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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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Elimination of trade barriers between Member States

Motion for a resolution
tabled by Mr R.W.G. MACKAY and other members of the Assembly

Explanatory Memorandum

INTRODUCTION

The establishment of central political authority is a preliminary condition of the application of the present plan for European trade integration. In the absence of a central political authority with administrative and legislative powers it would be impossible to obbain the complete removal of existing barriers to intra-European trade, even though conceivably further progress may bo made in that direction. The adoption of some of the points in the plan, such as the pooling of customs revenue and the indemnification of industries suffering disadvantages through the integration, is inconceivable without a high degree of political integration.

Likewise, the project could not possibly be adopted unless there is simultaneous adoption of projects aiming at monetary integration and the co-ordination of capital issues. It is essential to realise that progress must be simultaneous in the three directions in order to avoid failures and setbacks that might result from unilateral progress in one direction only.pourraient résulter d'un progrès unilatéral.

Finally, the integration of European trade must form part of a general economic integration aiming at the elimination of discrepancies between levels of prices, wages, cost of living, standard of living and social benefits.

I

Altough progress has been made in various directions during the last two years or so towards the elimination or reduction of trade barriers within Europe, it is not superfluous to re-emphasize the need for such unification of the European trade area. The present project goes, however, far beyond what has been achieved or is being advocated in this respect.

In addition to eliminating both quantitative restrictions and establishing a unified customs tariff for imports from outside Europe, the project also proposes a pooling of customs revenue for the purpose of indemnifying or subsidising those industries in participating countries which would suffer losses through no fault of their own in consequence of the integration. It further proposes a European trade plan which is to operate during the transition period in order to obviate some of the unfavourable consequences of integration. In particular, this plan, which should be a multilateral plan, aims at preventing an unwarranted diversion of exports which are at present directed towards hard currency countries. This point is of particular importance in view of the fears expressed recently in influential American quarters that European economic integration would only mean that the participating countries would consume each others' luxuries instead of exporting them. While the ultimate aim is the complete freedom of movement of goods within Europe it may take some time before that end could fully be achieved and meanwhile a certain degree of control of trade is inevitable.

II

In the place of the existing system of bilateral trade negotiations and occasional international conferences the project proposes to establish a permanent organization through which all such negotiations would be conducted between the participating countries and also between Europe and other countries.

Each participating Government would have a permanent representative on the Council which should meet frequently. The respective voting strength of the participating Governments will be calculated on the basis of the average volume of their trade over a given period. If that volume changes substantially the number of votes allocated to the country concerned will be adjusted accordingly.

Although the Council meets frequently to take decisions, the regular work will be done by a Secretariat which will keep in close contact with all the participating countries in order to follow any trends in trade or trends liable to affect trade.

III

The existing efforts to remove quantitative trade restrictions in Europe are proposed to be accelerated. At the end of twelve months the only restrictions which will be allowed to continue will be those imposed on sanitary or security grounds and those retained or adopted provisionally for the sake of preventing an undue diversion of the flow of exports in a sense that would affect adversely the exchange position

In order to strengthen the pressure towards the elimination of quantitative restrictions the Council would review the position each month and would draw the attention of the central political authority to any unwarranted delay in the removal of restrictions.

IV

The project aims at the complete elimination of customs barriers in respect of intra-European trade within a period of five years. It might be necessary after the lapse of that period to retain certain duties in order to prevent participating countries from consuming an unduly large proportion of each others' luxury exports which would otherwise find their way to hard currency countries.

The removal of customs barriers should be a gradual progress as their sudden removal at the end of five years or at any intermediate date would result in a severe shock to the economies of the countries concerned. The participating Governments could proceed either by the reduction of all customs duties in stages by the same all-round percentages, or by removing or reducing their tariffs on particular categories of goods. While customs duties continue to be applied in intra-European trade even on a reduced scale all participating countries would grant to each other most favoured treatment.

As a general rule, all participating countries will have to undertake to abstain from engaging in dumping. Such undertakings have been given before, but it is only under a central political authority that they could be enforced effectively owing to the powers of such authority to check the application of that undertaking.

V

The Council will be the sole negotiator of trade agreements between participating and non-participating countries even during the transition period and, more particularly, after the completion of integration. This would be a great advantage since the Council would have a much stronger bargaining position than any participating Government could possibly have. The Council would be in a position to ascertain to what extent Europe could dispense with imports from outside the trading area and would negotiate its trade agreements accordingly.

