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Statement made by Mr. Th. Hijzen
on 17 November 1961

In my capacity as representative of the Commission, I have already on three occasions - at the XVth, XVIth and XVIIth sessions - had occasion to give the CONTRACTING PARTIES information on the development, achievements and efforts of the European Economic Community. The apparent interest with which these statements have been welcomed encourages me to continue to adopt this freely-chosen method of mutual, direct and frank information, one that is consonant with the spirit of GATT.

The reason why I propose, to myself and to you, to take a general, overall view today of the years that have elapsed since implementation of the Rome Treaty began is that, as a result of the experience accumulated, it is easier to discern certain main lines of development and to assess already fairly accurately the results achieved.

I would, first, like, with the help of a few typical figures, to draw attention to the economic expansion of the countries of the Community, expansion which has gone hand in hand with the progressive establishment of the Common Market. True, this spectacular development has occurred at a time when the international economic situation is favourable, and some people might argue that the Community's existence has had no bearing on the favourable way in which things have actually developed. Nevertheless, whatever academic arguments may be advanced for or against this view, the fact is that the Community has been in existence since 1958, and we find, for example, that:

- the gross national product has risen at an annual average rate of 4.8 per cent between 1957 and 1961, whereas, if I may say so in passing, the average increase in the other countries of Western Europe was, up to 1960, 3.3 per cent. Economic activity has continued to expand during the first six months of 1961, and the forecast of a further increase in the gross national product of some 5 per cent seems to be confirmed, notwithstanding a certain slowing down in the rate of growth, due mainly to the existence of physical obstacles, for example, labour shortages and full utilization of productive capacity.

- between 1958 and 1961 trade between member countries has increased annually at a rate of some 20 per cent approximately, whereas it was only 14 per cent between 1953 and 1957.
- imports by the Community from third countries have also continued to improve at a higher rate: their average annual increase in volume was 10.5 per cent between 1958 and 1961. Comparing the 1960 figures with those of 1958 in the case of purchases of raw materials, we note that the increase in the gross national product, which was faster in the Community than in the other European countries, took the form of a more substantial rise in purchases of primary materials made by the Community in the developing countries - the increase in 1960 as compared with 1958 was 16 per cent for EEC and 11 per cent for the other countries of Western Europe.
- it has also been observed, however, that, whereas the amounts of raw materials bought from countries still undergoing development have risen, the average value has fallen substantially during this period. Thus, changes in the prices of basic products on the world market have deprived countries that are still developing of some of the profit that the larger volume of sales might have given them. The Commission considers this to be a deplorable state of affairs which should be remedied by concerted international action. It believes, however, that the increased world demand for basic products to which the Community has largely contributed has, at least, avoided a still more serious collapse of prices.

Generally speaking, therefore, the trade balance of the Community at the end of 1961 shows that the substantial increase in purchases by each of the Community countries from other member countries has not prevented a very marked rise in imports from third countries.

Consequently, when certain contracting parties claim that the Rome Treaty does not fall within the framework laid down in paragraph 4 of Article XXIV because the object and effect of the Treaty was, they alleged, to impede trade with third countries, these same contracting parties should admit that from this point of view the Treaty has so far been an utter failure since trade with third countries is substantially increasing.

After this brief review of the economic evolution of the Community, let us, if you agree, look at the measures taken in the various spheres where the Community's activity has developed since the Treaty came into force.

In the sphere of trade within the Community, the "tariff disarmament" movement has made good progress, and member States will, at the end of this year, be almost half-way towards total abolition of tariffs. May I remind you of the key dates marking the path of the "disarmament" policy. On 1 January 1959 the member States carried out between themselves the first tariff reduction by reducing by 10 per cent the basic duties in their national tariffs; eighteen months later, on 1 July 1960, came a second 10 per cent

reduction in domestic tariffs; six months later, on 1 January 1961, pursuant to the decision on acceleration taken on 12 May 1960, member States made a third 10 per cent reduction for industrial products, while a further 5 per cent reduction was made for non-liberalized agricultural products. Under the terms of the Treaty a further 10 per cent reduction will be made at the end of this year.

Progress is also being made in abolishing the restrictive trade regulations still applicable to intra-Community trade. The products subject to quantitative restriction, which are still governed by the regulations providing for an automatic expansion of quotas, are mainly agricultural products and foodstuffs. As regards products from the industrial sector, the decision on acceleration provides for the total elimination of quantitative restrictions at the end of this year.

