Parliamentary Assembly
Assemblée parlementaire
https://pace.coe.int

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 62
16 August 1950

Establishment of a preferential customs area

Motion for a resolution
tabled by Mr Ludovico MONTINI and other members of the Assembly

The Assembly,

Having had before it a proposal which was submitted to 0. E. E. C. by His Excellency M. Pella on behalf of the Italian Government, concerning the establishment in Europe of a preferential customs area, in line with Article 15 of the Havana Charter and with the Recommendation of the Assembly at its Session in 1949;

Having noted that this proposal constitutes a subsequent method, parallel to the sector-by-sector approach which forms the basis of the Schuman Plan and of the Stikker Plan;

Believing that the Pella proposal might offer a satisfactory solution of the problem of the unification of the European market considered in its general aspect;

Being convinced that it appertains to the Assembly to express its opinion on problems which are under examination by 0. E. E. C;

Gives its approval to the general lines of the Pella proposal;

And instructs its Economic Committee to undertake an exhaustive investigation of this proposal with a view to recommending it to the Committee of Ministers.

Explanatory Memorandum

According to the Italian Government the economic and financial equilibrium, both inter-internal and external, of the participating countries can only be reached and maintained by means of an expansion of European economy within the framework of world economy, Any attempt to solve the dollar problem which might involve arresting the development of economic activity or reducing employment and consumption in Europe below its present level, appears to be impracticable from the political point of view, and useless, or worse, from the economic point of view.

The closing of the dollar gap and the expansion of European economy require an increase in the export of European goods and services overseas.

If this is to be effected, we need on the one hand an expansion of world economy, and on the other hand a reduction of Europe's cost prices and an improvement in the quality of its products in order to withstand the competition of American and Canadian production.

An increase in productivity, that is to say a reduction in cost prices, may be attained, and is in fact being attained in all participating countries on the national plane. However, on this plane it is meeting with increasing difficulties. It seems indispensable that we should be able to operate in a common market much larger and much freer than at present, embracing the whole group of participating countries and allowing for the most economic exploitation of their resources and a greater specialisation in production.

The establishment of this market may involve a partial renunciation of economic sovereignty on the part of participating countries.

So far different methods have been applied or considered for establishing a European market.

In the first place there is the abolition of quantitative restrictions, which the Council of the 0. E. E. C. has decided to raise to 60 % as soon as a satisfactory agreement on payments comes into force, and to 75 % by the end of the current year.

The discussions which took place quite recently in the Organisation have made it clear, on their side, how unevenly the benefits and the burdens of the greater freedom obtained are distributed among the participating countries. Negotiations with a view to the establishment of a " common list " have proved necessary.

The difficulties will show themselves in concrete form when we try to raise the percentage from 75 to 100, the total or almost total abolition of quantitative restrictions being the logical end of that first phase of our efforts with regard to the integration and organisation of the European market.

Already in this first phase we come up against the problem of comparative sacrifices and of the necessity of providing compensation over a very large field, extending either into spheres outside ordinary trade (e. g. manpower) or into the sphere of customs tariffs.

The Council of the 0. E. E. C. has in fact decided to allow complaints against " excessive " customs duties and to examine them with a view to reducing them. Up till now they have not yet decided on a procedure with regard to this last point. As often happens, the problem of procedure is probably only a reflection of the fundamental problem. We lack a true criterion which would allow us to determine and to measure the " excessiveness " of a customs duty taken in isolation, apart from the tariff system, indeed apart from the whole economic system, of which it is part.

Moreover, the question of excessive tariff duties cannot fail to preoccupy the participating countries from the point of view of their eventual repercussions on the negotiations of the C. G. A. T. T. and later of the I. T. 0., that is to say, in view of the day, near or far, when it will be possible to reduce or to abolish quantitative restrictions in trade with extra-European countries as well.

The sector-by-sector approach, that is to say the idea of effecting the general integration of our economies by effecting that of the basic sectors of agriculture and industry, inclu ding all manufacturing industries concerned with exports, is inspired by the necessity of overcoming its various difficulties.

It proposes to do so by organising a supranational directional phase in the individual sectors, leading on rapidly to a phase of completely free exchanges.

In the first phase, the Council of 0. E. E. C. would examine the situation in each sector through the intermediary of the Technical Committees, and would decide as to its reorganisation, bearing in mind the necessity for achieving the most economic conditions of production.

A European Integration Fund would make provision for compensations and for the partial financing of any new investments which might become indispensable.

On the basis of this reorganisation, the phase of complete freedom would become possible; in this there would be neither quantitative restrictions, nor any other discriminatory measures, nor any customs duties.

It should be recognised that a riper judgment on this method of approach will become possible only when we have progressed in the negotiations which have just opened in the Coal/Steel Sector. We note however, even now, that the sector-by-sector method appears in a very different light according as we attempt to apply it to one or two or three important basic sectors, or to apply it to all the essential sectors of an economy, that is to say to apply it in fact to the entire economy of Europe.

The first doubt which arises in this case concerns the organisational phase. Is it possible in practice to subject the whole of European economy to a profound modification on the basis of supra-national programmes or plans, drawn up after discussions between experts, even if these discussions take place between the best qualified representatives of the Governments and of the production sectors concerned? And even if that were possible, would it be desirable from the point of view of the ends which we are pursuing?

The Italian Government suggests that 0. E. E. C. should also consider, side by side with the sector-by-sector method, another method which would, in its opinion, take more seriously into consideration the exigencies and the difficulties analysed above.

This method would have as its starting point the setting up in Europe of a preferential customs area upon the lines laid down by Article 15 of the Havana Charter.

Once the participating countries had obtained, as far as was necessary, the agreement of the United States and of the other members of the G. A. T. T., it would be for them to initiate a multi-lateral customs agreement for the purpose of making the maximum reduction in customs duties between them.

In these negotiations the principle of mutual advantage and compensation throughout the whole field of exchange would have full play, and as we have already recalled, this would not be the only such field.

The customs negotiation would have to be based upon the negotiation of the " common list " of liberation (par. 7), the latter already overlapping the sphere of tariffs (par. 10-12).

By this means the way to 75 % liberation would be cleared and the way towards the total abolition of quantitative restrictions would be opened.

The reduction or the abolition of quantitative restrictions, demands in its turn the elimination of double-pricing and other discriminatory measures, whether visible or concealed.

In addition steps would have to be taken, still within the ambit of the preferential group made up of the participating countries, towards the complete liberation of invisible transactions.

The preferential tariffs agreed between the participating countries would have to be consolidated over a long period, for example over the 10 years laid down by Article 15 of the Havana Charter, relating to preferential agreements.

This consolidation would have to be accompanied by two additional provisions :

1. at the end of the third, and subsequently of the sixth year, there would have to be automatic reductions in every item of the preferential tariffs, at the rate, for example, of 15 % each time, to be calculated on the rates agreed at the moment of the consolidation[1];
2. at the same time as these automatic reductions would take effect, the participating countries would have to negotiate again among themselves in order to try to achieve still greater reductions.

Signed (see overleaf)

1. Note : Thus , if consequent upon the initial negotiation and consolidation, the rate of tariff on a given i t em was to be 10 %, i t would have to be reduced to 8,5 % at the end ôf the third, and to 7 % at the end of the sixth year.

Doc. 62 Motion for a resolution

Signed:

MONTINI Ludovico, Italy