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Statements by Mr. Parboni (Italy) on behalf of the Member States of the European Economic Community and Mr. Hijzen, representative of the Commission of the Community at the meeting of the CONTRACTING PARTIES held on 9 November

Declaration by Mr. PARBONI

During the fourteenth session, the CONTRACTING PARTIES examined the problem of information to be furnished in the future by the EEC about the realization of the Rome Treaty. Mr. Andre PHILIP, speaking then in the name of the EEC, made clear how the Community understood the obligations resulting from paragraph 7 (a) of Article XXIV. He furthermore expressed again the will of the six nations to provide all information useful within the framework of consultations held under Article XXII. Last, he added that the Community, independently from all juridical obligation and outside the work of the CONTRACTING PARTIES, was willing to provide information. This would be done, via the Commission, to the delegations that would request information about various aspects of the Community's functioning. The soundness of the position, so expressed by the EEC spokesman, was recognized by the CONTRACTING PARTIES.

As far as the fifteenth session is concerned, proper EEC authorities felt that no communication had to be presented under paragraph 7 (a) of Article XXIV. They thought it nonetheless useful to present on their own initiative, a statement about the realization of the Treaty and some developments concerning the economic situation of the Community. By so doing, they have no intention of starting a discussion, but are convinced that such a statement may contribute toward a better understanding of difficulties arising on both sides.

I would now like, Mr. President, to beg you to allow the representative of the Commission to address this gathering.

Statement by Mr. HIJZEN

As indicated by the spokesman of the Member States, the Community thought that it would be helpful to the CONTRACTING PARTIES to be presented with a description of the Common Market activity and realizations. It starts at the

* Provisional translation. A revised translation prepared by the GATT secretariat will be circulated as soon as possible.

beginning of the year 1959, that is, since the entering into effect of the various mechanisms foreseen by the Rome Treaty. It will also be proposed in another form than the information published in the Commission periodical Bulletins.

My intention is, therefore, to inform you of the decisions taken in the different fields in which the action of the Community developed in the course of this past year.

On the internal level, the first application of the Treaty provisions concerning tariff and quota disarmament was carried out. Due to the will manifested by the Member States to bring about full application of the Treaty, without use of the escape clauses, the opening of the markets, on 1 January, was satisfactorily realized.

On that date, the six Member States applied the first of the reductions that must lead to the suppression of customs duties in their reciprocal exchange. Duty reductions - amounting to 10 per cent in relation to the basic duties - were also applied to imports of products originally coming from the overseas countries and territories. Furthermore, in conformity with the decision of the Council of Ministers, dated 3 December 1958, the benefit of tariff reductions was liberally extended to third countries, as far as these reductions did not go over the foreseen level of common tariff. This, as well as the integral acceptance by the EEC of the Dillon proposition, proves that the Community is not set to sponsor protectionist purposes, nor to modify trade relations that existed before the Treaty's coming into force.

From 1 January 1959 on, the countries and associated territories have also reduced by 10 per cent the duties placed on import goods originating from Member States and the other overseas countries and territories. This measure, however, was not applied by the overseas countries and territories, that, for various reasons, have no preferential tariff. Consequently, reductions enforced by overseas countries and territories have only a limited impact.

In the same way, the first measures of quota disarmament foreseen by the Treaty were satisfactorily carried out at the beginning of the year. For goods not yet freed for importation into the Member States, a new system of exchange entered into force: bilateral relations were suppressed and a system of global quotas open to all other Member States was introduced. The carrying out of this system implied also a broadening of the quotas. Thus they amount to at least 120 per cent of the total value of previously enforced quotas, and if such should be the case, to at least 3 per cent of domestic production. For goods not produced domestically, the Commission has determined the amount of global quotas for the year 1959. These liberalization measures were also applied to imports originating from the overseas countries and territories. These territories on their part, applying the Convention related to the association of overseas countries and territories with the Community, have opened to Member States global quotas that cover goods submitted to quantitative restrictions.