The abolition of disparities in the conditions governing supply and market outlets within the Community also makes it essential to adjust some monopolies. An initial adjustment has been achieved in the sector of manufactured tobacco, and the governments concerned are preparing measures in respect to other State monopolies such as those for alcohol, matches, gunpowder and explosives, salt and cigarette paper.

Besides the measures taken by the public authorities, the private sector is also taking active steps to secure a place for itself on the markets of the partner countries and is augmenting its efforts in this direction through co-operation, concentration and specialization. As at 1 September 1961 the efforts thus made by the private sector since 1958 amounted in the aggregate to the formation of nearly 1,000 subsidiaries in other Community countries and the conclusion of countless agreements on technical co-operation and participation in firms operating in Community countries. The Commission is aware that some of the measures taken may restrict the free play of competition, and is continuing its work on the problem of competition. Draft regulations on agreements between and monopoly positions held by private undertakings have recently been approved by the European Parliamentary Assembly and are now being studied by the Council.

Alongside the progressive abolition of customs duties and other trade regulations applicable to intra-Community trade, the Community is gradually setting up its own common customs tariff and is taking steps to formulate a common trade policy and common agricultural policy.

The drafting of the common tariff is now, with a few minor exceptions, completed. The contracting parties are already studying the various aspects of its application in the tariff negotiations, and a very detailed report has been made thereon, so I feel there is no need to refer to it again in this statement. I may, however, mention that, in connexion with the first adjustment of national tariffs to the common tariff, a certain number of tariff quotas have, pursuant to the Treaty, been opened for the benefit of member States. These quotas should be considered as being in the nature of estimates and will be revised when the need arises.

Last July the Council of Ministers took the first steps towards a common trade policy. On a proposal by the Commission, it adopted two decisions with a view to the progressive co-ordination of the foreign trade policy of member States.

The first decision lays down a procedure for bilateral trade negotiations between member States and third countries. Under this procedure, the member States will report regularly to the other member States and to the Commission on the negotiations which they intend to open either for the conclusion or for the renewal of trade agreements. At the request of a member State or of the Commission, such negotiations may form the subject of prior consultation within the Community.

The second decision is designed to ensure that bilateral trade agreements cannot impede the establishment of the common policy at the end of the transitional period. To this end it provides that no bilateral agreement may be concluded for a period exceeding that of the transitional period.

On 30 June 1960 the Commission submitted to the Council its proposals on the common agricultural policy. Long and difficult work will be needed in order to merge into a single market six agricultural systems which are closely supervised and supported by the public authorities. The Council has approved the basic principles of the common agricultural policy and has further adopted a resolution on the principles that are to form the basis for establishing a system of levies on certain products to be specified. The scope of this resolution is considerable, inasmuch as it ensures the introduction of a factor which is essential for the organization of a common agricultural market. The idea of such a levy system is to have an instrument which will facilitate the gradual harmonization of competitive conditions between member States so as to give a number of products the protection that is still needed in the preliminary stages of intra-Community trade. The intra-Community levies proposed will be gradually reduced until they are eliminated, depending, on the one hand, on the progress made towards a common price level, and, on the other hand, on the gradual abolition of measures which might distort conditions of competition among the member States. Having regard to the problem of relations between member States and third countries in the application of intra-Community levies, the Council resolution also provides that the relation between the levies applied respectively to trade between member States and those applied to trade with third countries should be such that, taking into account the objectives of the Treaty in the sphere of trade policy, member States will enjoy the advantages provided under the Treaty on the Community market.

In framing the common agricultural policy it is the Commission's constant concern to see that the Community can carry its share of responsibility in the interest of a sound development of world trade. With this end in view, the Commission in May 1961 prepared and submitted to the Council draft regulations for the creation of a levy system and the gradual establishment of a common market organization for cereals and pork. Subsequently, further draft regulations were submitted for eggs and poultry, beef, rice, fats, fruit and vegetables and wine, and these are currently being examined by the "Special Committee" on agriculture.

