

# THE NETHERLANDS-BELGIAN-LUXEMBURG CUSTOMS AND ECONOMIC UNION<sup>1)</sup>

By E. J. E. M. H. JASPAR

During the period of the German occupation, during which period Belgium, Luxemburg and Holland had completely lost their freedom, the Governments of the three countries, — at that time residing in London —, decided to conclude an alliance aiming at a very close economic co-operation between the three countries. This alliance took shape in the Netherlands-Belgian-Luxemburg Customs-Union of September 5th, 1944, to which Union are for ever attached the names of *Spaak*, *Bech* and *Van Kleffens*, then Ministers of Foreign Affairs of the three countries. This decision gave evidence of splendid statemanship, discernment and confidence. For having no connection whatever with their people, the three Governments decided to an act containing the closest possible co-operation in the economic field that has been shown to the world ever since the "Deutsche Zollverein".

## II.

The idea of a close economic co-operation between the „Low Countries“ has not come into being these last years. In the 19th century already schemes have been laid in Holland and Belgium to come to a close economic association. Meanwhile in the 19th century the atmosphere proved to be not sufficiently favourable to realize such projects. Nor did the Belgian and Dutch eèperts draw up plans for a close economic co-operation between their countries in the beginning of the 20th century.

After the first world-war Holland and Belgium each went their own way; there have been events, which hampered a close alliance between Holland and Belgium to a high extent, events, which are now forgotten and about which we now, being good friends, smiling shrug our shoulders.

After 1930 the relations between the two countries apart from other factors also gradually improved because of the economic world-crisis; this improvement expressed itself in the Conventions of Ouchy and Oslo, at which Conventions Belgium, Luxemburg and Holland together and unanimously stood up for projects which aimed at a more comprehensive

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<sup>1)</sup> Lecture to Nationalekonomisk Forening 23. January 1948.

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exchange between the partner-countries. In 1937 the industrial and commercial sector of the three countries could — owing to this improved atmosphere — decide to the establishment of the Netherlands-Belgian-Luxemburg Permanent Economic Committee. The task of this Committee consisted in investigating in which way the obstacles for the commercial traffic between the three countries could be removed. Though not being a government committee, this committee very closely co-operated with the three Governments and its projects were studied most attentively.

The figure of the present Netherlands-Belgian-Luxemburg co-operation cannot be understood, however, without the second world-war. The common sufferings, the oppression, the lack of freedom and the common warfare have linked the three people so closely, that now exists that atmosphere, that friendship, which are indispensable conditions for the success of the projects embodied in the Convention of September 5th, 1944.

### III.

Which are the projects this Convention has in view?

The Convention is aiming at a complete economic Union between the three countries, says art. 8; and it is trying to reach its aim by way of two phases, namely a tariffunion and a customsunion. Having this object in view, the Convention provides for the institution of three Councils, namely: The Administrative Council for the Customs-Tariff; The Council for Trade-Agreements; The Council for the Economic Union.

These Councils are composed of a Dutch and a Belgian-Luxemburg delegation, as Belgium and Luxemburg already form an economic union since 1921. These Councils are merely official organisms, on which are sitting high officials of the three countries. To co-ordinate the activity of these councils as well as to propagate the idea of the Economic Union, a general secretariat has been established in Brussels, on July 1st 1946 in consequence of a joint resolution of the three Governments. This general secretariat is an international body, directed by a Secretary General of Dutch nationality, who is assisted by an assistant Secretary General of Belgian nationality and a Secretary of Luxemburg nationality.

### IV.

As I told you already, the Convention intends to realize the economic collaboration gradually by way of three phases of which the first is the *tariff-union*. The task of the Administrative Council for the Customs-tariff consists in preparing the tariff-union. During the Conference of the Ministers of the three countries held in The Hague on April 18th 1946, this Councils has been instructed to redact immediately a joint tariff of import-

duties, which would come into force in the three countries in substitution for the national tariffs of Holland, Belgium and Luxemburg. Incidentally I am pointing out that Belgium and Luxemburg possessed the same tariff ever since 1921.