Just as in the private trade sector, so the Treaty foresees a broadening of exchange of goods, coming under a national monopoly; this broadening is, however, not submitted to a fixed process. The Commission carried out a study of the main problems brought about by the existence, within the internal market of the Community, of various monopolies - among others those of tobacco in France and in Italy. Consultations with Member States experts indicate that it will probably be necessary to consider each monopoly separately.

It can thus be seen that enforced quota disarmament measures were brought to bear on the sector of transactions that, by their own nature, or due to some deliberate policy, were not up to now included in the OEEC liberalization endeavours. Suppressing the old bilateral methods has allowed a broader competition within the Community. This applies also, in principle, to agricultural goods. For these products, in many cases, instead of the usual bilateral quotas, broader global quotas were established in regard to imports originating from all Member States.

At present, the Commission is working to bring up to date proposals concerning the establishment of the Community's agricultural policy. The Commission hopes before the end of the year, in conformity with the Treaty's dispositions, to submit these proposals to the Council of the EEC after consultation with the Economic and Social Committee.

At the time these proposals were being prepared, the Commission consulted the interested economic circles. It also invited the experts of Member States Governments to take part in this work. Some important problems were discussed with the Ministers of Agriculture of the member countries. Finally, the questions relevant to a common agricultural policy were brought up before the Economic and Social Committee and the European Parliamentary Assembly.

Within the framework of common agricultural policy principles, established by the Treaty and the Stresa Resolution, the Commission will propose solutions in order to organize the markets of agricultural products. These solutions will:

- progressively assure the free circulation of agricultural products within the Community,
- provide an equilibrium between production and sale possibilities,
- maintain in a non-discriminatory manner and at the highest level possible, external trade with third countries.

In order to realize the objectives of the common agricultural policy, the Commission proposes also to submit measures aiming at improving the agricultural structure of the Member Countries. This would make agriculture less dependent on protective measures still necessary.

There is an important aspect of the work of the Community to which the CONTRACTING PARTIES attach a very special interest. That is the common external tariff. The services of the Commission with the help of customs experts of the Member States, have terminated the first phase of the common tariff elaboration. All the peculiarities of the four tariff systems of the Member States have been pooled in order to calculate the arithmetical average of duties applied on 1 January 1959. On the basis of this dovetailing, the experts have then elaborated a simplified tariff draft. This preliminary draft, though based on the arithmetical average, allows for special dispositions of the Treaty, such as the Lists A to F and those related to the internal harmony of the common tariff. The simplification, realized according to the customs and economic necessities, has resulted in a concise and practical tariff set-up. In view of arriving at a complete tariff, the Member States have at the same time started among themselves, negotiations concerning duties applicable to the goods of List G. Everything is being done, right now, to accelerate the work, in order that at the beginning of 1960, a common tariff as complete as possible might be presented to the CONTRACTING PARTIES.

The Rome Treaty has not as its sole purpose the establishment of a customs union by elimination of obstacles to internal exchange and by institution of a common tariff and common regulations in regard to the rest of the world. The Treaty goes further in the sense that it aims at establishing a real economic union among the Member States. Its scope thus encompasses almost all aspects of economic life. In all the sectors where a common policy must be inaugurated in virtue of the Treaty, the first measures are now in the process of being made, and, in some cases, first results have already been achieved.

Thus, the first dispositions, in view of co-ordinating cyclical policies, have been taken. A meeting between competent authorities of the Member States and representatives of the Commission gave the opportunity to exchange views on the Member States financial policy situation and trends. During this meeting the conviction came to the fore that it would be good to elaborate common directive lines aimed at promoting a sound budget policy of the six States. Further, in view of a later harmonization, the impact of taxes on competition and the problems arising from the present disparities among tax systems have been studied. A regular renewal of these meetings has been considered. At the same time, research was undertaken in the domain of capital movements. In order to assure the optimum combination of production factors, it is, indeed, to be wished that the liberalization of capital be effected at the same time as that of goods and services. Thus will the opening of the markets gain a real meaning.

