

Raymond Scheyven, Is a customs and economic union between France and Benelux both desirable and achievable?


Caption: In a report presented to the Franco–Belgian section of the Inter-Parliamentary Union on 1 November 1947, the Belgian MP, Raymond Scheyven, calls for a customs and economic union between France and Benelux.

Source: SCHEYVEN, Raymond. Une Union douanière et économique entre la France et Benelux est-elle souhaitable et réalisable?. Bruxelles: Union interparlementaire - Section franco-belge, Novembre 1947. 113 p. p. 2-7; 106-113.

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Is a customs and economic union between France and Benelux both desirable and achievable?

Report presented by

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I. — Introduction.

The Belgian Parliament only recently, and by a very large majority, approved the Customs Union Convention concluded in London between the Belgo-Luxembourg Economic Union and the Netherlands, yet here we are again looking at possibilities for a similar customs and economic union with France.

Well-meaning people will doubtless express surprise and regret over such an initiative. They will point out, and rightly so, that the planned union with the Netherlands will already have a severe impact on our two economies and that it will take us many years to adjust to it; so we should not act too hastily and, instead, ponder the wisdom of the saying: ‘grasp all, lose all’.

It will also be noted that Belgium has picked itself up commendably well since the Liberation, thanks to the courage and labour of its population, and that its recovery has aroused the admiration of the world. Hence, it would be a great shame to jeopardise these hard-won achievements by rushing to forge links with other countries which have suffered worse from the war and are having greater difficulty in restoring their economic and even political equilibrium.

There is much truth in these objections, and that is why we wanted to address them at the outset.

In the report that we have presented to the Chamber concerning the Customs and Economic Union with the Netherlands, we said ourselves that: ‘a period of adjustment will thus be necessary, and that is why our governments have acted wisely by proceeding in stages since, in order to facilitate that adjustment, the system of quotas and licences separating the third stage from the second will be required for many years to come.’

We remain convinced that our economy will need a very long period of adjustment, and we believe that many of our fellow countrymen do not fully realise the great difficulties which await us once we embark on the practical implementation of the scheme later on. It is quite certain that the first stage, which begins on 1 January next, i.e. unification of customs tariffs and abolition of all customs duties at the common border, will amount to very little as long as quota restrictions, licences and exchange controls remain in place.

Of all the obstacles to international trade, customs duties are, in fact, the least of our worries ¹. Their collection increases the price of the product imported and leads inevitably, to a certain extent at least, to a rise in the level of prices and, hence, production costs in the country protected. The result is a process of neutralisation at the level of the protective effect of the duty.

Much more worrying are the obstacles imposed by quota restrictions, licences and exchange controls. These measures are used either to allow only a small quantity of the goods into the country or to refuse to admit them altogether, a further option being to render the transaction impossible by withholding from the buyer the foreign exchange that he needs.

However, quotas, licences and exchange controls will be phased out only gradually at the common border between the Belgo-Luxembourg Economic Union and the Netherlands, in particular because of the difficulties experienced by the Netherlands in bringing its balance of payments into equilibrium.

Representatives of the Belgian brewing industry are already alarmed at the effects of our agreements with

the Netherlands. Indeed, our brewers fear not only the possible raising of Belgian excise duties on beer — bringing them into line with the Dutch duties, which are higher than ours — but also the competition which Dutch beers could bring once they are allowed unrestricted entry into our country.

The raising of excise duties could lead to reduced consumption of beer in Belgium because of the resulting increase in the price of the beverage. Yet those are the inevitable consequences of an economic union, which means the abolition of customs duties, the unification of excise duties and sales taxes and the removal of all barriers at common borders.

Tomorrow, we shall be hearing complaints from representatives of the tobacco industry, which will probably never be able to compete with its counterpart in the Netherlands. Certain industries, which have developed more or less artificially in Belgium, will disappear or be forced to adapt, while other sectors of our economy will find greater potential for development in an enlarged market of 18 million people, which in the end will be to the greater good of our nations.

