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

This year the Community has felt some hesitancy about presenting to the twenty-fourth session of the CONTRACTING PARTIES the information that, on its own initiative, it has furnished regularly until now.

I think I should say frankly that this hesitancy was due to a consideration of principle. In view of the fact that the Community's activities and development are essentially focused on the time-limit of 1 July 1968 for the complete attainment of a common market in the industrial and agricultural sectors, it was not possible, from several aspects, to limit this information solely to events that have occurred since the last session. Important decisions connected with the time-table ending on 1 July 1968 make it necessary also to include projections for the future in our reporting. We would, therefore, wish it to be understood that this should not be considered as a precedent, nor as grounds for discussing the Community's decisions regarding the future.

Achievement of the customs union

In accordance with the decisions adopted by the Council on 26 July 1966, the free movement of industrial goods will be attained with the complete elimination on 1 July 1968 of intra-Community duties, the level of which is at present equivalent to 15 per cent of the basic duties, since the 5 per cent reduction applied on 1 July 1967.

In the agricultural sector, tariff demobilization will take place in phases as provided for by the regulations establishing a common organization of markets. With respect to the other products listed in Annex II to the Rome Treaty, measures have been taken in order to achieve free movement to the fullest possible extent by 1 July 1968.

On 1 July 1966 and 1 July 1967, the member States made two successive reductions in the intra-Community duties on unmanufactured tobacco, thus reducing these to 25 per cent and subsequently 20 per cent of the basic duty.

In accordance with the regulation establishing supplementary provisions for the common organization of markets in the fruit and vegetables sector, on 1 January 1967 the member States eliminated the intra-Community duties on products covered by the regulation. Simultaneously, the common customs tariff became applicable to these products.

On 26 July 1966, the Council also decided that the common customs tariff for industrial products would become applicable on 1 July 1968. It will be recalled that since 31 December 1965, the alignment of national duties towards the common tariff has been achieved to the extent of 60 per cent. A considerable effort remains to be made by the member States in order to achieve complete alignment, particularly if one takes account of the combined effect of that alignment and the simultaneous application of the two first phases of the reductions resulting from the Kennedy Round. The alignment will thus imply a considerably more pronounced reduction in 5,759 cases, whereas in 4,797 cases the increase will be slight or nil.

It will be readily understood why the Community did not wish to complicate these adjustments further, and selected the date of 1 July 1968 for implementing the tariff reductions resulting from the Kennedy Round.

With respect to unilateral duty suspensions, the duties on a series of primary products imported from third countries have been suspended until 31 December 1967. Under Article 28 of the Treaty, the duties have been suspended totally or partially on products of interest to developing countries. These comprise grapefruit sections and a quinine derivative, as well as twenty headings covering, in particular, a series of various condiments and spices, in respect of which the duty suspension has been renewed for a further year. The Community has also extended for one year the duty suspension on tea, maté and tropical timber, and at the same time extended the arrangement agreed to on these products with the United Kingdom.

In 1966-67, tariff quotas requested and granted continued to decline. The implementation of solutions at the Community level, such as suspension of duties, has been the major element in achieving this.

The time-table also calls for intensive efforts towards harmonization in very many fields, such as the rules for determining customs value, customs legislation, active improvement trade, definition of the notion of origin of goods, and frontier formalities.

Common policies

The decisions taken on common agricultural policy are also directed towards attainment of a common market in the agricultural sector by 1 July 1968.

New common market organization schemes have come into being to supplement the common agricultural policy system, affecting the vegetable oils and fats sector, rounding off and strengthening the structure of the organization of the market for fruit and vegetables, and outlining principles for the organization of the sugar market.

Community financing has been organized; it covers among other things the taking over by the Community Fund of the whole of the expenditure involved in the operation of the market organization schemes, and defines the terms on which the Fund's income is provided.

The level of common prices has been fixed for the main products. The application of a common price implies at the domestic level the suppression of any levy or other customs duty on trade exchanges between member countries, and externally the imposition of compulsory common charges by member countries on imports from third countries. Community prices replace national prices. In this way the single market stage, i.e. free movement, has been achieved for grains, pigmeat, eggs and poultry since 1 July 1967, and for rice since 1 September 1967. Olive oil reached the single market stage on 10 November 1966. Attainment of the single market has involved some amendment of the relevant regulations, e.g. simplification as a result of the elimination of the provisions governing intra-Community trade; but essentially, the constituent features of the systems in force have been maintained as regards prices, trading arrangements and general provisions.

For most of these products, the rôle of the Kennedy Round in speeding up the process of decision-making should be emphasized. The Community has manifestly done its utmost to fulfil its responsibilities and present its GATT partners with precisely defined offers. It was inevitable, however, that the parallel nature of the two plans of action, domestic and external, would involve a certain amount of reaction in both directions.

