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Political and institutional aspects of the European Economic Association

Report¹

Committee on Political Affairs and Democracy

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1. 1958 - 10th Session - Third part



A. 1. Draft Order presented by the Political Committee

The Assembly,

Believing that the suspension of negotiations on the establishment of a Free Trade Area within the O.E.E.C. has created serious political difficulties in the free world which must be overcome as quickly as possible;

Reaffirming its conviction that there is no insuperable obstacle to new initiatives leading to the creation of a European Economic Association between the European Economic Community, on the one hand?—whose right to define its destiny must be respected?and, on the other hand, the other member countries of the O.E.E.C, whose difficulties must be taken into consideration and who must be linked with the Community by practical forms of solidarity

Instructs its competent committees to carry out whatever preparatory work falls within their competence in order that the Assembly can exercise its political influence in favour of this reconciliation (which is both necessary and feasible) of the political and economic positions we are now faced with.

B. 2. Explanatory Memorandum (presented by M. van der GOES van NATERS)

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1. Part I - Recent developments

1. The following are the most important developments since the last session of the Assembly in October 1958.

October 23-30

November 13-14

2. From October 23rd-30th and from November 13th-14th two further meetings (the Ninth and Tenth Sessions) of the Maudling Committee were held. No progress in the substance of the negotiations was made at these meetings, although a memorandum (often referred to as the Ockrent memorandum) submitted by the European Economic Community and setting forth their views, was discussed.

November 14th

3. It was actually on the last day of the Tenth Session of the Maudling Committee (November 14th) that the Committee received the delegation appointed by the Assembly under the terms of Order 133, which was adopted, you will remember, on the initiative of the Political Committee. The verbatim report of that meeting has been circulated separately as a Committee document. It may be useful, however, to mention here that the meeting took place in a sincere and relaxed friendly atmosphere, which augurs well for any such contacts that may be arranged in future.

4. It was also on November 14th that M. Jacques Soustelle, then French Minister of Information, made a statement in which he said that it seemed to France that it was not possible to create a 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 would obtain in the economic and social spheres. This statement which, it should be noted, was limited to rejection of the possibility of establishing " a Free Trade Areas as desired by the British ", did not necessarily mean that France denied the usefulness of continuing negotiations at all. Indeed, already by that time most people regarded the Free Trade Area idea, as originally conceived, as dead. The Maudling Committee has already moved a considerable way in the direction of the idea of a European Economic Association, and that it was an Association which was the real object of negotiations by November is shown by the various efforts that were already being made, or had been made (the Carli proposals, the idea of a Code of Good Conduct for Association members' external economic and commercial policies), to meet the difficulties referred to in M. Soustelle's statement.

November 17th

5. Nevertheless, the British Government interpreted M. Soustelle's statement as meaning that negotiations could not usefully be continued for the time being and on November 17th the meeting originally planned for 19th November was cancelled. Work at the level of the Seventeen was thus effectively suspended from 17th November onwards.

November 24th

6. In the four weeks that followed activity centred on, first, an exploratory tour of the capitals of the Six by Professor Hallstein, Chairman of the European Commission, who found from his conversations with the Governments concerned that there was a common will to adopt a provisional solution for the problems which would arise on January 1st 1959, while waiting for final solutions to be found; and, secondly, an important meeting between General de Gaulle, then French Prime Minister, and Dr. Adenauer, Federal German Chancellor, in Bad Kreuznach on November 26th.

November 26th

7. At this meeting measures were examined which might be taken on 1st January 1959 in connection with the coming into operation of the Common Market so far as trade relations between the Common Market and other Member States of the O.E.E.C. were concerned? these were to be submitted to the other members of the E.E.C.? and joint suggestions arrived at for the possible form of a multilateral association between the Community and other OEEC members. But, from the political standpoint, even more important than this agreement on immediate policy was the strengthening on a personal level of cordial relations between the Heads of Government of France and Germany, all this in the framework of the Six and at both the economic and political levels. This development is, clearly, a great source of strength for the future of the European Economic Community.

December 3rd

8. The next important event took place on December 3rd, when the Council of Ministers of the European Economic Community, meeting in Brussels, took certain decisions which had the effect of extending, at least in part, to other Members of the O.E.E.C. or G.A.T.T. the arrangements for tariff reductions and quota increases which were to come into effect on 1st January 1959 in trade between the six countries of the Community. Since the decisions of December 3rd were designed to limit as far as possible the difficulties which might have arisen for other OEEC Members in their trade with the Six from January 1st (and which the former have described as involving "discrimination" by the Six against them), and since it is on the idea of "discrimination" that the principal political and psychological difficulties in the negotiations have centred, I shall go into the nature of these decisions in a little greater detail in Part II B below.