It is essential that the preferential status of intra-European trade should be recognised by non-participating countries. Should the latter insist on most favoured nation treatment it might become difficult during the transition period to apply preferential rates on intra-European trade.

It is essential that the integration of European trade should be accompanied by a unification of the customs tariffs of participating countries in relation to non-participating countries. This means that within five years the European trade area must have a single tariff The unification of customs tariffs entails considerable difficulties because in some instances it necessitates the adoption of higher rates with the resulting increase in the cost of living and cost of production, and in other cases it entails reductions which would leave national industries exposed to competition from non-participating countries. For this reason the Council will have power in exceptional cases to authorise the maintenance of differential customs duties during the transitional period.

In existing circumstances such unification of customs tariffs would open the way to abuses during the transitional period. The existence of a central political authority would provide, however, safeguards against any such practices. As a general principle the customs receipts shall be handed over to the country which is the ultimate destination of the goods, even if it should be handled by the customs authorities of intermediate countries.

VI

The planning of foreign trade is an essential part of the project. It is, of course, impossible to produce cut and dried plans unless both foreign trade and production are entirely controlled by the Governments. Since they are largely in private hands the Governments can only control the volume of imports and do their best to encourage exports to reach the desired targets and to prevent them from exceeding those targets. Nevertheless, on broad lines it would be possible to effect a high degree of co-ordination provided that the quantities fixed in the multi-lateral plan are not regarded as rigid and unalterable It is from this point of view that the existence of a permanent body which is in a position to adapt the plan at frequent intervals has great advantages.

Even though the ultimate end is the elimination of bilateral trade pacts, it might facilitate the transition if the foreign trade plan should at first be based on the existing bilateral agreements. It would be possible to migitate gradually the bilateral character of trade between the participating countries by arranging for the disposal of surpluses arising out of the working of bilateral arrangements To that end it might be necessary to reach agreements concerning the allocation of markets between the industries, of various participating countries and the mitigation of competition between rival European industries in the markets of non-participating countries.

VII

The Council will endeavour to assist the central political authority in the task of general economic integration. It will be in a good position to ascertain the extent to which various industries have become redundant as a result of the progress of integration. As a basic principle the more efficient industries have to be helped to survive even if, owing to the higher level of wages, their cost of production is higher than those of less efficient industries working with sweated labour. It will be one of the tasks of the Council to ascertain when lower cost of production is due to higher efficiency and when it is due to lower standard of living If it is due to higher efficiency then the industries whose cost of production is higher because of inefficiency must be condemned to liquidation. If, on the other hand, some of the industries of participating countries are placed at a disadvantage because of the low standard of living in other participating countries, then these industries must be supported out of a common fund to be able to hold out until it becomes possible to raise the standard of living and the wages level in the rival countries concerned.

VIII

It is essential to co-ordinate the activities of the Council with those of the European Loans Council and of the Bank of Europe. The three authorities must work in close union which could be assured by the over-riging powers of the central political authority.

Although the project concerns primarily Europe, any overseas country connected politically with a European participating country could participate. There should be no unsur-mountable difficulty in the way of co-ordinating the European trade area with the Empire trade area and other trade areas. The ultimate end is, of course, the removal of all trade barriers throughout the world, and the creation of a large free trading area in Europe would constitute an important step in that direction.

Draft Protocol

CHAPTER I

Introduction

ARTICLE 1

The object of the participating countries is the establishment of a unified trading area within which goods produced in any participating country could circulate freely and which would adopt uniform regulations in respect of trade with countries outside the area.

ARTICLE 2

To achieve this end it shall be necessary for the participating Governments to eliminate completely all restrictions on intra-European trade whether in the form of embargos, quotas, bilateral agreements or customs tariffs.

ARTICLE 3

The European Trade Council shall elaborate a unified customs tariff applicable to goods imported from outside the area. Pending the progress of European integration to a stage at which it shall be possible to pool all customs receipts the participating Governments shall agree to surrender to a common fund a certain percentage of their respective receipts.

ARTICLE 4

The receipts of the common fund shall be used for the indemnification or subsidising of industries which suffer disadvantages through causes other than inefficiency as a result of the removal of trade barriers and the unification of a European customs tariff.

