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Statement by Mr. Hijzen Representative of the Commission
of the Community at the Meeting of the CONTRACTING PARTIES
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At the fifteenth session of the CONTRACTING PARTIES I furnished, in my capacity as representative of the Commission of the European Economic Community, general information relating to the activities and achievements of the European Economic Community since the beginning of 1959. On that occasion, I supplied a summary of the measures taken by the Member States in the various fields coming under the Treaty, and a brief survey of the first results achieved in the establishment of the common policy. Lastly, I gave a short review of the economic situation and trade developments in the Community.

With your permission, Mr. Chairman, I would now wish to furnish additional information concerning the developments which have occurred since. Perhaps the most remarkable thing which has been noted during the short period since the entry into force of the Rome Treaty is that genuine economic co-operation between several countries cannot be limited to the mere elimination of obstacles to trade but requires, in the first stages, some effective common orientation, not only at governmental level, but also in the professional and private sectors. This leads me to stress, in the first instance, a very important feature of the common economic policy, i.e. the policy relating to economic trends.

In pursuance of Article 103 of the Treaty, the Council of Ministers of the Community, acting upon a proposal by the Commission, decided to set up a committee on economic trends. The Committee will be required to assist and to guide the Commission concerning the concrete proposals which the Commission might submit to the Council when changing circumstances warrant. This task appeared to be all the more necessary as the elimination of direct controls, tariff and quota dismantlement and the restoration of external convertibility have resulted in the emergence of a market economy which is naturally more sensitive to variations in economic trends. The Community thus hopes to reduce the magnitude of the economic cycle which is the main cause for the instability of the export proceeds of countries which are exporters of primary commodities. The importance of this problem has been stressed in the recommendations of the Haberler Report.

There is one particular aspect of the policy relating to economic trends which seems to call for prompt action in common. I am referring to the situation in the labour market within the community which is characterized by a shortage of manpower in certain countries and in certain sectors and by the existence of fairly important labour surplus in other countries and other sectors. For that reason, the Council has recently set up a Working Party which has been entrusted with the task of assessing, within a period of two months, those offers of employment which have not yet been met and available manpower resources in the Community which would make it possible effectively to match offers of employment.

The second stage in the implementation of those provisions of the Treaty which relate to the elimination of quantitative restrictions between the Member States was initiated on 1 January 1960, when the Member States and the overseas countries and territories again increased their quotas. To a large extent the Member States have extended the benefit of such increases to third countries.

Since the relaxation of restrictions which took place in 1959, mainly in France, the protection which is still granted by means of quantitative restrictions in the Member States has affected only a minor proportion of trade. Substantial progress has been achieved in the sectors which were most sensitive and strongly protected.

In other sectors where, as a result of certain particularities, the automaticity of general mechanisms would be inoperative or would have to be accompanied by specific measures, special provisions are being gradually implemented so as to ensure an expansion of trade.

The magnitude of the problems concerning trade in agricultural products and the almost world-wide nature of the difficulties which arise in this particular sector have now been clearly established and have been confirmed once again by the nature of the special provisions in favour of agriculture which have been written into the Stockholm Convention and the Montevideo Treaty. On the other hand, the Rome Treaty stipulates that the common market shall cover agriculture and trade in agricultural products and therefore provides for the elaboration of a common agricultural policy to be substituted for the national agricultural policies of the Member States.

The work of the Community concerning the establishment of a common agricultural policy has been progressing steadily since the fifteenth session of the CONTRACTING PARTIES. In accordance with the provisions of the Treaty instituting the Community, the Commission before the end of 1959 finalized its first proposals regarding the common agricultural policy which were submitted to the Economic and Social Committee and to the Council of the Community.

The Economic and Social Committee, in the fulfilment of its tasks, then defined its position towards the proposals of the Commission. The resulting document is to be transmitted to the Commission by the end of May. In addition,

these proposals have already been thoroughly discussed in the European Parliamentary Assembly. At its meeting of 12 May 1960 the Council of Ministers adopted the following timetable:

- Submission of final proposals by the Commission before 30 June;
- First round of general discussions within the Council before 31 July;
- After the general discussion in the Council, the immediate setting up of an ad hoc Committee to prepare the Council's decisions;
- First report of the ad hoc Committee to be submitted to the Council before 15 October.