9. Simultaneously with the announcement of the decisions of the Six, the French Government announced that from 18th December onwards 40% of her imports from member countries of O.E.E.C. would be liberalised. By "liberalised" is meant that all quota restrictions on the import of the goods in question are removed (France had re-imposed quota restrictions on all imports from OEEC countries since July 1957, at which time liberalisation had reached 82%. The 40% liberalisation announced on December 3rd thus represented an important step towards the freeing of trade with other OEEC countries, but still fell far short of what France had achieved in this respect eighteen months earlier).

December 15th

10. On December 15th a most important meeting of the Council of O.E.E.C. took place. At this meeting, first, Mr. Maudling, 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. (This meant, in practice, the suspension of negotiations for an indefinite period, although the Chairman of the OEEC Council emphasised at a press conference at the end of the meeting that there was a strong desire to continue work together to reach agreement for a wider association and that, constitutionally, the Maudling Committee remained in being).

11. The next business of the meeting was the announcement that the decisions of the Six taken in Brussels on December 3rd (see para. 8 above) had been officially communicated to the Chairman of the Council of O.E.E.C. A lively discussion on the decisions of the Six followed during which Sir David Eccles, the United Kingdom delegate, proposed that all increases in quotas made by the Six should be applied generally to all OEEC members by a multilateral agreement based on reciprocity. These proposals were interpreted in the sense that it was not only the specific case of the commercial measures to be taken on 1st January that was in question, but a principle, viz: any differentiation in the arrangements of the Six should be eliminated at that time and for the future. This whole discussion on the decisions of the E.E.C. and the United Kingdom proposals proved extremely complicated and difficult, since differing views emerged both on the effectiveness of the decisions of the Six in mitigating difficulties for the Eleven in their trade with the Community after January 1st 1959, and in the reactions, in respect of the principles involved, to the British proposals (the French delegate, M. Couve de Murville, stated that, as far as France was concerned, these proposals were unacceptable). At the end of the meeting, however, it was agreed to discuss the British proposals again, in the context of the decisions of the Six, at a further meeting of the Council to be held on January 15th.

12. That there was a certain degree of confusion at that stage in the attitudes of the Governments concerned is indicated by the fact that at the same time as the (by all accounts, stormy) meeting at the Chateau de la Muette was taking place, the same Governments at a meeting of our own Committee of Ministers adopted a Resolution (see Appendix) in which they reaffirmed their determination "to bring about a multilateral association between the European Economic Community and the other member countries of the O.E.E.C. ".

December 28th

13. Finally, on December 28th, an important programme of general economic and monetary reforms (including devaluation of the franc) was announced by the French Government. This programme, although not connected directly with the negotiations for a European Economic Association, can be expected to affect them in future, since the reforms are calculated to effect a radical improvement in France's economy over a period of time, and this improvement may well influence France's policy in regard to the proposed Association, as it will certainly influence her implementation of the Rome Treaty and the role she will play in the European Economic Community.

14. One of the economic measures taken by the French Government, however, does directly affect the efforts to set up the European Economic Association. This is the decision to liberalise 90% of her imports from other OEEC countries. This decision ² means that France has now fulfilled her obligation under the OEEC Council Decision of January 1955 to liberalise 90% of her imports from OEEC countries as soon as possible. (For the significance of this decision for the problem of " discrimination " see below, para. 31).

15. On December 28th also external 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; in consequence, the European Payments Union came to an end, and the European Monetary Agreement, signed in July 1955, came into force.

16. It should be explained here that the convertibility measures announced by the various member countries of O.E.E.C. are for external convertibility only, that is to say, that the new facilities apply only to non-residents of the countries concerned. In the short run, the new moves will not in fact have much direct effect on the ordinary citizens of these countries, but the general long-term effect of the measures should be to reduce trade discrimination against the dollar area.

17. As regards the coming into force of the European Monetary Agreement, the chief development this involves is the setting up of a European Fund of \$600 million. This Fund will be used to facilitate the settlement of monthly balances between the Central Banks of member countries, but, since these settlements will be on a 100% gold basis, no automatic credit will be granted, as used to be the case in the European Payments Union (up to 25%) and there will therefore be no net drain on the assets of the Fund. The Fund can, however, be used to grant special credits, on the approval of the OEEC Council, for up to two years to any member country. The political importance of these financial measures is, of course, that they indicate a degree of confidence in the future health of the economies of the countries concerned, which should make negotiations for an Association distinctly easier. This is a happy augury for the Association, provided that the political facts dealt with in the second section of this Report are taken account of.