I do not propose to dwell on the progress made in the direction of economic union as compared with other fields of common policy, except to mention incidentally, in reference to competition policy - because of its decisive importance in the achievement of the customs union - the adoption of a common system of added value tax. This common system offers among other advantages the practical one of placing undertakings on a common footing as regards turnover tax in international trade.

My remaining task, if I am to keep to the traditional form of this type of statement, is to present some criteria for the evolution of the trend of Community trade.

The substantial deficit in the balance of trade since 1962 persisted in 1966 at the level of \$1,323 million, just \$166 million less than in 1965. As in previous years, the excess of imports from the United States (-\$1,923 million) and from the developing countries (-\$3,357 million) again contributed largely to this imbalance.

The increase in total imports from third countries was 7.5 per cent in 1966, a faster rate than in 1965 (6.4 per cent), while the economic growth rate within the Community as a whole remained practically stationary (4 per cent). Furthermore as is shown incidentally in the GATT report International Trade 1966, the rate of increase in intra-Community trade has also slowed down.

Imports from EFTA increased by \$346 million in 1966 as against \$305 million in 1965, while exports to the zone showed a distinct deterioration - from an increase of \$753 million in 1965 to \$397 million in 1966. The increase in imports

from the United States was \$328 million in 1966 as against \$255 million in 1965, while the increase in exports to the United States rose from \$576 million in 1965 to \$673 million in 1966.

The developing countries enjoyed an increase of 7.4 per cent in 1966 in the Community's imports as compared with 7 per cent in 1965. This improvement is more marked than that of the Western industrialized countries generally (6.7 per cent).

The rise in imports from State-trading countries is still the most noteworthy: 17.9 per cent in 1965 and 15.6 per cent in 1966.

No significant change is to be observed in the respective share of the major economic zones in the Community's imports in relation to 1964:

- EFTA's share was 24 per cent, as against 25 per cent;
- that of the United States was stationary at 20 per cent;
- the Western industrialized countries as a whole registered 56 per cent in 1966 as against 58 per cent in 1964;
- State-trading countries increased their share from 6 per cent to 7 per cent;
- the developing countries retained a 37 per cent share.

In spite of a relatively high degree of self-supplying, the Community's imports make it the leading world importer of agricultural products. Such imports may be expected to continue at their present level, or indeed, to increase still further; an increase of 6 per cent over 1965 was recorded in 1966. This does not however, exclude the possibility that changes may take place in their composition, e.g. as a result of technological developments in production or of changes in the pattern of demand among consumers in the Community. The increased share which food products and animal feeding stuffs (Tariff Statistical Classification - 0) represent in total imports is particularly striking - 44.4 per cent in 1958 and 53.3 per cent in 1965.

Imports of products included in common market organization schemes are continuing to follow a rising curve: in relation to 1961, such imports increased by 22 per cent in 1964, 35 per cent in 1965 and 46 per cent in 1966.

Imports of grains in 1965 were 83.4 per cent above their 1958 level and accounted for one sixth of the increase in imports of food products. This expansion has particularly favoured the United States, whose exports of grains to the Community more than doubled during this period.

Because of the Community's rapid economic growth, its imports from developing countries have increased at a much faster rate than those of other developed countries. Since 1961, the Community has become the developing countries' best customer; they dispose of about one quarter of their exports on the Community market.

In this sphere there is a tendency outside the Community to watch the trend in Community imports from the Associated African and Malagasy States with particular attention. There is similar concern within the Community, which in its trade policy has tried to strike a satisfactory balance between its special responsibilities in regard to the development of these States and the interests of other developing countries. In making comparisons with overall EEC imports from other developing countries, the differences in level of development and the greater or lesser degree of diversification in the pattern of exports must be constantly borne in mind.

The share of the Associated States in total EEC imports is nevertheless still the lowest of any of the groups of developing countries; over the last three years it has fluctuated around 2.5 per cent by volume as against, for example, 9 per cent for Latin America and 20 to 24 per cent for the other African countries.

Taking 1964=100 as the base, the trend of the index of EEC imports of nineteen vegetable products of importance to developing countries for 1965-1966 is as follows:

- Associated African and Malagasy States, 97 and 99;
- Latin America, 116 and 128;
- Other African countries, 93 and 96;

The index for seven mining products regarded as significant was:

- Associated States, 117 and 123;
- Latin America, 103 and 96;
- Other African countries, 127 and 142.

The products included in this comparison represent 97 per cent in quantity and 87 per cent in value of total EEC imports from the Associated African and Malagasy States.

In general, it must be remarked in the light of the trends of trade that the tariff system applied by the Community to the Associated States enables them, at most, more or less to maintain their relative share in the Community's imports by making up for the shortcomings in their competitive power.

This highlights the importance of international action to seek in appropriate collective measures calculated to ensure increasing participation by these countries in world trade, and to give their export earnings greater stability.

I think this completes the essential information the Community had to convey to its partners in GATT, following the lines of its previous statements, and encouraged to do so by the interest always shown by the Contracting Parties in such communications.