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European Economic Association (Free Trade Area)

Report[1]
Committee on Economic Affairs and Development
Rapporteur: Mr John HAY, United Kingdom

1. 1958 - 10th Session - Third part

A. 1. Draft Order

The Assembly,

1. Having considered the present state of negotiations for setting up a European Economic Association;

2. Believing that it can continue to make an important contribution in promoting public understanding in Europe of the problems involved in setting up the Association, and of the possibilities which the Association would create both for greater economic prosperity in Europe and closer political collaboration among the Member States,

3. Instructs its Economic Committee, its Political Committee, its Committee on Agriculture and its Social Committee to continue their work on those aspects of this question for which each is competent, and to report again to the Assembly in due course.

B. 2. Explanatory Memorandum

1.

Part One: Chronology of events since the last session of the Assembly.

Part Two: The Decisions of the Council of Ministers of the European Economic Communi ty regarding trading relations with the other Members of the O.E.E.C., and the related proposals made by the United Kingdom.

Part Three: Summary of the main prol a n s in the negotiations.

1.1. PART ONE - Chronology of events since the last Session of the Assembly

1. Since the last Session of the Assembly, from 10th-17th October 1958, important developments have taken place in the negotiations for setting up a European Economic Association designed to associate, on a multilateral basis, the other Members of the O.E.E.C. with the six members of the European Economic Community. The appended[2] statements or extracts from statements, based on press reports, of those either, officially concerned with the negotiations or in important public positions, give as fair, a picture, within a reasonable compass, as your Rapporteur has been able to assemble of the main events and public reactions to them in the countries concerned.

2. It might, however, be well to summarise briefly here the main events which have directly marked the recent course of the negotiations. They are as follows.

1.1.1. October 23rd-30lh - November 13th-14th

Ninth and Tenth Sessions of the OEEC Intergovernmental Committee on the Free Trade Area (the Maudling Committee). These sessions were mainly concerned with the examination of a memorandum from the European Economic Community setting forth the common views of the Six. However, no material progress was made in the negotiations.

On November 14th, the Committee received the delegation appointed by the Consultative Assembly (Order 133) to put forward the Assembly's views on the European Economic Association.

1.1.2. November 14th

M. Jacques Soustelle, French Minister of Information, made a statement in which he said, inter alia, that it seemed to France that it was not possible to create the Free Trade Area as desired by the British, that is to say, by establishing free trade between the six countries of the Common Market and the eleven countries of the O.E.E.C., since there would be lacking a single external tariff barrier round the seventeen countries and there would be no measures of harmonisation in the economic and social spheres.

1.1.3. November 17th

It was as a result of this statement that the United Kingdom adjourned sine die the negotiations which were due to be resumed in Paris on 19th November.

1.1.4. November 24th

Professor Hallstein, Chairman of the Commission of the European Economic Community, stated, after an informatory tour of the capitals of the Six in which he had discussed the suspension of the Free Trade Area negotiations, that his conversations had shown that there was a common will to adopt a provisional solution for the problems which would arise on January 1st 1959, pending final solutions to be found to the questions still in suspense.

1.1.5. November 26th

At a meeting between Chancellor Adenauer and Prime Minister de Gaulle at Bad Kreuznach, the Heads of Government examined measures which might be taken on 1st January 1959 in connection with the coming into operation of the Common Market, as far as trade relations between the Common Market and other

2. See Appendix I.

Member States of the O.E.E.C. were concerned. These measures were to be submitted to the other members of the European Economic Community for examination. Joint suggestions for the examination of some more permanent form of multilateral association between the European Economic Community and the other Member States of the O.E.E.C. were also to be submitted.

1.1.6. December 3rd

(i) In Brussels, the Council of Ministers of the European Economic Community decided to take certain measures [3] on 1st January 1959, extending in part the tariff and quota arrangements which would come into force as regards intra-Community trade on that date. The Council of Ministers also asked the Commission of the E.E.C. to examine the problems of setting up a European Economic Association and to review the possibilities of solution, and to report back by 1st March 1959 on the common position which the Member States might adopt.

(ii) M. Couve de Murville, French Foreign Minister, announced in Brussels that France would liberalise from 18th December onwards 40% of her imports from member countries of the O.E.E.C.

1.1.7. December 15th

(i) At a meeting of the Council of the O.E.E.C. the Chairman of the Intergovernmental Committee on the Establishment of a Free Trade Area reported to the Chairman of the Council that the Committee had been unable to secure the establishment of a European Free Trade Area which would in practice take effect parallel with the Treaty of Rome.

((ii) The Chairman of the Council of the O.E.E.C. announced that he had been notified by the Chairman of the Council of Ministers of the European Economic Community of the decisions taken in Brussels on December 3rd.

(iii) In the discussion on these decisions, Sir David Eccles, on behalf of the United Kingdom, proposed that the quota changes which would come into force for intra-Community trade on 1st January 1959, be given general application to other members of the O.E.E.C.

(iv) M. Couve de Murville, on behalf of the French Government, stated that this proposal was unacceptable to France.

(v) At the end of the meeting, it was decided that the British proposal would be studied by Member Governments and would be discussed again at a meeting of the Council on January 15th.

(vi) The Committee of Ministers of the Council of Europe, meeting in Paris, adopted a Resolution[4] reaffirming the determination of Member Governments to bring about a multilateral association between the European Economic Community and other Members of t he O.E.E.C.

1.1.8. December 19 th

The United Kingdom submitted to the O.E.E.C. in detailed form the proposals made by Sir David Eccles at the OEEC Council meeting on December 15th.

1.1.9. December 28th

(i) In connection with a general programme of economic and monetary reforms, the French Government announced the liberalisation of 90% of her imports from OEEC countries.

(ii) Partial convertibility of their currencies was announced by the Governments of Belgium, Denmark, France, Federal Republic of Germany, Italy, Luxembourg, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

(iii) As a consequence of the return to convertibility, the European Payments Union Union came to an end, and the European Monetary Agreement, signed in August 1955, came into force [5].

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3. See Part Two of the present report, pp. 5-18.
4. See Appendix II (Resolution (58) 25).
5. See Appendix III.

1.2. PART TWO - The decisions of the Council of Ministers of the European Economic Community regarding trading relations with the other Members of the O.E.E.C, and the related proposals made by the United Kingdom

1.2.1. I. Background: The problem of " discrimination "

3. On 1st January 1959, the first set of measures for dismantling tariffs and other trade restrictions among the six Member States of the European Economic Community came into effect. In the absence of agreement on a multilateral association of the other eleven OEEC countries with the Community, taking effect parallel with the Rome Treaty, or of a provisional agreement to apply the same trade liberalisation measures as in the Community throughout the whole OEEC area, differences of treatment as between " the Six" and " the Eleven" with respect to the marketing of goods in the Community result as from this date.

4. These differences of treatment unquestionably constitute a trade discrimination in the technical sense of this term. Indeed, discrimination must follow from the fact that, technically speaking, the Community is a customs union, for discrimination towards non-members is of the very essence of a customs union?or, for that matter, of a free trade area also. Customs unions and free trade areas are, nevertheless, two forms of closer economic integration which are allowed under the rules of the General Agreement on Tariffs and Trade (G.A.T.T.)[6] , provided that they fulfil certain requirements, the purpose of which is to ensure that, on the whole, barriers to the trade of other Members of G.A.T.T. are not raised.

5. The Eleven have nevertheless expressed criticism of the discrimination against their exports to the Community area which will begin to be felt after 1st January 1959, because they feel that the Six have certain special obligations towards the other members of the OEEC trading system, as embodied in the OEEC Convention itself, and in the Code of Liberalisation and the European Payments Union, the basic notion of which has been non-discrimination among all its Members.

6. As regards the OEEC Convention, it should, first, be observed that Article 5 envisages, in order " to strengthen their economic links by all methods which they may determine will further the objectives of the present Convention ", the continued study of " Customs Unions or analogous arrangements such as free trade areas, the formation of which might constitute one of the methods of achieving these objectives." Similarly, the Code of Liberalisation in Article 8 states that " Two or more member countries forming part of a special customs or monetary system, may apply to one another, in addition to measures of liberalisation of trade taken in accordance with Article 2, other measures of liberalisation of trade without extending them to the other member countries." Thus the Rome Treaty is compatible with the OEEC Convention and the Code of Liberalisation.

7. However, wliile the wording of Article 8 is unambiguous, it may perhaps be argued that the drafters of the Convention and the Code did not have in mind a customs union of the size and economic weight of the Community?the derogation from the principle of non-discrimination was in fact made necessary by the existence of the Benelux customs union. In any case, the contention of the Eleven that any discrimination resulting from the implementation of the Rome Treaty is in breach of existing OEEC obligations, appears to rest on practical economic and political considerations rather than on purely legal grounds.

8. On the other hand, the Rome Treaty in no way dispenses its individual signatory States from fulfilling the obligations they have already contracted under the Convention and Code of Liberalisation. This is recognised in Article 234 of the Treaty, which reads: " The rights and obligations resulting from Conventions concluded prior to the entry into force of this Treaty between one or more Member States, on the one hand, and one or more third countries, on the other hand, shall not be affected by the provisions of this Treaty. "

9. That the Six share the feelings of the Eleven that the OEEC countries all have certain special responsibilities towards one another and a common interest in maintaining the cohesion of the group, is evidenced, among other things, by the fact that they engaged in the Free Trade Area negotiations in the first place. These mutual responsibilities and common interests were further recognised when the Six agreed on certain provisional measures in regard to imports from other OEEC countries at the Brussels meeting on 3rd-4th December 1958.

10. Before describing these decisions, it may be useful to summarise the measures that the Six are bound to take amongst themselves as from 1st January 1959.

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6. Thirteen OEEC countries are members of G.A.T.T. The four OEEC countries not members of G.A.T.T. are Iceland, Ireland, Portugal and Switzerland. Negotiations concerning the accession of Switzerland to G.A.T.T. are almost completed, and this country already participates in the work of the organisation.

