

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

RESTRICTED

L/637  
11 June 1957

Limited Distribution

---

TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY

Memorandum submitted by the Interim Committee for the  
Common Market and Euratom

At the meeting of the Intersessional Committee on 24-27 April (IC/SR.30) Baron Snoy, Chairman of the Interim Committee, stated that the six member governments intended to submit to the CONTRACTING PARTIES a memorandum setting out the important aspects of the Treaty, particularly in relation to the provisions of the General Agreement. This memorandum has now been received and is distributed herewith.

---

TRAITÉ INSTITUANT LA COMMUNAUTÉ ÉCONOMIQUE EUROPÉENNE

Mémoire présenté par le Comité intérimaire pour le  
Marché commun et l'Euratom

Au cours de la réunion du Comité d'intersession, tenue à Genève du 24 au 27 avril 1957 (IC/SR.30), le Baron Snoy et d'Oppuers, Président du Comité intérimaire, a fait savoir que les six gouvernements membres se proposaient de présenter aux PARTIES CONTRACTANTES un mémorandum exposant les principaux aspects du Traité, notamment dans leurs rapports avec les dispositions de l'Accord général. Ce document est parvenu au secrétariat; l'on en trouvera le texte ci-joint.

TABLE OF CONTENTS

Pages 1

I. GENERAL

II. PROVISIONS OF THE TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY GOVERNING COMMUNITY TRADE AND TRADE WITH THIRD COUNTRIES

A. -- Trade as between Member States

- Principles
- The scope of free movement
- The plan for the effective elimination of trade obstacles

(a) Tariffs

- Import duties
- Taxes of equivalent effect to customs duties on imports
- Fiscal duties

(b) Quantitative restrictions

(c) Special problems

- State monopolies
- Agriculture

B. -- Trade with third countries

- Customs duties

(a) The level of the common tariff

- General rule
- The conditions of application
- Special cases

(b) The progressive bringing of national tariffs into line with the common tariffs

- The general rule
- Special cases in the application of the general rules
- Adjustments in the rate of tariff alignments

(c) The granting of tariff quotas at reduced rates of duty or duty free

(d) Modifications of the common customs tariff

- Quantitative restrictions

Pages

III. THE ASSOCIATION OF THE OVERSEAS COUNTRIES AND TERRITORIES

IV. CONCLUSIONS

I. GENERAL

1. It was in June 1955 in Messina, that the Governments of the Federal Republic of Germany, Belgium, France, Italy, Luxemburg and the Netherlands decided to take a new step towards the construction of an integrated Europe through the development of common institutions, the progressive union of their domestic economies and the harmonization of their economic and social policies.

2. The intentions expressed by the governments concerned and the provisions of the Treaty establishing the European Economic Community clearly show that the structure thus established far outreaches the problems of commercial policy and those which hinge upon the provisions of the General Agreement on Tariffs and Trade. It is for that reason that any appreciation of the Rome Treaty should be all inclusive and it would be futile to reduce such appreciation to narrow or limited considerations of interest.

From the legal point of view the question has often been raised as to whether the establishment of the Community would not, on account of its very nature, fall beyond the field of application of the GATT rules. In any case the six Governments are fully aware of the problems which some provisions of the Rome Treaty raise for the CONTRACTING PARTIES to the General Agreement.

That is the reason why the CONTRACTING PARTIES have been informed of the progress achieved in this respect by means of reports submitted by the Intergovernmental Committee established by the Messina Conference and through the statement submitted to the Eleventh Session in October 1956 by His Excellency Ambassador Forthomme, speaking on behalf of the six Governments.

3. After completion of preparatory work, the six Governments transmitted the text of the Treaty establishing the European Economic Community to the CONTRACTING PARTIES on 17 April 1957, thereby fulfilling their commitment to submit the Treaty to the CONTRACTING PARTIES after its signature but before its ratification.

Subsequently they sent to the meeting of the Intersessional Committee held in April 1957 in Geneva, Baron Snoy et d'Oppuers, Chairman of the Interim Committee for the Common Market and Euratom.

Thus a preliminary exchange of views could be held with the CONTRACTING PARTIES, which on that occasion were given a considerable amount of information and clarification in answer to a number of questions.