2. Part II

2.1. A. The Policy of the Council of Europe

18. The first of what I would describe as key factors in the present situation is the policy of the Council of Europe itself, as expressed in the pronouncements of the Consultative Assembly. We can prove, beyond all shadow of doubt, that ever since our Assembly began to look at the problems of European co-operation, it has acknowledged a degree of diversity. In other words, right from the beginning it has always made it clear that those Member States which found they could move more quickly and more closely in the direction of co-operation and integration would do so with the blessing of the other members. It is important to recognise this fact, which is directly relevant also to the problem of " discrimination ".

19. Already in 1950 our discussions in the Council of Europe centred round three ideas: " specialised authorities ", " partial agreements ", and the idea of " a wider framework ". Thus the Assembly adopted on 28th August 1950 Recommendation 1, which is fundamental to our work and which authorises:

(a) the creation of Specialised Authorities which would be competent, respectively, in the political, economic, social, legal and cultural fields;

Comment:

2. Compare the French decision of Dec. 3rd 1958 to liberalise 40% of her imports from OEEC countries, see para. 9 above

The initiative taken by the French Government on the Schuman Plan had been approved by the Assembly two days previously, and later the Political Community, economic integration, Euratom and the European Economic Community were approved in the same way.

(b) the establishment of "closer organic links" which certain Member States of the Council of Europe might wish to set up among themselves;

Comment:

What is meant here is the framework within which the Specialised Authorities would be set up? "partial agreements", the nature of which would be defined by the States concerned. Recommendation 4, also of 28th August 1950, speaks of "special conventions concluded between the Member States or between some of them". This idea of "partial agreements" was also welcomed subsequently on several occasions.

(c) recognition of the idea of a wider framework

Comment:

This wider framework can be envisaged in three ways:

the Specialised Authorities should be open in character; all Member States should have the right to join subsequently (Recommendations 1, 6; Resolutions 14 and 126);

liaison between committed and uncommitted countries in the framework of the Council of Europe itself is at all times affirmed? sometimes complemented or replaced by the framework of the O.E.E.C. (Recommendations 1, 4, 6, 44, 77 and 186);

the idea of the association of Member States of the Council of Europe with the Specialised Authorities is emphasised on several occasions (Recommendation 6, Resolutions 14, 126): "whether within the framework of a European Free Trade Area or by any other arrangement"³.

20. How have the ideas set out above been applied? As regards (a) and (b), it is beyond dispute that the E.C.S.C., Euratom and the European Economic Community are "Specialised Authorities" set up in virtue of "partial agreements". Since the Council of Europe has always championed the view that such partial agreements contribute to strengthening Europe, it would be difficult now to take up an opposite position. This means that the European Community (the three specialised authorities taken together) must not be considered as an element of discrimination. Indeed, the six States concerned represent a new constitutional unit, recognised as such even by G.A.T.T., at the 1952 session of which, in regard to the E.C.S.C., it was agreed "that the Contracting Parties have decided . . . that the Governments of the Member States [of the E.C.S.C.] must be enabled to act for the purposes of the general agreement as if the European territories of these States consisted of the territory of a single Contracting Party". This unity having been realised, there can no longer be any question of discrimination, any more than there could be in the case of Switzerland, a federation of sovereign cantons.

21. As regards (c), we may say:

the open character of the three Treaties is clearly recognised in all texts;

relations with the Council of Europe have been put on a satisfactory footing in the E.C.S.C. (presentation of its Annual Report by the High Authority to the Council of Europe; Report by the Common Assembly presented to the Consultative Assembly by a member of the former; contacts with the High Authority; contacts between committees; joint sessions of the Assemblies). Liaison between the Council of Europe and the O.E.E.C. on the one hand, and Euratom and the E.E.C. on the other, is provided for in the two Rome Treaties (Articles 200 and 201 of the Euratom Treaty, Articles 230 and 231 of the EEC Treaty);

the possibility of association of Member States of the Council of Europe and the O.E.E.C. has been given practical recognition by the E.C.S.C. (e.g. the association with it of the United Kingdom) and in the Rome Treaties (Article 206 of the Euratom Treaty and Article 238 of the EEC Treaty). So far there has been no case of a request for association as regards the Rome Treaties, and it is much to be desired that these articles be made use of for the first time.