1.2.2. II. The dismantling of trade obstacles in the Community

1.2.2.1. A. Tariffs

9. Basic duties, i.e. those in force on 1st January 1957, will be reduced by 10 per cent in respect of each product, including agricultural products, as from 1st January 1959. This provision also applies to customs duties of a fiscal nature, although Member States retain the right to substitute for these latter duties an internal tax. The Commission may also decide that charges with an effect equivalent to customs duties shall be reduced as from 1st January 1959. (With regard to the establishment of the common customs tariff vis-a-vis imports from third countries, the general rule is that the first adjustments upwards or downwards of the tariffs of Member States of the Community are to be applied at the end of the fourth year after the entry into force of the Treaty. Member States are, however, free to align their duties more rapidly.)

1.2.2.2. B. Quantitative restrictions

10. As from 1st January 1959, any bilateral quotas in force between one Member State and the others will be converted into global quotas (i.e., individual quotas added together) open equally to all other Member States of the Community.

11. On the same date the global quotas will be enlarged in their total value by not less than 20% as compared with the preceding year, the quotas for each individual commodity to be increased by at least 10%. (The second enlargement of quotas in accordance with the same rule will take place one year later i.e. on 1st January 1960.)

12. Where such a global quota does not amount to 3 % of national output of a given commodity or product, a quota of not less than 3 % of such output is to be established from 1st January 1959. (These quotas are to be raised to 4% of national output on 1st January 1960). Further, for products the import of which has been entirely prohibited without valid reason [7] global quotas will be agreed as from 1st January 1959 equal to not less than 3% of the national output.

13. An example may help to make clear how the arrangement for global quotas will operate. Suppose, to take an imaginary example, France imported shoes on January 1st last from Germany and Italy alone of the other five Common Market countries, and that these shoes were imported under bilateral agreements covering 30,000 pairs of German shoes and 10,000 pairs of Italian shoes. The two bilateral quotas from Germany and Italy would become a single global quota of 40,000 pairs of shoes (30,000+10,000) which France would be able to import from any other country in the Community. The global quota would then be increased by 20% bringing i t up to 48,000 pairs of shoes, which she would be able to import from any Community country. But if France's national production of shoes were 2,000,000 pairs a year the enlarged global quota would still be less than 3 % of national production (60,000 pairs). The global quota would therefore have to be raised to 60,000 pairs. This is, of course, a fictitious example. Other Community countries would be carrying out the same kind of globalisation operation simultaneously, and, where necessary, would also have to apply the 3 % rule.

14. Various difficulties in the application of this measure had to be overcome by the experts, particularly as regards the different methods used by the Governments, but these will not hold up full application of the measure from January 1st. The facility to spread the quota enlargement unevenly over the various products, subject to the 10% minimum, will enable member countries to increase quotas of goods particularly sensitive to competition by less than the 20% average.

1.2.3. III. The Decisions regarding trade with the Eleven and their implications

1.2.3.1. A. Reduction of customs duties

15. As regards tariffs the six Member States of the Community have decided to reduce by 10% customs duties on industrial products (except products governed by the ECSC Treaty) the present duties on which are higher than the common external tariff, i.e., there will not be any lowering of duties below the common external tariff. Similar rules will apply to duties on agricultural products, at least for those that are not liberalised[8].

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7. In the sense defined in Article 36 of the Treaty, i.e., on grounds of public order, public morality, etc.
8. "Liberalised" goods are those on which all quota restrictions have been removed.

16. The tariff reductions will apply to all member countries of O.E.E.C. and G.A.T.T., and to other countries benefiting from the most-favourednation clause. The decision is provisional and will apply for an indefinite period. It is not conditional on reciprocity, although similar action on the part of other countries would be welcomed.

17. If the arrangements for tariff reductions between the Six are compared with the tariff reductions decided by the Six for their imports from the Eleven, the following differences of treatment (or " discrimination ") are revealed.

18. First, coal and steel products are of course excepted, because all restrictions on intra-Community trade have already been abolished and common external duties established.

19. Secondly, another sector of trade in which tariff discrimination would remain is that of liberalised agricultural products, although the wording of the press communique does not disclose how extensive it will be. (The 10% tariff reduction on intra-Community trade, it will be recalled, applies to all agricultural products. It should be observed, however, that the Treaty provides another means of regulating trade in agricultural products and that, generally speaking, tariffs are nowhere in Europe the only or the most important measure of agricultural protection).

20. Thirdly, a more important limitation is that the 10% reduction will apply only to duties that are at present above the final duty of the common external tariff. Duties which are below that level may, on the contrary, rise, whereas in the Community all duties will be lowered. This follows from the overriding rule that the common external duty is to be the arithmetical average of the basic tariffs. As pointed out above, adjustments of tariffs towards third countries do not become obligatory under the Rome Treaty until the end of 1961. Whether the decision to reduce high tariffs vis-d-vis third countries as from 1st January 1959 will induce Community countries to avail themselves of the possibility of increasing low tariffs earlier than they might otherwise have done, is impossible to say.

21. In practical terms the Decisions mean that the reductions will largely apply to imports into France and Italy?the two Community countries with the highest tariffs. Conversely, any tariff increase would principally affect imports from the other OEEC countries into the Benelux countries.

22. Another fact that reduces the interest of the Decisions to the OEEC countries is that the tariff reductions also apply to the other twenty Member States of G.A.T.T. as well as to a certain number of countries not Members fo G.A.T.T. which benefit from the most-favourednation clause. The same tariff reductions will thus apply to important industrial competitors of the other OEEC countries such as the United States and Canada.

23. The reason why the tariff reductions also apply to these countries is tha t the Community is required by G.A.T.T. to establish its external tariff in a way that avoids discrimination vis-a-vis all countries benefiting from mostfavoured- nation treatment. In a sense the tariff reductions decided by the Six thus constitute a first step in the establishment of the common external tariff of the Community, although the decision to apply them as from 1st January 1959 implies advancing the dates of application as compared with the schedule laid down in the Treaty and the flat 10% formula also departs from the more complicated formula of the Treaty. This also explains why the Six do not insist on reciprocity on the part of the other OEEC countries in respect of tariff reductions.

24. To calculate the net incidence of this part of the Decisions is, obviously, impossible, if for no other reason than that the common external tariff on a number of important products remains to be determined [9]. That a measure of tariff discrimination arises from 1st January is certain. That its incidence will vary considerably from country to country and from industry to industry is no less certain. But at the same time it must be stressed that discrimination would be greater in the absence of the Decisions of the Six, and that it will only in exceptional cases be a serious matter now. To take the extreme case, the difference between a 10% tariff reduction within the Community and an increase of, say, the Benelux duty towards the other OEEC countries, would not exceed a few per cent of the value of the product in question! For many?if not most?products, the degree of discrimination may not exceed 1% of their value.

1.2.3.2. B. Enlargement of quotas

25. With regard to quantitative restrictions the Six have decided to increase existing quotas on industrial products, i.e. quotas on goods that had not been liberalised in application of the decisions of the O.E.E.C. of 14th January 1955. The increase will amount to 20% of the total value of the quotas applied by each Member

9. The reduction to be applied to products for -which the external tariff is not known will be determined by each Member State.

State of the Community to each of the other OEEC countries. The first 10% increase will automatically apply to each quota, whereas the second may be granted for products of particular interest to the countries concerned. The quota increases are extended only to the other OEEC countries and are subject to reciprocity.

26. By the OEEC Council decision referred to above, the minimum overall liberalisation percentage was set at 90% and the required level in each of the three main sectors?manufactured products, raw materials and food and feeding stuffs?at 75% of private imports in the relevant base year[10]. In January 1957 the liberalisation percentages reached by the six Community countries in manufactured products and raw materials (roughly corresponding to what is called industrial products in the Decisions of the Six) were the following:

Produits manufacturés - Matières premières

Italy - 99,2 - 100,0

Germany - 96,2 - 96,2

Benelux - 91,8 - 96,6

France - 71,6 - 96,3

The percentages for Italy, Germany and Benelux are believed to have remained practically unchanged since January 1957.

27. France, on the other hand, reintroduced quantitative restrictions on all imports from OEEC countries in July 1957. In connection with the decisions of the Six, the French Government declared that 40% of its imports would again be liberalised as from 18th December 1958 under the OEEC programme. No indication was given, however, of the liberalisation percentages for each of the three sectors.

28. By the OEEC rules France was required to restore her earlier maximum liberalisation (82%) in mid-January 1959, i.e., 18 months after suspending liberalisation. She remained under the obligation to try to achieve the 90% overall liberalisation as soon as possible, and this she has in fact since done by her decision of 28th December 1958.

29. The main differences which are disclosed between the measures provided in the Treaty for intra-Community trade and those set out in the Decisions of the Six with respect to quantitative restrictions in trade with the Eleven are the following.

30. Quota increases within the Community will in principle apply to all non-liberalised products, whereas quotas on agricultural products (as listed in Appendix II of the Treaty) will not be increased vis-a-vis the other OEEC countries. This limitation is bound to have a more important discriminatory effect than the tariff discrimination on agricultural products mentioned above. It is well known that the sector of food and feeding stuffs is that in which liberalisation under the OEEC programme has been carried least far, and also that in which State trading?which is not covered by the liberalisation programme?is most important. The decision cannot therefore be really satisfactory to countries such as Denmark, Greece and Turkey for which agricultural exports are important, especially since these countries are expected to reciprocate quota increases in the industrial sector.

31. Discrimination, particularly in the agricultural sector, may be further increased if the Treaty provisions concerning the adjustment of State monopolies of a commercial character are put into application within the Community during 1959. It may be recalled that State trading represents about 2.5% of Italian imports, 8.5% of German and 35% of French imports, whereas the Benelux countries do not apply restrictions on their State trading.

32. Moreover, though quotas applying to intra-Community trade will be globalised, this will not be the case for quotas applied to other OEEC countries. Some measure of discrimination may result from the maintenance of bilateral quotas vis-a-vis OEEC countries other than the Six, even when bilateral and globalised quotas are increased by the same percentage. Existing discrimination as between different OEEC countries will, in all circumstances, remain, and its incidence, varying from one country to another, will, of course, be greater the lower a bilateral quota happens to be.

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10. For Italy, France and Benelux, the base year is 1948, for Germany, 1949.

