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Establishment of a European tobacco monopoly

Motion for a resolution
tabled by Mr Constantin TSALDARIS and other members of the Assembly

Explanatory Memorandum

In order that the Council of Europe should he in a position to apply such measures as the Assembly and the Committee of Ministers may be called upon to take in order to institute European Political Authority with limited functions but real powers, it should begin by assuring for itself its own sources of revenue which will allow it not only to cover its expenses but also those of the Executive Authority.

For the time being the expenses of the Council of Europe are covered by all participating Governments in accordance with the provisions of Article 38 of the Statute. It would undoubtedly be preferable, however, for it to enjoy special resources, which indeed would not fail to strengthen the current of sentiment in favour of a European Union.

But the levying of a tax of whatever kind by the Council of Europe would imply that there existed a Legislative and Political Authority empowered with the right to impose such a tax. And as, at least for the time being, the creation of such an Authority, at once Legislative and Political, unfortunately does not appear to be imminent, some system must be evolved by which the necessary income could be obtained and which could be operative in present circumstances.

The best solution for the procuring of the special income which is indisjiensable to it would consequently be to create for the benefit of the Council of Europe a European Monopoly of the tobacco industry, to the existing profits of which a proportion—that is to say 30 per cent —would be added, to be placed at the disposal of the Council of Europe by the various Governments. Such a contribution would be a first step towards financial self-sufficiency.

The creation of the said European Monopoly would, apart from this, have other advantages. It would allow of the control of tobacco production in Europe and make possible a reduction of the deficit in terms of dollars in the balance of payments of States participating in the 0. E. E. C. For the import of tobacco from the Western Hemisphere would necessarily be curtailed when preference was given to European tobacco, and the said monopoly would indeed contribute to the preferential consumption of European tobaco. It would only be when European production proved to be insufficient for needs that the balance would be made up by imports.

The ruling established by the 0. E. E. C. as a fundamental principle with a view to bringing about European integration, failing an intra-European market, and which consists of reducing imports from the dollar zone, has already given excellent results so far as tobacco is concerned. All the States have attempted to apply this ruling in relation to their possibilities and their capacities for decision. And yet, in spite of these efforts the participating States of the 0. E. E. C. still anually spend $ 208,000,000 on the purchase of tobacco from the Western Hemisphere. Of this total $ 175,000,000 go to the United States

Production of tobacco in Europe (always of course referring to the sixteen participating States in the O. E. E. C.) rose from 225,000 tons in 1935-1938 to 281,000 tons in 1949-1950, which is an increase of 24 %.

The annual production of the tobacco industry, that is to say, consumption of tobacco, rose from 375,000 tons in 1935-1938 to 429,000 tons in 1949-1950, which represents an increase of 14 %. Imports in 1949-1950 remained static at 291,500 tons.

This means that a large quantity of tobacco annually remains unused in Europe as also that reserves, particularly of Eastern tobacco, are increasing year by year while Europe annually spends S 208,000,000 for the import of tobacco from the Western Hemisphere.

Furthermore industrialised States whose economic structure depends to a great degree on basic industries have increased their efforts with a view to developing the cultivation of tobacco (such as Belgium) and others are in a considerable degree increasing tobacco production (such as France, Italy and Switzerland). Such progress is being made to the detriment of non-industrialised States (see letter from M. Rodo-polous 26.7.50 (No. 6727 A) whose economic fabric rests on agricultural production and on the consumption of their products by other European States.

In a general way it is to be observed in most European States that there exists a tendency to aim at self-sufficiency, whether it be in regard to the quality, or the quantity of tobacco consumed. This results in certain States that live by tobacco (such as Greece) being placed in an extremely difficult position, for the climatic and geological conditions prevailing do not allow of their giving up the growing of tobacco and replacing it by other agricultural products.

The creation of a European Tobacco Monopoly can quite well be carried out in the present circumstances of the Council of Europe and, as stated above, there is no reason why its working should be made contingent on the existence of a European Executive Authority.

Tobacco Monopolies are already in operation in most European States, and, even in those where such a monopoly does not exist, the tobacco industry is in the hands of a very small number of private enterprises which arc subjected to strict governmental control. Their fusion into a European Monopoly would consequently be a relatively easy matter.

The tobacco monopoly in France has been in existence since the days of Napoleon, that is to say since 1810, and the results obtained have been so satisfactory that its continuance has been guaranted by constitutional enactment.

The technical structure of the French Tobacco Monopoly is perfect and has served as model to a number of countries wishing to adopt such an institution.

The Italian Tobacco Monopoly was created in 1862 by the fusion of a certain number of private enterprises operating at the time. In 1927 the status of an autonomous organism was conferred upon it, and its development since then has been comparable with the great industrial enterprises of bur time; it works perfectly in every way.

