

Consideration by the Council of Ministers of the OEEC of the Maudling report (17 December 1958)

T. circular.

Paris, 17 December 1958.

At its meeting of 15 December the Council of Ministers of the OEEC considered the report submitted by Mr Maudling on the activities of the Intergovernmental Committee and the procedures of the transitional system the six EEC countries are intending to put into effect on 1 January next year in respect of their commercial relations with third countries.

The debate, which, in its final stage, took place in a strained atmosphere, mainly concerned the second issue and, in particular, the rate of increase of low or zero import quotas.

I. Maudling report (Document C(58)267, which was forwarded to you on 15 December).

After noting that his efforts had come to nought, Mr Maudling stressed that the negotiations must continue and stated that he thought they could prove successful if all the delegations were inspired by the same political resolve to uphold European solidarity. After congratulating Mr Maudling on his tenacity, the Scandinavian and Portuguese delegations that then took the floor expressed the same views: disappointment; belief in the work of the OEEC; the importance of the negotiations and the hope that they would continue and prove successful. The French delegation tabled a resolution on the basis of the proposals put forward by the Swedish delegation regarding the pursuit of the negotiations. This document affirmed the Council's resolve to determine the procedures for a multilateral association between the EEC countries and the other Western European countries, to establish this association within the framework of the OEEC and to hold a ministerial-level meeting at a date as yet unspecified, but possibly before 1 April next year as the Swedes had proposed. The Six had accepted this resolution. It did not come up for discussion because we were forced to withdraw it as a result of the way the debate on the transitional system (see below) proceeded.

II. Transitional system.

a. When he presented the decisions taken in Brussels (Document C(58)263, forwarded on 15 December), the Chairman, Professor Erhard, made it clear that these measures were without prejudice to any decisions that might be adopted at a later date. By showing that the EEC countries wished to take account of the interests of third parties, they should help create the right climate for pursuing the negotiations.

b. I then explained France's particular situation in regard to liberalising trade. Although our balance of payments has improved, we cannot, under the present circumstances, run the unlimited, or at least incalculable, risk of liberalising 75% or 90% of our trade, as some non-member countries of the Common Market would wish. While still firmly hoping to do better, the French Government had decided to liberalise 40% of its imports and to increase the quotas of former liberalised products by 20%.

These measures, together with the 20% increase in bilateral quotas decided in Brussels, respect the non-discrimination principle by treating all OEEC members on an entirely equal footing. The sole advantage the Community countries alone enjoy is the marked increase in

low or zero quotas. In this respect it is worth noting out that no provision for this method of liberalising trade is made under the OEEC Code of Liberalisation, that it was accepted in the Treaty of Rome only in return for general obligations (harmonisation of production conditions) and that, finally, these quotas relate to products that were never liberalised in the framework of the OEEC and to which the non-discrimination rule does not, therefore, apply.

c. When the debates resumed in the afternoon, Switzerland, the United Kingdom and Austria discussed the procedures for the transitional system, which they regarded as inadequate and unacceptable. Only Austria, notwithstanding its reservations, recognised the political value of the gesture made by the Six.

Switzerland regretted that the measures envisaged by the EEC had been presented as a decision that could not be discussed in accordance with the usual OEEC working methods. Despite the adoption of these transitional measures, the entry into force of the Common Market would introduce a degree of discrimination into European trade and destroy the balance among the commercial and financial commitments the OEEC had entered into. With particular reference to the case of France, the Swiss delegate expressed surprise that recent commitments made under the Treaty of Rome were regarded as taking priority over earlier obligations entered into in the framework of the OEEC. He concluded by reserving his government the freedom to take any measures it considered necessary to 'restore strict reciprocity in its trade'.

The UK delegate then pointed out that the dispute between the EEC and the Eleven was not just a legal matter. The proposals put forward by the Six were inadequate because their implementation could not put an end, in terms either of tariffs or of quotas, to the discrimination resulting from the entry into force of the Treaty of Rome. There was therefore a risk of real distortions of trade flows.

Sir David Eccles therefore proposed that, subject to the principle of reciprocity, the Six should extend to the Eleven the quota provisions of the Treaty of Rome, in particular those relating to low or zero quotas. The UK, for its part, was prepared to take such measures.