33. In view of the relatively low level of trade liberalisation achieved by France prior to July 1957 compared with the levels achieved by its Community partners, the effects of the Decisions of the Six on quota increases will be more important in the case of France than in the case of the other Community countries. By the same token, however, any discrimination as between different OEEC countries arising out of bilateralism will also be greater in the case of exports to France.

34. The Decision of the Six with respect to quotas, however, is of less practical importance in the case of France than the decision of the French Government on 28th December 1958 to liberalise imports from all OEEC countries to 90% overall (and presumably too, 75% in each of the three sectors). This decision not only removes an important element of discrimination In European trade, but means that France now fully meets her obligations under the OEEC Code of Liberalisation.

35. The most important feature, from the point of view of the Eleven, of the decision of the Six with regard to quantitative restrictions is that it does not extend to the other OEEC countries the " 3% minimum rule " of the Rome Treaty referred to in paragraph 12 above. The effect of this rule, the purpose of which is to break up national protection in fields where quotas for one reason or another remained insignificant or nil, is thus expected to be quite dramatic in the Community in certain lines of production that are of considerable interest to the other OEEC countries. The most often quoted example is the French quota on motor vehicles which by virtue of the 3 % rule will result in a potential increase of imports from all other Community [11] countries up to 30,000 vehicles in 1959, whereas imports from the United Kingdom could only increase by 20% of the present quota, i.e. from 3,000 to 3,600. Particularly, the 3 % rate will apply to many finished goods and processed articles that did not exist or were only traded on an insignificant scale in the base year (1948) of the OEEC liberalisation programme. For such products, it is not at all impossible that trade within the Community in 1959 will greatly exceed that of previous years, while imports from other OEEC countries will hardly increase at all. Other products in which this question becomes very important are chemical and pharmaceutical products, soaps, shoes, paper goods, scientific and optical instruments, and plastics.

36. Admittedly, the idea of the distinction made in the Decision of the Six between a first automatic 10% quota increase and a second negotiated increase of another 10% seems to be to permit a concentration on the " critical" categories, including those where quotas are insignificant or nil, but, as the example shows, this may not always provide a solution satisfactory to the Eleven. Indeed, this is the limitation which appears to be potentially the most discriminatory in its effects.

37. To sum up, the Decision of the Six with regard to quantitative restrictions vis-a-vis the Eleven would leave some discrimination over a wide field of trade, and its effects are likely to be felt most, and quite substantially, by agricultural exporters and certain branches of industry, such as the motor car industry. It is nevertheless clear that the measures decided by the Six will reduce the degree and extent of discrimination that would otherwise have resulted from the implementation of the Rome Treaty. In contrast to the tariff reductions, the quota increases, being restricted to the Eleven, will give these countries certain advantages over competitors outside the OEEC area, Here, the decision of the Six therefore clearly reflects a sense of their special responsibilities towards their OEEC partners.

1.2.3.3. C. The question of a multilateral association between the Six and the other OEEC countries

38. Although not, properly speaking, part of their Decisions, the Six at the Council meeting of 3rd December reaffirmed their willingness to pursue the efforts to create a multilateral association between the Community and the OEEC countries outside it. With this in view, the Council instructed the Commission of the Community to make a thorough study of the problems and possible solutions to them in close liaison with Member Governments, and to report on the position which the Six might jointly adopt by 1st March 1959.

1.2.4. IV. Examination of the Decisions of the Six by the OEEC Council, and the related proposals of the United Kingdom

39. The Chairman of the Council of the Community having notified theCouncil of O.E.E.C. of the Decisions of the Six, a discussion of their implications took place at the OEEC meeting on 15th December, after Mr. Maudling had reported to the Council on the failure of the Intergovernmental Committee's efforts to reach agreement on a Free Trade Area or European Economic Association to take effect parallel with the Rome

11. In practice, this applies virtually to Germany and Italy.

Treaty, (see Part I of this Report). Nevertheless, a strong desire was expressed that work should continue to reach an agreement for wider association and, no decision being taken to the contrary, the Maudling Committee remains in being.

40. From what has been made known in the press, the Eleven, while recognising that the Decisions would undoubtedly mitigate the effects of the entry into force of the Rome Treaty on their exports to the Community, expressed their grave concern at the discrimination against their trade that would still remain. Another source of concern, which has since been removed, was that the French Government's decision to restore liberalisation to 40% vis-a-vis the Eleven while at the same time honouring its obligation under the Rome Treaty to restore the 82% level previously attained vis-a-vis its Community partners, also constituted a serious discrimination.

41. As could be expected, the objections of the Eleven centred on the consequences of the exclusive application of the 3 % minimum rule for quotas to intra-Community trade. Concern was also voiced because quota enlargements would be negotiated bilaterally with the Eleven, whereas they would be globalised among the Community members.

42. The United Kingdom delegate proposed that the 3 % rule be applied generally among all OEEC countries within a multilateral arrangement for quotas on a basis of reciprocity. The French delegate, however, rejected this proposal as unacceptable.

43. The Council concluded by agreeing to study the Decisions of the Six and the proposals of the United Kingdom Government at a further meeting to take place on 15th January 1959.

44. The British proposals have since been notified to all Members of the O.E.E.C. According to press reports, the gist of the proposals is to provide a multilateral solution to the trade discrimination which would otherwise arise in the field of quantitative restrictions. The proposals are thus concerned exclusively with quotas?and not with tariff discrimination. In effect, they amount to a request that the quota rules of the Rome Treaty, including particularly the 3 % rule, be applied generally among all OEEC countries on a basis of full reciprocity. The quota rules of the Rome Treaty would thus not only be applied to trade among the Six and between them and the Eleven, but also to trade between the latter.

45. A provisional estimate by the British Treasury of the effect of the application of a 10% increase to all British quotas (other than those which are nil or insignificant) gives a figure for potential increased imports of about £ 1.3 million. By contrast, if the 3% rule were also applied, this figure would be increased by about £ 2 4 million.

46. The new quotas should, moreover, preferably be opened to all other Members of the O.E.E.C. on a multilateral basis, i.e. the quotas should be globalised and not negotiated bilaterally, although other methods of access to quotas would not appear to be excluded under the British proposals.

47. Finally, it should be noted that the proposals apply exclusively to quotas for industrial products, the assumption being that the Six will not in fact extend agricultural quotas among each other at the present time. It would appear that the British proposals contemplate certain . arrangements to alleviate the lack of balance between obligations and advantages which would remain for large agricultural exporters-possibly by a system of derogations, subject to scrutiny by the O.E.E.C, of the obligation for these countries to reciprocate fully in the industrial sector.

1.3. PART THREE - Summary of the main problems in the negotiations

48. Perhaps the most convenient way of presenting the main problems that have arisen in the negotiations, indicating those which have proved relatively easy to deal with and those that have proved more intractable, is to reproduce here a note prepared by the Secretariat of the O.E.E.C. This note was attached to the last report to the Chairman of the OEEC Council submitted by the Chairman of the Intergovernmental Committee on the Establishment of a Free Trade Area (Mr. Maudling) on December 15th 1958. In this report, Mr. Maudling stated that " it is now apparent that the Committee has been unable to secure the establishment of a European Free Trade Area, which would, in practice, take effect parallel with the Treaty of Rome. "

49. The note by the Secretariat of the O.E.E.C. on the work done by the Intergovernmental Committee is as follows.

50. "It was in July 1956, that the Council of O.E.E.C. decided to establish a Working Party to " study the possible forms and methods of association, on a multilateral basis, between the proposed Customs Union [of the Six] and member countries not taking part therein ". As a possible method of association, the Working

Party was to consider the creation of a Free Trade Area which would include the Customs Union and these member countries. In its Report, published in January 1957, the Working Party concluded that " it is possible to conceive of a system which takes account of the characteristics of a Free Trade Area and which would ensure satisfactory operation of the latter ".

51. This Report was considered by the Council in February 1957, together with a memorandum by the United Kingdom Government, and the Council then decided to continue the discussion further and to organise negotiations between the Governments. These discussions and negotiations took place in a number of Working Parties which were specially created for the purpose. The Chairmen of the principal Working Parties reported to the Council in July 1957 and these reports, together with a Memorandum by the Chairman of the Council, were considered by the Council in October. The Council then decided, on 17th October, to set up the Inter-Governmental Committee.

52. This Committee, which has been assisted by a large number of other bodies, of which a list is given below, has held nine sessions extending over twenty-three days. It began its work on the basis of a Joint Note by the Governments of the Six and an Annotated Agenda prepared by its Chairman. At an early stage of its deliberations, the six Member States of the European Economic Community decided to present a paper setting forth their common views on the questions under discussion. A paper by the Six on agricultural questions was presented on 25th July 1958, and considered by the Committee in the same month. A further paper, covering other questions, was presented on 20th October 1958, and considered by the Committee at the end of that month and again in the middle of November.

53. Summaries of the results achieved by the Committee up to 7th October 1958 have been prepared by the Secretariat. These show that, subject to agreement being reached on the main issues, a wide measure of agreement seems to have been achieved on a number of questions such as, for example, the methods whereby tariffs and quotas could be gradually eliminated within a Free Trade Area, the rules regarding the right of establishment, rules for freeing movements of capital and permitting the international exchange of services, transport problems and rules relating to restrictive business practices and state aid. At the same time, progress has been made, and differences between national points of view have been reduced, on a number of other questions. These include: agriculture, movements of workers, the inclusion of coal and steel in a Free Trade Area, trade in products used in the production of nuclear energy, and the special arrangements required for countries in the process of economic development.

54. The Inter-Governmental Committee and the various other bodies listed below have thus made some progress; but the agreement or nearagreement reached on the points mentioned above has always been conditional upon agreement being reached on certain more fundamental issues, and this has so far proved to be impossible to achieve. These issues may be conveniently summarised in three groups:

a. external tariffs and external commercial policy-this includes the principal aspects of the problems of definition of origin and the relations between the Free Trade Area and the preferential trading system of the Commonwealth;

b. the harmonisation and co-ordination of internal economic and social policies; and

c. the institutional system and voting rules, including the rules which should apply to the use of escape clauses.