4. In submitting their memorandum the six Governments wish to stress the importance that they attach to the Treaty signed in Rome on 25 March 1957. Indeed, they are of the opinion that many of the difficulties which Europe

meets today are attributable to its being split up into separate economic entities. On the other hand it appears that close cooperation between a number of countries and integration of their national economies brings about an increase in productivity, higher yields for their economic activities as a whole, the raising of the standard of living of their peoples and an expansion of trade with third countries. The six Governments having regard to these objectives decided to establish a common market. In this respect they are of the opinion that the strengthening and stability of the economy of such an important area as Europe will bring advantages to other parts of the world.

The Treaty establishing the European Economic Community, therefore, lays down the bases for a new economic and political cooperation as between the Member States and offers the conditions necessary to construct one further vast economic area.

5. Thus, the Member States intend not only to eliminate, as between themselves, customs duties and other obstacles to trade, but also to establish, by means of appropriate institutions in which the necessary responsibilities shall be vested, a common economic policy, the constituent elements of which, i.e.,

- the free movement of goods, persons and capital  
(Articles 9 to 37 and 48 to 73)
- the establishment of a common economic and commercial policy  
(Articles 38 to 47, 74 to 84, and 85 to 128)
- the association of overseas countries and territories  
(Articles 131 to 136 and Applicatory Convention annexed to the Treaty),

cannot be disassociated and are equally essential.

6. In their opinion, a European Customs Union, if it is to operate effectively, should be supplemented by steps going far beyond mere freedom of movement for goods.

Such an opinion is justified by the fact that obstacles to trade do not take the form of customs duties, import quotas or monopolies only, but also operate through restrictions in currency allocations, discrimination in transport prices and conditions, depending upon the country of origin or destination, and internal regulations, in particular in the field of services or agriculture, the total net result of which is in fact to hamper foreign competition.

Furthermore, solutions to tariff problems proper depend upon those which can be evolved in other fields.

7. To achieve balanced exchanges between the economies of the Member States, the six Governments have included all products in the common market, with no exception whatsoever, so that the steps taken do not merely affect substantially all the trade between the parties concerned, as provided for in Article XXIV of the General Agreement, but all the trade as between the constituent territories.

The six Governments further believe that it was their duty to associate overseas countries and territories with which they have special relations in the prosperity which will result from the integration of their economies within the Community, in the form of an improvement in the living and working conditions.

They wish to confirm their determination to associate with the Community such overseas countries and territories. They are, indeed, resolutely determined to confirm and strengthen the ties which unite Europe and such overseas countries and territories and to promote their interests so as to bring them in accordance with the principles of the United Nations Charter, to the early economic, social and cultural development they expect.

They consider further that Europe shall contribute to international stability through a collective effort which will supplement the endeavours of individual members and shall be intended to promote the economic and social development of those countries and territories.

The six Governments are therefore agreed to set up a Community as between the customs territories of the Federal Republic of Germany, Benelux, France, and Italy, such Community to be gradually extended to those countries and territories that are listed in Annex IV to the Treaty.

9. Furthermore it is their declared intention, upon the entry into force of the Treaty, to propose to the independent countries of the French franc area the opening of negotiations with a view to concluding conventions for their economic association with the Community.

They have also declared themselves, having regard to the close links uniting the various parts of the Kingdom of the Netherlands, ready, upon the entry into force of the Treaty and at the request of the Kingdom of the Netherlands, to open negotiations with a view to concluding conventions for the economic association of Surinam and the Netherlands West Indies with the Community.

10. It is not the intention of the six Governments that the benefits of the common market should be reserved only for the above-mentioned countries and territories. Any European State which is prepared to accept the rules of the Community may join the Community whereupon the rights and obligations ensuing from the Treaty shall become applicable to it. (Article 237)

Furthermore, the Treaty provides that the Community may conclude with a third country or a group of third countries or an international organization, agreements instituting an association characterized by reciprocal rights and obligations, joint action and special procedures. (Article 238)

The Member States wish to stress the open nature of the Community.

11. It is also the view of the six Governments that a common market can only be achieved if the necessary time limits are provided for to make it possible to effect the necessary adjustments.