The Treaty fixes, for 1959, several deadlines of prime importance. We have seen earlier that, in conformity with the Treaty, the Commission prepares, by the end of the year, propositions in matters of agricultural policy. Other deadlines concern transport and right of establishment. Thus the Commission has prepared a draft regulation in application of the dispositions of Article 79 of the Treaty concerning the suppression of some discriminations concerning prices and transport conditions in the Community's internal traffic. This draft is a step in the carrying-out of a common transportation policy. The Commission prepares also a programme for the suppression of restrictions on the free offering of services and on the right of establishment. This programme will be submitted to the Council of Ministers before the end of the year.

As far as the right of establishment of nationals and companies of the Member States other than those having special relations with the overseas countries and territories, the Commission has closely collaborated with the authorities of the overseas countries and territories and the members of the Economic and Social Committee. As a result, the Commission prepared a draft of directives aimed at suppressing progressively in the overseas countries and territories actually associated with the ECC discriminations that may exist between nationals of these countries and those of the Member States. It is likely that the Council will decide on these directives in the near future.

As far as the application of the competition rules is concerned the Commission undertook to determine with the help of national experts, the meaning of Articles 85 ff. of the Treaty. It started preliminary studies of the theoretical problems as well as of practical cases. Steps were taken in order that all the Member States take measures assuring a possibility of action on the part of national authorities against noxious agreements. In regard to dumping, the Member States experts have also been consulted. The regulation foreseen in Article 91, paragraph 2 is in the making. In its action against dumping practices, the Commission found its inspiration largely in the principles of Article VI of the GATT.

First realizations in the social field can be mentioned. The Council of Ministers has adopted a regulation instituting a system of social security for migrant workers. Thus they are entitled, whatever be the Member States wherein they work, to benefit from all the social security advantages they would have benefited from if they remained in their home country. On the other hand, a draft regulation concerning the European Social Fund was submitted to the Council of Ministers. This regulation determines how to put the Social Fund into operation. This Fund aims at promoting within the Community, employment opportunities and geographical and professional labour mobility. Lastly, a draft regulation of freedom of movement for workers was established by the Commission, and is now studied by government experts. The improvement of life and employment conditions, resulting from the social achievements of the EEC, will have positive effects on the consumption capacity of European masses and consequently on international trade.

The European Investment Bank started to operate. . In conformity with the Treaty's relevant dispositions and a decision by the Board of Directors, the Bank will devote, during the first years of its activity, an important part of its assets to the less-developed regions of the Community. Three projects of financing have already been approved by the Management Committee. The projects concern the building of a power plant and a chemical plant in Southern Italy and of a power plant in the French Alps. Other projects are under study.

Finally, the Development Fund for the Overseas Countries and Territories has started the financing of social institutions and economic investments of general interest. On 20 September 1959, five financing agreements had already been signed. One in the Belgian Congo, two in Ruanda-Urundi, and two in Madagascar, amounting to a total of almost 8 million units of account (one unit of account equals one gold dollar). Among these projects, we find for example the construction of a medico-chirurgical centre in the Belgian Congo, the construction of colleges and the establishment of a plan for water adduction in Madagascar, as well as some reconstruction works needed after the havoc wrought on the island by hurricanes at the beginning of March 1959.

Some twenty other projects, for a total of nearly 16 million units of accounts, are about to be decided upon. Among others, we might mention: the building of a fishers' harbour at Abidjan, the modernization of the railways in Togo, the rebuilding of roads in Madagascar, the hydro-agricultural lay-out of the Anony delta and of the Tulear plain, the reconstruction of Douala harbour.

Mr. President, I have just exposed the Community's activities in the various fields where in 1959 action was foreseen by the Treaty. I would like now to explain briefly the economic situation of the Community and the evolution of exchange.

Since the pick-up of the cyclical situation at the beginning of 1959, the economic activity in the Community remained favourably oriented all along the second trimester of 1959, as well as during the third, so far as one can judge from the available data at this date. From now on, all the economies of the member countries find themselves in a phase of cyclical expansion. In relation to the former period of economic slow-down during which the cyclical situation had not followed the same orientation in all the member countries, a greater harmony is thus prevailing for the moment.