An economic union between two countries which are by no means complementary to one another is a very difficult task to accomplish. It has to be tackled boldly but gradually.

Moreover, if we were not entirely convinced ourselves, we should find wise counsels on the subject in the general report of the Committee of European Economic Cooperation (Marshall Plan) which tells us:

No 92: ‘A really effective customs union cannot be created with a stroke of the pen. The creation of a customs union, in particular between several highly industrialised countries, involves complex technical adjustments and negotiations which can be accomplished only in successive stages extending over a number of years.’

Even so, this union with the Netherlands was never seen in Belgium as anything other than a first step towards a wider union as envisaged by the Atlantic Charter ‘with the object of securing, for all, great or small, victor or vanquished, improved labor standards, economic advancement and social security.’

In the report on Benelux which he presented to the Senate and to which we referred above, Mr van Zeeland expressed this idea with vigour:

‘The analysis that we have carried out shows that, while a grouping of 18 million people, with all the resources of these old and strong countries of the lowlands, is worth more than the two parts of which it will consist, the fact remains that the new economic unit thus created will still be too small to solve on its own the real problems of economic balance confronting us.

Conversely, a good many of the difficulties that we have highlighted would disappear almost automatically if we joined with the Netherlands in a wider grouping, in which resources would be multiplied and in which balance would be assured by the very variety and range of the needs to be satisfied and the means to satisfy them.

If the process of closer links and unification, in the customs field to begin with, then in the economic field, were to come to a halt and be limited to the present Convention, we would ask for the whole problem to be reviewed and would weigh carefully the advantages that the union brings us and the price that we have to pay to secure them.

But, clearly, that does not reflect either the intentions of our leaders or the spirit in which the matter should be assessed in its entirety.

The customs community with the Netherlands is a first stage in progress towards economic union. It is a first step along the road to much wider agreements which will prepare and bring about closer links with other friendly powers through which it will be possible to envision a better and more liberal organisation of economic forces in the world.’

The general report of the Committee of European Economic Cooperation to which we referred earlier describes better than any other document the magnitude of the disruption with which Europe is having to contend, a Europe which will never be able to get back onto its feet without the aid of the United States.

The total deficit of the 16 countries meeting in Paris vis-à-vis the American continent for 1948 alone amounts to 8 000 million dollars; for the period 1948 to 1951, the total deficit in dollars is estimated at 22 400 million. Yet none of these estimates involves an unreasonable volume of imports — quite the contrary. For example, the consumption of foodstuffs at the end of the period stated will be below the pre-war level, and petrol, textiles and food will continue to be rationed in many countries.

Only in 1951, thanks to American aid and provided that world conditions are favourable, will the countries represented at the Paris Conference be close to equilibrium.

It was established in Paris that, in the current global situation, only sufficiently strong economic units with a large internal market will be capable of bringing down industrial and agricultural costs to a level which, through better technical resources, will ensure a rising standard of living for their people and will enable the countries concerned to face up to competition on all fronts.

The United States has often made its view clear that Europe is on course for suicide if it does not succeed in removing customs barriers. The United States itself is extremely prosperous, not only because of its vast territory and its immense abundance of resources and raw materials but also because everything circulates and is renewed, put to use and processed for the greater good of the population 2.

Europe, on the other hand, reminds us of a man, soon dismissed as a fool, who finds amusement in tying up his legs, making himself lame in the foot, making devices designed to mutilate him or to reduce, slow down or stop his circulation, and then complains of not feeling well.

The 16 countries meeting in Paris therefore agreed to assist one another more closely and to study ways of forming customs unions between some or all of the countries represented.

Responding to this call, indeed having anticipated it, Belgium, the Netherlands and Luxembourg reported on their union.

The four Scandinavian countries, Denmark, Iceland, Norway and Sweden announced that, following a Conference of their Foreign Affairs Ministers held in Copenhagen on 27–28 August 1947, they were taking steps to consider the possibility of developing economic cooperation between their countries, in particular the issue of the total or partial removal of customs barriers.