Therefore, notwithstanding their concern promptly to reach the stage of the full implementation of the objectives of the Treaty, they have had to act cautiously as far as time limits are concerned because the formation of the Community involves a number of adjustments and sacrifices. Indeed the sudden confrontation of various domestic economies within a Community that were achieved abruptly might bring about serious disruptions in countries having reached similar stages of development. A fortiori, in cases where the economies thus confronted had reached very unequal stages of development, the formation of a Community within an unduly limited period would impose the heaviest sacrifices upon the weaker economies.

This is the reason why as regards the association of those overseas countries and territories with which they have particular ties the six Governments have been led to lay down terms and conditions and time limits for the implementation of the provisions of the Treaty that differ from those applicable in respect of their own association.

12. The transition period leading to the full integration of the national economies of the Member States shall be twelve years. The transition period shall be divided into three stages of four years each, which may be extended for no more than three years, provided, however, that the need for such an extension shall be duly recognized.

Such provisions shall not result in the transition period being extended beyond a total duration of fifteen years from the date of the entry into force of the Treaty.

The expiration of the transition period shall be the same in respect of all the measures to be taken, that is for the elimination of customs duties

and other restrictive regulations of commerce as between the Member States or the establishment of a common external tariff, free movement of capital, services and workers.

13. The interest of the Member States and of the common market required that such a mandatory time limit should be laid down in respect of the expiration of the transition period, because any adjustments necessary in the policies of the Member States and in the operation of undertakings shall be effected all the better as it will be absolutely certain that progress will not be blocked and there shall be no retrogressive step.

Furthermore, the use of waivers is subjected to controls by Community institutions. Such controls also ensure that the European common market shall be fully achieved within the time limits laid down, because the Member States are aware that undue recourse to escape clauses on the part of any member might hamper the adaptation of its national economy within the framework of the Community so that such a country would never be able to play its full part as a participant in the Union. Such a consequence would not be acceptable to other Member States because those benefits that would accrue to them as a result of the establishment of the Community would be nullified and they would have to bear the whole burden of the adjustments necessitated by the formation of the economic union without receiving any compensation in return.

14. With a view to achieving all the objectives laid down in the Treaty a Council of Ministers has been established. The decisions of the Council shall be taken by a majority of its members.

Furthermore, a European Commission enjoying independent powers of decision has been set up with a view to ensuring the implementation of the Treaty provisions and of any arrangements made under the Treaty by the Community institutions.

Within the Community, the Assembly shall enjoy the parliamentary powers of decision and supervision.

In order that disputes should not delay the gradual achievement of the European Economic Community or unduly hamper its operation, the six Governments have provided for appeals to be lodged with the Court of Justice which has been instituted to that effect.

Furthermore, a European Investment Bank has been set up. Its task shall be to contribute to the balanced and smooth development of the common market through recourse to the capital markets and its own resources.

Lastly, a European Social Fund shall be created for the purpose of promoting employment facilities and the geographical and occupational mobility of workers within the Community.

II. PROVISIONS OF THE TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY GOVERNING COMMUNITY TRADE AND TRADE WITH THIRD COUNTRIES

A. TRADE AS BETWEEN MEMBER STATES

15. Principles

The Treaty provides that free movement of goods between the Member States of the Community shall be fully achieved in respect of both agricultural and industrial products, by the end of the transitional period. This date is the final date for the abolition of customs import duties and all taxes with equivalent effect, quantitative import restrictions and all measures having an equivalent effect.

Furthermore, it should be noted that the final date for the abolition, as between the Member States, of customs export duties and all taxes with equivalent effect, quantitative export restrictions and all measures having an equivalent effect will be even earlier: these obstacles must be eliminated by the end of the first stage. (Articles 13, 16, 30, 32, 34 and 38)

16. The scope of free movement

The free movement of goods within the Community shall apply to products originating in Member States as well as to those coming from third countries which are freely available in Member States. Products freely available in a Member State shall be understood to mean products coming from a third country, in respect of which the necessary import formalities have been carried out and the customs duties or equivalent taxes have been collected, and in respect of which a total or partial drawback on such duties or taxes has not been granted.