The acceleration of industrial production expansion was particularly evident during the second trimester. A slight slackening appeared during the summer in several countries of the Community. It does not indicate, however, a change in the cyclical trends; it may be ascribed to accidental causes, such as strikes in Italy and the lengthening of annual vacations. In fact, the factors of industrial production expansion have likely not slackened during the last months; they will work out their full impact during the fall. Contrary to industries and services, agriculture did not play a determining role in the production increase. This was due to the drought prevailing during the summer.

In the whole of the Community the cyclical pick-up was due much less to an increase in consumption or in private investments than to the expansion of other elements of the global demand, notably the replenishment of stocks and external demand. The latter had already been, during the slack period, an important support of the member countries' economy. Recently, the strong increase in foreign orders gave a new impetus to the Community's activity. The export increase amounts to 11 per cent in value, during the second trimester in relation to the corresponding period in 1958. It was principally made up of trade with the United States.

The cyclical improvement in the Community was recently reflected in imports originating from third countries. These imports are notably on the increase during the last months. During the first trimester of the current year, imports originating from outside the Community were indeed below the level reached during the corresponding period in 1958. On the contrary, during the second trimester imports went above those of the preceding year. This progress, first witnessed in consumption goods, is recently also seen in raw materials. This is due to the industrial production expansion and to the trend of stock replenishment. This general trend of importation, already quite obvious in the Federal Republic of West Germany, in the Netherlands and in Italy, where the pick-up was strongest, is also perceptible in France and Belgium. The new liberalization measures taken in regard to other monetary areas, especially the dollar area, and whose effect had not yet time to be felt, will certainly increase imports originating from third countries.

It is interesting to analyse some figures pertinent to certain tropical products that have especially attracted the attention of the GATT during the last months.

As for coffee, the imports originating from third countries reach 195,700 tons during the first six months of 1959 (in the case of Benelux, five months), as against 174,100 tons in 1958. The percentage of third countries' exports into the Community have therefore jumped from 66 per cent in 1958 to 69.5 per cent in 1959. Ghana and Nigeria were the principal beneficiaries of this import increase.

As far as bananas are concerned, and for the same periods, the share of the third countries amounted to 233,400 tons out of a total of 472,500 tons. We have no access to half-yearly statistics for 1958. But for the whole of 1958 the percentage of third countries' exports amounted to about 54 per cent and was maintained during 1959. The same applies to cotton: 378,000 tons out of a total of 407,100 tons. The share of third countries remains at about 93 per cent of the Community's total supply.

The 1959 figures in regard to tropical timber are not yet available. Information received indicates that the trend toward increase in the percentage of third countries, noticed in 1958, maintains itself. Let us recall that in 1958 Ghana exported to the Federal Republic of Germany 341,270 tons as against 290,000 tons in 1957, Nigeria 176,118 tons as against 145,000 tons, and British Cameroons 47,134 tons as against 14,500 tons.

In brief, as far as main tropical products are concerned, the trade of the "Europe of the Six" with third countries develops favourably.

The particular situation of countries in the process of development has kept the full attention of the Community. To this effect, as mentioned at the opening session by Minister SPAGNOLLI as spokesman of the Six Member Countries, the Council of Ministers decided, on 13 October 1959, to create an ad hoc committee. This Committee will be entrusted with the study of the general problem of initiatives that may be taken by the Community in regard to countries in the process of development.

The work of this Committee has already started. We hope that it will result in initiatives bringing about an effective help for the countries concerned.

One may be tempted to draw from the notes just given conclusions in regard to the effects of the Community's establishment on the exchanges with third countries. However, in view of the shortness of the period elapsed since the entering into effective force of the Common Market, that is since 1 January of this year, numerous qualifications should be added to any conclusion. At the moment it seems preferable to limit oneself to the following observation.

The Six countries of the Community, during the last ten years have increased their income by a percentage almost twice that of the United States and the United Kingdom. They continue to maintain a very quick pace of economic expansion. The Community wishes to express once more the importance it attaches to an accelerated growth of its economy. This will increase the living standards of its peoples. But not only that, it will also put it in a position to better contribute, by an increase of its consumption and foreign investments capacity, to the economic development of all of its trade partners. This, in fact, is of particular interest to countries exporting basic goods, in view of the importance of the Community as consumers of raw materials.