55. Some compromise proposals have been made from time to time in regard to the first of these issues. There were, for example, proposals for introducing a difference between the timing of the transition period for the Free Trade Area and that established for the transition period of the Common Market. In the same context it has been proposed that the arrangements for the passage from the first to the second stage of this period should, for the Free Trade Area, be different from those laid down for the Common Market; this could involve differing treatment for imports under the two systems. Again, the proposals which bear the name of Signor Carli were put forward. They had, as their principal feature, the institution of a special system of internal taxes designed to offset differences between Members (in tariff and other matters) and thereby to provide an incentive for harmonisation. Suggestions have also been made for instituting different systems of defining origin for different products or groups of products. These proposals, some of which have not yet been fully investigated, have not provided the basis for a compromise. It is not to be inferred from this survey of an uncompleted task that a multilateral association between the Community of the Six and the rest of Western Europe is impossible."

1.3.1. Committees and Working Parties which are or have been engaged on work concerning the establishment of a Free Trade Area

11. Special Working Parly No. 17 of the Council

12. Alternates of Special Working Party No. 17

13. Working Party No. 21 of the Council

14. Alternates of Working Party No. 21

15. Joint Working Party of Working Party No. 21 of the Council of the O.E.E.C. and the European Conference of Ministers of Transport

16. Working Party No. 22 of the Council- Agriculture

17. Ad hoc Working Party on Fish

18. Working Parly No. 23 of the Council- Countries in the course of economic development

19. Group of Financial Experts on Financial Assistance for Less Developed Countries

20. Inter-Governmental Committee

21. Steering Board for Trade and Alternates

22. Managing Board of the European Payments Union and Alternates

23. Committee for Invisible Transactions

24. Working Party of the Committee for Invisible Transactions

25. Group of Trade Experts

26. Group of Customs Experts

27. Working Party of Experts on Chemical Products

28. Group of Experts on Restrictive Business Practices

29. Working Party on Establishment Problems

30. Working Party for the inclusion of Coal and Steel in the Free Trade Area

31. Group of Experts on certain questions concerning Portugal

32. Steering Committee for Nuclear Energy

33. Joint Working Party of the Steering Board for Trade and the Steering Committee for Nuclear Energy

Appendix 1 APPENDIX I

Developments since the October (10th-17th) session of the Consultative Assembly

23rd-30th October

Ninth Session of the OEEG Intergovernmental Committee on the Free Trade Area (Maudling Committee). [This session was mainly concerned with a first examination of the memorandum from the European Economic Community setting forth the views of the Six on the negotiations. No material progress was made].

27th October

Statement by the Conseil National du Patronat Français (French National Employers' Council): " . . .The Free Trade Area will quickly lead to the collapse of the Community of the Six. . . French industry has in any case never believed that the setting up of the Common Market would lead to a reduction in trade with Great Britain, Switzerland, Austria and the other countries. It therefore calls, as it has from the beginning of the negotiations, for the free trade area myth to be set aside and the true problems of relations between the Community and each of its partners to be tackled in a concrete form with the firm intention of adopting measures in the mutual interests of all parties which will guarantee the promotion of trade." (Les Dernières Nouvelles d'Alsace, 28th October 1958).

3rd November

Statement by Professor Müller-Armack, chief German delegate to the OEEC Intergovernmental Committee, who expressed Bonn's " disappointment " at the position taken by France in the Committee and described a Common Market without a Free Trade Area as " unthinkable. " (Financial Times, 5th November 1958).

4th November

Statement by the French Government, who " wished to find conditions for an association between the Common Market Community and the other OEEC countries, particularly Britain, provided only, however, that the conditions of the association do not destroy the Common Market itself". (Financial Times, 5th November 1958).

6th November

M. Couve de Murville, French Foreign Minister, visited London and met Mr. MacMillan, Mr. Selwyn Lloyd, Mr. Maudling and Sir David Eccles in connection with the negotiations.

10th November

Meeting in Paris of industrialists from Austria, Denmark, Norway, Sweden, Switzerland and the United Kingdom. A communiqu6 was published referring to the " measures which might seem necessary in case the negotiations on the Free Trade Area fail ". (Le Monde, 12th November 1958).

10th November

Statement at the meeting of the Nordic Council in Oslo by M. Bent Roeiseland, leader of the Norwegian Liberal Party: " The Scandinavian countries must not hesitate to defend themselves if the six countries of the European Common Market begin to take discriminatory measures against them. The Council must make its position clearly understood to the negotiators in Paris. " (Le Monde, 12th November 1958).

11th November

Statement at The Hague by Dr. S. L. Mansholt, Vice-President of the European Commission of the Common Market, who said he could not " fully share the anxiety evident in many circles today over the fate of the plan for a European free trade area . . . Even if . . . the Free Trade Area does not come into being before the beginning of 1959, the development of discussions so far should not be regarded as tragic, especially since the Six partners in the Common Market did not wish tso shut themselves off in relation to the outside world, but wished to work for the creation of an open market . . . There had been in the Free Trade Area discussions so far, too much concern with general questions and too little with concrete ones. France had been . . . too

onesidedly blamed for the failure of these discussions . . . " He believed " in fact that the responsibility for the failure of the Free Trade Area negotiations lay less with France than with Britain, especially since the latter had been unwilling at the time to join a European customs union . . . The European Economic Community would gladly collaborate in bringing about a European free trade area, but not at any price. ". (Neue Zurcher Zeitung, 14th November 1958).

11th November

Mr. Macmillan, replying to questions in the House of Commons, stated " the Government attach the same importance as hitherto to a free trade area as a complement to the European Economic Community . . . " He did " not think that this is the time for " meeting a with Dr. Adenauer and General de Gaulle to discuss the future of the European Free Trade Area. (The Times, 12th November 1958).

11th November

Statement by Mr. Reginald Maudling in the House of Commons: " . . . The negotiations for a free trade area have reached a serious position . . . We can claim with justice that these negotiations have dragged on a weary, disappointing and almost unconscionable time . . . Disappointment, however, must not lead us to despair . . . The situation is complicated by what will happen on 1st January . . . The six countries will [then] be treating one another's trade on a different basis from their trade With other members of the O.E.E.C. . . . It can be regarded by traders and businessmen in the other eleven countries only as a form of discrimination. It is bound to threaten the very foundations of the O.E.E.C, an organisation dedicated to the elimination of discrimination in Western Europe . . . It is fashionable .. to talk of an Anglo-French dispute . . . This is not really accurate. There are not two partners to these negotiations, but seventeen . . . although the Six certainly seek to harmonise their points of view in advance . . . The French Government have all along seen greater difficulties in the establishment of a Free Trade Area than have the others . We all recognise that France faces problems . . . and I am sure that all friends of France must seek to help her to meet these serious problems . . . There is nothing whatsoever in the argument that the Free Trade Area is either designed to undermine the Common Market or would undermine the Common Market . . . [The United Kingdom has] departed in many ways from its original concept... We have accepted the desirability of negotiating an agreement on agriculture. We have broadened the concept from the original idea . . . of a reduction of tariffs and quotas . . . to the establishment of a whole European economic system maintaining and strengthening the cooperation which already exists in the O.E.E.C. . . . . We agreed that there should be a system of majority voting over a substantial part of the Free Trade Area agreement. " (Hansard, 11th November 1958).

12th November

Statement by Mr. Macmillan at the Lord Mayor's Banquet in London. He " refused to believe that the Free Trade Area negotiations would fail . . . This would present grave dangers for the political unity as well as the economic unity of Europe. " (Le Monde, 12th November 1958).

13th November

A statement expressing the unity of their position was agreed by Sweden, Denmark, Norway and Iceland in the Economic Committee of the Consultative Nordic Council in Oslo. The statement said that it was " of the greatest importance " to avoid a European split that could have " very far-reaching " economic and political consequences. (New York Times, 15th November 1958).

13th-14th November

Tenth session of the Maudling Committee, again devoted to consideration of the memorandum of the European Economic Community. The "Committee also received the delegation appointed by the Consultative Assembly to put forward the Assembly's views on the European Economic Association.

14th November

M. Couve de Murville gave an account of his talks in London to the other five delegations of the European Economic Community to the Maudling Committee.

14th November

Statement by M. Jacques Soustelle, French Minister of Information. " It has seemed to France that it is not possible to create the Area in question [the Free Trade Area] as desired by the British, that is to say, by establishing free trade between the six countries of the Common Market and the eleven countries of the O.E.E.C., since there would be lacking a single external tariff barrier round the seventeen countries and no measures of harmonisation in the economic and social spheres. This does not mean that there could be no solution satisfying the six countries of the Common Market and the other countries of Western Europe in their relations with each other in the economic field. The French Government, for its part, is working actively to find one. Our present position must not therefore be interpreted as having closed the door. " (Le Monde, 16th-17th November 1958).

16th November

Sweden asked the United States Government to use its influence to end the deadlock in the Free Trade Area discussions. (Daily Telegraph, 17th November 1958).

16th November

Meeting at San Remo organised by the Italian Joint Confederation of Industry and addressed by Dr. G. Carli, former Italian Minister for Foreign Trade. Concerning the Free Trade Area, Dr. Carli " emphasised how mistaken it would be to try, as has been advocated, particularly in circles close to the Common Market Commission in Brussels, to drive a wedge between Britain and the other Members of the O.E.E.C. who are not in the Common Market. Thus, Austria, Switzerland, Denmark, Norway and Sweden, he said, are the nations which attach the greatest importance to maintaining their own tariffs and their own trade policies. Their tariffs are even lower than those of the U.K. Moreover, the inclusion of certain of them, such as Denmark, in the Common Market would be a grave blow to Italian agriculture. He added that they could never accept a solution which might damage their ties with Britain. Dr. Carli stressed the importance of the Free Trade Area nations in Italy's foreign trade. Thus, whereas the Common Market nations' share in Italy's foreign trade had fallen in the last year or so, trade with the other OEEG nations, and in particular with countries outside the O.E.E.C. had not gone down at all. "

17th November

Statement by a spokesman of the United States Embassy in Paris recalling that the United States had strongly supported the creation of the Common Market and that they are equally in favour of the extension of areas of low tariffs. (Le Monde, 18th November 1958).