Before the end of the first year following the entry into force of the Treaty, (i.e. before the first stage of customs duty reduction), the Commission shall decide upon the provisions applicable to processed goods, the manufacture of which has involved the use of products which are not freely available. (Articles 9 and 10)

17. The plan for the effective elimination of trade obstacles

While customs export duties and quantitative export restrictions and all measures having an equivalent effect will be eliminated at the end of the first stage, at the latest, other obstacles to trade will be eliminated gradually. The relevant provisions are summarized below:

(a) Customs duties

Import duties

Customs duties on imports applied between Member States shall be progressively abolished by them, during the transitional period, on the basis of the duties actually applied on 1 January 1957, as follows:

- a uniform reduction of 10 per cent shall be applied to all duties one year after the entry into force of the Treaty;
- subsequently, duties will be subjected to a series of reductions spread over the transitional period (at twelve or eighteen months' interval); at the time of these reductions, each Member State shall reduce the total of the duties levied by it in such a way as to reduce its total receipts from customs duties<sup>1</sup> by 10 per cent, it being understood that the reduction in the case of each product shall be equal to at least 5 per cent of the basic duty.

Provided it fulfils the obligation to reduce total customs receipts by 10 per cent and the duty on each product by 5 per cent, each Member State may therefore reduce duties on certain products at a slower rate than is envisaged, provided, however, that by way of compensation, duties on other products shall be reduced more rapidly. Each Government is therefore free to take into account the special position of certain industries.

In order to avoid accumulated delays in duty reductions for certain products at the end of the transitional period, it is provided that Member States shall report to the Commission on the method by which the regulations for such reductions are applied, and that they shall endeavour to ensure that, in the case of each product, the reduction of duty shall amount to at least 25 per cent by the end of the first stage and 50 per cent by the end of the second stage. Furthermore, the Treaty provides that, in the case of products on which there would still remain a duty of more than 30 per cent, each reduction shall be equal to at least 10 per cent of the basic duty. (Article 14)

In view of the fact that the semi-linear system of duty reduction provided for in the Treaty allows the rate of reduction to vary from one product to another, it can be foreseen that by the end of the second stage, the average reduction will amount to 60 per cent, but not necessarily so in the case of each individual product. It has therefore appeared necessary that at a given moment the reductions achieved should be reviewed and that a schedule for the elimination of outstanding duties should then be laid down.

It is for this reason in particular that the drafters of the Treaty have combined an automatic system for reductions of duty with certain institutional procedures. Up to the end of the second stage, reductions will be effected automatically under the system described (six successive stages of reduction). The timing of the reductions to be carried out during the third stage will be determined by the Council, voting with the prescribed majority on a proposal

---

<sup>1</sup> The total customs receipts of each Member State shall be calculated by multiplying the value of its imports from other Member States during the year 1956 by the basic duties.

by the Commission. (Article 14, paragraph 2(c)). It should be noted that in any case the end of the transitional period is the final date for the abolition of remaining duties. (Article 8, paragraph 7, and Article 13, paragraph 1)

Finally, it should be pointed out that the system described above lays down only minimum obligations. In Article 15, Member States have declared their readiness to reduce their customs duties vis-à-vis other Member States more rapidly than is prescribed, should their general economic situation and the situation in the sector concerned so permit.

19. Taxes with an effect equivalent to customs import duties

Taxes of equivalent effect to customs duties on imports shall be progressively abolished during the transitional period. In view of the diversity of these taxes, it was necessary to provide that the Commission shall issue directives as to the rate at which this abolition shall be effected, taking as a basis the rules applicable to customs import duties.

In any case, such taxes may not be maintained after the end of the transitional period. (Article 8, paragraph 7 and Article 13, paragraph 2)

20. Customs duties of a fiscal nature

The provisions applicable to customs import duties shall in principle apply to customs duties of a fiscal nature. Nevertheless, such duties shall not be taken into consideration for purposes of calculating total customs receipts which must be reduced by 10 per cent at each stage of reduction. Furthermore, the Treaty provides that at each stage of reduction fiscal duties shall be reduced by at least 10 per cent of the basic duty.

Member States retain the right to replace fiscal duties by internal taxes, which must, however, be levied without discrimination as between imported and domestic products, and which may not be levied in such a way as to give indirect protection to national production. (Article 95).

A special provision is included in case serious difficulties exist in a Member State in the way of the replacement of a duty of a fiscal character. In such a case, the Commission shall authorize the State concerned to retain the duty in full on condition that it be abolished within at the latest six years.

