



*European Communities
Commission
Press Release*

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Gundelach letter to Lincolnshire Echo

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NO AUTOMATIC FREE TRADE OPEN TO BRITAIN

Mr Finn Olav Gundelach, the Danish Member of the Commission responsible for the customs union, has written to the Lincolnshire Echo commenting on an interview with Mr Richard Body, M.P.

Mr Body made certain comments about EEC officials which, Mr Gundelach writes, are not worthy of a reply.

He adds:

"But there is a dangerous misunderstanding behind his suggestion - which he wrongly states was confirmed by me - that if Britain were to withdraw from the Community, a de facto trade area between Britain and Europe would nevertheless remain in existence.

Clearly this is a question of the first importance. Half of Britain's exports go to Western Europe, and therefore many jobs in Britain are at stake. So the terms on which the UK has access to the European market are a vital British interest.

The fact is that if Britain were to withdraw from the EEC there would certainly not automatically be a free trade area between the UK and the EEC. Nor for that matter would there automatically be a free trade area between Britain and her old EFTA partners. Because before she joined the EEC, Britain withdrew from the Stockholm Convention on which EFTA is based.

An automatic de facto free trade area with the EEC would be impossible because of the rules of the International Organisation for Trade Agreements (the GATT), of which both the UK and the EEC are signatories.

The 'most favoured nation' clause of the GATT requires that the same trade terms should be applied equally to all of its signatories unless a special free trade area or customs union agreement has been negotiated.

Similarly, the EEC's law requires that the Common External Tariff of the Community must be applied equally to all non-member countries unless a special arrangement has been arrived at.

Consequently, if Britain were to withdraw from the Community, free trade with the EEC markets would only be established after a free trade agreement had been duly negotiated between the EEC and the UK in accordance with the provisions of GATT and of the Treaty of Rome.

Obviously, speculation about the possible content of any free trade area agreement that might be negotiated between the UK and the EEC would at the moment be rather hazardous. But as the British Government's recent White Paper on Membership of the European Community points out, 'Even if an acceptable free trade arrangement could be negotiated, this would be accompanied by conditions which would be likely to limit the Government's freedom to give assistance to British industry'."

F.O.Gundelach, Member of the Commission of the European Communities.