3. Resolution 126, paragraph 4.

3. B. " Discrimination "

22. Having shown in Section A above that our Assembly has at all times made it clear that those nations among its Members who wish to move more quickly than others towards unification are at liberty to do so, and with the full support and encouragement of the others. I turn now to the second key factor in the present political and psychological state of the negotiations for an Association?the allegation of discrimination. What exactly is this allegation?

23. To understand what is alleged, it must be realised that the word " discrimination " is used in this connection in a double sense, one sense describing the facts of the tariff and quota arrangements of the Rome Treaty in relation to the trade of the Eleven, and the other sense, purely emotive, saying that these arrangements have the effect of 'disqualifying' them, i.e. constitute an unreasonable and unfair act. It is the fact that the word discrimination is thus used in more than one sense that has led to much confused thinking on the issue.

24. Can we, then, distinguish what is right and what is wrong in the thinking of those who talk about discrimination in this connection? I think we can, and I submit the following analysis.

25. Those who say that the Six, in implementing the Treaty of Rome, are discriminating against the other Members of the O.E.E.C. are generally saying three things together. They are saying to the Six:

1. " In applying the tariff and quota provisions of the Rome Treaty you are treating the trade of members of the Community with each other on a basis different from Community trade with the Eleven; and that difference of treatment is more favourable to the members of the Six than to the Eleven ;"
2. " Your commitments under the OEEC Convention, under the OEEC Code of Liberalisation, and under the terms of the General Agreement on Tariffs and Trade (G.A.T.T.) do not allow you collectively to treat trade with the Eleven on a less favourable basis than your trade with each other ;"
3. " In any case, your giving preferential treatment to each other, at the expense of the Eleven, is unfair and contrary to the spirit of European co-operation which has been achieved in the last ten years in O.E.E.C. "

26. Statements (1) and (2) above are thus the alleged facts of discrimination; statement (3) is the emotive part of the allegation.

27. I shall now seek to show that the first of these statements needs to be qualified, and that the latter two are untrue; and the charge of discrimination cannot therefore be sustained. Let us examine the statements in turn.

28. The Rome Treaty, which sets up a customs union, as far as the technical economic description of the E.E.C. goes (the Community is, of course, much more than that), certainly does put the tariff and quota arrangements for intra- Community trade on a basis more favourable to members of the Community than to nonmember nations. Indeed, if the word " discrimination " were being used to describe only this state of affairs, it would be correct, though it would be a curious way of describing the facts?we normally refer to the Commonwealth system of trade as a system of " Commonwealth preference", not " Commonwealth discrimination ". And that is logical, but it is equally logical in the case of the E.E.C.?in both cases it is not merely a question of advantages received: a 'membership fee' is paid, sacrifices are made in order to obtain these advantages, and the same sacrifices are not made in any way by third countries.

29. However, as I have shown, the word discrimination is used in connection with the Rome Treaty not only to describe the facts of Community preference, but to carry other implications? those expressed in the second and third statements given above. Let us turn to these.

30. The second statement says that the preferential treatment allowed to Community members for their trade with each other is in conflict with their commitments under the OEEC Code of Liberalisation, the OEEC Convention, and the G.A.T.T.

31. As regards the OEEC Code of Liberalisation, Article 8, " Exceptions to the Principle of Non-Discrimination?Special Customs or Monetary Systems ", reads as follows:

" 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. Member countries forming part of such systems shall inform the Organisation thereof."

32. Thus we see that liberalisation, or removal of quota restrictions, for trade within the customs union of the Six, over and above the liberalisation agreed on by OEEC countries as a whole is perfectly compatible with the OEEC Liberalisation Code⁴.

33. What about the OEEC Convention itself? Here the relevant articles are: Article 1, paragraph 1:

" The Contracting Parties agree to work in close co-operation in their economic relations with one another ;" and Article 5 which, against the background of general economic co-operation by members of the organisation, clearly envisages the possibility of customs unions between certain of them. The Article reads:

" Article 5

Contracting Parties agree to strengthen their economic links by all methods which they may determine will further the objectives of the present Convention. They will continue the 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. Those Contracting Parties which have already agreed in principle to the creation of Customs Unions will further the establishment of such Unions as rapidly as conditions permit."

34. The last sentence of Article 5 was drafted as a result of the existence of the Benelux customs union; but the sentence which provides for the study of customs unions or analogous arrangements such as free trade areas puts the legitimacy of the European Economic Community, and its compatibility with the OEEC Convention, beyond all question of doubt.