(b) Quantitative restrictions

21. Quotas will be eliminated not by abolishing all individual quotas in a single operation, but through a gradual increase of existing quotas so that quotas will gradually cease having any restrictive effects and can easily be eliminated altogether at the end of the transitional period.

To this end, one year after the entry into force of the present Treaty, each of the Member States shall convert any bilateral quotas granted to other Member States into global quotas open, without discrimination, to all other Member States.

From the same date, Member States shall enlarge each year the whole of the global quotas thus established so as to attain an increase of at least 20 per cent in their total value, compared with the preceding year; nevertheless, each global quota for each product shall be increased by at least 10 per cent each year.

Such provisions are therefore similar to those applicable in respect of the elimination of customs duties as between Member States.

By the end of the tenth year, each quota must be equal to at least 20 per cent of domestic production.

If the Commission finds that imports of any product have not taken up the quota opened for two successive years, such quota shall be abolished. (Article 33)

Certain modifications of the above-mentioned rules are provided for small or non-existent quotas as well as for those which represent more than 20 per cent of domestic production.

In the case of a product which has not been freed, if the global quota does not amount to 3 per cent of the domestic production of the State concerned, a quota representing at least 3 per cent of domestic production shall be established within a period of not more than one year from the entry into force of the Treaty. Such quota shall be raised to 4 per cent after the second year and to 5 per cent after the third year. Thereafter, the Member State concerned shall increase the quota by at least 15 per cent each year. (Article 33, paragraph 2)

While provision has been made for a rapid increase of small quotas, the contrary is true in the case of quotas representing more than 20 per cent of domestic production. The Council, voting with the prescribed majority on a proposal by the Commission, may authorize a Member State to increase its quotas, at each stage, by less than 10 per cent; such authorization shall not, however, affect the obligation of Member States to increase the total value of global quotas by 20 per cent each year. (Article 33, paragraph 5)

Finally, special provision is made for Member States which have gone beyond the obligations imposed on them in respect of the level of liberalization within the Organisation for European Economic Co-operation, so that the basic level for the progressive elimination of quotas will be substantially the same for all Member States. (Article 31, paragraph 2, and Article 33, paragraph 6)

In order to ensure that quotas shall be increased at a rate sufficient to guarantee their effective and complete abolition by the end of the transitional period, the Commission shall keep a close watch on progress achieved in this field. It may, if necessary, make proposals to the Council for amending the prescribed procedure and, in particular, for raising the percentages fixed. The Council will decide on these proposals by a unanimous vote during the first stage, and subsequently with the prescribed majority. (Article 33, paragraph 8) Furthermore, in Article 35, Member States have declared their readiness to abolish their quantitative restrictions more rapidly than is provided for, should their general economic situation and the situation of the sector concerned so permit.

In any case, the provisions of the Treaty are mandatory: all outstanding quotas must be abolished by the end of the transitional period. (Article 8, paragraph 7, and Articles 30 and 32)

The Treaty also provides that the Commission shall issue directives laying down the procedure and the rate according to which any measures with effects equivalent to those of quotas shall be abolished.

In accordance with rules inspired by Articles XX and XXI of the General Agreement, the Treaty provides for exceptions to the principle of the free movement of goods as between Member States. The drafters of the Treaty have, however, expressly emphasized that such prohibitions or restrictions must not constitute either a means of arbitrary discrimination, or a disguised restriction on trade between Member States. (Article 36)

As in the General Agreement, an exception is also provided to cover the case of difficulties or a serious threat of difficulties in the balance of payments of Member States. (Articles 108 and 109)

(c) Special problems

22. State Monopolies

The operation of certain State monopolies may result, for international trade, in restrictions equivalent to quantitative restrictions. In order to avoid such restrictions, the Treaty provides that these monopolies shall be adapted progressively in such a way as to ensure the disappearance, at the end of the transitional period, of all discrimination between the nationals of Member States in respect of conditions of supply or sale.

The rate at which the above-mentioned measures shall be taken shall be adapted to the rate at which quantitative restrictions are abolished. As soon as the first stage has begun, the Commission shall make recommendations on this subject.

23. Agriculture

The rules for the establishment of the common market shall apply to agricultural products.

In this sector, however, it is apparent that a common policy is particularly necessary.