17th November

Statement by Professor Muller-Armack in Bonn. At his request the German Minister for Foreign Affairs had obtained from Paris confirmation that the position taken up by the French delegation [to the Maudling Committee] on 13th November remained unchanged. This position was that France " would give its support to the position adopted by the other five countries regarding the Free Trade Area. " (Le Monde, 18th November 1958).

17th November

An official British spokesman confirmed that the United Kingdom had adjourned sine die the Free Trade Area negotiations which were due to be resumed in Paris on "Wednesday, 19th November. This decision had been taken because of the " obscure and extremely discouraging situation produced after the statement by M. Soustelle that the British proposal on the Free Trade Area was inacceptable. " (Le Monde, 18th November 1958).

17th November

Statement in London by Mr. Maudling: " . . . On Friday, M. Soustelle announced that it did not seem possible to the French Government to establish the Free Trade Area as it had been proposed, and that they were looking for a new solution. In these circumstances, the meeting arranged for this week could clearly not take place, as the whole basis on which the Intergovernmental Committee has been working, namely the unanimous determination of all Governments to secure the establishment of a free trade area, seems to have been brought into question. Her Majesty's Government will enter as soon as possible into consultations with

all Governments concerned to clarify the resulting situation . . . The Government have always recognised the special difficulties that the French face in these matters and we have constantly expressed our desire to find a solution to them . . . I should like to confirm . . . that any proposals that the French Government, in consultation with their five partners, wish to put forward to safeguard the economic position of France, particularly in the next few difficult years, will be very readily considered. But we do not believe that any solution . . . need be such as to involve the abandonment of the Free Trade Area idea. " (The Times, 18th November 1958).

17th November

A Swedish Government communique on Notes delivered to the six Common Market capitals said it could not be excluded that Sweden might be forced to reconsider her trade policy vis-a-vis the Six. (Financial Times, 19th November 1958).

19th November

The Benelux countries submitted to their partners in the Common Market proposals designed to break the deadlock. These were " (i) The 10% tariff reductions due to come into force in the Common Market countries on January 1st should be extended to all the 53 countries of the General Agreement on Tariffs and Trade; (ii) The 20% quota increases due to take effect in the Common Market on the same date should be extended to the eleven other members of the Organisation for European Economic Co-operation; (iii) Tariffs and quotas on agricultural products should be frozen at their present levels for the next twelve months, during which negotiations would determine their position in the European market." (The Times, 20th November 1958).

19th November

Professor Zijkstra, the Dutch Economics Minister, said that the Netherlands Government would do all it could to break the deadlock. " The deadlock should be regarded as no more than a transitory phase in the struggle for a free trade area." (The Times, 20th November 1958).

19th November

The Dutch Employers' Associations stated that they were in favour of a free trade area on condition that there was a fair balance between the concessions given and received by each country. (A.F.P. dispatch, 19th November 1958).

20th November

Mr. Maudling stated in the House of Commons that " the question of putting forward an alternative policy [on the Free Trade Area] was not a matter for the moment. The situation was . . . confused by the statement of the French Government and it was important that it should be clarified by Britain receiving from the Six a statement of where they stood at the moment." (The Times, 21st November 1958).

20th November

A statement was made in London by Sir Norman Kipping, Director-General of the Federation of British Industries: " . . . We could not have a high-cost economy, which would certainly be involved if we were to join the European Common Market, with its high tariff protective wall; and we could not give up our right to a high degree of tariff autonomy." (The Times, 21st November 1958).

21st November

Statement by the German Ambassador in London: " . . . We shall insist strongly and do all in our power to convince the French that the Free Trade Area must be brought about . . . Germany cannot content herself with an economic Community of six nations. German industry is in the same position as British industry and our interests are in selling our products in the whole world." (Le Monde, 22nd November 1958).

22nd November

A communiqué published by the Italian Government after the visit of Professor Hallstein stated " Italy confirms her favourable attitude regarding the setting up of a European Economic Association . . . and favours a provisional solution capable of overcoming the unfortunate difficulties in relations between the Common Market countries and others." (Le Monde, 23/24th November 1958).

24th November

Professor Hallstein visited The Hague in completion of his inf ormatory tour in connection with the breakdown of the Free Trade Area discussions. In a statement he said: " The Common Market Commission had since last summer striven for interim agreements to prevent disagreement between the Six and the Eleven on January 1st. These plans, for the greater part, corresponded with the Benelux interim proposals." He was optimistic with regard to these proposals. (The Times, 25th November 1958).

24th November

The Dutch Foreign Minister, Dr. Luns, stated that there was general agreement [in the talks with Professor Hallstein] that " after the completion of an interim arrangement, it was necessary to work with energy for the implementation of the Free Trade Area." (The Times, 25th November 1958).

24th November

Statement in Brussels by Professor Hallstein on conversations held with the six Governments on methods to be adopted to break the deadlock on the Free Trade Area. These conversations had been " extremely satisfactory and constructive . . . and had shown that there is a common will to adopt a provisional solution for the problems which will arise on 1st January 1959 .. while waiting for final solutions to be found to the questions still in suspense." (Journal de Genève, 25th November 1958).

24th November

Statement by Mr. Maudling in London: « He was glad to say that . . . the six countries . . . were urgently considering . . . means of solving . . . the problems that would arise on January 1st . . . It was in their power to provide a solution which would avoid an outbreak of discrimination in Western Europe . . . thereby making possible the resumption of negotiations for a long-term solution." He did not feel " that it was likely that a satisfactory solution of an entirely new character would emerge . . . The basic problem remains one of . . . ensuring that we all continue to trade together on a multilateral and reciprocal basis . . . " (The Times, 25th November 1958).

26th November

Meeting between Chancellor Adenauer and Prime Minister de Gaulle at Bas-Kreuznach. " . . . The Heads of Government were accompanied by Foreign Ministers Dr. H. von Brentano and M. Couve de Murville, as well as by the Federal Minister for Economic Affairs, Professor L. Erhard, t h e Federal Finance Minister, M. Etzel and the French Minister for Economic and Financial Affairs, M. A. Pinay . . . The first questions to be discussed were those arising out of the coming into operation of the Common Market and the difficulties which have recently arisen in the negotiations for the creation of a free trade area. The Heads of Government confirmed again their intention to continue, together with the Governments of Belgium, Italy, Luxembourg and the Netherlands, their co-operation in both the economic and political fields. This co-operation in no way conflicts with the co-operation between the six States and the other European States in the framework of the O.E.E.C., which is to be maintained and further developed. Both Heads of Government examined thé measures which could be taken on 1st January 1959 in connection with the coming into operation of the Common Market, as far as trade relations between the Common Market and other countries, and particularly the Member States of the O.E.E.C., are concerned. These measures will be submitted to the other members of the European Economic Community for examination. Joint suggestions for the examination of an association [12] between the European Economic Community and the other Member States of the O.E.E.C, will also be submitted." (Federal Government Press and Information Office Bulletin, No. 220/ p. 2181 of 28th November 1958).

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12. The German text used the word " Association"; the French text recorded as an AFP dispatch in Le Monde of 27th November used the expression " une association multilatdrale ".

26th November

Statement by M. Max Petitpierre, Head of the Swiss Political Department, that " the formula of bilateral agreements to replace the Free Trade Area was unacceptable." (Le Monde, 27th November 1958).

26th November

The Swiss Government announced that it would not use its right to withdraw from the European Payments Union on 1st January next, though it reserved its right to use it later if the development of co-operation between the six countries of the Common Market and the other OEEC countries was to the disadvantage of the latter. (Le Monde, 27th November 1958).

26th November

Statement by the Swiss Federal Department of Economics: " The Swiss Government is still of the view that a multilateral association between the Six . . . and the Eleven . . . must be striven for . . . In various quarters solutions are presently envisaged to remove the danger [of discrimination] . . . on 1st January . . . In so far as on that date discrimination could be avoided, such solutions would be constructive; they would give the States concerned sufficient time to resume and complete their work for a permanent association." (Neue Zürcher Zeitung, 27th November 1958).

28th November

Notes from Switzerland, Denmark and Portugal expressing the hope that negotiations would be resumed in order to avoid trade discrimination were handed to the Belgian Foreign Trade Minister. (Sweden had already sent a similar note). (The Times, 29th November 1958).

28th November

A statement issued by the Swiss Chamber of Commerce meeting in Zürich in support of the Free Trade Area (Neue Zürcher Zeintung, 1st December 1958).

29th November

Statement by M. Spaak at a meeting of the Chambers of Commerce of the Common Market countries: " . . . Britain's mistake has been not to believe in the will to create the Europe of the Six. We live in the era of large communities, and those who will not understand this may find they wake up too late . . . The British thought that the Common Market was yet another noble idea incapable of realisation . . . The Free Trade Area failed because there was no political will . . . You, the people of Britain, must understand that the decision taken at Messina by the Ministers of Foreign Affairs marks a date as historic as the 14th July 1789. In economic affairs the former is a date as revolutionary as was the French Revolution in political affairs." (Le Monde, 30th November/lst December 1958).

1st December

Opening in Geneva of a conference, convened by the Swiss Government, of economic representatives of the Governments of Norway, Sweden, Denmark, Austria, the United Kingdom and Switzerland, to examine the situation regarding the Free Trade Area. Portugal also sent a delegation. (The Times, 2nd December 1958).

3rd December

In Brussels, the Council of Ministers of the Common Market decided to take the following measures on 1st January 1959 to reduce the discrimination resulting from the coming into operation of the Community: (i) The Six will reduce by 10% their customs duties on industrial products (except EGSC products) in relation to the Member States of the O.E.E.C., the Member States of G.AT.T., and all States benefiting from the mostfavoured- nation clause. This reduction is provisional in character and will be valid for an unspecified period. It is granted unilaterally and unreciprocally. It will apply to agricultural products not subject to quotas, (ii) As regards quotas, the Six will extend to their OEEC partners, on a reciprocal basis, the benefits of an increase of 20% in quotas for industrial products which were not yet liberalised on 14th January 1955. This increase, up to 10%, will be given unilaterally for each product. The other 10% will be granted subject to bilateral negotiations on each of the products of special interest to particular countries. No increase of quotas is envisaged for agricultural products, (iii) The Council indicated its concern to pursue efforts with a view to the

creation of a multilateral association with the other countries of the O.E.E.C., and asked the Commission to undertake a close examination of the problems and possibilities of solution, and to report back by 1st March 1959 regarding the common position which the Member States of the Common Market might adopt." (Le Monde, 5th December 1958).