The Governments of Greece and Turkey undertook to direct their efforts towards the same goal and to devote close attention to the study of a regional customs union which would bring these two friendly neighbouring countries together.

Thirteen countries: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Turkey and the United Kingdom set up a study group to consider the problems relating to this matter and the measures required to establish one or more customs unions.

It was agreed that Belgium, the Netherlands and Luxembourg would act as joint sponsors for the initiative; the first meeting was scheduled to be held in Brussels on 10 November.

The French and Italian Governments decided to set up a study group which would consider the conditions in which a Franco-Italian customs union might be established and would report to the two Governments by 1 January 1948.

In addition the French Government formally and solemnly declared that it was prepared to enter into

negotiations with any European countries wishing to form a customs union with France, if their economies were compatible with the French economy, with a view to forming a viable entity.

Accordingly, we think that the Franco-Belgian Group of the Inter-Parliamentary Union did well to put the study of possibilities for a customs and economic union between Benelux and France on the agenda for the present sitting, and we thank our Chairman, Louis Piérard, for having suggested it.

Over the long months that it will take to complete the preparatory studies, our partners will have much-needed time to recover their former prosperity. We are sure they will succeed. Besides, we know very well that our own economic prosperity is closely bound up with their recovery.

When, in the course of drawing up this report, we looked through the Reports of Parliamentary Proceedings for 1924, 1928 and 1931, our attention was drawn to a passage in the debates which took place in the House of Representatives on 1 December 1931.

Mr Hymans, Minister for Foreign Affairs, was at the rostrum reminding the House of the grave crisis which hit our country in 1846: 500 000 linen workers in Flanders suffered terribly; crops were destroyed; the winter was harsh; the potato crop was ravaged by a disease; thousands died from famine, typhus and cholera; marriages and births declined.

But, the Minister added, not without pride: 'In spite of everything, we weathered the storm and, 20 years later, Belgium had become one of the leading economic powers in the world!'

At this point he was interrupted by Mr Sinzot, after which the following somewhat emotional exchange ensued:

Mr Sinzot: 'Would it not be better to get through these difficulties without making ourselves ill, without deprivation and suffering?'

Mr Hymans, Minister for Foreign Affairs: 'My ideal is to see Belgium pursue its destiny under its own forces, impelled by its own energy and courage, in full independence with honour and dignity.'

Mr Sinzot: 'And sustained by the suffering of those who will be put out of work or by low wages? Is that honour and dignity?'

Mr Hymans, Minister for Foreign Affairs: 'We shall fight, and we shall do our duty towards workers made unemployed. There are fewer of them in our country than elsewhere. We shall strive to overcome this crisis ...'

Interruption: 'Have you the means to do so?'

Mr Hymans, Minister for Foreign Affairs: 'I will not back any policy which would restrict our autonomy. But let me return to my argument.'

Of course, the sentiments voiced by both speakers were very honourable, but, if we had to choose between the Minister and the Member, we cannot help feeling that Mr Sinzot was right. The time has gone when every country could jealously guard its unqualified independence. Today, it makes more sense to consider people's happiness and to avoid the difficulties, maladies, deprivation and suffering that unemployment and low wages would inevitably bring them even if, in order to secure that advantage, nations have to abandon some of their sovereignty.

We sincerely believe that a customs and economic union for Europe is the road to salvation because, as we shall endeavour to show throughout this report, it is the only means of ensuring greater happiness for our people and, perhaps, even world peace.

[...]

IX. — The consequences of a customs and economic union for transport and ports.

A customs and economic union between France and Benelux would mean that each country is barred from taking or upholding discriminatory measures which would impede communications between the countries. It presupposes the use of transport links as though the border no longer existed. Subject to that condition, the union would improve the present situation and would be advantageous.

Freedom for road haulage firms to pursue their business beyond the national borders would generate new traffic. It would be of particular benefit to Belgium, where the main distribution centres for the north-western part of the European continent capable of being served by motor lorries are to be found.

The Belgian inland waterway navigation industry has always found a profitable market in France. The 1932 accord restricted its operations on French canals, and the restoration of full freedom would be beneficial to it.