While the principal obstacles to trade in industrial products are customs duties and quantitative restrictions, that is not the case for trade in agricultural products. Economic and social conditions in agriculture have led throughout the world to various forms of market organization at national or international level. It is therefore evident to the Member States that a common market for agricultural products can only be established if a common organization in one of the following forms is substituted for the various national organizations:

- a system of common rules to control competition;
- the compulsory co-ordination of the various national market organizations;
- a European Marketing Board.

Until one of the forms of common organization referred to above replaces the national organizations, as part of the common agricultural policy whose objectives are set out in Article 39 of the Treaty, provision is made for the conclusion of agreements or long-term contracts. The purpose of such agreements or long-term contracts is to ensure the gradual expansion of quotas between Member States.

It should be emphasized that in drawing up such agreements, due regard shall be paid to traditional trade channels. (Article 45)

The last special provision of the Treaty in respect of agricultural products is the system of minimum prices under which, during the transitional period, the same rules may be applied to agriculture as are applied to industrial products with regard to the progressive elimination of customs duties and quantitative restrictions as between Member States. Such mitigation of the general rules was necessary in view of the special economic and social situation obtaining in the agriculture of the Member States.

By a unanimous vote, the Council of Ministers shall determine objective criteria for establishing minimum prices whose application in principle remains within the field of competence of the Governments. In addition, the institutions of the Community shall enjoy supervisory powers, as specifically provided in the Treaty, in order to avoid undue practices. No later than from the beginning of the third stage such controls shall be exercised on the basis of majority decisions. (Article 44)

## B. TRADE WITH THIRD COUNTRIES

### 24. Customs duties

The Treaty provides for the establishment of a common customs tariff which shall be gradually substituted for the tariffs of the four constituent customs territories of the Community during the transitional period.

At the end of the transitional period, the common customs tariff shall be applied in its entirety at the external frontiers of the Community. (Article 23, paragraph 3)

(a) Level of the common tariff

25. General rule

The General Agreement on Tariffs and Trade stipulates that the common tariff duties shall not on the whole be higher than the general incidence of previously existing duties.

The Member States have adopted the method of the arithmetical average in order to establish the common tariff, because it is simple and avoids lengthy statistical calculations while at the same time ensuring harmony within the tariff itself.

The common tariff will therefore be in accordance with the provisions of Article XXIV:5(a), the more so as downward adjustments have been made in the general level resulting from the method adopted; this was done because, first of all, in the case of most items, the method applies not to autonomous agreed rates of duty, but to the rates effectively applied on 1 January 1957, and, also because ceiling rates have been fixed for all products included in Lists A, B, C and D annexed to the Treaty.

26. Conditions of application

With regard to certain products on which France had suspended the duty but on which there were such import restrictions that the duty suspension had practically no effect, the duties to be applied for the purpose of computing the arithmetical average (Article 19, paragraph 2, third sub-paragraph) are contained in List A annexed to the Treaty. The drafters of the Treaty considered that the tariff provisions effectively applied to those products on 1 January 1957 did not reflect the actual level of protection.

For certain groups of products, the Treaty provides that the duties under the common tariff shall not exceed a specified maximum rate. These "ceiling rates" are the following:

- 3 per cent in the case of products coming under the tariff headings mentioned in List B (mainly raw materials);
- 10 per cent in the case of products coming under the tariff headings mentioned in List C (mainly semi-manufactures);
- 15 per cent in the case of products coming under the tariff headings mentioned in List D (inorganic chemicals);
- 25 per cent in the case of products coming under the tariff headings mentioned in List E (organic chemicals, dyes and plastic materials); if under the tariff of the Benelux countries a duty of not more than 3 per cent is levied on these products, this duty shall be raised for the purpose of calculating the arithmetical average to 12 per cent, a rate which corresponds approximately to the average protection granted to domestic production in the Benelux countries. (Article 19, paragraph 3)

27. Special cases

For a certain number of products, however, it has only been possible to establish a common duty rate through negotiations between the Member States. Time did not permit these negotiations, which led to the establishment of List F, to be completed with regard to the products in List G. In order to remedy certain unavoidable oversights, each Member State may add further products to List G, but only up to 2 per cent of the total value of its imports from third countries during the year 1956.

