The Treaty of Rome

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

Statement by Mr. Parboni

During the fourteenth session the Contracting Parties examined the question of the information concerning the implementation of the Rome Treaty which the EEC is to furnish in future. Mr. André Philip, speaking on behalf of the EEC, gave a clear indication as to how the EEC understood the obligations resulting from paragraph 7a of Article XXIV. Furthermore, he reaffirmed that the Six were prepared to provide all relevant information within the framework of Article XXIV consultations. Lastly, he added that the Community, regardless of any legal obligation and independently from the work of the Contracting Parties, was prepared to supply, through the Commission, to delegations that so requested, information relating to the various aspects of the functioning of the Community. The Contracting Parties agreed that the situation as expressed by the spokesman of the EEC was correct.

As far as the fifteenth session is concerned, the competent authorities of the Community felt that no communication was called for under paragraph 7a of Article XXIV. Nevertheless, they have thought it useful to submit, on their own initiative, a statement on the implementation of the Treaty and certain developments related to the economy of the EEC. By doing this, they do not propose to initiate a debate but they are convinced that such a statement can contribute towards a better understanding of mutual difficulties. I would now like, Mr. Chairman, to request you to allow the representative of the Commission to address the Contracting Parties.

Statement by Mr. Hijzen

As the spokesman of the Member States has just told you, the Community is of the opinion that it might be useful if the Contracting Parties were apprised of the activity and the achievements of the Common Market since the beginning of 1959.
(i.e. since the effective introduction of the various mechanisms provided for in
the Rome Treaty) by a brief statement rather than by the periodical bulletins
issued by the Commission.

I therefore propose to supply information on the steps taken in the
various fields where the Community has had to take action during the present
year.

From the internal point of view, the Community has taken the first steps
under the Treaty provisions relating to tariff and quota dismantlement. In
view of the fact that the Member States had expressed their determination to
implement the Treaty fully without resorting to escape clauses, it has been
possible to open the Community markets satisfactorily as of 1 January.

On that date the Six introduced the first tariff reductions which are to
lead to the full elimination of customs duties in their mutual trade. The
tariff reductions (10 per cent of the base duties) have also been applied to
imports from overseas countries and territories. Furthermore, in pursuance
of the Decision of 3 December 1958 by the Council of Ministers, tariff
reductions have been liberally extended to third countries insofar as they do
not go beyond the levels provided for under the common tariff. Such action,
together with the full acceptance by the EEC of Mr. Dillon's proposal, shows
that the Community does not intend to pursue protectionist aims or to alter the
trade relations which existed before the entry into force of the Treaty.

As of 1 January 1959, the associated countries and territories have also
reduced by 10 per cent their duties on imports from the Member States or
other overseas countries and territories. These reductions, however, have
not been applied by those overseas countries and territories which, for
various reasons, do not have a preferential tariff. Therefore, the reductions
introduced by the overseas countries and territories are only of limited
scope.

Similarly, the first measures of quota dismantlement provided for under
the Treaty were satisfactorily carried out at the beginning of the year.
In the case of imports which the Member States have not yet liberalized, a
new trading system has entered into force which includes the elimination of
bilateral arrangements and the introduction of a system of global quotas open
to all other Member States. The application of this system further involved
an increase in quotas so as to bring them to the level of 100 per cent of the
aggregate value of previously existing quotas or no less than 3 per cent of
domestic production, as the case may be. As regards goods for which there is
no domestic production the Commission has fixed the global quotas for 1959.
These measures of liberalization also apply to imports from overseas countries
and territories which, under the convention relating to the association with
the Community of the overseas countries and territories, have introduced
global quotas open to the Member States for products under quota restriction.

In the case of goods coming under a national monopoly, the Treaty
provides for increases in trade, as in the case of the private sector, but
such increases are not submitted to any specific procedures. The Commission
has examined the main problems arising out of the existence of various mono-
polies within the Common Market, in particular the French and Italian tobacco
monopolies. Consultations with experts from the Member States have led to the conclusion that it will probably be necessary to examine the case of each monopoly separately.

It therefore appears that the quota dismantlement measures which have been taken concern that part of trade which by its very nature or by reason of a determined policy has not yet been included in the OEEC liberalization programme. The elimination of previous bilateral arrangements has opened the way for increased competition inside the Community. This, in principle, also applies to agricultural products. In the case of many agricultural products the usual bilateral quotas have been substituted by global quotas for imports from all Member States.

The Commission is now finalizing its proposals for the establishment of the Community's agricultural policy. The Commission hopes to submit its proposals to the Council of the EEC in conformity with the relevant Treaty provisions, before the end of the year, after consultation with the Economic and Social Committee. In establishing these proposals, the Commission has held consultations with interested business and economic circles. The Commission has also invited experts from the Governments of Member States to participate in its work. Certain important problems have been discussed with the Ministers for Agriculture of the Member States. Lastly, the problems of the common agricultural policy have been dealt with in the Economic and Social Committee and the European Parliamentary Assembly.