Better interconnection between the French and Belgian railway networks should result from an economic union. On international passenger routes, the French timetables tend to divert certain traffic movements away from Belgium. For freight, French rates favour French ports at the expense of Belgian ports; this applies to the rates for marine freight to and from Switzerland, Alsace, Lorraine and the Meuse and Moselle regions. Parity of prices to Dunkirk and Antwerp, despite a difference of 100 kilometres, cancels out the advantage which Antwerp enjoys because of its geographic location. Rates for the transport of iron ore from Lorraine to the Belgian iron and steel works draw traffic unnecessarily onto the French network and weigh heavily on the production cost of Belgian pig iron.

On the question of ports, France operates a highly protectionist policy which diverts from the Scheldt ports (Antwerp and Ghent) traffic which is rightfully theirs by virtue of their geographic location and established patterns of organisation. This policy is manifested in the special rail freight rates just referred to. Before the war the *surtaxe d'entrepôt* (intermediate landing surcharge) made it impossible for freight destined for France to pass through Belgian ports. The *surtaxe d'entrepôt* was not restored after the Liberation, but it has been replaced by an obligation written into import and export licences to route freight via a French port. Union with France should result in freedom to choose the most favourable port.

The abolition of all barriers to communications would bring both advantages and disadvantages for both countries. Thus the abolition of the *surtaxe d'entrepôt* and similar measures in France might perhaps disadvantage the port of Dunkirk to the benefit of the Belgian ports but would be profitable for manufacturers and traders in the north of France. The reduction of the special Belgian rail freight rates for imports and exports by sea would benefit the French ports but would disadvantage the French industries and Belgian ports which currently benefit from them.

Altogether there would be an undoubted advantage for both countries, since transport would take its natural routes, i.e. less costly ones.

X. — Conclusions.

The conclusions that we feel may be drawn from this report are clearly very modest.

As we were drafting them, we thought of the many problems which we should have considered for the sake of completeness. The repercussions of this union have not been considered in all sectors of our economy. In the same way, our work has focused more on the consequences that it might have for the Belgian economy rather than for the French, Netherlands and Luxembourg economies, with which of course we are much less familiar and on which we did not possess all the necessary information.

The technical studies included in this report are of uneven scope: some are more summary and others more

detailed. This stems from our lack of contact with the persons from whom we sought advice and opinions and who, through lack of sufficient directions on our part, each looked at the problem in his own way.

The conclusions of the technical experts are, on the whole, favourable to a customs and economic union between Benelux and France. Even so, difficulties arise in certain sectors of agriculture and industry, but they seem capable of solution through agreements between industrial interests or between the governments concerned.

Of course, if a more or less highly integrated economic union were envisaged, a much more detailed study would be required, one which would probably prompt serious reservations.

We were not surprised by the conclusions that we reached. We anticipated them when we embarked on the work, because the idea of a customs union between France and Belgium has been rejected by Belgians in the past, for political reasons and out of fear that we would have to accept French protectionism. But we could already see then that such a union could only be of benefit to the various sectors of our economy.

On this occasion, if the French economy were now also able to derive benefit from it, a customs union, followed by economic union, would respond to the aspirations of both our countries.

There will probably be some points on which we shall not be able to agree. Questions that come to mind, for example, are tobacco, wine, spirits and cars.

Tobacco: in France, there is a tobacco monopoly, which neither the Belgians nor the Dutch will want to accept but which the French Government, perhaps, will not want to abandon either.

Wine: the free entry of French wines could be a new and serious threat to our brewing industry and also to Luxembourg wines, which could never stand up to French competition. Yet the Grand Duchy of Luxembourg regards the sale of its wine to the Belgian market as a pillar of its economic union with our country.

Spirits: France imposes low excise duties on spirits. Being a major producer, it is wise to apply this policy because, otherwise, it would be offering too great an incentive to fraud.

Belgium, on the other hand, will not abandon the outstanding social legislation by which it protects its population against unfair treatment.