35. Finally, there are the provisions of the General Agreement on Tariffs and Trade (G.A.T.T.)

Article I reads as follows:

" Objectives

1. The Contracting Parties recognise that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, and promoting the progressive development of the economies of all the Contracting Parties.

2. The Contracting Parties desire to contribute to these objectives through this Agreement by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce."

36. However, just as the OEEC Convention and OEEC Code of Liberalisation allow exceptions to the principle of non-discrimination (i. e. allow certain forms of preferential treatment among i t s members), so does the General Agreement.

Article XXIV contains the following provisions (clauses 4 and 5) :

" 4 . The Contracting Parties recognise the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognise that the purpose of a customs union or of a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other Contracting Parties with such territories.

4. It is true that until the French Government's decision of Dec. 28th, liberalising 90% of her imports from OEEC countries, the objection could have been sustained that, in liberalising only 4 0% of such imports by her decision of December 3rd, she was failing to comply with the terms of the OEEC decision of January 14th 1955 (see paragraph 14 above) while accepting newer commitments under the Rome Treaty. To do so, this objection ran, was in conflict even with Article 234 of the Treaty which says: " 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." No such objection can however be made now, since France, while fulfilling her Rome Treaty commitments regarding liberalisation, has also fulfilled, by her decision of Dec. 28th, her commitments to the OEEC

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of Contracting Parties, the formation of a customs union or of a free trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; provided that:

- a. with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the time of the institution of any such union or interim agreement in respect of trade with Contracting Parties not Parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;
- b. with respect to a free trade area, or an interim agreement leading to the formation of a free trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the time of the formation of such free trade area or the adoption of such interim agreement to the trade of Contracting Parties not included in such area or not Parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free trade area, or interim agreement, as the case may be; and
- c. any interim agreement referred to in sub-paragraphs (a) and (b) shall include a plan and schedule for the formation of such a customs union or of such a free trade area within a reasonable length of time. "

37. The terms of the G.A.T.T. are thus in no way inconsistent with the terms of the Rome Treaty, and the Contracting Parties have not themselves found, as is well known, that the Treaty conflicts with any of the terms of Article XXIV. Any special difficulties which arise for non-members of the Community as a result of the implementation of the Treaty are to be the subject of specific examination with the Commission by the parties concerned so that appropriate solutions may be found.

38. The upshot of all this is, then, that there is no incompatibility between the commitments of the Six under the Rome Treaty and their commitments under the other international obligations discussed above. That part of the idea of discrimination expressed in the second of the three statements given above is thus seen to be invalid on an issue of fact.

39. There remains the general and more vague charge of unfairness—the purely emotive suggestion that the Six are going against the spirit of economic co-operation established over the last ten years in O.E.E.C. We have seen in the foregoing that the kind of preferential treatment applied by the Six in their trade with each other has actually been envisaged in the OEEC Convention and Code of Liberalisation. It is therefore difficult to see how the Six can be said to have gone against the spirit of OEEC co-operation in becoming parties to the Rome Treaty. And if certain difficulties or disadvantages are likely to arise for the trade of the Eleven with the Six, these must be regarded as the inevitable consequence (technically inevitable because such is the nature of any customs union in relation to non-members) of the preferential advantages obtained by each member of the Six in return for assuming important obligations which other States were unable to assume⁵.

40. The Six, moreover, were in no way under formal obligation to mitigate such trading disadvantages as might have arisen for the Eleven from January 1st 1959 onwards. Nevertheless, they did agree on the important decisions of December 3rd 1958.

41. These decisions of the Six had the effect of mitigating to a very considerable extent the adverse effects on the Eleven of their tariff and quota arrangements from 1st January 1959

42. Thus, first, the 10% tariff reductions which the Six were to make among themselves on January 1st were extended also to all other OEEC Members (and, indeed, to all Members of G.A.T.T. and to other nations benefiting from most-favoured-nation treatment), as far as industrial products are concerned (except coal and steel products, which are already governed by the ECSC treaty), and those agricultural products on which quota restrictions are still imposed (and insofar, of course, as the present tariffs for the goods in question are higher than the common external tariff). Secondly, each member of the Six agreed to increase the total value of its existing quotas on industrial products with any other member of the Eleven by 20%, making an automatic increase of 10% in every individual quota, and negotiating for particular quotas which a given member of the Eleven might be particularly anxious to increase, further increases which, in the aggregate, could total a second 10% of the value of all quotas applying to that country. This facility for 20% quota increases was subject to reciprocal facilities being granted by each other party concerned.