The negotiations still outstanding must be undertaken before the end of the second year following the entry into force of the Treaty and concluded before the end of the first stage. If it proves impossible, in the case of certain products, to reach agreement within these time limits, the Council, by unanimous vote up to the end of the second stage, and subsequently by the prescribed majority, shall fix the duties to be applied under the common customs tariff. (Article 20)

It should be noted that the duty rates which appear in List F are, on the whole, lower than those which would have resulted from a computation of arithmetical averages. The case will probably be the same in respect of products included in List G.

(b) The progressive bringing of national tariffs into line with the common tariff

28. General rule

Each Member State shall bring its tariff into conformity with the common customs tariff in three successive processes of adjustment, at the end of each of the three stages of the transitional period.

- At the end of the first stage:

- the common customs tariff duty shall be applied to all tariff groups on which the duties differ very considerably from the duties applicable under the common tariff, that is to say, by more than 15 per cent in either direction;
- in the case of other tariff headings, the difference between the duty effectively levied and that of the common customs tariff shall be reduced by 30 per cent.

- At the end of the second stage:
  - this difference shall again be reduced by 30 per cent.
- At the end of the transitional period:
  - the common customs tariff shall be applied in its entirety. (Article 23, paragraphs 1 and 3)

29. Special cases in the application of the general rules

In the case of tariff headings for which the duties under the common customs tariff are not known at the end of the first stage (List G), each Member State shall, within the six months following the Council decision fixing the common duty applicable to those tariff headings, apply such duties as shall result from the application of the rules for bringing duties into line with the common customs tariff.

30. Adjustments in the rate of tariff alignments

In general, for the purpose of bringing their duties into line with the common customs tariff, Member States shall remain free to amend their customs duties more rapidly than is provided for in the Treaty. (Article 24)

Furthermore, the Commission may authorize any Member State faced by special difficulties to defer the reducing or the raising of duties under certain headings of its tariff for a limited period and only for a group of tariff headings which together do not represent more than 5 per cent by value of the total imports of the State in question from third countries. (Article 26)

(c) The granting of tariff quotas at reduced rates of duty or duty-free

31. As an exception to the afore-mentioned rules, the Community's institutions are authorized to grant, in specific conditions, import tariff quotas at a reduced rate of duty, or duty-free, to the Member States concerned, at the request of the latter.

According to the products concerned, the conditions may be as follows:

- that a substantial proportion of the needs of the applicant State is traditionally covered by imports from a third country and that the products concerned are not being produced in the Community in sufficient quantities to meet those needs;
- that a shift in sources of supply or a shortage of supplies within the Community might adversely affect the processing industries of the Member State concerned;
- that such quotas may not exceed the limits beyond which there might be a danger of activities being diverted to the detriment of other Member States.

(d) Modifications of the common customs tariff

32. The rates of duty applicable under the common customs tariff may be amended as a result of tariff negotiations with third countries; such negotiations may be initiated after the entry into force of the Treaty.

In the Treaty, the Member States declare their willingness to contribute towards the expansion of international commerce and the reduction of trade barriers by entering into reciprocal and mutually advantageous arrangements directed to the reduction of tariffs below the general level which they might otherwise claim to enforce as a result of the establishment between themselves of a customs union. (Article 18)

The Commission shall conduct any negotiations initiated with a view to concluding such agreements, within the limits of such directives as the Council may issue to it by a unanimous vote during the first two stages and thereafter by the prescribed majority. In accordance with the same rules, the Council shall conclude agreements on behalf of the Community. (Articles 111 and 114)

\*

\*

\*

33. The six Governments are confident that the Community's common tariff will not, on the whole, be higher than the customs tariffs of many third countries. In order that the CONTRACTING PARTIES may appreciate the level of the common tariff, the six Governments will transmit to them, not later than September 1957, a specimen tariff showing the rates of duty applicable to products considered to be the most representative items of the trade between the Member States and third countries.

34. Quantitative restrictions

With regard to quantitative import or export restrictions, the common commercial policy of Member States is intended to contribute to the progressive abolition of restrictions on international trade. (Article 110) Thus the Community will follow a policy in accordance with its rights and obligations under the international agreements to which the Member States of the Community are parties.