Cars: the Benelux tariff sets high import duties for assembled motor vehicles, chassis and vehicle bodies (24 %) and moderate duties (6 %) for spare parts, this system being clearly intended to favour assembly plants located in Belgium. The French customs tariff imposes a blatantly prohibitive duty of 70 % on imports of motor vehicles and spare parts.

If the French were to adopt the Benelux tariff in this field, it would be to the detriment of their motor industry: American cars, either imported directly or assembled in Benelux, would enter France without paying customs duties and would thus compete with French cars.

If, on the other hand, Benelux accepted the prohibitive French duty, it would mean the domination of our markets by French cars, the death of our assembly industry and, probably, major difficulties with the United States, who would not accept the closure of our frontier to American cars without some reaction.

Let us suppose that we failed to reach agreement on these points. Would that be sufficient reason not to go for a customs union? We do not think so.

The disappearance of customs officers from the common border clearly presents the most vivid image of a

customs union, but the economic benefits of such a union would be retained virtually intact, even if a corps of customs officers were kept at the border with the sole task of checking the movement of cigarettes and cars in one direction and wines and spirits in the other.

In 1921, we established full economic union with the Grand Duchy of Luxembourg, yet customs controls still exist at the Belgo-Luxembourg border for spirits originating in the Grand Duchy, which are not allowed free entry into the Belgian customs area.

We hope to bring about the same kind of economic union with the Netherlands, but it is by no means certain that we shall succeed in solving all the problems and in removing all controls from our common border.

Already on 9 May last, the three Agriculture Ministers concluded an agreement which should safeguard the essential interests of our agriculture. It was agreed, amongst other things, that each of our three countries could 'keep its imports under a system of licences, even when market prices are higher than the minimum prices' and that they could 'take the measures required to maintain minimum prices when the supply situation on the market brings the minimum price under pressure and this fact is a matter of public knowledge.'

The application of this agreement will, of course, require border controls.

It is quite certain that, if they want to bring this union to fruition, our Governments must embark on the negotiations with the firm intention of resolving all the difficulties arising.

Our purpose here is merely to state that, if they were not entirely successful, that would not be sufficient reason for doing nothing at all. An agreement could exclude some products without diminishing the general benefits of a union. The number of these products should clearly be strictly limited; as in all things, it is a matter of proportion.

But we should not lose sight of the conclusions of the technical expert whom we approached in order to determine whether it was possible, today, to unify the two customs tariffs, given that, in the past, such a thing seemed impossible between a protectionist France and a Belgium devoted to free trade.

His conclusion is that the achievement of a common tariff for Benelux-France is technically possible, but the fact remains that French duties are, overall, double those of the Benelux tariff.

However, for the sake of clarity in this account, we feel obliged to recapitulate the arguments already set out in this report which lead us to believe that the Benelux and French customs systems could indeed be brought into line, to the point where they could be identical in their effects.

(1) Firstly, we compared an independent Benelux tariff, as approved by the Parliaments of the three countries concerned, with an independent French tariff, as put before the French Parliament.

Without going so far as to say that this tariff amounts to a bargaining position, we have good reason to think that the French Government will be persuaded to lower some duties in the course of negotiations with the other countries in order to gain advantages for its export trade on foreign markets.

(2) Secondly, we think that the economic structure of France has changed considerably and that, in the future, France will have to export more to survive and, hence, pursue a less protectionist policy. Even if the Monnet Plan is too optimistic in its forecasts and is unlikely to be implemented in the short term, the fact remains that it demonstrates the future direction of the French economy.

(3) Finally, our economic policy, like that of the Netherlands, will clearly be influenced considerably by a customs and economic union with a large country like France, which will provide a huge market for our

agriculture and industry.

Whereas our main concern in the past was to safeguard our external markets, in the future we should find a very much larger internal market opening up before us, and as part of that market we could, perhaps, afford to retreat behind higher tariff barriers.

Yet let us never forget that our economic prosperity stems above all from our exceptional geographical situation, which gives Belgium the status of a great market place and a transit country and centre of industrial processing *par excellence*. If we want to hold on to this advantageous position — and we must, come what may — our economic policy should still and should always remain geared to free trade, unless our internal market is further enlarged and, in that case, beyond the confines of a union between Benelux and France.