3rd December

Dr. Erhard stated that a proposal for a further meeting of the Maudling Committee on Tuesday, 9th December, was " unrealistic. " He was asked by his colleagues from the other countries of the Six to meet Mr. Maudling in London on 5th December in order to explain the decisions taken by the Six. (Le Monde, 5th December 1958).

4th December

M. G. Cederwall, Secretary of State in the Swedish Ministry of Trade, stated that " the decisions of the Six at Brussels as reported in Stockholm are unsatisfactory from the Swedish point of view . . . The reduction in customs duties does not avoid discrimination as far as Sweden is concerned, since Sweden exports more to Western Germany and Benelux, where this reduction is not so important, than to France and Italy, where the reduction is greater . . . The increase of import quotas is also unsatisfactory for Sweden, especially as regards France, which is not fulfilling her promises of liberalisation. " (AFP dispatch, 4th December 1958).

5th December

Visit by Professor Erhard to London. He conferred first with Mr. Maudling, and then briefly with Mr. Macmillan, Mr. Heathcoat Amory, Mr. Selwyn Lloyd and Mr. Maudling. (Le Monde, 6th December 1958).

5th December

Statement by Mr. Selwyn Lloyd in the House of Commons. " . . . It was . . . with the greatest surprise that we learned on November 17th that the French Government felt that there was no longer any useful purpose in proceeding with negotiations on the basis hitherto accepted by the Six. That . . . opens up a prospect which is serious both commercially and politically . . . I must say frankly to the House that I do not see how the tradition of confident co-operation could survive intact in the military and political fields if it were to break down in the economic sphere . . . " (Hansard, 5th December; Le Monde, 6th December 1958).

5th December

Announcement by the British Treasury that the meeting of the Maudling Committee due to begin on Tuesday had been cancelled. It was also stated that Professor Erhard, German Minister for Economic Affairs, told British Ministers of the conclusions reached by the six members of the E.E.C. about the action they will take on January 1st. "These conclusions will be transmitted by the E.E.C. during the next two or three days to the members of the O.E.E.C. It is now proposed that instead of holding a meeting of the Intergovernmental Committee under the chairmanship of the Paymaster-General, Mr. Maudling, a meeting of the OEEC Ministerial Council should be held in the near future (the date is not yet fixed) at which the conclusions of the European Economic Community will be discussed, and the Paymaster-General will make a formal report on the position that has now been reached in the Intergovernmental Committee." This source also commented that " proposals put forward by the six Common Market Powers are understood to be extremely complicated and need further, study by all the countries concerned. They include interim arrangements which would still impose discrimination on goods from outside the Common Market area, but would mitigate to some extent the effect on the trade of the other eleven OEEC countries." (The Times, 6th December 1958).

5th December

Statement by Mr. Macmillan to the Dollar Exports Council's Conference at Eastbourne: " . . . Unless the Common Market is accompanied by a free trade area, the six countries will reduce trade barriers among themselves, while maintaining them against the other eleven countries. This will be contrary to the principle of non-discrimination on which depends the life and strength of Europe, both political and economic. It is, therefore, very much to be hoped that the negotiations which have run into difficulties will soon make progress. This is not ?and must not be considered?an Anglo-French dispute. All the seventeen countries of the O.E.E.C. are deeply concerned. We in the United Kingdom understand the special difficulties through which France is passing . . . In Europe we cannot be together politically if economically we are apart." (The Times, 6th December 1958).

6th December

Dr. Herbert Thaussing, Director of the Austrian Industrialists' Union (Österreichischer Industriellen-Verband) described the new proposals of the Common Market Ministers for the provisional treatment of trade relations between the Six and the other OEEC States, coming into force on 1st January 1959, as completely acceptable. As regards the French-British differences on the Free Trade Area question, Dr. Thaussing remarked: " The French view that Great Britain is trying to ride two horses at once, the British Commonwealth and the European Continent, is justified." (Le Nouvel Alsacien, 7/8th December 1958).

6th December

Mr. Maudling, speaking at Torquay, England, said " Our main objective at the moment must be to maintain the integrity of O.E.E.C. . . . We must . . . continue to observe . . . the letter and spirit of the mutual obligations which have bound us together . . . We understand that the six countries . . . intend to bring forward another new plan to associate themselves with the other eleven European countries on a multilateral basis .. I find it . . . difficult to believe that any new solution will be found that differs much from the Free Trade Area . . . Even the Six themselves admit that the structure of the Economic Community with its Commission and weighted voting could not be made to work on a 17-nation basis . . . For the United Kingdom and for other countries, moreover, the obligations envisaged in the Treaty of Rome are not acceptable. Anyone who studies the Treaty can see that to join it would involve, not only accepting the common external tariff with the consequent destruction of the Commonwealth preferential system, but would also involve subordination to an international commission of many of the decisions now taken by our elected Parliament . . . What we seek is a multilateral non-discriminatory association with the six countries of a kind that will neither damage the unity of Europe nor impede the full working out of the Treaty of Rome." (The Observer, 7th December).

6th December

Le Monde commented on the present position as follows: " London observers believe that this meeting [of the OEEC Ministerial Council] which will probably take place at the beginning of the second half of December, will in fact mark the end of the Maudling Committee. The Paymaster- General will give a report on the deadlock that has arisen in his Committee's work and the Ministerial Council will probably be seized of a proposal by the Six to postpone until after March 1st the negotiations on a multilateral association between the Six and the non-Six. Meanwhile, in accordance with the decision taken by the Common Market Council of Ministers, Professor Hallstein, President of the European Commission, will devote a close examination to the problems and possible solutions. It is believed that Professor Hallstein will hold exploratory talks in each of the other countries of the O.E.E.C, and that in the light of these talks he will submit a report for March 1st 1959. It will then be for the Six to formulate precise proposals to the other countries of the O.E.E.C. with a view to setting up this multilateral association." (Le Monde, 7/8th December 1958).

7th December

" . . . the Council of O.E.E.C. will probably take up the Free Trade Area question sometime after December 15th. It is expected that the meeting will result in the disbandment of the Maudling Committee. At the same time it is thought likely that a new move will be made in the direction suggested by the " Action Committee for the United States of Europe " at end October. These suggestions of the Committee headed by Jean Monnet, which we have described as the only hope for the continuation of the Free Trade Area discussions, propose that a new conception for a Free Trade Area to be established by the Commission of the E.E.C. would be separately worked out with each of the other eleven countries of the O.E.E.C. " (Die Welt, 8th December 1958).

8th December

" . . . talk of a "show-down " on European Free Trade can only do harm at this stage. It may relieve feelings of frustration in this country, but it will simply confirm members of the Common Market in their suspicions of Britain. Mr. Macmillan last week was probably trying to check such embittered reactions when he expressed the hope of finding a " truly European solution. " If there is to be any chance of a comprehensive agreement in the future, British negotiators must start from the assumption that the Common Market is going to be a fact and that the rest of Europe will have to learn to live with it. Federal Germany, because of her interests, will no doubt attempt to mediate, but she can only do so successfully if we avoid the least suspicion of wanting to weaken the community of the Six. " (Manchester Guardian, 8th December 1958).

8th December

M. L. Charvet, on behalf of the Economic Council's Committee on Economic Affairs and the Plan, submitted a report on " the French external trade situation and impending international developments in foreign trade " . . . M. Charvet, writing on the Free Trade Area, stated that the defenders of the Free Trade Area have clearly tried to obtain the advantages which the Common Market Treaty gives to its members without accepting the responsibilities. Moreover, agreement on such a scheme would constitute a precedent . . . " The result would be that the exception provided for in the code of liberalisation as regards " special customs systems ", would be effectively deprived of all safeguards in relation to other members of O.E.E.C. and would involve an abandonment of sovereignty which none of the Governments that are parties to O.E.E.C. could have intended . . . If that were the result it is clear that the chief incentive provided in the Treaty for working out a common policy between the Six would disappear, and that at every stage of working out such a policy each of the Six would . . . and it would see the Eleven able to profit without any special effort on their part from the advantages for which it had itself been prepared to make sacrifices. Can one then not see that in those circumstances the road to European integration would be blocked." (VInformation, 9th December 1958).

8th December

The French Ambassador to the United Kingdom, M. Jean Chauvel, said in London that " the fact that the British-proposed Free Trade Area which would encompass the Economic Community, or Common Market, could not be operative by January 1st had been " rather heavily dramatized." We do not see why it should be . . . Very little will happen on January 1st. Nobody in official France doubts a solution will be found. In other words, we see a hitch. We do not in any way take it for a break." (New York Times, 10th December 1958).

8th December

Statement by Mr. Maudling in London: " . . . We recognise the great value of the Rome Treaty and we have always stated our view that a free trade area, far from harming the Treaty, would provide the only means of realising its objectives . . . What Great Britain wishes is to establish a multilateral and non-discriminatory association with the six Common Market countries which would harm neither European unity nor the functioning of the Rome Treaty . . . It is not true that Great Britain and the other non- Six countries are trying through the Free Trade Area, to obtain the advantages of the Rome Treaty without its obligations . . . We understand that the six EEC countries intend to submit a new plan for association with the eleven on a multilateral basis . . . I must say that after all the work that has been done during the last two years, I find it difficult to believe that a new solution will be found substantially different from the Free Trade Area. I think also that it is certainly possible to take steps to meet the special difficulties facing certain countries . . ." (Le Monde, 9th December 1958).

9th December

Le Monde today reported the Swiss reception of the proposals of the Six in Brussels. ". . . Switzerland has been profoundly disappointed by the Brussels decisions. . . . When the six industrialised countries of the non-Six met at Geneva at the beginning of the month . . . they believed that the Brussels meeting would be based on the Ockrent Committee working paper. At an earlier meeting of this committee, it had been agreed unanimously to avoid all discrimination within O.E.E.C . . . There will however be discrimination against eleven other countries of the O.E.E.C, for the tariff reduction of 10% will only be granted in a very limited number of cases. When the independent tariff of a Common Market country is lower than . . . the rate of the future common tariff, as is often the case with Benelux and Germany, the reduction will only affect the members of the Common Market, As regards quotas, it is also understood that the Common Market rule which provides for the fixing of a global quota for every product of at least 3% of internal production, will not apply to the other countries of the O.E.E.C. . . . " (Le Monde, 9th December 1958).

