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Statement by the Representative of the Community at the Twenty-Third Session of the CONTRACTING PARTIES

To carry on what has practically become an established tradition, the Community wishes once more to give its GATT partners an opportunity of being informed on recent developments in achieving its economic integration and on the evolution of Community trade.

The time that has elapsed since the twenty-second session may seem to have been one of virtual immobility for the Community because of the difficult period that it went through from 30 June to 29 January last. I would not wish to appear to disregard these difficulties or try to minimize them, but nevertheless - and I was particularly struck by this when gathering the information to be given you - you will see that we have many things to tell you and that, in fact, the process of establishing the customs union, which was initiated eight years ago, and the progress towards economic integration which it necessarily involves are, on the whole, keeping up to schedule.

I

On 1 January 1966, in accordance with the provisions of the Treaty, the Common Market entered the third and final stage of the transitional period.

As regards the institution of the customs union, and first of all the elimination of tariffs between member States, this means, taking account of the two accelerations on 1 January 1961 and 1 July 1962, that there has been a further tariff reduction within the Community, the eighth one. It applies to 10 per cent of the basic customs duties existing on 1 January 1957, and represents a total reduction of 80 per cent in duties on industrial products and of 60 or 65 per cent, according to the product, on agricultural products not subject to a common organization of the market.

This latest reduction has been applied across the board with a few exceptions, for example, in regard to certain agricultural products including beef and veal, on which the 10 per cent reduction will only apply as from 1 April 1966.

As regards alignment with the common tariff, the end of the second stage on 31 December 1965 marked the second step provided for in Article 23 of the Treaty in connexion with the progressive introduction of the common customs tariff. That Article states that the difference between the duty in fact applied by the member States on 1 January 1957 and that under the common customs tariff must be reduced a second time by 30 per cent.

As regards industrial products, the second approximation which was applied in advance of the required date in 1961, on the basis of the initial customs duties reduced by 20 per cent, has been left unchanged pending final decisions in this regard.

The autonomous suspensions of common tariff customs duties, which were to have expired on 31 December 1965, have been extended for 1966 with some additional suspensions requested by the member States.

- A first list was approved by the Council on 28 December 1965. It comprises fifty-eight tariff items, of which eighteen are totally suspended including, in particular, various chemical products. By a Decision dated 29 December a second list was extended for the year 1966 and it includes, in particular, other basic substances, spirits of turpentine and colophony.
- The Council also decided to extend until 31 December 1966 the suspension of duties on a series of products of interest to certain less-developed countries; they include tea, maté and tropical woods. The tariff arrangement concluded between the Community and the United Kingdom in regard to these products has also been renewed.

The number of national tariff quotas is being further reduced; at the same time solutions at the Community level are being introduced, for example changes in nomenclature, total or partial suspensions of duties and also the opening of autonomous tariff quotas for the Community.

In terms of value, the proportion of trade at present subject to the tariff quota system is less than 3 per cent.

Turning now to the field of economic integration, in other words that of common policies, we can see steady progress towards freedom of establishment and the free supply of services, in the functioning of mechanisms designed to guarantee and institute a common policy on competition, in the extremely complex task of approximation of laws, and in preparations for the harmonization of fiscal policies. Financial policy, the policy relating to economic trends, and medium-term economic policy are the subject of studies and action which are being increasingly concerted and harmonized. Community standards for social policy, a common transport policy and regional policy are being progressively defined. All this implies a tremendous amount of work and joint effort that is becoming increasingly necessary as the end of the transitional period approaches.

This need is also realized in regard to the time-limit fixed by the Treaty for the implementation of a common policy on external trade, but the co-ordination and uniformization of policies which are its prerequisite in a matter so closely bound up with the history of each and every nation have not yet been able to advance as fast as the construction of the customs union. Various proposals are under study, designed to give a new impetus to the implementation of the action programme in regard to common commercial policy; they include, in particular, a proposal concerning protective measures by the Community against dumping practices, premiums or subsidies on the part of third countries.

Lastly, in the fundamental sector of the Common Agricultural Policy, although many Council decisions have remained pending in regard to various proposals by the Commission designed to speed up the policy of integration of agricultural markets, and although it has not yet been possible to take decisions on common prices for beef and veal, milk, sugar, fats and oils, and rice, the essential fact is that at the Council meetings on 28 February and 1 March 1966 it was generally agreed to set 1 July 1967 as the target date for complete trade liberalization within the Community of industrial and agricultural products. The programme of work fixed by the Council for this purpose is extremely heavy, particularly in regard to agriculture; a considerable amount of work has to be done, but one can see that no effort is being spared to complete it within the time required.

Among activities connected with the Common Agricultural Policy, it is also important to note that work and studies are continuing on a policy for improving agricultural structures, and that an action programme has been introduced in regard to agricultural social policy, its principal aim being to achieve social parity with other sectors of the economy and to establish a system of agricultural statistics in regard to incomes and the economy of undertakings.

II

I now come to the part of my statement which is no doubt the subject of special attention for you and likewise for the Community, namely the evolution of trade, of our reciprocal trade. There must be, and indeed there is a sound basis for fruitful co-operation in the fact that our concerns converge here - your concern to ensure that no impairment is caused by the establishment of the Common Market, and our concern to take your legitimate interests into consideration in the attainment of our objectives.