5. See para. 27, end.

43. The only practical changes, broadly speaking, which the Six will apply in their trade with each other, but not in their trade with the Eleven are thus:

tariff reductions on those agricultural products where there are no longer any quota restrictions;

tariff reductions which apply to other members of the Community but not to the Eleven, as a result of the level of the new common tariff;

quota increases on agricultural products;

quota increases above 20%, which are designed, in the case of members of the Six only, to bring the resulting quota up to the equivalent of 3 % of the national product concerned.

44. It is impossible, of course, as yet, to work out in millions of dollars or pounds or kroner exactly how much trade with a member of the Six a given member of the Eleven may feel that it is losing (to another member of the Six) as a result of these differences of treatment. But I note from my colleague Mr. Hay's detailed report to the Economic Committee on this complicated technical problem that in the case of tariff reductions, for instance, such differences of treatment "for many?if not most?products ... may not exceed 1% of their value." And though one or two particularly difficult cases, such as motor vehicle exports, may arise for some of the Eleven as result of the operation of the "3 % rule", it should be remembered that the duty charged on foreign automobiles, for example, in countries of the Six is usually so heavy, and the 1959 Community tariff reduction relatively so small, that tariffs, and not quotas, may well be the biggest present obstacle to exports of this commodity. And on tariffs, equal treatment has been given to the Eleven.

45. I should like to make two other concluding points on this issue. The first is that these decisions of the Six are intended only as measures to tide all Members of the O.E.E.C. over the period immediately after January 1st 1959?the desire of the Six, as expressed in Brussels on December 3rd, in our own Committee of Ministers on December 15th, and in the OEEC Council meeting on December 15th, is to seek for a form of permanent multilateral association, and it is in the Association that we must expect to provide solutions to present difficulties which the Eleven foresee.

46. Secondly, it should be remembered that the whole economic purpose of the European Economic Community is to produce a prosperous and expanding economy in the six States?an economy, in other words, which can afford to buy more from other countries. I do not know that anyone has ever suggested that the successful Benelux union has had notably bad consequences for the trade of non-members with the union.. May we not hope for similar effects, from a prosperous Common Market of the Six?

47. To sum up, are not these recent decisions convincing evidence and a practical manifestation of the desire of the Six to be scrupulously fair and reasonable and to ensure that their own movement towards economic integration in no way impedes the close economic co-operation with the Eleven which is the objective in the spirit, as well as in the letter, of the OEEC Convention? I hope that members of the Assembly will agree with me that this is so, and that this third and emotive element, too, in the charge of discrimination against the Six cannot be accepted.

4. Part III - The next move

48. If I have stated at great length the twin aspects of our problem as set out under 'The Policy of the Council of Europe' and 'Discrimination' above, it is because it is essential to establish solidly in our minds the starting-point for a resumption of the negotiations. That starting-point is the accomplished fact of the European Economic Community, a Community which, I have tried to show, the Council of Europe had always encouraged and fostered, and which I have also tried to show, is determined both to exercise the rights given to it in virtue of the obligations its members have assumed, and to do so with all possible regard for the interests of its friends in the wider area of the O.E.E.C.

49. The attempt to negotiate a purely commercial arrangement for the Seventeen in extension of the E.E.C.?the old Free Trade Area?has failed. We now have to start afresh. The Assembly may perhaps agree that, the first proposals from the side of the Eleven not having enabled a form of association to be found, it is reasonable now to see whether the Community itself can produce proposals which will enable negotiations to be successfully resumed. Such proposals could emerge from the Report of the Commission of the European Economic Community-which is to be prepared for the Council of Ministers of the Community by 1st March 1959.

50. As the British Chairman of the OEEC Council has himself said, there must in any case be an interval before consideration is resumed of how to set on foot the negotiations for a more permanent association between the Eleven and the Six. This resumption might be considered as soon after March 1st as the Council

of Ministers of the E.E.C. agrees its position and puts forward its views in the light of the Commission's Report. Agreement by the Council of Ministers of E.E.C. may thus be possible in, say, April or May, and we in the Consultative Assembly can perhaps usefully employ that period thinking about the most important obstacles that have arisen in the negotiations so far and trying to suggest, as far as may be, new solutions to them. It is with all this in mind that the draft Order at the head of this Report has been adopted.

Appendix APPENDIX

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 state 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.