In accordance with the principles for a common agricultural policy established under the Treaty and the Stresa Resolution, the Commission will propose solutions in order to organize the markets for agricultural products. These solutions will make it possible:

- gradually to ensure the free movement of agricultural products within the Community,
- to achieve equilibrium between production and outlets for agricultural products,
- to maintain the highest possible level of trade with third countries on a non-discriminatory basis.

In order to attain the objectives of the common agricultural policy, the Commission is also envisaging to propose measures intended to improve the agricultural structures of the Member States, so that agriculture within the Community should be less dependent on the protective measures which are still necessary.

The CONTRACTING PARTIES attach particular interest to one important aspect of the work of the Community, namely the common external tariff. The services of the Commission, with the assistance of customs experts from the Member States, have completed the first stage in the establishment of the common tariff. For the purpose of computing the arithmetical average of duties applied as of 1 January 1957 experts have consolidated all the specialized items in the four tariffs, and a simplified provisional draft common tariff has thus been established. Although based on arithmetical
averages, this provisional draft takes account of special Treaty provisions such as Lists A to F and the provisions relating to the internal harmony of the common customs tariff. The simplification which has been achieved in accordance with tariff and economic requirements has yielded a concise and practical tariff instrument. In order to evolve a full tariff, the Member States have also initiated negotiations between themselves on duties applicable to List G items. Work is being speeded up by all possible means so that the common tariff which the CONTRACTING PARTIES are to receive at the beginning of 1960 should be as complete as possible.

The purpose of the Rome Treaty is not solely the establishment of a customs union through the elimination of obstacles to international trade and the introduction of common tariffs and regulations vis-à-vis the rest of the world. The Treaty goes much further in the sense that it is intended to set up a true economic union as between the Member States. The Treaty therefore covers practically every aspect of economic activity. In every field where the Treaty provides for the establishment of a common policy the first steps are being prepared and in a number of cases the first results have already been achieved.

Thus, the first steps with a view to co-ordinating economic policies have been taken. A meeting between the competent authorities of the Member States and representatives of the Commission provided an opportunity for an exchange of views on the situation and orientation of the financial policies of the Member States. During this exchange of views the participants acquired the conviction that it was necessary to elaborate common guiding principles to further sound budget policies in the Six Member States. The incidence of taxation on competition and the problems arising out of the present disparities between the various national systems of taxation have been examined against the background of an eventual harmonization. It has been envisaged to hold further such meetings at regular intervals. Similarly, work has been undertaken in the field of movement of capital. In order to ensure the best possible utilization of production factors, it is indeed desirable that movement of capital should be freed at the same time as movement of goods and services so that the opening of the Community markets should achieve its full significance.

The Treaty provides for a number of major date-lines in 1959. As stated above, the Commission, acting under the relevant Treaty provisions, has been establishing proposals in the field of agricultural policy, which are to be submitted by the end of the year. Other date-lines concern the question of transportation and the right of establishment. Thus, the Commission, acting in conformity with Article 79 of the Treaty, has established draft regulations concerning the elimination of certain discriminations in respect of transport rates and conditions in the traffic within the Community. These draft regulations constitute one step towards the implementation of a common transport policy. The Commission is also preparing a programme for the elimination of restrictions on the free supply of services within the Community and on freedom of establishment. This programme is to be submitted to the Council of Ministers before the end of the year.
As regards the right of establishment of nationals and companies of Member States, other than those having special relations with the country or territory concerned, the Commission has prepared, in close co-operation with the authorities of the overseas countries and territories and the members of the Economic and Social Committee, draft directives aimed at eliminating gradually in the overseas countries and territories at present associated with the EEC any discrimination which may exist between the nationals of those countries and the nationals of the Member States. The Council's decision in connexion with these directives is awaited in the near future.

As regards the application of rules governing competition, the Commission, with the assistance of national experts, has undertaken to define the scope of Article 85 and subsequent Articles of the Treaty and has conducted initial studies of theoretical problems and concrete cases. All Member States have been requested to take the necessary steps in order that the competent national authorities should be in a position to take action against harmful arrangements. In the field of dumping, experts from the Member States have also been consulted and the rules referred to in Article 91, paragraph 2, are being drawn up. The action of the Commission against dumping practices is largely based on Article VI of the GATT.

Initial achievements can also be mentioned in the social field. The Council of Ministers has adopted regulations instituting a system of social security for migrant workers who can thus enjoy, regardless of the particular Member country where they work, all the social security advantages which would have been extended to them had they remained in their country of origin. Furthermore, draft regulations relating to the European Social Fund have been submitted to the Council of Ministers. These regulations set forth procedures for implementing the Social Fund which is intended to promote, within the Community, employment facilities and the geographical and occupational mobility of workers. Lastly, draft regulations relating to the free movement of workers have been established by the Commission and are being studied by governmental experts. The improvement of living and working conditions as a result of the social achievements of the EEC will have positive effects on the consumption capacity of the European peoples and therefore on international trade as a whole.
The European Investment Bank has started operations. In conformity with the relevant Treaty provisions and in pursuance of a Decision by the Board of Governors, the Bank is to devote a large part of its resources to the less-developed regions of the Community during its first years of activity.

