

Telegram from Harold Macmillan to Ludwig Erhard (29 November 1956)

Caption: On 29 November 1956, the British Chancellor of the Exchequer, Harold Macmillan, forwards to Ludwig Erhard, German Minister for Economic Affairs, a telegram in which he emphasises the key points to be discussed at the negotiations on the proposal for a free-trade area under the auspices of the Organisation for European Economic Cooperation (OEEC).

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Telegram from Harold Macmillan to Ludwig Erhard (29 November 1956)

As you will have seen from the statement made in the House of Commons on November 26 by the President of the Board of Trade and by me, Her Majesty's Government have decided as a matter of policy to seek to negotiate a partial free trade area in Europe among the countries of O.E.E.C. in association with the Customs Union now being worked out in the discussions in Brussels.

We have been following with great interest the work of Working Party No. 17 in O.E.E.C. under the chairmanship of Baron Snoy. We look forward to receiving the report of that Working Party by the end of December, and I hope that in the New Year we shall be able to meet in O.E.E.C. and decide together what are the next steps. I sincerely hope that when we meet you will be able to express your willingness to join with us in this endeavour, with all the immense material and political benefits to Europe that I am sure will flow from it.

I realise that some countries in O.E.E.C. may be disappointed by our basic condition that, as far as we are concerned, the proposals for a free trade area cannot be extended to raw or manufactured foodstuffs or to drink and tobacco (i.e. Category 1 in the O.E.E.C. nomenclature). It is only right to emphasize that for us it is essential that these items should be excluded. If they were not excluded we should not be able to proceed. This does not mean that we shall in future – and we have no reason to be ashamed of our past record – be unwilling to co-operate in any practical measures for promoting greater trade in agricultural products whether in Europe or in the world as a whole. But that is fundamentally different from the prescriptive freedom of trade which should be established within a free trade area for industrial goods.

It is clear from the discussions that have taken place already in Working Party No. 17 that it will be of the greatest possible convenience for there to be the maximum conformity between the rules worked out for the elimination of tariffs and quotas in the Customs Union and the free trade area. I feel sure that in your negotiations now going on you will have this point very much in mind. It would be most unfortunate if, in certain matters crucial to the relationship between the Customs Union and the free trade area, you were to decide on procedures which could not be applied within the free trade area or were not acceptable to its members and which might therefore hinder the operation or, in extreme form, frustrate the creation of a free trade area.

Among the questions which arise in connexion with your negotiations – and which will be of great importance in the free trade area also – is the problem of whether, and if so how, non-European dependent overseas territories or extra European territories with some form of customs union with European powers should be associated with the free trade area.

This is a question which seems to be both different in kind from other questions affecting the free trade area and of peculiar complexity. It appears to me that there would be great advantage in examining this question before your negotiations reach too advanced a stage. We must not, however, by raising a matter of such complexity in O.E.E.C. Working Party No. 17 as a matter of urgency delay the report of the Working Party. I therefore suggest that in the first place there should be discussions between officials of all the governments negotiating in Brussels and of the United Kingdom to consider how this question could best be handled both in the Customs Union and the free trade area. At the same time, we must remember that this question is of concern to all members of O.E.E.C. If this proposal is acceptable to you, I suggest that our officials should meet as quickly as possible with a view to reporting to us and all other members of O.E.E.C. by the middle of January. Thus we should, when we come to consider these questions together at the O.E.E.C. Council in the New Year, have at least a preliminary view of what is desirable and possible, and our discussions in the Council will be better informed.

I have sent message in similar terms to the Ministers in Brussels, Paris, Rome, The Hague and Luxembourg.

So that we may avoid any danger of misunderstanding at this crucial stage of our work, I am sending a copy of this message to our O.E.E.C. colleagues who are not taking part in your negotiations in Brussels.