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## EUROPEAN ECONOMIC COMMUNITY

### Statement by the Representative of the Community at the Twentieth Session of the CONTRACTING PARTIES

The evolution of the European Economic Community since the nineteenth session has been marked by a number of events of considerable and sometimes decisive significance in regard both to the achievement of economic union between our six countries and to the relations between the Community and the rest of the world.

Being ever desirous of furnishing information whenever this appears useful and consistent with the interest and expectations of its partners in GATT to do so, the Community therefore wanted once again to have an opportunity under the agenda for this session to present to you, over and above its obligations arising from the General Agreement, all the data which it considered might be of interest to you.

I. The fundamental event, from the point of view of achieving the economic integration of our six countries, was the decision taken by the Council of the EEC on 14 January, with retroactive effect as from 1 January, to proceed to the second stage of the Common Market. This ensures that the transitional period will automatically run its full course until the expiry date of 31 December 1969, in two further successive stages, of four years each, culminating in the full achievement of the Common ~~Market~~. The time-table thus laid down is of interest to the Community in the first instance, for it determines the timing of all the Community's activities and decisions, but it is also of interest to third countries for which the dates of various steps to be taken are undoubtedly significant.

In the tariff field, for instance, the inauguration of the second stage makes it possible to determine, in accordance with the provisions of Article 14 of the Treaty, the dates on which the next three reduction instalments in the national tariffs of the member States are to be made with regard to intra-Community exchanges, namely 1 July 1963, 31 December 1964 and 31 December 1965, without prejudice to any decision which may be taken to speed up this time-table since any such decisions have cumulative effect. Now, a further acceleration decision was taken on 15 May 1962, as warranted by the rapid adjustment of all sectors of the economy to the new conditions resulting from the institution of the Common Market. This meant that on 1 July 1962, the date when the second acceleration decision took effect, the gradual establishment of the customs

union was two and a half years ahead of the original time-table. The additional lowering by 10 per cent of duties on industrial products and by 5 per cent in respect of certain agricultural products which was introduced on 1 July this year implies that duties on industrial products have been reduced to 50 per cent of the level existing on 1 January 1957, although this rate of reduction was originally scheduled to take effect only at the beginning of 1965. As regards the duties on agricultural products not covered by the common agricultural policy, they have been lowered by 35 per cent, although a reduction of 30 per cent only was to have been achieved by the end of 1962.

Similarly, the second step towards the alignment of national tariffs with the common customs tariff, which was originally scheduled to take effect at the end of the second stage, namely on 31 December 1965, will take effect in regard to products other than those listed in Annex II to the Rome Treaty on 1 July 1963, again two and a half years ahead of schedule. This exercise which will be of the order of 30 per cent, will reduce by 60 per cent the difference between the national duties effectively applied on 1 January 1957 and those provided for under the common customs tariff.

With regard to quota disarmament between the member countries of the EEC, it will be recalled that under the first acceleration decision, taken on 12 May 1960, quantitative import restrictions on industrial products were abolished as from 1 January 1962. In the agricultural sector there are a certain number of global quotas which are still being enlarged in conformity with the Rome Treaty. In 1962 quantitative restrictions have been abolished on the products covered by the regulations providing for the progressive establishment of a common organization of markets. By the end of 1962 only a very small number of agricultural products are to remain subject to quantitative restrictions and to the procedure of quota removal.

The inauguration of the second stage also means that we have embarked on a decisive programme of action for achieving the economic union. The Community's activity over the past year reflects the prime importance now attached to this essential objective formulated by the authors of the Rome Treaty and based on the conviction that, without economic union, the achievement of the customs union would always remain uncertain.

The efforts thus undertaken have resulted in a series of measures being adopted with a view to achieving the necessary prerequisites for the free movement of production factors, the free movement of workers, the free supply of services, the free movement of capital, the approximation of legislation on social and fiscal matters, transport and competition. In short, the harmonization of all the elements inherent in economic life, and whose incidence might check the progress of the customs union.

I do not propose to prolong this statement unduly by enlarging on these aspects, but I should like first to make it clear that, although I shall merely limit myself to a passing reference to them here, this in no way detracts from

the importance which the Community attaches to them. Next, we should like to take this opportunity to emphasize among these elements the significance and the scope of a regulation adopted by the Council during its meetings on 29/30 December 1961 and 5 February 1962, namely the first regulation on ententes, implementing the principles set forth in Articles 85 and 86 of the Treaty. This regulation is designed to ensure that the benefits accruing from the removal of customs barriers cannot be unduly nullified by distortions of competition. The effect of the regulation is, therefore, to prohibit, without any prior decision being required, any agreements, decisions and concerted practices which might affect trade between member States and aim at or result in the free play of competition within the Common Market being impeded, restricted or impaired and to prohibit improper exploitation of a dominant position.