The common agricultural policy, as envisaged in the proposals by the Commission, represents a completely new concept. In framing this new concept, the Commission was anxious to follow the cautious approach of any modern agricultural policy which endeavours to achieve an equitable balance between all legitimate interests. The Commission therefore has endeavoured to strike a balance between the need to maintain as high a level as possible of external trade on a non-discriminatory basis with third countries, while fully safeguarding the essential interests of the Community's agriculture.

Another point which should be noted in the field of agriculture is the moderate use which is made of Article 38 of the Treaty which provides, inter alia, that additional products may be placed on the list of agricultural products (Annex II to the Treaty). Following a proposal by the Commission, the Council has decided to add only four items to the list of agricultural products, namely sugar, syrup and molasses, ethyl alcohol whether or not denatured, and vinegar.

The list of agricultural products coming under Annex II is now complete and final.

Parallel with measures implemented by the governments and the institutions of the Community, initiatives have been taken by business circles in order to adapt themselves to the requirements of a broader market. Thus, today, two and a half years after the coming into force of the Treaty, the idea of economic integration is fully accredited in all circles. Businessmen, directors of undertakings, industrialists and agricultural producers, have now accepted the common market as something which is going to stay with them, and are already organizing their activities on the basis of a market of 165 million inhabitants.

The Community has imposed itself as a fact in many sectors of professional life, among the trade unions and inside the political parties themselves. The measures of rationalization, the investments projects, the programmes of research in common, the specialization agreements between undertakings, the setting up of professional organizations at the level of the Community are features which make it possible to affirm that today the concept of integration has rapidly come to be acknowledged in all circles.

First and foremost among the preoccupations of the undertakings is the need to lower costs in view of the increased competition which is going to prevail in the common market. There is no doubt, however, that some of these measures which have been taken to take account of the emergence of a broader market have resulted or may result in hindering or restricting free competition. For this reason, the Commission, acting in full co-operation with the Member States is actively pursuing the establishment of common rules governing competition. It has already started investigating into a number of specific cases.

In order to ensure that the various markets are effectively merged and unified, the Treaty provides for the extension of the principles of the common market to non-commercial fields such as manpower, services and free movement of capital. The programmes which are to be implemented during the transitional period in these three fields are being established. It should also be mentioned, in particular, that the Council, acting upon a proposal by the Commission, has recently adopted a directive which provides for the unconditional liberalization of a considerable proportion of movements of capital between the Member States and the conditional liberalization of other movements. The first category, that is movements of capital which have been liberalized unconditionally, includes direct investments, movements of capital for the short-term and medium-term financing of commercial exchanges, and stock exchange transactions. Movements of capital which have been liberalized conditionally include over-the-counter transactions in stocks, and medium and short-term loans and credits of a purely financial nature. The liberalization resulting from this directive represents a substantial progress when due account is taken of the situation at present obtaining in certain countries.

In order to meet the Common Market requirements, the Commission, acting in accordance with the provisions of the Treaty, has also undertaken the approximation of laws, regulations and administrative provisions of the Member States. Such harmonization has proved to be an urgent task as far as fiscal provisions are concerned, in particular, in the field of turnover taxes.

As regards the less-developed areas of the world, the Community has special responsibilities in common with other highly industrialized countries. The policy to be followed in this respect has been examined and discussed between the European Parliamentary Assembly, the Councils and Executive bodies of the three communities at the November session of the Assembly. While stressing that the problem of under-development can be solved only if all industrial countries participate in the solution, the Council, in order to ensure that the measures undertaken to assist the less-developed countries, within the framework of an international programme, are fully consistent, declared at its meeting of 23 November 1959 that "the Community was prepared to consult from time to time with the governments of the United States, Canada, the United Kingdom and other European countries which are anxious to participate in such a policy". The Commission is also aware of the fact that certain solutions to the problem of instability in prices of primary commodities have to be sought at international level as well, for instance, in the case of coffee and cocoa. In this respect, the Commission is already giving its full co-operation to international bodies dealing with this problem.