We said in our introduction that, in our view, Benelux represented only a single stage in progress towards a much wider customs and economic union. A union with France should be a new step forward but by no means the last.

While we are looking at this issue in relation to France, there is nothing to stop us considering the same possibility with other countries, if possible neighbours of ours.

Clearly, a union which took in not just France and Benelux but also, for example, West Germany would constitute a much more homogeneous economic entity.

Moreover, this larger entity would finally put an end to the imbalance which, despite the economic importance of Benelux, could continue to exist in a union with a combined population of 18 million and a country with 40 million inhabitants. There would really no longer be any reason then to fear, as did our ancestors in the past, the predominance of a major power too bound up with international problems.

The moral unity of our country would also be consolidated because, in such a union, each of our two national communities — Flemish and Walloon — could unfold its potential more fully. In Benelux alone, the Walloons might fear some restriction of their range of influence, whereas, in a union of Benelux plus France, the Flemish and Dutch people might feel less comfortable.

Accordingly, a new enlargement extending beyond Benelux and France would bring about a better balanced and more harmonious entity.

Each country should, in similar fashion, study agreements on the same lines with its immediate neighbours. In this way, a European customs and economic union would be achieved much more rapidly, first between countries, then between groups of countries. We have little confidence in the work of those committees, set up by the Conference of Sixteen, whose ambition is to establish a European union in one go. They will find themselves having to tackle problems so complex and wide-ranging that the results of their efforts can only be disappointing.

But time presses: while — as we have said — this objective must be achieved gradually in stages without forcing issues, it is nevertheless important to take advantage of this post-war period in which economies are still sufficiently fluid to be channelled in the direction of closer cooperation.

Indeed, the war shook the foundations of the various economic structures and is now obliging each country to survey new ground. That is the intention of the Monnet Plan for France. If we spend too long conducting preparatory studies, there is the danger that each nation may try to restructure itself as an independent economic unit, and that would make it even more difficult to achieve the union of the future.

Mr Bidault, Minister for Foreign Affairs and senior French delegate to the United Nations General Assembly, delivered an admirable speech on 20 September 1947:

‘Without hesitation, I may state that, in every respect, the focus of these problems is in this old European continent, of which France has the dubious distinction, now perhaps more than at any other time in its history, of being the symbol and the interpreter.

Europe is the great victim of the war. Its territory has been ravaged, its peoples decimated, as happened 25 years earlier in very similar yet less appalling conditions. The grinding toil of a generation will be needed to raise it from the ruins. The shores from which adventurous men set forth to found communities that are now flourishing are devastated today ... Thus I have the duty to speak for those ancient peoples who appear as ancestors and yet are still so young, despite their misfortune and starvation.’

Now that the world seems bent on splitting itself into two hostile blocs, one may wonder whether this old Europe, which was the heartland of all wars, is not being called upon today to play the peacemaking role which the French Foreign Minister would seem to confer on it.

But for that, our corner of Europe must represent not only a spiritual and moral force, but also one that is material, in other words economic.

For all these reasons, we want our Government to study the possibilities of a customs and economic union between France and Benelux. If it concluded that a union was impossible to achieve, we would like its rejection this time to be based on a meticulous consideration of the problem, to which we would be happy to have contributed by way of this study.

Brussels, 1 November 1947.

Raymond Scheyven.

1. P van Zeeland: Report of the Committee on Foreign Affairs instructed to consider the Bill to approve the Customs Union Convention concluded in London on 5 September 1944 between the Belgo-Luxembourg Economic Union and the Netherlands and the Protocol to that Convention, Belgian Senate, sitting of 17 July 1947. (Reports of Parliamentary Proceedings, Senate No 266, 1946-1947 session.)

2. See speech by Mr de Geradon in the House of Representatives, sitting of 28 March 1928 —afternoon. (Reports of Parliamentary Proceedings, House of Representatives, p. 800.)