Tobacco Monopolies are in operation also in Sweden and Turkey, where just as satisfactory results have been obtained.

There is no Monopoly in Great Britain, any more than there is in Belgium; nevertheless, even in these two countries tobacco is to all intents and purposes monopolised since this huge industry is at the present time in the hands of some ten industrialists whose activities are easily controllable by specially-trained public officials.

As far as Germany is concerned, Dr. Casty Stirpes had, before the war, a plan for nationalisation all ready to be put into effect; though various difficulties prevented its application.

Legislation governing Monopolies in France and Italy, having been wholly, successful in its practical application, can serve as a model for a European Monopoly.

And since the French Monopoly is not only the oldest one—having come into being in 1810—but is also the most satisfactory in operation, very likely it has at its disposal the most experienced and qualified personnel for the organisation and bringing into operation of a European Tobacco Monopoly such as is here proposed.

It would thus appear that France is clearly indicated as the seat of the future European Monopoly.

The Provisional Committee for the co-ordination of international agreements relating to basic products of the United Nations, at its Meetings at Geneva in 1947 and 1948, studied questions dealing with the creation of international organs for the co-ordination of the ten products defined as basic products that is to say : 1° coffee, 2° cotton, 3° rice, 4° rubber, 5° sugar, 6° tea, 7° building timber, 8° tin, 9° wheat, 10° wool.

The Havana Charter, Chapter VI, Article 58, fixes the procedure by which a State, when it considers that the marketing of some product is confronted with special difficulties, may ask the Committee to examine the said obstacles, study their nature and decide whether the said products can be classified as a basic product.

As long as tobacco is not included among basic products the creation of a European Tobacco Monopoly is in no way contrary to the Clauses of the Havana Charter.

The proposal for the creation of a European Organ and a Monopoly of the tobacco industry, having been examined and amplified by the Committee for Economic Affairs of the Consultative Assembly at Strasbourg, will be submitted in the form of a recommendation to the Committee of Ministers for the latter's final approval.

As long as the Council of Europe has no Legislative or Executive Authority it is inevitable that it should adopt the procedure provided for (authorised) by the existing Statutes, even though these might on many points prove to be incomplete.

The Committee of Ministers has so far submitted most of the Assembly's recommendations to the 0. E. E. C. relating to economic questions for further examination, but in the case under discussion there would be no reason for doing so since the creation of a European Monopoly of the tobacco industry is not intended in any way to interfere with the interests of any participating State, dealing as it does with the agricultural and industrial production of tobacco.

As State and private tobacco Monopolies already exist in all participating States, everything will continue tofunction more or less int he same way within these States, and no change either in production or in consumption will be discernible.

The only difference will lie in the fact that the profits will be increased by 30 per cent and that this increment will be payable to the Council of Europe.

One grave problem does indeed remain in suspense : no arrangement will have been made as to the manner in which final decisions which the Committee of Ministers may be called upon to take shall be applied by local governments. If, so far as the creation of a European Tobacco monopoly is concerned, these Governments have recourse to a procedure in line with the present state of affairs, if that is to say, each State obtains parliamentary approval of the establishment of the said Monopoly, it can here and now be anticipated that this question will involve no great difficulty.

It is unlikely that local parliaments will raise objections, since the collaboration of State Monopolies and private monopolies will present no problems.

Every local Government would, after subtraction of the percentage payable to the Council of Europe, have the disposal of the remaining profits and would be free to allocate as it wished the proportion attributable to the State Budget and that attributable to local monopolies insofar, of course, as the management of the latter was left in the hands of private persons.

Draft protocol relating to the institution of a European Tobacco Control and Monopoly of the Tobacco Industry

General

ARTICLE 1. —An autonomous and independent organisation shall be set up under the title of " European Tobacco Control and Monopoly of the Tobacco Industry. "

ARTICLE 2. — Its Headquarters shall be in Paris.

ARTICLE 3. — This body shall be placed under the supervision and control of the Council of Europe.

ARTICLE 4. — All monopolies, State-controlled or private, at present functioning in the participating States, shall be subordinate to the aforementioned autonomous body.

ARTICLE 5. — At first, each of them shall keep the control of its own affairs and the profits derived there from with the exception of a given percentage to be added to the existing profits which shall be handed over to the Council of Europe.

Aims

ARTICLE 6. — The aim of this body shall be to amalgamate the production and manufacture of tobacco in the participating States of the Council of Europe. Other States may ultimately be permitted to benefit by its services.

