

Opinion of the Chambers of Commerce on a European Free Trade Area (7 November 1956)

Caption: On 7 November 1956, the British Chambers of Commerce states that it is favourable in principle to the establishment of a free trade area in Europe but lays down certain conditions that need to be met if it is to offer its full support.

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Free trade with Europe

1. Introduction

Whilst Chambers of Commerce have not been unaware of the proposal arising out of the Messina Conference to form a European Common Market, they have been generally critical of the comparatively short time within which they have been required to consider whether or not the United Kingdom should in principle participate in a free trade area. Since the Press Conference given by the Chancellor of the Exchequer and the President of the Board of Trade on October 3rd affiliated Chambers have endeavoured to consider the subject in the light of the limited information provided by Her Majesty's Government.

2. The Government's intention to exclude raw or manufactured foodstuffs, feeding stuffs, drink and tobacco from the goods to be affected is noted and has general support.

3. The point made at the Press Conference of October 3rd that if the only choice lay between entering a European Customs Union or standing by the Commonwealth and Imperial Preference, the latter would be chosen is unanimously supported.

4. To remain wholly outside the proposed Union with no form of association whatsoever would certainly affect unfavourably the 12.8% of U.K. export trade going to the six countries. It is difficult to estimate how great the loss would be as there is a fairly well balanced exchange of goods between the U.K. and the proposed Customs Union as whole, and the possibility cannot be ruled out that on the grounds of mutual advantage a part of that trade would continue. The measure of loss would of course depend on the height of the remaining tariffs which it would be desirable to have as low as possible. In general it is clear, however, that the Customs Union countries would tend to trade with each other to the disadvantage of the U.K. If other European countries joined the original six the U.K.'s exclusion would be even more serious as up to 25% of our total export trade might be affected.

Further the grouping of the six countries would give certain of their industries the advantage of a larger home market, and non-participation in this by the U.K. would deny to some industries the advantages of a very high measure of mechanisation which a large "home" demand makes possible.

Nor would it be wise to ignore the possibility that the growth of trade within the European area might continue to rise relative to world trade.

5. Summary of Chambers of Commerce opinion

With these premises accepted the following is an analysis of replies received from Chambers of Commerce. It has been approved by the Council today.

The Association has ninety-seven Chambers of Commerce in the U.K. affiliated to it representing a total membership of 60,000. Replies have been received from Chambers with a membership totalling 42,146.

Of these, Chambers representing some 37,000 members are in favour of the principle of H.M.G. entering into discussions with a view to examining the possibilities of association with the six common market countries by means of a partial free trade area.

The support from these Chambers has not been without qualification and the following most frequently cited safeguards are requested by them.

a) protection for the balance of payments in times of emergency. In view of the inadequacy of the Sterling Areas Gold and Dollar reserves in relation to our obligations and liabilities this is most necessary as even a

comparatively short run on sterling could have the most serious consequences, not only for the U.K. but for the whole sterling area. The Chancellor's special reference to this is endorsed.

b) the structure and advantages of Imperial Preference should be maintained. If the Commonwealth should suffer a partial loss of preferential advantage over Europe and this should lead to a weakening of reciprocal preferences accorded to the U.K., many concerns would feel this sufficient cause to oppose the U.K. entering a free trade area.

c) reasonable protection should be provided against dumping and subsidies, whether hidden or not.

d) Some difficulties have already arisen in "Benelux" in differences over rates of wages, conditions, and problems caused through disparities in taxation, etc. Such problems might raise considerable difficulties for the U.K. Admittedly the criterion that if we can compete abroad, as we must, we should be able to compete at home can be applied in such cases, but varying standards and conditions in relation to the productivity of the different industries would raise serious problems. The disparity of wage rates and conditions between the U.K. and the U.S.A. is not unremarked.

e) The relatively long period of 12 to 15 years over which duties will be progressively reduced before final abolition is specially important and delay in the early stages with correspondingly greater reductions at later dates would offer many British industries the time which may be often essential for their adjustment. Key industries protected by duty and quota restrictions provide a case for special consideration.

f) What are considered to be strategic industries in the light of recent developments should receive independent and special attention.

6. Whilst some or all of the foregoing safeguards are mentioned by the Chambers concerned, a large proportion of them ask that industry and commerce should have a further opportunity of considering the subject when, presumably through O.E.E.C., a detailed blue-print has been prepared.

7. Six Chambers representing some 5,000 members suggest that H.M.G. should not be committed to participation until such a document has been studied by industry and commerce and an assurance obtained that sufficient safeguards on the lines already mentioned could be maintained by the United Kingdom.

8. Particular attention is drawn to one fact; Chamber of Commerce meetings are attended by representatives of most industries functioning in their areas and extreme opinions on way or the other are therefore tempered during discussion. The preceding summary may therefore be regarded as a fair balance of opinion amongst Chamber of Commerce members.

7th November, 1956.