ARTICLE 5

While the ultimate end is the establishment of unmitigated free trade within the area, during the transitional period it shall be necessary to adopt a multilateral plan to regulate the intra-European flow of goods.

ARTICLE 6

In order to bring the transitional period to an end and enable the participating countries to enjoy the full benefit of the unification of their trade areas, the participating Governments shall adopt measures for the planned elimination of discrepancies between their respective levels of wages, cost of living and social assistance

CHAPTER II

European Trade Council

ARTICLE 7

There shall be established a European Trade Council (hereinafter referred to as the Council) with the object of elaborating the measures based on above principles and of supervising their application.

ARTICLE 8

The seat of the Council shall be at Strasbourg.

ARTICLE 9

The Council shall be composed of the nominees of all participating Governments. They shall meet at Strasbourg or at such capitals of the participating countries as they consider fit. There shall be regular monthly meetings and extraordinary meetings whenever it shall be deemed necessary.

ARTICLE 10

The Council shall elect among its members a Chairman for a period of twelve months. The representatives of each participating Government shall be elected to that post. There shall also be elected two Deputy Chairmen for a period of two years.

ARTICLE 11

The number of votes represented by the nominees shall be determined according to a schedule to be agreed on the basis of the relative size of the foreign trade of the participating countries. The schedule shall be subject to revision each twelve months.

ARTICLE 12

The Council shall appoint a Secretary and a permanent staff consisting of nationals of the participating countries. The Secretariat shall have a representative in the capital of each participating country.

CHAPTER III

Removal of Quantitative Trade Restrictions

ARTICLE 13

Subject to the provisions under article (14) the participating Governments shall undertake not to impose any new quantitative trade restrictions, such as embargoes (other than those imposed as sanitary or security measures), or quotas on imports or exports, or bilateral pacts, and they shall undertake to eliminate -within twelve months after the adoption of this project existing quantitative trade restrictions.

ARTICLE 14

An agreement shall be negotiated between all participating Governments to determine the trade restrictions which shall be retained or adopted provisionally. Such restrictions shall serve the purpose of safeguarding adequate surpluses available for export from the participating countries to the markets of non-participating countries, or of implementing the intra-European trade plan to be elaborated by the Council.

ARTICLE 15

The Council shall review at its monthly meetings the progress towards the elimination of quantitative restrictions. It shall report to the central political authority any delay which in its opinion is unwarranted.

CHAPTER IV

Elimination of Customs Barriers

ARTICLE 16

Subject to the provisions under Article (17) the participating Governments shall undertake to eliminate within five years from the adoption of this project all customs barriers that are in operation in respect of intra-European trade. From the date of the application of this provision it shall be possible for residents in any participating country to import goods produced in any other participating country without the payment of customs duties.

ARTICLE 17

The Council shall be authorised to agree to the maintenance of customs duties during a transitional period if this should be considered necessary from the point of view of diverting exports to non-participating countries or of complying with the multilateral trade plan.

ARTICLE 18

Pending the elimination of customs barriers the participating Governments shall grant each other most favoured nation treatment.

ARTICLE 19

The participating Governments shall negotiate a schedule under which the customs tariffs on intra-European trade shall be removed in stages either through reductions of fixed percentages or reduction according to categories of imports.

ARTICLE 20

The participating Governments shall undertake not to subsidise their exports to other participating countries or to non-participating countries otherwise than with the consent of the importing countries. Any arrangements and projects concerning subsidies which may be permisible during the transitional period shall be submitted for approval to the Council.

CHAPTER V

Relations with non-participating Countries

ARTICLE 21

The Council shall be entrusted with the negotiation of agreements with non-participating countries both during the transitional period, when the existing trade agreements have to be adapted to the new situation, and after the completion of the unification of the European trading area.

ARTICLE 22

Existing trade agreements between participating and non-participating countries shall continue and can be renewed during the transitional period, always provided that the non-participating countries shall waive their claim for most favoured nation treatment in respect of reductions or eliminations of tariffs between participating countries. Trade agreements with non-participating countries which are not prepared to agree to this condition shall be denounced and terminated at the earliest possible moment.

ARTICLE 23

The participating countries shall conduct negotiations under the auspices of the Council for the unification of their customs tariffs in relation to non-participating countries. The unification shall have to he completed within five years from the adoption of this project.