Its duty shall be :

a. to control the production of tobacco in the participating countries and to assure, in Europe, the quantity and quality of tobacco necessary for its needs by designating the regions which are most suited to the cultivation of tobacco.

b. t o see to the amelioration of quality and the increase of quantity among European tobaccos by the introduction of more scientific and more practical methods of cultivation and handling, so as to bring down the cost of production while raising the standard of living of cultivators and workers occupied in the manufacture of tobacco.

c. to see to the professional and technical organisation of the whole system, from production clown to the delivery of the manufactured product to the consumer.

d. to seek to bring about collaboration with the associated countries producing tobacco, so as to ensure the marketing of European production of tobacco by participation in industrial tobacco undertakings, which are already in existence, or have been newly created.

Composition

ARTICLE 7. — The autonomous and independent body will be composed of :

a. a Council, in which each of the participating States will be"represented by a delegate a piece; this Council is the body from which al decisions shall emanate. As regards overseas countries, associated with the various European countries, these latter shall also be invited to participate.

b. an Executive Committee which shall be responsible to the Council.

ARTICLE 8. — Two members of the Council shall be appointed by the Governments of each of the participating States. They shall elect the President and the Vice-President of the Council, whoso mandate shall be for two years.

ARTICLE 9. —- The decisions of the Council, and those of the Executive Committee, shall be taken by an absolute majority; but the members shall be entitled to a number of votes corresponding to the population and the agricultural and industrial strength of the State which they represent.

ARTICLE 10. — The Executive Committee must include one member from every one of the participating States. These members should be chosen in virtue of their technical skill and should, preferably, represent the national administration concerned.

ARTICLE 11. — The Executive Committee shall elect, from among its members, a President and three Vice-Presidents whose mandate shall be for five years and who shall have the right to be re-elected.

ARTICLE 12. — Th e President of the Executive Committee, together with the three Vice-Presidents, shall constitute the supreme administrative organ of the autonomous body.

ARTICLE 13. — The Executive Committee shall fix the policy to be followed in so far as cultivation, production, handling, manufacture and the sale prices of products derived from tobacco are concerned, and shall be provided with all the necessary means for applying this policy successfully.

ARTICLE 14. — Every year the President of the Committee shall draw up the programme of measures to be adopted, and shall lay it before the Committee for its approval. When such approval has been obtained, the programme shall be submitted to the Council for final sanction.

ARTICLE 15. — The Executive Committee shall suggest to the Council the legislative and administrative steps which the individual Governments find necessary.

ARTICLE 16. — It shall be for the Executive Committee to adopt procedures governing the. organic composition and the internal working of the various local Monopolies, either State, or private, which are Members of the European Monopoly.

ARTICLE 17. —• The Council, after examining the proposals of the Executive Committee, shall submit them to the Council of Europe, for final adoption and transmission through the regular channels (namely through the Consultative Assembly, by means of its Economic Committee, and through the Committee of Ministers) to the individual Governments so that they may be carried into effect. Their implementation will naturally depend upon their being ratified by the local Parliaments.

Division of staff

ARTICLE 18. •—• The central services of the Autonomous Authority shall be divided as follows

a. Administrative control;

b. Control of the cultivation and production of tobacco;

c. Control of the trade in and handling of tobacco;

d. Control of the manufacture and taxation of tobacco;

e. Control of the distribution of tobacco products ;

f. Control of thé transport of leaf tohacco and of the suppression of smuggling.

ARTICLE 19. — I t shall be for the Executive Committee to decide the size of the administrative and technical staff which will make up the Administrative Controls mentioned in the preceding Article, as well as the grading thereof.

Revenues-Expenses

ARTICLE 20. — To allow the Body to carry out the duties with which it is entrusted :

1. Improvement of the conditions of tobacco production;
2. Creation of conditions more favourable to the marketing of the said production;
3. Increase in consumption of the products of the tobacco industry; the said Body is granted an annual allocation calculated on a fixed percentage of the profits of local Monopolies, whether State-controlled or private.

ARTICLE 21. — The aforementioned sum shall be disposed of in accordance with the provisions and decisions of the Executive Committee which shall submit to the Council for examination and approval detailed estimates for the following financial year.

Special Provisions

ARTICLE 22. — Local Monopolies, State-controlled or private, shall keep the control of their own affairs and in so far as may be possible, their economic independence. Nevertheless they shall collaborate closely with the autonomous Body whose recommendations and suggestions shall be carried out in so far as these issue from the Council and the Executive Committee in which all the States participate.

ARTICLE 23. — This Body shall have the right to float loans, the proceeds of which shall be assigned to the improvement of the cultivation, handling and manufacture of tobacco and in particular shall finance the concentration of the production and distribution of tobacco among the various States.

Signed (see overleaf)

Signed:

TSALDARIS Constantin, Greece