While considerable progress has been made towards customs union, the Community has not lost sight of the objective which is the very essence of its being: the achievement of an economic union, or, in other words, a true

common market covering almost every aspect of economic life. To this end the Commission, which is the body empowered to propose the methods to be used and the action to be taken, has devoted much of its activity to preparing or finalizing proposals in various fields of application of the Treaty. For instance, regulations providing for the free movement of workers came into force on 1 September 1961, and directives for the elimination of restrictions on the right of establishment and the supply of services are being prepared. The liberalization of capital movement has made good progress ever since the introduction in June 1960 of the first directive providing for abolition of restrictions on such movement. Noteworthy progress has also been made with regard to transport, social policy and the approximation of the laws and administrative provisions of the six States.

A political event of fundamental importance in the relations between the Community and overseas associated countries and territories was the accession to independence in 1960 of 16 of these territories. In order to make full allowance for their independence, the Community immediately recognized the need for an institutional adjustment of the association relationship as laid down in the Rome Treaty. This practical adjustment, which is designed to enable questions involving the interests of associated States to be discussed with the participation of those States, has been approved by the governments concerned.

These adjustments do not, however, in any way prejudge the new association arrangements which will have to replace the present Implementing Convention when it expires on 31 December 1962.

In accordance with the provisional arrangements thus agreed, representatives of the Associated Overseas States and representatives of the member States and the Commission have met twice in order to prepare the ministerial meeting which is to be held on 6 and 7 December next. Last June, members of the European Parliamentary Assembly and delegations of the parliaments of the Associated Overseas States met together for the first time and were able to formulate a number of principles which may constitute the basis for a "doctrine" of co-operation between the Community and the States which have become independent. In the economic sphere the organizational arrangement to be devised should be based, principally, on diversification of the domestic, agricultural and industrial production of the Associated States.

In the light of these principles the Commission has given its views on the new regime of association, with particular reference to accelerated trade liberalization as regards both tariffs and quotas, measures of assistance for tropical products in the form of loans adapted to the current market situation, participation in international price stabilization agreements, and a new Development Fund for participation in public and private investment and in technical co-operation.

Furthermore, in the past year the existing Implementing Convention has continued to be applied on normal lines, as have the association articles of the Treaty regarding the liberalization of trade between member States and the associated countries.

In the tariff sphere member States have extended to the associated countries the internal reductions effected under Article 14.

For their part, the Associated States and Territories have fulfilled their obligations under the Rome Treaty and under the Implementing Convention as regards quota and tariff disarmament within the Community, and some of them have even gone beyond those obligations.

In the matter of quotas, the member States have extended to the associated countries the measures applied between themselves for the elimination of quantitative restrictions.

The Development Fund has also extended and speeded up its activities. By 15 November 1961, a total of 215 financing projects had been approved since the Fund was established, corresponding to a total amount of approximately \$250 million.

Although the Community considers that it has a special responsibility towards the Associated Overseas Countries and accordingly gives prior attention to those countries in its contribution to the solution of the problem of under-development, it does not lose sight of the universal nature of those problems or of its own responsibilities at world level. Accordingly, the Community has endeavoured to contribute to efforts launched on a world scale in this sphere. Either of its own accord or in co-operation with other international bodies, it has made preparatory studies on various types of action in the form of technical co-operation, financial assistance, and stabilization of commodity markets.

The action by the Community itself has been considered by an ad hoc committee, which has studied the co-ordination of technical assistance furnished by member States and of policies dealing with credit-insurance, guarantees and financial credit.

The work of the ad hoc committee has been confirmed by the establishment by the Council of two permanent bodies, namely the Technical Assistance Group for Developing Countries and the Group for Co-ordination of Credit-Insurance policies. Similarly, the Council has decided to instruct the EEC Commission, jointly with the Commission of EURATOM, to draw up proposals for the establishment of a "European Development Institute".

Before concluding this general survey, I wish to express the Commission's deep satisfaction at the fact that its negotiating efforts led to the signature on 9 July last of the Association Agreement between the Community and Greece.

The Agreement is designed to enable Greece to become a full member of our Community as soon as its economic situation permits, and is evidence of the Community's constant assertion that it is prepared to admit other European nations willing to join in its integration programme. In this spirit too we welcome the fact that negotiations are soon to be conducted with a view to the accession of further European partners.

I have just received some last-minute news from Brussels. At its meeting on 14 November the Council agreed to the association with the Community of Surinam and the Netherlands Antilles. Further information on this point will be communicated later.