

Statement by the British delegation (Paris, 15 August 1947)

Caption: On 15 August 1947, in Paris, during a working session of the Committee for European Economic Cooperation (CEEC), the British delegation calls for the liberalisation of trade and the creation of a European customs union.

Source: Archives historiques des Communautés européennes, Florence, Villa Il Poggiolo. Dépôts, DEP. Organisation de coopération et de développement économiques, OECD. Committee for European Economic Co-operation, CEEC. CEEC 03.

Copyright: (c) OCDE / Historical Archives of the European Union-Florence

URL: http://www.cvce.eu/obj/statement_by_the_british_delegation_paris_15_august_1947-en-be7edee7-c99f-446e-9f07-a7bf85d4e83a.html

Last updated: 02/07/2015

Statement by Chairman of Committee of Co-operation on Freeing of Trade, 15th August, 1947.

I have thought that it would be useful if we had a preliminary discussion this afternoon on a matter of vital interest for our report.

What I have to say on the subject is quite simple.

Existing barriers to trade, whether within Europe or between Europe and the rest of the world are of two main kinds — import restrictions and tariffs.

Today the effective barriers to the development of trade are in the main the import restrictions which a great number of countries have to impose for balance of payments reasons. These are, of course, primarily a result rather than a cause of the difficulties in which Europe finds itself through inadequate and unbalanced production and lack of reserves of currency or gold. As these difficulties can be progressively overcome by our own efforts and with external aid, relaxation of import restrictions should automatically follow.

This will have to be progressive; one cannot envisage the possibility of immediate elimination of all import licensing restrictions between the European countries, still less in relation to the outside world. For one thing, we cannot afford to consume among ourselves goods which we ought to be exporting outside to help earn dollars or other scarce currencies. I suggest, however, that we ought to consider whether one of the ways in which we can help promote the development of European trade to mutual advantage is through an early liberalisation of existing import licensing restrictions.

If we get the American aid we ask, we should take immediate action in this direction.

I think we could all agree that the use of import restrictions, often in a discriminatory manner involved in implementing the existing bilateral trade agreements tends to impede and distort the natural development of trade. There is danger that these restrictions may tend to stimulate uneconomic production, perpetuate artificial price levels and even perhaps conceal the true relationships between currencies. By contrast an early relaxation of import restrictions such as I am advocating, within the limit of what each country can afford to import, will undoubtedly help to prevent uneconomic development of economic activity in Europe over the next few years. A necessary concomitant of a liberalisation of import licensing restrictions is of course an easement of balance of payments difficulties. It is therefore to be hoped that the financial experts now studying the problem will be able to make suggestions for bringing about the transferability and convertibility of European currencies.

In considering the question of relaxation of import licensing restrictions, we must, of course, remember that in the discussions now taking place at Geneva on the Draft Charter for an International Trade Organisation at which a number of countries present here are represented, there has been a great deal of detailed and highly technical discussion about quantitative restrictions on trade.

The basic principle of the draft I.T.O. Charter is that members of the organisation should in normal conditions forswear the use of quantitative restrictions, except for certain narrowly defined purposes. It is recognised that countries in balance of payments difficulties may need to apply quantitative restrictions to protect their balance of payments position, but the second basic principle is that such restrictions should be imposed in a non-discriminatory manner. Furthermore, the relevant chapter of the Draft Charter lays down certain rules as to the form the import restrictions should preferably take. It is, however, also recognised that when a substantial and widespread disequilibrium prevails in international trade and payments, countries may depart from the strict rule of non-discrimination in import licensing restrictions if such departures swell the volume of international trade to a greater extent than would be possible if strictly non-discriminatory principles were applied.

The subject is highly technical and complex and it would not, I think, be appropriate for us to embark on detailed discussion of it here. I have, however, referred briefly to the main points in the Draft Charter

relevant to the subject we are discussing for three reasons. My first reason is that I think our American friends will look to us in our report to record our support for the general objectives of the Draft Charter. My second reason is that what is eventually agreed at Geneva, both as regards the rule of non-discrimination and as regards permissible exceptions to the rule of non-discrimination, will be of vital importance for the development of intra-European trade. My third reason is that I think we ought to consider how consistently with the provisions of the Draft Charter any modification or simplification of import licensing controls can be effected, e.g. by more extended use of global or open general licenses so as to facilitate the development of trade between European countries. In my view this is not a subject on which exhaustive studies could be carried out within the remaining life of this Paris meeting but some or all of the Governments represented here might consider it appropriate to initiate such studies in response to a resolution of this Committee.

I will now turn to the question of tariffs, which as quantitative restrictions eventually disappear will again assume importance, and the related question of Customs Unions. Here again, what is happening at Geneva has an important bearing on the subject but before discussing this I think we perhaps owe it to ourselves to say that, notwithstanding the tariffs and other restrictions which grew up in the decade preceding the outbreak of war, a very large volume of trade took place between the European countries and between Europe as a whole and the outside world. This trade, in fact, represented a high degree of specialisation. "Economic integration" has to-day become something of a catchword but the fact that before the war the European countries traded actively and on a large scale with each other and with the outside world, meant that a high degree of economic integration had, in fact, been achieved in Europe. I do not wish to imply that there may not be cases of duplication, misdirection or failure to concentrate effort, or to deny the obvious economic case for greater specialisation on the basis of competitive efficiency and the most economic international division of labour. I mention the point only because I think our American friends, looking at us from a distance in the difficult conditions which we find ourselves to-day, may tend to take an over-simplified view of the situation and overlook the significance of the volume of our mutual trade in more normal times.