If the Council was able to establish on 14 January that the objectives set forth in the Rome Treaty for the first stage had been substantially achieved, this was because at its memorable meeting opened on 18 December the Council took the last decisions required for this criterion to be met. The essential decision was the adoption of the common agricultural policy for a number of important products, in the form of a number of regulations, decisions and resolutions which have since been submitted to the CONTRACTING PARTIES.

This was an arduous task which entailed considerable effort, but it was a matter of accepting what amounted to a revolution in a field in which, as we are all aware, national particularistic leanings have thrust their roots deepest, where national egoism seems to be justified, and where the case for protectionism is based on legitimate considerations of a social and political nature. It is a matter of achieving a reasonable relationship between supply and demand in agricultural products; it is a matter, while taking account of exchanges with third countries, of ensuring for the agricultural population a level of income commensurate with that of the other sectors of the economy. The fundamental question which the EEC countries had to answer was whether, world evolution being what it is, a solution could be found to these problems within the national conceptions followed hitherto. Today their reply is quite clear: the common agricultural policy expresses their conviction that the only way which can provide a solution to the agricultural problem is the way of international solidarity, whatever sacrifice it may entail in the immediate future. The forms of this solidarity as practised by our six countries certainly constitute an experiment which may prove beneficial to all in the future.

Thus, since 30 July last the Community has been applying a levy system designed to offset the differences between world market prices and domestic prices. The regulations at present in force affect five essential agricultural sectors: cereals, pig meat, eggs, poultry, fruit and vegetables, and viticulture. The levy system applicable to most of these sectors replaces all the non-tariff measures previously in force in the member States which rendered problematical the terms of access to the Common Market for exporters in third countries. These measures were communicated to the CONTRACTING PARTIES and discussed in Committee II practically as soon as they were put into effect.

The CONTRACTING PARTIES will certainly not underestimate the revolutionary nature of such a fundamental change in the field of trade in agricultural products. The Community, for its part, wished to set its agricultural policy in a dynamic perspective, in conformity with the responsibility devolving on it in this regard at the international level and which it intends to take on after having created the instruments which will in future enable it to carry out this task.

Among the common policies which are being implemented in the essential walks of economic life, I think I should also mention the progress made towards the harmonization of commercial policies of the member States with a view to establishing, by the end of the transitional period, the necessary prerequisites for a common commercial policy. By its decision of 25 September, the Council approved a programme of action in matters of commercial policy. The general objectives of the common commercial policy have thus been defined, including the need to develop it on a pragmatic basis taking account of present trends in the commercial policies of the Six and taking into consideration the objectives set forth in the Treaty, namely the harmonious development of world trade, the progressive abolition of restrictions on international trade, and the removal of customs barriers - all of them objectives shared by GATT.

With regard to the programme of action, it concerns the procedure to be followed for achieving the uniformity of the import and export régimes of individual member States vis-à-vis third countries. The objective to be attained so far as liberalization is concerned, is to make liberalization lists vis-à-vis third countries uniform at the highest possible level. So far as the Member countries of GATT are concerned, this implies full liberalization in accordance with the principles of that organization.

II. While the countries and institutions of the Common Market were thus stepping into the path of the future and establishing the decisive prerequisites for their economic integration, what was happening at the level of everyday economic reality throughout the Community?

In 1961 the growth of economic activity in the Community was reflected in an overall increase of 5.2 per cent of the gross product in real terms. This figure shows some slowing down as compared with the previous year. For 1962, present indications are that there will again be a slight slowing down during this year, although internal demand still shows a marked expansion. It may nevertheless be expected that for 1962 as compared with 1961, gross product will rise by 4.5 per cent, while industrial production in the Community will rise by 5.5 per cent.

The impetus resulting from the Community's economic expansion is, of course, of direct benefit to the member States, but through its repercussions on imports into the Community it also enables third countries to benefit increasingly from this expansion.

This is reflected in the first instance - and this is perfectly normal - in a particularly rapid growth in intra-Community exchanges. In 1961 this growth was at the rate of 15 per cent as compared with 1960; for 1962, the first eight months of the year showed a rate of growth of 14 per cent as compared with the corresponding period in 1961.

As regards commercial relations between the Community and third countries, the first quarter of 1962 showed a rise in the rate of growth of imports by the Community, and this tendency was confirmed in the second quarter, when the rate of growth as compared with the corresponding period in 1961 reached 8 per cent in terms of both volume and value. For the first half of 1962, the geographical distribution of the growth was as follows:

- imports from the United States rose by 7 per cent during the first six months of 1962 as compared to the corresponding period of the previous year;
- imports from EFTA countries were 11 per cent above the level reached one year earlier;
- as regards the developing countries which are essential producers of raw materials, the rate of growth of imports reached 7 per cent as compared with the same period in 1961.