The Council for the Customs tariff entered upon its task and redacted in admirable unanimity an entirely new joint Customs-tariff in the shortest possible time. I draw your special attention to the exceptionally hard task, which this Council set itself; it had to remould two quite different systems into an entirely new one. The differences marking the Belgian and the Dutch system were far from unimportant. In Belgium merely specific duties existed, whereas in Holland the ad-valorem duty was in force for many years. Besides there existed in Belgium the so-called nomenclature of the League of Nations, whereas the Netherlands followed their own nomenclature. The new joint tariff, which has been drawn up by the Administrative Council for the Customs-tariff, admits the ad-valorem duty and pursues the so-called nomenclature of the League of Nations. This joint tariff now has been accepted with an overwhelming majority by the three Parliaments in the months July and August last and it might be interesting for you if I communicated the results of the vote of the Parliaments in the three countries, just to give you an impression of the favourable atmosphere in the three countries.

The new joint tariff with the Convention of London of September 5th 1944, and the Protocol of the Hague of March 14th, 1947, as well as the Statute of the general secretariat have been accepted in the Parliaments as follows:

*Holland:* Second Chamber and Senate all votes in favour of the Convention.

*Belgium:* Chamber of Representatives: 135 votes in favour, 5 against and 21 abstentions.

Senat: 95 votes in favour, 12 against, and 21 abstentions.

*Luxemburg:* Chamber of Representatives: 45 in favour and 4 abstentions.

I can affirm explicitly that on January 1st, 1948, the Convention of London with the joint tariff of import-duties has come into force; that means that since that date the tariff-union is a reality.

Now of course a justified question is: "Wich are the consequences of this tariff-union?"

These consequences, though still extremely limited, are nevertheless of great significance. The tariff-union means that the three countries will charge goods coming from third countries with the same and equivalent import-duties. The second consequence is that in the mutual commercial traffic between Holland, Belgium and Luxemburg the import-duties will

be abolished. The levying of all other duties at the frontier such as excise-duties, turnover-tax, special import duty and statistic duty will be maintained, at least for the time being, for the Council for the Customstariff is preparing the unification of all these taxes and it is to be assumed that this unification will have been realized on January 1st, 1949. Apart from the unification of these duties and taxes this Council also prepares the unification of the Customslegislation in the three countries, which will have to be accomplished on January 1st, 1949 as well.

Once these projects have been realized, the second phase, the real Customs Union will come into operation on January 1st, 1949. That means that at the mutual frontiers between Holland, Belgium and Luxemburg not a single duty whatever will be left to be charged. But this second phase does not imply that at that time commercial traffic as such between the three countries will be entirely free. Owing to the scarcity of foreign exchange — from which scarcity especially the Netherlands are suffering — the commercial traffic also in the second phase, that is the Customs Union — will be subject to exchange control and licenses. A completely free exchange will only be attained in the third and last phase, the Economic Union. To this subject I will return more extensively afterwards.

## V.

As I told you at the beginning of my lecture, the Convention provided for a second Council as well, namely: the *Council for the Trade Agreements*. This Council has to investigate in which way the three countries will act in concert as to the commercial policy with third countries. At the same time it has to hand in motions concerning the way in which the three countries together should conclude trade agreements and so on with third countries.

For over a year this Council has been operating and it strikes the objective observer how much has been achieved in so short a time. Just think of the Preparatory Conference for Trade and Employment which began this year on April 18th at Geneva; though the three countries were represented by two delegations, namely a Belgian-Luxemburg one and a Dutch one, these delegations in every respect and continually pursued the same course of action. More clearly still this cooperation showed itself during the tariff-negotiations being held at Geneva at the same time. There the three countries were negotiating as an entity, forming negotiating teams of mixed structure, consisting of Belgian, Luxemburg and Dutch officials. Most explicitly the complete co-operation expressed itself at the Conference for the Marshall-plan in Paris, where the three countries in the various committees were represented by one official. Thus a Dutch official acted on behalf of the three in the Agricultural Committee, a

Luxemburg official in the Committee for Steel Industry, a Belgian official in the Committee for Coal-problems as well as in that for Transport-problems, while in the Central Committee the three were represented by a Dutch official. And especially I am drawing your attention to the most interesting fact, that Benelux concluded an agreement with the Union of South-Africa. This excellent co-operation, this following the same course of action are results of the preparatory proceedings of the Council for Trade-Agreements.

