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Statement by the Representative of the European Communities at the Twenty-Fifth Session of the CONTRACTING PARTIES

Since the presentation of the Rome Treaty to GATT in 1958, the Community has made a point of informing the CONTRACTING PARTIES, at each of their annual sessions, of progress and development in setting up the customs union from all the aspects that are of interest to GATT, and has also taken care to furnish statistical data on the evolution of trade to supplement such information. Each year these statistics have shown a positive correlation between progress in our economic integration and expansion of trade with third countries.

Although at the outset the creation of the common market gave rise to certain fears and apprehensions among our partners, one may well consider after the ten years that have elapsed that such fears have not proved correct and that the objective set forth in Article 110 of the Rome Treaty has become effective:

"By establishing a customs union between themselves the member States intend to contribute, in conformity with the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges and the lowering of customs barriers."

Since 1 July last, this customs union has been fully achieved and has become effective with respect to industrial products, one year and a half ahead of the schedule established by the Rome Treaty. With respect to agricultural products, free movement of which products is being introduced at a different pace under a continuing and progressive process in relation with the gradual establishment of a common organization of the market, the time schedule provided for in the Treaty has been observed. As of 1 July 1968, 47.6 per cent of the Community's agricultural production and 49.1 per cent of its intra-trade had been liberalized. Since then, the entry into force of common prices for sugar, dairy products and bovine meat have increased these percentages to 86.1 and 75.2 per cent respectively.

What does this new stage that commenced on 1 July 1968 signify in practical terms?

- The complete abolition of customs duties on industrial products as between the Six, through the elimination of the residual duties which at the end of June were equivalent to 15 per cent of their 1958 level.

The implementation of the external tariff of the Community by means of a third and last approximation of national tariffs with the common customs tariff as it results from the application, on the same date, of 40 per cent of the Kennedy Round reductions.

For the industrial sector as a whole, considered separately, the average rate of protection as at 1 July was approximately 10 per cent. The effort that the alignment of national external tariffs existing on the eve of 1 July represents in this sector has been as positive in respect of all the member States, and on average amounts to a reduction by approximately 0.3 points for Germany, 0.5 points for Benelux, 3.1 points for Italy and 3.7 points for France.

An evaluation of this kind would have hardly any real and practical significance as regards the agricultural sector, in which for most if not all countries, customs duties play only a very marginal or perhaps even illusory rôle so far as protection is concerned.

At a time when one might have feared that the Community feeling of solidarity might lead the member States as a whole to postpone the tariff reduction dates, this Community spirit of solidarity in fact acted in the direction most favourable to the interests of third countries. This was the first test case in which the Community countries could demonstrate their ability and determination to use their solidarity as an instrument for safeguarding the liberalization and development of trade.

The establishment of the common market has also made the adoption of certain measures necessary to prevent any deflection of trade and evasion of duties. For this reason, the Community brought into effect on 1 July 1968 regulations relating to a common definition:

- of the concept of the origin of goods and
- of valuation for customs purposes.

National tariff quotas, applications for which had reached a peak in 1962 (278 requests) had been declining steadily in recent years, with only seventy-seven requests in 1967 and sixty-six in 1968 (104 such requests were granted in 1962 and sixty-one in 1967) have further declined this year as twenty-six national tariff quotas only have been granted, other requests having been met in the form of Community tariff quotas (sixteen) or duty suspensions (twenty-one).

Duty suspensions on 139 items have been introduced for 1968, of which thirty-seven involve full suspension.

Having achieved its customs union, the Community must now consolidate it by completing the harmonization of customs legislation, eliminating technical obstacles to trade, and progressively eliminating tax frontiers.

Above all, the Community must build up an economic union as a prerequisite for the smooth operation of the customs union, establish the common policies provided for in the Treaty, complete the common agricultural policy and structure it in such a way that it can go beyond the stage of instituting the means of action, complete the process of unifying or harmonizing policies on trade, social matters, competition and transport, and undertake new activities in the field of industrial policy.

All the above aspects are primarily matters of internal consolidation, but at the same time the consequent simplification presents obvious practical advantages for the establishment and implementation of plans and projects of exporters and investors in third countries, and should be beneficial to economic and trade expansion in general.

Again, this is a long-term undertaking, but be that as it may the time has come to recognize that within the meaning of Article XXIV of the General Agreement the customs union of the Six has been achieved. The economic and political fact that the Common Market constitutes has become an irreversible element closely woven into the texture of GATT relationships.

The obligations of the member States under the General Agreement are now very largely identical with the obligations of the Community itself.

From the aspect of the practical and pragmatic assessment of results over the ten years that have led to the achievement of the customs union, one can see that the evolution of the facts furnishes all the necessary replies to the questions raised by the contracting parties with respect to the Rome Treaty in 1958.

To throw some light on these results, without burdening you with a lengthy enumeration of statistics, we are distributing a booklet in which each delegation can at leisure look up the figures in which it is interested.

I shall therefore limit myself here to emphasizing once more that despite the decline in the relative share of third countries in the trade of the member countries - which is a normal consequence of the establishment of the common market - Community trade with other countries has also benefited very substantially from internal expansion, as may be seen from the growth rates recorded since 1958: 90 per cent on the import side, and 100 per cent on the export side.

All geographical areas have shared in this increase in Community imports, as indeed have all categories of products.

The growth in the value of imports is as follows:

- raw materials	75 per cent
- industrial products	151 per cent
- foodstuffs	56 per cent
- grains	62 per cent
- fruit and vegetables	54 per cent
- meat (beef and pork)	145 per cent
- fats and oils	90 per cent
- tobacco	66 per cent

The Community's trade deficit in its exchanges with developing countries has been growing over the past few years and has passed the \$3,000 million mark. Far from attempting to reduce this deficit, the Community views it as a healthy trend and is encouraging it in various ways (for example, non-phasing of tariff reductions, duty suspensions).

I thank you for your patience in listening to this lengthy statement and to those in earlier years. The common market has now been fully achieved within the meaning of the provisions of Article XXIV of the General Agreement, so that in future I shall no longer have the pleasure of taxing in this way your patience and attention. From now on, it will be the Community's activities, its active co-operation in the pursuit and achievement of the objectives of GATT that will bear testimony.

YAOUNDE CONVENTION

I should like now to come to another point, which is the information on the evolution of the Association of African and Malagasy States with the Community while leaving it to the States concerned to supplement this information and express their own views.

Here too, the Community has reached a stage for stocktaking and reflection. The Association has now ten years' experience behind it. The Yaoundé Convention is due to expire on 31 May 1969, and negotiations for its renewal must be commenced before the expiry date.

The preparatory work and consideration in this regard are based on a twofold concern-on the one hand better to adapt the existing provisions to their objective, and on the other hand to take account of changes in the economic situation in recent years, particularly so far as the problem of trade between industrial countries and developing countries is concerned.

The Association's trading system includes a set of reciprocal obligations intended to secure trade expansion. It must be acknowledged that results so far in this respect have fallen short of the hopes and expectations of the associated States. This trading system has not enabled them to increase their share in the Community market, but it has nevertheless enabled them to retain that share. This finding alone would be sufficient justification for the existing system, having regard to the particular responsibilities that the Community feels in duty bound to undertake towards those countries, pending an adequate and equitable solution that would also bring into play international responsibility.