Sweden and Norway supported this proposal, which had been notified to the Eleven the previous day.

d. Without defining its position on this proposal, the French delegation said it was anxious to know whether the opening of low or zero quotas would be reserved only to the 17 OEEC countries and whether this extension would also cover quotas of agricultural products. Sir David Eccles replied to these questions in vague terms, emphasising that these issues would need to be examined more carefully and that the United Kingdom proposed to do no more and no less than what the Six did.

Despite the vagueness of the UK's replies, Belgium and Germany said they were interested in the British proposal, which in fact resembled the Wigny plan proposed by the Benelux countries prior to the Bad Kreuznach meeting. This was probably an agreed approach. Even during the preparatory meeting of the EEC Council of Ministers, the Belgian delegation had stressed the need, for practical and psychological reasons, to conduct the bilateral negotiations in the framework of the OEEC. For his part, Professor Erhard had considered the possibility of extending to the Seventeen the low or zero quotas provided for under the Treaty of Rome. In rejecting this proposal, which the Netherlands accepted, we were supported by the Italian

and Luxembourg delegations, which, like ourselves, considered that the procedure adopted in Brussels would make it possible to give the Eleven some satisfaction on the question of low or zero quotas without extending to OEEC members the application of the specific Treaty of Rome provisions.

At a special meeting of the Six, following the tabling of the UK proposal, these two delegations insistently repeated their arguments. The French delegation finally endorsed a document drafted by Benelux, under the terms of which the Council took note of the decisions of the Six, recommended to the other OEEC members that they should accept the offers to negotiate the question of quotas, make a special effort to increase trade in agricultural products and take account of the needs of the under-developed countries, decided that it would report back to the OEEC on these negotiations and, lastly, invited the EEC and the other OEEC members to examine the UK proposals, after the United Kingdom had set them out in detail and in writing.

e. This concession was not good enough for the UK delegation, which was encouraged by the differences of view that had appeared among the Six during the meeting.

Sir David Eccles stipulated that the resolution of the Six could be accepted only if the negotiations on the opening of quotas among the Seventeen were completed by 1 January 1959, adding that if any discrimination existed on that date the United Kingdom would defend its commercial interests by restoring the quantitative restrictions on imports originating in the countries that caused it, meaning in fact France.

This led me to point out that our country had already proved its goodwill by adopting the transitional measures and that the increase in low or zero quotas among the Six could not be regarded as discriminatory. The French Government could not accept negotiation 'under duress'.

It did not prove possible to overcome this opposition despite a Franco-Anglo-German meeting held in the evening. In agreement with the German delegation, the chairman proposed a text providing for a Council of Ministers debate, on 15 January 1959, on the report that the Steering Board for Trade had been instructed to draw up on the transitional system of the Six and on the United Kingdom's proposal. All the delegations accepted this idea; our EEC partners pointed out that it would give extra time to consider complex technical questions. They joined the other delegations in underlining that failure of the negotiations would have serious political consequences.

Despite this insistence, I could not accept this text on behalf of the French delegation. Apart from the fact that the proposed procedural measures ran counter to the Brussels decisions because they provided that the OEEC Council of Ministers must deliberate on the measures adopted by the Six, the entire British attitude reflected the wish to isolate France, to hold it responsible for a so-called split in Europe and, lastly, to make it alone bear the brunt of any retaliatory measures that might be taken following the entry into force of the Common Market, which was not justified by any legal considerations.

Mr Rey, member of the Commission of the Community, supported by Mr Bech, then proposed that the Council should adjourn until 15 January, without taking a decision. I accepted this procedural resolution. The British urged that in the meantime the Steering Board

for Trade be consulted; this matter was left to the decision of the Permanent Representatives of the OEEC.

It is a matter for regret that the Six did not adopt a common approach during that meeting. Our OEEC partners are likely to take advantage of these disagreements, the seriousness of which should not, however, be exaggerated. Apart from the fact that the debate concerned a question of procedure, it is worth pointing out that our Italian and Belgian partners in particular have on several occasions confirmed with some force, addressing the Eleven, their commitment to the Treaty of Rome.

In our view, the solution that has been accepted has the advantage of enabling the Treaty of Rome effectively to enter into force on the scheduled date, without leading to any immediate retaliatory measures and without any commitment on our part in relation to the free trade area. True, we have been left little respite; but this time should be used to seek a technical formula that can restore a united approach on the part of the Six.

We should also pay careful attention to the attitude of the United States whose representative, so far remaining prudently silent, has been asked by Professor Erhard to take part in the debate.