If one looks at the evolution of Community trade, one finds continued confirmation that the Common Market is naturally and increasingly open to the trade of the rest of the world. It is becoming more and more evident that this trend is governed by permanent factors that stem from the actual process of economic integration among the Six. The considerable development in intra-Community trade, which trebled from 1958 to 1965, has a direct effect on the economic growth of the Community countries; and this growth, in turn, because of the fact that the EEC is open to trade, generates constantly increasing demand for products from the rest of the world. The fact that this trend is a permanent one and that, at one and the same time, it encourages and generates trade, the fact that it is strengthening as the years go by and as the time-limit for full attainment of economic integration grows nearer - this should suffice to assure our partners of the necessarily liberal orientation that the Common Market has to follow, whether it wants to or not, if it is to fulfil its objectives.

But we are not going to stay in the field of generalities. Once more, and anticipating somewhat the complete compilation of Community statistics, we want to give you some precise figures to inform you of the most recent developments in our trade.

In 1965, imports by the Community showed an increase of 75 per cent in value, as compared with 1958, while its exports had risen by only about 68 per cent. If this trend indicates a deterioration in the Community's trade balance and balance on current account, in any case it makes it possible to exclude any assumption of harmful repercussions for third countries; and this is also confirmed by the fact that, in the years 1958 to 1965, the ratio between imports and production by the Community has tended to exceed that recorded for earlier years.

Considered according to major geographical areas, imports by the EEC have developed favourably in each case. Imports from EFTA countries and the United States practically doubled in value, in each case, from 1958 to 1964, those from the non-associated African countries rose by 85 per cent, for the Central and

Latin American countries the increase is 50 per cent, and is 34 per cent and 38 per cent respectively for the Western Asian countries and the Far East. A comparison between the first nine months of 1965 and of 1964 shows the following increase in our imports, in million dollars:

- from EFTA countries	\$168 million
- from the United States	\$112 million
- from non-associated African countries	\$164 million
- from Central and Latin America	\$125 million
- from Western Asia	\$168 million
- from the Far East	\$203 million

The evolution of trade in agricultural products is being given particularly close attention.

Between 1958 and 1964, trade in agricultural products between the EEC countries rose from \$1,246 million to \$2,815 million - an increase by 126 per cent - but imports from third countries also developed favourably, and rose over the same period from \$7,356 million to \$10,143 million - an increase by 38 per cent. If one separates the progress made since 1962, following the coming into force of the Community regulations, the growth in intra-Community trade can be seen to be 27 per cent, and that in imports as 14 per cent, as compared with 27 per cent and 11.8 per cent respectively for the three preceding years.

I do not propose to draw any special conclusions from these figures, but I think it is interesting to note the upward trend in imports as compared with a constant level in the growth of intra-Community trade.

On the basis of the most recent trade statistics, i.e. a comparison between the first nine months of 1965 and the first nine months of 1964, the following results are recorded for imports of various products for which there is a common organization of the market:

- Wheat: an increase by more than 100,000 tons
- Barley: an increase by more than 400,000 tons.

There has been no appreciable shift in trade flows between the member States and third countries.

- Pigs for slaughter: an increase by nearly 35,000 head. Imports of pork virtually doubled from 1960 to 1964.
- Beef and veal: an increase by more than 6,000 tons.
- Eggs in shell: an increase by 20,000 tons.
- Poultry meat: over the same period imports declined by 16,000 tons. Community production showed a marked increase, which was to some extent matched by an increase in consumption, but having regard to the level of per caput consumption a decline in consumption can be expected.
- Fruit and vegetables: imports are rising appreciably. As regards products covered by Regulation 23, the global volume of imports for the first nine months of 1965 was 4.2 million tons, an increase by 6 per cent as compared with 1964. The share of third countries in imports by member States was 57 per cent.

I should also like to make special mention of the evolution of our trade with developing countries.

The Community remains the principal customer of the developing countries.¹ In 1965 imports from these countries taken together continued to grow at the same rate. They rose from \$9,800 million in 1964 to \$10,500 million in 1965, an increase of 6.5 per cent. The EEC's trade deficit vis-à-vis these countries continues to grow and reached the exceptional figure of \$3,100 million. Purchases of commodities² from the developing countries as a whole rose in value by 40 per cent between 1958 and 1965 when they reached \$5,970 million.³ Imports of semi-finished articles and manufactures⁴ rose by 120 per cent from 1958 to 1965, from approximately \$550 million to \$1,200 million.³

Out of total imports from the developing countries as a whole, the share of the African and Malagasy States associated with the EEC declined from 13 per cent in 1958 to 11 per cent in 1965. It is therefore difficult to maintain that the associated countries are the main beneficiaries of the expansion in EEC imports.

¹Countries in Class 2.

²Sections CST 0-1-2-4, i.e. not including section 3 (mineral fuels, lubricants and petroleum products).

³Provisional figure

⁴Sections CST 5-6-7-8

On the subject of the Community's relations with developing countries, and in order to illustrate its constant interest in the problems of those countries, I should like also to state that mutual information contacts between certain missions and the Commission staff have continued regularly during the past year. In particular they have made it possible to take stock, in a detailed manner, of trade relations between the EEC and those countries, as well as of the main related problems.

In meetings of a contact group, the Latin American diplomatic missions to the Community have had an opportunity to make an up-to-date statement of their own position vis-à-vis the EEC and their concerns in regard to the main categories of products.

Such is, basically, the information which the Community thought that it might be useful to give you today. If you have any remarks or clarifications to make in regard to this information we shall readily accept discussion if our partners wish to open it in this forum, and in any case we remain at your disposal for any useful contacts.