranean countries, particularly Greece, no agreement has yet been reached on the establishment of a European Development Agency. Working Party No. 23 has been instructed to continue its work.

Here ends the factual part of the report entrusted to me. I have tried to give the fullest and most precise information, in spite of the secrecy surrounding the negotiations, in which I have not been invited to participate.

Should the reader discover slight omissions or occasional misinterpretations, I hope he will attribute them to the unavoidable gaps in my information.

3. CONCLUSIONS OF THE COMMITTEE ON AGRICULTURE

The Committee on Agriculture, which met at Vienna on 12th and 13th September, welcomed the progress made in negotiations for setting up a European Economic Association, including agriculture. During the meeting it was recalled that as long ago as 1954 the Committee had expressed itself in favour of the Green Pool project, which, unfortunately, never came into being;

On a motion by Mr. Royle (United Kingdom) the Committee adopted an amendment asking the OEEC Interministerial Committee to consider the possibility of including Commonwealth countries and overseas territories in the proposed Association.

The Committee was, however, divided on whether the special clauses on agricultural products should be incorporated in a single treaty or be made the subject of a separate treaty.

Most members of the Committee favoured the second solution.

Lastly, with regard to the problem of institutions, the Committee took the view that the Consultative Assembly should become the parliamentary organ of the Association.