ARTICLE 24

The Council shall negotiate measures of special safeguards to prevent re-exports of goods from non-participating countries by participating to other participating countries free of customs duty or on the basis of preferential rates. Such measures shall have to be adopted before the European trading area is unified and before preferential rates become applicable.

ARTICLE 25

In exceptional cases the Council shall authorise participating countries to retain or reintroduce customs duties on the import of goods from non-participating countries even if such duties do not operate in other participating countries.

ARTICLE 26

Goods imported from non-participating countries shall be handled whenever possible by the customs authorities of the participating countries which are their ultimate destination. Should they be handled by the customs authorities of other participating countries, the customs receipts shall be surrendered to the authorities of the participating countries which are the ultimate destinations of the goods concerned.

CHAPTER VI

Planning of Foreign Trade

ARTICLE 27

Each participating Government shall submit to the Council each year not later than on the 30th September a full list of its targets for exports to and imports from participating as well as non-participating countries during the following calendar year.

ARTICL E 28

The Council shall examine the lists submitted by the participating Governments and shall elaborate a plan providing for their co-ordination. The plan shall be submitted to the Governments not later than the 15th November.

ARTICLE 29

If any participating Government should object to the modifications of its plan of foreign trade proposed by the Council it shall communicate such objections to the Council not later than by, the 30th November. The objections shall be considered by the Council and it shall communicate its reply to the Government concerned not later than on 10th December. The Government shall be entitled to appeal against the Council's decision to the central political authority.

ARTICLE 30

The Council shall follow closely the development of foreign trade figures of the participating countries. Should they tend to depart materially from the approved target figures and should such departures be considered detrimental . to the interests of other participating countries, or of European economic integration, there shall be consultations between the Council and the Government concerned in view of mitigating the unwanted trend. Should no agreement be reached, the matter shall be submitted to the Central Political Authority.

ARTICLE 31

During the transitional period the European foreign trade plan shall be based on the existing bilateral agreements, the bilateral character of which shall be gradually mitigated. The Council shall endeavour to negotiate agreements for the allocation of markets, both within and outside Europe, between the rival industries established in participating countries.

CHAPTER VII

Adjustment of Economies to integration of European Trade

ARTICLE 32

In order to be able to eliminate the temporary restrictions on the free flow of goods within the European trading area during the transitional period the Council shall advise the Central Political Authority as to the general economic measures it considers necessary and expedient. To that end it shall follow closely economic trends in the participating countries. The participating Governments shall provide the Council with all the relevant information needed for this purpose.

ARTICLE 33

The Council shall investigate industrial conditions in participating countries and shall submit periodical reports to the Central Political Authority concerning the relative degree of efficiency and the relative levels of wages and the standard of living in such industries. It shall advise the Central Political Authority as to whether lower costs of production in certain industries compared with corresponding costs in other participating countries are due to a higher degree of efficiency or lower standard of living.

ARTICLE 34

When, in the opinion of the Council, lower cost of production is due to higher degree of efficiency it shall advise the Central Political Authority to take the necessary steps for the improvement of the efficiency of rival industries in other participating countries, or, alternatively, to liquidate the less efficient industries in so far as they have become redundant as a result of the economic integration of Europe.

ARTICLE 35

When, in the opinion of the Council, the lower cost of production is due to lower standard of living the Council shall advise the Central Political Authority as to the steps to be taken to raise the standard of living by means of granting of higher wages, higher social service benefits, etc.

CHAPTER VIII

General Provisions

ARTICLE 36

The Council shall establish close collaboration with the European Loans Council in. view of co-ordinating its trade plan -with the plan for capital issues. If there should be disagreement between the two Councils the differences shall be submitted to the Central Political Authority.

ARTICLE 37

The Council shall establish close collaboration with the Board of Governors of the Bank of Europe in view of co-ordinating the trade plan with the requirements of intra-European payments. In case of disagreement the differences shall be submitted to the Central Political Authority.

ARTICLE 38

The Council shall consider applications by non-participating countries to join the European trade area. Countries belonging to the Empire, Commonwealth or currency area of any participating country shall be admitted automatically. Applications by other non-participating countries shall be submitted for approval to the Central Political Authority.

Signed (see overleaf)

Signed[1]*:*

MACKAY R.W.G., United Kingdom, SOC

1. SOC: Socialist Group