In the field of assistance to overseas countries and territories, the activities of the Development Fund of the Community should be mentioned. The fund grants unrequited assistance for the financing of:

- economic investments of general interest which are directly connected with the implementation of a programme of development in the associated countries and territories;
- of social institutions, such as hospitals, teaching or technical research institutions, or establishments for the promotion of vocational activities.

As of 15 May 1960, eighty-eight financing projects submitted by overseas countries and territories had been agreed to, representing an amount of \$69 million.

As regards economic projects, which as of 15 May 1960 amounted to \$38 million, infrastructure work such as the building of roads, bridges and railroads and port equipment represents a major part. It is only logical that financial assistance on a non-reimbursible basis should be granted in order to create a very costly infrastructure whose productivity, although undoubted, can only be an indirect and differed result.

In the field of social affairs the assistance which has been granted amounts to \$31 million. The most important projects concern:

- in the field of teaching: the building of schools, of vocational training centres and apprenticeship centres, for an amount of about \$9 million;
- in the field of health: the building of hospitals, maternity centres, social centres and nurse-training centres, for an amount of about \$8 million.

The expansion of business which has occurred in all the countries of the Community since 1959 has been maintained throughout the year and during the first quarter of 1960, mainly as a result of the high degree of economic activity in all the major industrialized countries. The 7 per cent increase in industrial production in 1959 was about twice as high as the year before, and this rate of expansion has been maintained until now. The development of fixed corporate investment has become more marked in recent months and private consumption is still stimulated by increases in salaries and other forms of income.

The external trade of the Community is a fairly faithful reflection of business trends in the Member States. In 1959, the total value of imports from third countries has been maintained at the same level as the year before. However, this does not adequately reflect the pattern of trade obtaining during this period because the average value of imports has been declined by

5 per cent, so that the volume of imports has in fact increased to the same extent. Since the last quarter of 1959, Community imports have reached a very high level. The value of imports from third countries during the first quarter of 1960 represents an increase of nearly 30 per cent over the corresponding period of 1959. The expansion of demand is attributable to a large extent to raw materials and semi-finished products and that is the reason why imports from countries in the process of economic develop have been expanding very rapidly.

In 1959 the Community's exports to third countries have been improving gradually as a result of the progressive improvement of world economic activity. The increase in value was about 8 per cent compared with the year before. This improvement has been maintained during the first quarter of 1960.

In 1959 also, intra-Community exports have been increasing twice as rapidly as exports to third countries and this increase has been more marked from quarter to quarter. The intensification of intra-Community trade is attributable mainly to the very rapid rate of industrial expansion in the Community, but also to the behaviour of entrepreneurs with whom the prospects of an enlarged and more competitive market acts as an incentive rapidly to secure new outlets in other Member countries. Similarly, the establishment, in Community countries, of branches of undertakings located in third countries, for the purpose of marketing production in the whole of the Common Market has contributed to increases in intra-Community trade.

The integration of the six Member States, which figure among the most highly industrialized countries in the world, into a single economic entity has, of necessity, a profound influence on the trade and economic relations of the Six with third countries. The Community is convinced that such integration will be conducive to an increase in general welfare and prosperity and will generate an expansion of trade, in which all the Members of the trading community will share.

The representative of Luxemburg has just said on behalf of the Member States that the President of the Council of Ministers of the Community had communicated to the Chairman of the CONTRACTING PARTIES the text of the decisions which have been made in order to speed up the attainment of the objectives of the Rome Treaty.

I do not intend to analyse here and now the various steps which the Community will be taking shortly in pursuance of the decision of 12 May.

I would only wish to stress that this Decision makes it clear that business in the Community has been proceeding fairly satisfactorily over the last two years, so that the timetable which had appeared reasonable in 1957 has now become inadequate in 1960. But there is more: the Decision expresses the determination of the Community to take advantage of every favourable circumstances to speed up the process of integration. Indeed, the more quickly integration is achieved, the more dynamic, open and liberal will the trade policy of the Common Market necessarily be.