## VI

In 1946 the third Council, also the *Council for the Economic Union*, immediately began its task. It is indeed on this Council that rests the hardest task, namely the preparation of the complete Economic Union. Before exposing the activities of this Council, it might be useful to explain to you the right meaning and the real purport of the conception "Economic Union".

An Economic Union means that two or more countries form an entity in all sectors of the economic life. Though the involved countries each retain their political independence and sovereignty, they melt together in the economic field. The economic field also includes all related fields such as the monetary, the financial and the social field. So within this Economic Union there would not be a single frontier left except for the purely political one; the commercial traffic will be entirely free and no subject to restrictions, quota's and so on. It will be just the same whether goods are being sold from Amsterdam to Rotterdam, or from Amsterdam to Brussels and Luèemburg. Instead of the three national economies of Belgium, Luxemburg and Holland, there will be the economy of the Union.

No need to tell you, that the construction of this Union requires the solution of many a difficult problem. The Council for the Economic Union was fully aware of this and to speed up activity immediately provided for the institution of Committees which have to prepare the solution of the occurring problems. These Committees are: A Committee for Agriculture, Food-Supply and Fishery; A Committee for Industrial Development; A Committee for Quotas and Licenses; A Committee for Wages, Prices and Monetary Problems; A Committee for Ports and Transportproblems; A Committee for Statistics.

All problems arising before these Committees are culminating in this main problem namely that the question is to be solved as to how the three countries within the Economic Union should pursue the same economic policy. And though in some sectors it is not necessary to pursue a completely identical economic policy, there is at least to be striven after an equally levelled policy in all sectors of the economic life in the three countries.

Of course it is not possible for me to enumerate all the problems which will have to be solved before the Economic Union can be realized; but I would like to attract your attention to some of them which are most important within the Economic Union.

There is first of all *the monetary problem*: A complete parity will have to be fixed between the Dutch florin and the Belgian and Luxemburg franc, if the Economic Union wants to succeed. And not only parity, but both the exchanges will have to be completely interchangeable so that the Dutch can pay with their florins in Belgium and Luxemburg and the Belgians and inhabitants of Luxemburg with their francs in Holland.

Moreover the problems concerning the *granting of credit* are to be solved. At this very moment the Netherlands-Belgian Commercial traffic is running owing to credits which Belgium grants Holland. It is self-evident, that in an Economic Union there will be no room for such credits as the three partner-countries then are forming an economic entity.

Another problem is that of the *Industrial Development*. Could in former days be said that Belgium was an industrial country and Holland an agricultural one, such a thesis at this moment cannot be sustained by facts. Apart from the most extensive and well equipped Belgian industry an important agriculture developed itself in this country; besides an industry of a large extent developed itself in Holland in addition to the widespread agricultural sector.

The Economic Union does not mean that the Belgian agriculture would have to disappear for the benefit of the Dutch agriculture nor that the Dutch industry would have to lose in importance for the benefit of Belgium. On the contrary; within the Union there will be merely agriculture and industry, no matter in which partner-country this branch of business will be performed.

That is why the involved Committees are looking for a solution in this direction that the different sectors of the industrial and commercial life will specialize themselves by mutual arrangement. A means to achieve this end consists of the contact being established between the parties concerned of the same sector in the three countries. Thus, at this moment, whether the official organisms are supporting and directing them or not, discussions are being held by the parties concerned themselves.

Moreover there is of course to be prevented that in one partnercountry industries are established or enlarged which in the other country already exist and which dispose of sufficient productive-capacity to cope with the demand within the Union.

To accomplish this, the three Governments during the Ministers conference held only on May 2nd and 3rd, 1947 in Brussels decided that a number of industries would be put on a list. Establishment and enlargement of

the registered industries is only allowed after foregoing consultation of the three Governments. This consultation is obligatory.