9th December

The Bundestag " . . . unanimously passed a resolution urging the Government firmly to use its influence to bring about European economic co-operation in the form of a Free Trade Area by multilateral arrangements with member nations of the O.E.E.C. The resolution added that the Bundestag had hoped the area would have come into effect on January 1st, thereby creating a basis of agreement among Members of the O.E.E.C. (The Times, 10th December 1958).

13th December

Professor Hallstein said in an interview in Brussels that " a Free Trade Area as proposed by Britain could work only in an old fashioned liberal economy . . . The varying degrees of State intervention in industry made it impossible for countries to have a customs agreement without also harmonising their economic policies. This was the case with the six and would be even more so in a larger union . . . " (The Observer, 14th December 1958).

15th December

Talking to the Europe/Atlantic Association, M. Paul Reynaud said in London that it would be a grave error to consider the Common Market as " a simple commercial operation . . . it was the result of a major political act. . . . The Common Market of the Six is based on a clearly defined political will, in France as well as in Germany. Great Britain has no real grounds to fear the consequence. If the U.K. sees any threat there against which she must defend herself, the best means of doing so would be to adhere to the Treaty . . . But it will be possible to arrive at a ' progressive ' solution reconciling the interests of the Eleven . . . and the Six." (Le Figaro, 16th December 1958).

15th December

In Paris, M. Petitpierre made a statement on behalf of Swiss delegates regarding the present crisis . . . he expressed satisfaction at the " statements by Professor Erhard and M. Rey that the Six were ready to discuss within O.E.E.C. the Brussels decisions of 3rd December . . . The EEC spokesman had given the assurance that the E.E.C. does not wish to weaken O.E.E.C. and that the Six abide by their determination to bring about a multilateral association . . . these important statements did not, however, conceal the fact that as far as the Six were concerned, the Brussels decisions could be discussed but could hardly be altered . . . This constituted an important prejudicial act within O.E.E.C. which threatened to bring into question the methods of work and discussion inside that body . . . Switzerland supported the Swedish suggestion that the negotiations be taken up again within O.E.E.C. at 1st April next at the latest . . . " (Neue Zürcher Zeitung, 17th December 1958).

16th December

Mr. Lemass, Irish Minister for Industry and Commerce, stated in Ireland . . . " The immediate effect upon Irish trade to Europe on the coming into operation of the Common Market is insignificant . . . For that reason, the proposals of the ' Six' to extend certain tariff reductions and quota increases to the trade of the other 11 OEEC countries is not of particular interest to us. Our interest in any temporary arrangement arises mainly out of the implications it may have as to the form of a future permanent agreement. The British proposals have not yet been considered in any detail, and our attitude towards them will depend on the extent to which the obligations which the British are prepared to accept might be modified in our case . . . The clash which occurred over the proposals for a temporary arrangement . . . revealed deep-rooted differences of view-point over the character of any permanent agreement. . . . The six-country economic community apparently considers that an agreement should provide for some preferential treatment for trade amongst themselves, but Britain, Sweden and Switzerland say that they will not accept any discrimination against their exports to Europe and speak of retaliation . . . All the principle countries, including France, declared their intention to endeavour to negotiate an agreement and their willingness to resume negotiations . . ." (The Irish Times, 17th December 1958).

17th December

" A meeting was held between General de Gaulle and Mr. Selwyn Lloyd . . . Official spokesmen said that the General and Mr. Lloyd agreed that ' with good will the difficulties facing them could be overcome'. General de Gaulle made it quite clear that he had no intention of ' weakening the Common Market' by extending all its concessions to the other West European countries . . . he said that the French Government would do all it could to bring about a flexible association between the Common Market and the Eleven." (The Daily Telegraph, 18th December 1958).

17th December

In Stockholm, " immediate studies for establishing a trading association between . . . Austria, Denmark, Sweden, Switzerland and the U.K. . . . were recommended in a statement issued today after a discussion between representatives of the British and Swedish Federations of Industry . The initiative in holding the meeting . . . had been taken by Mr. Abenius, Chairman of the Swedish Federation. (The Times, 18th December 1958).

17th December

" M. van Offelen, Belgian Minister for External Trade, stated in Brussels that 'though Belgium firmly intends to stick to the Common Market, she will do all she can to ensure tariff and quota concessions for the other OEEC countries as quickly as possible . . . This does not prejudice the Free Trade Area negotiations which will begin again after March- 1st 1959, when the Common Market Commission has put in its report..." (The Financial Times, 18th December 1958).

17th December

In London, Mr. Heathcoat Amory said that [at the 15th December Paris meeting] the U.K. " had made it clear that if discrimination were to result from the actions of the Six, the U.K. would have to adjust its commercial policy to defend its trade interests . . . it appeared clear to him, however, that the dispute was basically not an Anglo-French one but disagreement on a matter of principle between the Six and the other countries." (The Financial Times, 18th December 1958).

17th December

The European Movement's Action Committee, meeting in Paris " has noted with satisfaction the reaffirmed determination of the powers which signed the Rome Treaty . . . effectively to implement the Common Market on 1st January n e x t . . . An International Committee was formed to assist the interested parties to resolve the problems . . . of the association of other members of O.E.E.C. with the Community." (Le Monde, 18th December 1958).

18th December

" At a meeting to discuss problems relating to a Free Trade Area, delegates from the Socialist. Parties of Germany, Austria, Belgium, France, Denmark, the U.K., Italy, Norway, Holland, Sweden and Switzerland, in Brussels on 17th and 18th December, presided over by M. A. Andersen, Denmark, heard reports by MM. Fayat (Belgium), Langer (Sweden) and Bruno Kreisky (Austria) and adopted a Resolution affirming their desire to see the establishment of a European Economic Association on a multilateral basis in order to strengthen the economic solidarity of Europe. According to the Resolution, this Association must be neither autarkic nor restrictive, but economically expansionist and must function also in such a way as to promote economic and social progress in the areas of the world which are in course of development. . . The conference insisted on the urgency of provisional arrangements and expressed the wish that the first tariff and quota measures envisaged on January 1st should be extended as far as possible to other OEEC countries, on a multilateral and reciprocal basis . . . A European Economic Association for industrial products seemed to the conference impossible unless accompanied by parallel negotiations for a treaty which would take effect simultaneously and would govern trade in agriculture, horticulture and fishery products . . . The conference acknowledged the difficulty for certain of the Eleven in subscribing to the same political obligations as those assumed by the Six . . . but this circumstance should not be an obstacle to making arrangements and establishing institutions which would permit the strengthening of economic solidarity and the co-ordination or harmonisation in a progressive way of the commercial, economic, social, financial and monetary policies of all participating countries." (Le Populaire de Paris, 19th December 1958).

18th December

In a statement in the House of Lords, Lord Lansdowne, Under-Secretary of State, Foreign Office, said " . . . Britain has no intention of engaging in a trade war, but, if countries, while nominally adhering to the principles of O.E.E.C . . . persist in discrimination, we and others similarly affected are bound to look at what means are open to us to defend our interests . . . There is no question of seeking to force any of our friends in O.E.E.C. to negotiate under a threat . . . " In the ensuing debate Lord Pethick-Lawrence stated " . . . the Common Market

is much more than an economic question. It is a movement for reversing the discords which have bedevilled Europe for a thousand years. We must go a long way to make concessions." (The Daily Telegraph, 19th December).

18th December

In a statement in the Swiss Federal Parliament, Federal President Holenstein stated " . . . since [17th November] all OEEC members had tried to find ways and means of ensuring that the Rome Treaty arrangements taking effect on 1st January 1959 did not breach the principle of non-discrimination . . . After the breakdown of negotiations on a permanent association it had been seen quite clearly that the E.E.C. was not willing to negotiate with its European partners on provisional arrangements, but only sought ways and means by a unilateral gesture, of mitigating the apprehensions of other countries as regards the danger of discrimination." (Neue Ziircher Zeitung, 19th December 1958).

19th December

" A definite move towards the creation of an Anglo-Scandinavian Free Trade Area will be made next month when the Industrial Federations of the United Kingdom, Denmark, Norway and Sweden will discuss the problems involved . . . It is hoped that the industrial federations will be able to produce . . . recommendations . . . to their Governments by the end of March, and that the dismantling of trade barriers would be much more rapid than in the Common Market . . . Switzerland and Austria will not initially participate in these talks, but will be kept fully informed . . ." (The Financial Times, 19th December 1958).

19th December

M. Marjolin, Vice-Chairman of the Common Market Commission and one of the principal authors of the compromise proposals which the Six offered . . . , said, in an interview, that the Commission " intends to be as conciliatory as poss-iible . . . Nonetheless, it was high time that Britain understood that the decision to establish special and closer links between the Common Market countries than between the rest is and must remain a matter of principle on which we cannot yield . . . " A very senior German official pointed out that Germany would bear the brunt in helping France to adapt its economy . . We [the Germans] are going to pay a tremendous price . for specially favoured treatment. . . and it is quite fantastic that the British seem to expect . . . to get precisely the same treatment without paying anything at all." (The Observer, 21st December 1958).

19th December

In a letter to The Observer Professor Hallstein wrote " My remarks (on December 13th - see extract above) were in no sense an attack on the proposal for a European Economic Association . . . My intention was to underline the inherent difficulty of a " free trade area " as such in which Member Governments would retain a very large degree of economic autonomy. In fact, since the disappearance of the gold standard, any such association must either seek to reduce the possibilities of purely national intervention (for example by forming a customs union whose common tariff prevents a distortion of trade) or to co-ordinate such interventions in the interests of the area as a whole . . . " (The Observer, 21st December 1958).