Recent results thus continue to follow the steadily rising trend recorded since 1958 in the development of the Community's imports. In terms of value, the increase was as follows between 1958 and 1961:

- for total imports by the EEC from third countries - from \$15,900 million to \$20,500 million;
- for EFTA countries - from \$3,600 million to \$4,900 million;
- for North America - from \$3,200 million to \$4,500 million;
- for Latin America - from \$1,600 million to \$1,800 million;
- for the African countries not associated with the Community - from \$1,200 million to \$1,400 million;
- for the associated African countries - from \$1,500 million to \$1,800 million.

It is also of interest to note that the trade balance between the EEC and the countries of Africa and Asia, taken together, shows for 1961 a credit balance of \$631 million for the latter countries and a credit balance of \$75 million for Latin American countries.

If we single out two main groups of products which are particularly sensitive, it appears that EEC imports of agricultural products from non-industrial countries outside Europe rose from \$4,200 million in 1958 to \$4,600 million in 1960.<sup>1</sup> On the other hand we find once again

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<sup>1</sup>The agricultural products concerned are those in SITC sections 0, 1, and 4 and divisions 21, 22, 23, 24, 26, and 29.

that over the same period the total value of imports of the principal tropical products (coffee, cocoa, tea, bananas) fell by \$90 million although the quantities imported rose steadily, increasing from 1,733,000 tons in 1958 to 1,952,000 tons in 1960 for these four products. The report International Trade 1961 records, in fact, that over this period there was a marked drop in world prices for many tropical agricultural products.

III. In the year which has gone by since the nineteenth session, negotiations with a view to association have also been continuing actively with the eighteen African and Malagasy States which have intimated their desire to remain associated with our Community.

Four ministerial meetings have marked the main stages reached so far in these negotiations wherein the Community meets with partners whose cohesion and strength in well concerted and co-ordinated positions it appreciates fully.

As these negotiations are still in progress the time has not yet come to announce or comment on any particular elements or results; but the perspective in which the new association convention has been conceived and the principles on which it will be based were defined at the first ministerial meeting, held on 6 and 7 December 1961, between the Ministers of the Six and those of the associated countries. The association is based on the mutual desire for co-operation, freely expressed by sovereign States negotiating on a footing of complete equality, and its objective is to ensure active and close co-operation between the Community and the associated countries with the following aims in view:

- the development of co-operation and exchanges between the associated States and the Community;
- the economic diversification and the industrialization of the associated States;
- the development of inter-African co-operation and exchanges;
- the strengthening of the economic independence of the associated States.

The European Community is convinced that its endeavours in behalf of a continent in regard to which it has special responsibility will be beneficial to all, so true it is that basically the problem of under-development is a problem of disequilibrium and that the entire world community benefits from any effort aimed at reducing that disequilibrium.

IV. Although the immediate concern of the Community is to meet its special responsibility with regard to the associated countries, it has never lost sight of the general responsibility devolving on all the industrialized countries in connexion with the general problem of under-development. This is not merely a matter of a moral duty of plain international justice, but a matter of evident interest which can be summed up in very simple terms:

we must contribute to creating on the international level the essential prerequisites for the balanced development of all countries because we need this balanced development in order to ensure our own progress in the long term. That is why aid towards development cannot be conceived in terms of "donors" and "beneficiaries", but as a joint undertaking between partners whose rights, duties and responsibilities balance each other.

That is the philosophy on which the Community bases its development policy, that is the spirit in which it participates in international commodity agreements, as one of the instruments of this solidarity between partners, that is the objective which it cannot and does not wish to dissociate from its action at international level.

Pending more concrete and more effective development of the principle of this joint and mutual international co-operation, the Community is endeavouring to strengthen within the limits of existing possibilities the value and effectiveness of its contributions to aid towards development of every kind. For this purpose the member States concert their national policies for aid towards development, in particular in matters of financing and credit assistance. In 1961, contributions by the member States to world organizations amounted to \$458 million and public financial assistance at the bilateral and regional levels amounted to \$1,311 million. For the same year, the private sector within the EC contributed \$1,067 million.

V. Before concluding this statement I should like to acknowledge in passing the many European countries which have expressed their desire to enter into negotiations with the Community with a view to accession or association. The Community will now have to make a real determination of its precise scope as a European entity while ensuring that none of its very essence is lost. The Community expects the same conviction and the same concern from its partners for it considers this to be a necessary premise for the successful completion of the endeavours which have been undertaken.

VI. This brings me to the end of my statement. I hope that I have not taken up too much of your time; but we had many things to say to you, and if this review has seemed a little long you must blame only the Community's desire to express to this gathering its confidence and solidarity.