Another problem certainly to be solved is that of *wages and prices*. In general the principle may be accepted that within the Economic Union the policy of prices and wages has to be identical or at least equally levelled. less serious disturbances should present themselves in the economic life and on the labourmarket.

At this moment there exists a considerable difference between the level of prices and wages in Belgium and Holland. Compared with May 10th 1940 wages in Belgium have been raised by 320 % whereas in Holland only by maximum 70 %.

The control of prices and wages on behalf of the Government is sharper in Holland than in Belgium. Though it should be kept in mind that at this moment a considerable difference exists between the Belgian and the Dutch level of prices and wages, it should also be acknowledged that there are indications that in the course of time, that means about the realization of the Economic Union, prices and wages will have met on about the same level. The Committee charged with the preparation of the Economic Union in this respect has already done considerable preparatory work.

The *agricultural problem* is no doubt most delicate. For in Belgium and Luxemburg the prime cost of agricultural and horticultural products is higher than in Holland which is caused by the fact that in Holland labour-methods are more up to date, whereas on the other hand the soil, being — especially in Luxemburg — less fertile, asks for a more intensive tillage. Owing to this difference in prime cost it was feared in Belgium and Luxemburg, that within the Economic Union Belgium and Luxemburg would be flooded by Dutch agricultural and horticultural products, which would ruin agriculture and horticulture in Belgium and Luxemburg. This Belgian-Luxemburg fear has been undone by a statement of the Dutch Government, which have declared that they have no intention at all to flood the Belgian-Luxemburg market with Dutch agricultural and horticultural products and that also in the Economic Union they take into account the Belgian-Luxemburg prime cost. On May 9th, 1947, the Ministers of Agriculture of the three countries have met and on that occasion minutes have been redacted in which the abovementioned solution is embodied.

Of course there are many other problems. In this regard I am thinking of the problem of our ports which shows itself explicitly in the competition between Antwerp and Rotterdam, and that in connection with the commerce of the two countries with a common hinterland. It is selfevident, that a certain competition has to exist, but it should not be the cause of a pining away of one of the two ports within the Economic Union. It seems to me that a solution is to be found in a division of labour between Antwerp and



Rotterdam which on the one side takes into account the historical rights and on the other hand the equipment of the ports which characterizes both ports for certain products.

If the Economic Union wants to succeed there is also to be striven after a *unification of the taxes* in the three countries. It will be perfectly clear to you that for instance especially the taxes for the industrial sector in the three countries will have to weigh equally heavy because otherwise an undesirable factor for competition would be created, which would endanger the Economic Union itself. A special Committee has been established to trace the way in which to realize this unification.

But in my opinion we should not stop at the unification of the taxes. There is to be striven after an unification of those parts of the legislation in the three countries which have influence upon the economic life. In this respect I am thinking of the unification of the Commercial Code and of some parts of the Civil Code. This subject recently has been discussed by the Ministers of Justice of Belgium and Holland whilst some Professors have been charged with the research as to how this unification is to be accomplished.

## VII.

In the preceding pages I enumerated some problems of countless many, which are presenting themselves in connection with the construction of the Economic Union. But at the same time I hope to have succeeded in demonstrating that the three countries, that is the Governments, the officials and the peoples themselves are most energetically engaged on the realization of this grand object.

We are all conscious that for the sake of the common weal sacrifices are to be made. But the three countries are of the opinion that their activity represents an important contribution to the establishment and the maintenance of peace in Europe and in the world. This economic Union is a pre-eminently peaceful grouping, not being directed against anybody; on the contrary, we are convinced that after the „Low Countries“ have realized their Union, other countries will join it.

The Netherlands-Belgian-Luxemburg Economic and Customs Union will be in the third place in the world-trade; it will be there not to render the lives of others impossible, but to be an example of how by mutual confidence and friendship a more comprehensive commercial traffic, that is more free-trade, can be attained. Seen in that light Benelux is really, as could be translated from Latin, "the good light".