19th December

M. Robert Marjolin, Vice-Chairman of the EEC Commission, at a press conference stated.. " The Rome Treaty does not breach international law so far as trade is concerned ". Recalling Article XXIV of G.A.T.T. and Article 8 of the OEEC Code of Liberalisation he added " Differences of treatment between the members of a customs union and third parties is normal . . . It is an abuse of language to employ the pejorative term " discrimination " . . . The Rome Treaty will respect the principe that the external common tariff must not create greater barriers for third countries than those created by national tariffs . . . In fact . . . the common external tariff will make the six countries as a whole less protectionist than before . . . The Common Market does not divide Europe . . . if it were true it would also be true that the O.E.E.C. by its creation divided the Community of free peoples and one would have to admit also that any free trade area would divide the free world . . . No country in the free world could suffer any permanent harm in its trade as a result of the Common Market . . ." (Le Monde, 21st December 1958).

20th December

" France and Great Britain will hold conversations at the beginning of January through diplomatic channels on a compromise over the creation of a Free Trade Area " according to a speaker of the French Foreign Ministry . . . " any results of such conversations would be submitted to the Council of Ministers of the O.E.E.C. . . ." (Le Nouvel Alsacien, 21st December 1958).

20th December

"Belgium will not sacrifice the Common Market in any way . . . The Rome Treaty must be implemented . . . but we also insist that there be links between the E.E.C. and the Eleven . . ." Statement by the Foreign Minister, M. Wigny. (Le Nouvel Alsacien, 21st December 1958).

23rd December

" In Brussels, M. Rey, member of the Common Market Commission, stated " I do not believe in the possibility of a customs tariff war in Europe . . . The Common Market Commission believes that it is possible to settle the differences between the Six . . . and the Eleven . . . He also stated that the permanent solution worked out by the Commission would be multilateral and would respect the machinery of O.E.E.C. . . . As regards the provisional solution on which the difference of views of 15th December in Paris centred, M. Rey refused to attach undue importance to this. The Six . . . wished to make a conciliatory gesture . . . and if this gesture was wrongly interpreted there was no reason why the provisional measures decided on should not be thought out again . . . " (Le Monde, 24th December 1958).

24th December

M. Jean Royer, Deputy Secretary-General of G.A.T.T., answered the following questions in an interview with Le Monde:

1. What position might G.A.T.T. take up on the proposed economic association between the Six and the Eleven?

" So far it has not been necessary for G.A.T.T. to discuss the proposed European Economic Association. It has limited itself to following the discussions which have taken place in O.E.E.C, and at each meeting a representative of our organisation has made note of the situation as it stands. As soon as the OEEC countries reach an agreement on this matter they will submit the proposal for examination by G.A.T.T., as was the case for the Treaty of Rome. G.A.T.T., which forbids the establishment of new preferential systems or increase in existing margins of preference, does, on the other hand, allow customs union and areas of free trade on condition that these methods of economic integration fulfd certain conditions, defined in Article XXIV of our Agreement. Apart from one or two details conditions are the same for free trade areas and customs unions except that in the case of a free trade area there is no obligation to establish a common external tariff."

2. In a free trade area type of association is the sacrifice of complete freedom to fix tariffs in relation to third countries incompatible with the General Agreement on Tariffs and Trade?

" The question has not yet been officially put to G.A.T.T. and I can only give you a completely personal opinion. The only provision in G.A.T.T. which limits the freedom of action of members of a free trade area as regards their external tariffs is that contained in para. 5 (b) of Article XXIV, which forbids members of such an area to raise the level of their duties when they set up the area. Thus, any agreement which would have the effect of increasing these duties would be contrary to the commitments assumed by countries which are members of G.A.T.T. On the other hand, if the members of the area simply agree to consult each other, or simply to communicate with each other, before making any further reduction in their customs duties, I cannot well see what precise provision of G.A.T.T. third countries could cite as evidence against the legality of such an agreement. That is the legal standpoint, but I ought to add that third countries wills naturally, be more inclined to give a sympathetic ear to a proposal for an area in which members would not have limited their freedom of action as regards tariffs. Their chance of negotiating successfully for a reduction of duties in force, and therefore for an attenuation of the preferential effects of any agreement for regional integration, would be weaker if members of the area did not retain complete independence as regards commercial policy." (Le Monde, 25th December).

29th December

A spokesman for the Social Democratic Party of Germany stated in Bonn that the measures taken towards free convertibility of European currencies should not retard the efforts being made towards a Free Trade Area. The changes represented by monetary measures are only partial measures to encourage free trade. They cannot in any way replace a free trade area. (Journal de Geneve, 29th December 1958).

29th December

" In an interview given to the Brussels correspondent of the Dutch newspaper, De Telegraaf, M. Eyskens, the Belgian Prime Minister, gave an account of the Government's programme .. regarding the Free Trade Area . . . The Prime Minister rejected as " absurd " the reproach sometimes made to Belgium that she had not given satisfactory support to the Dutch point of view in the Free Trade Area question . . . " We have made joint demarches in order to take up conversations again " . . . " It is in the interests of all to enlarge the Common Market as far as possible . . . " (Libre Belgique, 29th December 1958).

29th December

M. Rene Sergent, Secretary-General of the O.E.E.C., stated in the course of a press conference in Paris in regard to the effects of the new monetary measures on the negotiations for a Free Trade Area: " You might say that as a result of the move to convertibility, good temper in the Member States' relations with each other has been restored, and that is something worth noting .. In the course of recent months the negotiations have become difficult because France was unable to fulfil her obligations as regards the OEEC Code of Trade Liberalisation . . . this provoked complaints or apprehensions . . . but frowns must now give way to smiles . . . " (Le Monde, 30th December 1958).

30th December

In a statement at Frankfurt, M. Fritz Berg, Chairman of the Federation of German Industries, stated " . . . the Common Market will be an important factor in the renaissance of European industry, but it must be completed by the Free Trade Area . . . We must avoid presenting to the world the embarrassing picture of disagreement at the very moment when the unity of free !Europe is more important than ever . . . " (L'Information, 31st December 1958).

4th January 1959

Representatives of the T.U.C. and the French Force Ouvrière, the Socialist trade union centre, met in London to discuss European cooperation and particularly the Common Market and the proposed Free Trade Area. The Foreign Office has previously gone on record as supporting some association between the Common Market countries and the rest of Europe, without defining their objectives more closely, and the T.U.C. have supported the Free Trade Area proposals . . . Discussions . . . would be continued at meetings of the European regional organisation of the I.C.F.T.U. M. W. Schevenels, secretary of the European regional organisation, attended the meeting. (The Times, 10th January 1959).

9th January

It was announced that the ministerial meeting of the Council of the O.E.E.C., arranged for January 15th, had been postponed and there would instead be a meeting of the permanent delegates to O.E.E.C. (The Times, 10th January 1959).

Appendix 2 APPENDIX II

Resolution (58) 25 - (Adopted by the Committee of Ministers on 15th December 1958)

The Committee of Ministers,

Recalling that the aim of the Council of Europe is to achieve a greater unity between its Members for the purpose of safeguarding and realising the ideals and principles which are their common heritage and facilitating their economic and social progress;

Confirming their decision to continue to consult together as in the past and further develop their consultations whenever a problem arises which vitally affects the Council of Europe;

Considering the present stage of the negotiations for a European Economic Association;

Conscious of the urgent need to maintain and develop the co-operation between the Governments of all member countries of O.E.E.C. in order to safeguard the harmonious development of their economic relations,

Re-affirms the determination of Member Governments of the Council of Europe to bring about a multilateral association between the European Economic Community and the other member countries of O.E.E.C.

Appendix 3 APPENDIX III

Organisation for European Economic Co-operation

Press Release Paris, 27th December 1958 Press/A (58) 46

The European Monetary Agreement Comes into Force

M. René Sergent, the Secretary-General of the Organisation for European Economic Co-operation, today informed the Member Governments of the Organisation that the European Monetary Agreement, which was signed on 5th August 1955, has been brought into force.

This announcement follows the notification to the Secretary-General this morning by the Governments of

The Belgo-Luxembourg Economic Union

France

Germany

Italy

The Netherlands

and the United Kingdom

representing more than 50 per cent of the quota holders on the European Payments Union that they wish to terminate the Union and bring into force the European Monetary Agreement. This notification is in accordance with the terms of the European Monetary Agreement and the Agreement for the Establishment of a European Payments Union.

The Secretary-General has also been informed by the Governments of Denmark, Norway and Sweden that they agree that this should be done.

The terms of the European Monetary Agreement provide that the other member countries of O.E.E.C. shall also participate in the European Monetary Agreement. A list of all the member countries is shown in the attached table which also indicates the percentage which they held of the total quotas in E.P.U. and the proportions of their various contributions to the European Fund.

The European Monetary Agreement provides for the establishment of a European Fund of $600 million. Part of this Fund is furnished by the transfer to it of some $271 million, which represents the original United States contribution to the capital of the European Payments Union. The remainder of the Fund will be furnished by contributions from the European countries.

The Fund will be used for two purposes:

1. to facilitate the settlement of monthly balances between the Central Banks of member countries. These settlements, however, will be on a 100 per cent gold basis. No automatic credit "will be granted as used to be the case in the European Payments Union. There will, therefore, be no net drain on the assets of the Fund as a result of the settlements, and the amounts which will be used for this purpose will, therefore, be only such amounts as are necessary to ensure the smooth working of the arrangements;
2. the European Fund may be used for the purpose of granting credits up to 2 years to any member country. These credits will be granted after examination of applications by a new Board of Management to be set up by the Council of O.E.E.C. and after approval of the recommendations of the Board by the Council.

	EPU QUOTAS	EUROPEAN FUND CONTRIBUTIONS
	(Percentage Distribution)	
Germany	12.0	12.8
Austria	1.7	1.5
Belgo-Luxembourg Economie Union	8.7	9.1
Denmark	4.7	4.6
France	12.5	12.8

	EPU QUOTAS	EUROPEAN FUND CONTRIBUTIONS
	(Percentage Distribution)	
Greece	1.1	0.9
Iceland	0.4	0.3
Italy	0.9	4.6
Norway	4.8	4.6
Netherlands	8.5	9.1
Portugal	1.7	1.5
United Kingdom	25.5	26.4
Sweden	6.3	4.6
Switzerland	6.0	6.4
Turkey	1.2	0.9