The approach of my own Government hitherto had been to seek to bring about a reduction of tariffs on a multilateral basis. For the United Kingdom, the development of multilateral trade within an expanding world economy must remain a vital objective. It is hoped that the tariff reductions which are now being negotiated at Geneva are not an end in themselves, but a step along the road of progressive tariff reduction on a multilateral basis. An important advantage of this multilateral method of approach is that it opens the way to securing tariff concessions which may help to relieve the European balance of payments difficulties with the rest of the world. We must never forget the enormous dependence of Europe on imports from the rest of the world. With increased prosperity our needs of foodstuffs and raw materials from the outside world will increase, and on the long view we shall be able to pay for these imports only if we can secure increased outlets in the outside world for our exports.

Between this concept of a multilateral world-wide reduction of tariffs and the concept of regional Customs Unions, there is not necessarily any conflict. The draft I.T.O. charter specifically provides for the formation of Customs Unions in one or more stages. What is not permitted by the draft charter as it at present stands, and what we have gathered from Mr. Clayton would not commend itself to American opinion, is the creation of preferential tariff groups without a definite undertaking to form an eventual Customs Union.

What we therefore have to consider is the possibility that all or some of the countries represented at this Conference might form a Customs Union, or Customs Unions. What I think is clear is that the negotiations of a Customs Union is an operation which cannot be completed in a short time. If negotiations were started now, it might be five, seven or ten years before a Customs Union between a number of highly industrialised countries could come into being. The very most, therefore, that could be hoped for in our report would be a commitment by two or more countries — a commitment which would have to be entered into in good faith — to form an eventual Customs Union at the end of a stated number of years.

The importance of the idea of Customs Unions resides primarily in the fact that if their eventual formation could be undertaken now, it would point the way to a new degree of stability and interdependence of the European economy in the future. It is also to be noted that the Americans have emphasised that any

indication that can be given in the report that the first steps towards forming a Customs Union are being taken by certain countries is likely to add greatly to the effectiveness and influence of our work.

On the other hand, we must not blind ourselves to the fact that, if the difficulties of negotiating tariff reductions are great — at a time when tariffs may not mean much — the difficulties of eliminating tariffs altogether between certain countries may be still greater. A customs union between a number of large countries will inevitably involve painful adjustments. Whether these adjustments would be easier at a time of general maladjustment or whether they would accentuate the difficulties of European recovery for the next five or ten years is a question not readily answered. At an Executive Committee meeting recently there was useful preliminary discussion of the whole problem. The points which then emerged were:—

(a) the precedent of BENELUX is probably special in three important respects: firstly, because the decision was taken at a favourable psychological moment; secondly, because the way had been prepared for the idea over a number of years; thirdly, because the problems of adjustment in the case of BENELUX were probably less acute than they would be in the case of a wider customs union embracing a number of larger countries;

(b) the continued free movement of goods between the members of the customs union depends on the establishment and maintenance of a sound internal and external financial position in the participating countries;

(c) this leads to the question whether a customs union in the modern world can be envisaged except as leading to a currency or even a full economic union;

(d) there are liable to be formidable technical difficulties in negotiating a common tariff, and it is one of the necessary conditions of the draft charter that this should not, by and large, exceed the average level of the tariffs of the participating countries.

As United Kingdom delegate, I must tell you that very special difficulties over and above those which I have mentioned arise in relation to the position of the United Kingdom. These difficulties arise from our links (both economic and political) outside Europe and especially with the Commonwealth. It is, we think, in the long-term interest of Europe, as well as of the United Kingdom, that these links with the Commonwealth should be maintained, and it is a fact to be recognised that they have the effect of making the United Kingdom an extra-European as well as an intra-European power. Before the United Kingdom could enter a customs union with one or more European powers, it would be necessary to decide such difficult questions as the conditions under which Commonwealth products should in future enter the United Kingdom and the territories of the other members of the customs union, and the conditions under which the products of other members of the customs union should enter the Commonwealth. There is the further question as to whether it would be possible for the Commonwealth itself to participate wholly or in part in a European customs union. I will not elaborate these points, but I would also recall that the Commonwealth includes one important industrial and trading nation which is a neighbour of the U.S.A. itself. These are all problems which we have to consider and which would involve negotiations before a customs union could become a practicable proposition for the U.K. For these reasons there can be no question for the United Kingdom of entering into any hard and fast commitment in the next few weeks; it would be dishonest to do so because frankly we do not know whether we shall be able to fulfil it or not. If, however, it were the view of the Committee that it would be desirable that some or all of our members present here should set up a study group to consider the possibility of forming a customs union amongst themselves, or with other countries not represented at this Conference — who would, of course, be welcome to join such a study group if they so desired — the United Kingdom would be glad to associate itself with such a proposal. In doing so, it would actively examine the possibilities of joining a customs union with other countries on the European continent, and would take steps to arrange early consultations with the Dominions in order to ascertain in

what form, if at all, it would be practicable for the United Kingdom, the British Colonial Empire and the self-governing Dominions to join in such a union.

Such is the position for the United Kingdom. I cannot but feel, given the very real difficulties of this subject, and given that it is to a very large extent a territory which most of us have not in the past even begun to explore, that the formation of a study group such as I have suggested, if entered into in good faith, would be regarded in the United States as a significant step towards the reorganisation of a new Europe on sound and healthy lines. At the same time, if there are some countries among us which are prepared to go a stage further and to enter into a commitment in the next few weeks to form an eventual customs union it would be a very welcome development and a very valuable crown to our labours here. I notice that the Italian Delegation has suggested that the possibility of regional customs unions should be studied by a special working party during the lifetime of this Conference. This is a most interesting suggestion on which I should like to hear the views of other Delegations who will no doubt wish to express themselves both on this question and on some of the general issues on which I have touched in these introductory remarks.