In particular, the Treaty stipulates that the Member States shall aim at securing uniformity between themselves, during the transitional period, at as high a level as possible in their lists concerning freedom of trade with third countries or groups of third countries. The Commission shall make any appropriate recommendations to Member States for this purpose. (Article 111, paragraph 5)

III. THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES WITH THE COMMON MARKET

35. In order to strengthen the bonds of solidarity which unite European countries and the overseas territories, in accordance with the principles set forth in paragraph 9 above, the straightforward inclusion of overseas territories in the common market, subject to all the rules applicable to Member States, might have been envisaged.

Although this solution would have been more advantageous to Member States, it could not be adopted because it does not take account of the actual situation of those territories which are in the process of economic development. The sole concern of the six Governments in laying down the rules finally adopted was to take account of the needs of economic development, of industrialization, and of the various existing customs systems, and in particular of the international status of certain overseas countries or territories.

36. The general objectives relating to trade as between the Member States and the overseas countries and territories are the same that apply to trade as between the Member States.

37. Nevertheless, associated countries and territories may as an interim measure collect certain customs duties upon imports from Member States during a period to be determined in accordance with the rate of progress achieved in their economic development. (Article 113, paragraphs 2 and 3).

In this respect caution was particularly necessary because the customs duties levied in those countries and territories are mostly of a revenue nature and given their present economic structure constitute a source of budgetary income to which there is no alternative. Such measures, which will be eliminated when the maintenance is no longer justified, provide these territories with facilities to meet the needs of their industrial development and meets their aspirations.

The six Governments could not overlook these needs, and in order to take them into account, they considered that flexible time limits were necessary.

Moreover, the CONTRACTING PARTIES have recognized, when giving an interpretation of Article XXIV:5(c) of the General Agreement, that in considering the proposed schedule for the completion of a customs union or a free-trade area, the characteristics of the economies of the countries concerned would have to be taken into account in each case. (GATT/CP.3/24)



Considering therefore that the time limits are to be established according to the rate of development, the provisions regarding the association of overseas countries and territories are undeniably in conformity with the provisions of Article XXIV.

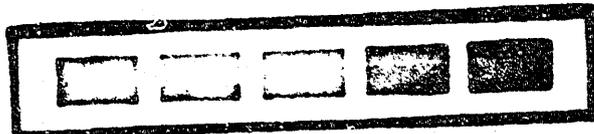
38. In order to promote economic development, thereby shortening the transitional period as much as possible, the six Governments have decided jointly to undertake a large-scale effort of financing, complementary to the programmes on which some Member States have already embarked.

Over a five-year period, the Member States will jointly contribute more than \$500 million to a Development Fund for the overseas countries and territories.

The authorities responsible for the countries and territories shall, in agreement with the local authorities or representatives of the peoples of the countries or territories concerned, submit to the institution which administers the Fund (i.e. the European Commission) any social or economic projects for which financing by the Community is requested.

The allocation of the resources available shall be determined, by a majority vote, by the Council of Ministers, acting upon the proposal of the European Commission.

The association under which the countries and territories receive the benefit of a genuine assistance project in matters pertaining to exchange, finance, equipment and technical assistance, is not an end in itself but an instrument for political, economic and social progress.



#### IV. CONCLUSIONS

40. The foregoing explanations show that the measures to be taken under the Treaty are in general in accordance both with the provisions of Article XXIV of the General Agreement on Tariffs and Trade and with the objectives of that Agreement and the obligations ensuing from it.

The six Governments wish to stress that, as regards those matters for which responsibility to determine the economic, agricultural, social and commercial policy of the Community is vested in the Council of Ministers, the Treaty merely confirms at international level a situation which already exists on the national level, as far as the Member States and the other contracting parties to the General Agreement are concerned.

Furthermore, since Article 234 stipulates that the provisions of the Treaty shall not affect the rights and obligations resulting from conventions (and in particular the General Agreement on Tariffs and Trade) to which the Member States are parties, the powers vested in the Council of Ministers will permit any adaptations that may prove necessary.

The six Governments are convinced that the common market will contribute to the development of international trade precisely because of the general expansion that will result from the merging of the economic systems of the Member States. In fact, the CONTRACTING PARTIES have recognized, in Article XXIV:4 of the General Agreement, that a customs union can make a valuable contribution to international trade.

By establishing the Community, the six Governments will therefore be able to contribute more effectively towards the basic objective of the General Agreement on Tariffs and Trade of eliminating barriers to international trade.