The financing of three specific projects has already been approved by the Board of Directors. They concern the building of a power plant and the establishment of a chemical industry in Southern Italy and the building of a hydro-electric plant in the French Alps. Other projects are under study.

Lastly, the Development Fund for the Overseas Countries and Territories has started financing social institutions and economic investments of general interest. As of 20 September 1959 five financing agreements had already been entered into; one for the Belgian Congo, two for Ruanda-Urundi, and two for Madagascar, representing a total amount of 8 million accounting units (one accounting unit is the equivalent of US$1 in gold contents). Such projects include, for instance, the building of a medical and surgical centre in the Belgian Congo, the construction of secondary schools and a water supply system in Madagascar, together with reconstruction work in the island, which had been devastated by a series of cyclones at the beginning of March 1959.

A score of other projects representing a total amount of about 16 million accounting units, is awaiting decision. These include, inter alia, the equipment of a fishing port at Abidjan, the modernization of the Togo railways, the rebuilding of roads in Madagascar, the hydro-agricultural equipment of the Anony delta and of the Tulear plain and the reconstruction of Douala harbour.

Mr. President, so much for the activities of the Community in the various fields where action had to be taken in 1959 under the Rome Treaty, I would now wish to submit some brief comments concerning the economic situation and trade developments within the Community.

Since the business pick-up which started at the beginning of 1959, economic activity within the Community has remained in a favourable trend in the second and third quarters of 1959, as available data indicate. The domestic economies of all the Member States are now in a phase of cyclical expansion. In comparison with the preceding period of contraction where business trends differed as between the various Member States, the economies of the Six are at present in much greater harmony.

The speeding up of industrial expansion has been particularly marked during the second quarter. The minor slow-down which has occurred in several Community countries during the summer months does not indicate any changes in the present trend. This slackening is due to fortuitous causes like the Italian strikes and the lengthening of annual holidays. In fact, expansion factors have probably remained just as strong as before during the last few months and will be fully felt during the autumn months. Contrary to what has been occurring in the field of industry and services, agriculture, as a result of the summer drought, has not been a determining factor in production increases.
For the Community as a whole the business upturn is not so much attributable to increases in consumption or private investments as to increases in other items of global demand such as the building up of inventories and the rebound in external demand. During the downturn, external demand had already afforded strong support for the economies of the Member States. In recent months, the strong pick-up in foreign orders has given new impetus to business activity within the Community. During the second quarter exports have increased by 11 per cent in value as compared with the corresponding period of 1958, mainly as a result of trade with the United States.

The improvement in economic activity within the Community has recently been reflected in the trend in imports from third countries, which have considerably increased during the last few months. During the second quarter of 1959 imports from third countries which, in the first quarter, had been less than in the corresponding period of 1958, were higher than in the second quarter of 1958. This advance, which had first been felt for consumer goods, has now extended to raw materials as a result of the upsurge in industrial production and the rebuilding of stock-piles. This general trend in imports, which had been quite notable in the Federal Republic of Germany, the Netherlands and Italy, where the pick-up had been particularly strong, is now noticeable also in France and Belgium. The recent measures of liberalization vis-à-vis other monetary areas, in particular towards the dollar area, have not yet been felt, but will in all certainty result in increases in imports from third countries.

It is interesting to analyze some figures relating to certain tropical products which have especially attracted the attention of the GATT during the last few months.

In the case of coffee, imports from third countries during the first six months of the year (five months in the case of Benelux) amounted to 195,700 tons as against 174,100 tons in 1958. Thus the percentage of exports from third countries to the EEC has increased from 66 per cent in 1958 to 69.5 per cent in 1959. The increase has been particularly marked in the case of imports from Brazil, Colombia and Angola.

As regards cocoa, imports from third countries increased from 94,200 tons in the first six months of 1958 (five months in the case of Benelux) to 96,700 tons in the corresponding period of 1959. Thus the percentage of exports from third countries to the Community has increased from 63.6 per cent in 1958 to 65.6 per cent in 1959. This increase is mainly attributable to shipments from Ghana and Nigeria.
As regards bananas, the share of third countries for the same period amounted to 233,400 tons out of a total of 472,500 tons. Half-yearly statistics for 1958 are not available. However, the percentage of exports from third countries for the whole of 1958 (about 54 per cent) has been maintained in 1959. This is also true in the case of cotton where the share of third countries (378,000 tons out of a total of 407,100 tons) remains at about 93 per cent of the Community's total supply.

The 1959 statistics for tropical timber are not yet available. Information received to date shows that the upward trend in the share of third countries in 1958 has been maintained. It should be recalled that in 1958 Ghana exported 341,270 tons of timber to the Federal Republic of Germany as against 290,000 tons in 1957, followed by Nigeria (176,118 tons as against 145,000 tons) and the British Cameroons (47,134 tons as against 14,500 tons).

To sum up, the Community trade in the main tropical products with third countries is developing favourably.

The special situation of countries in the process of economic development has been of particular concern to the Community. In this respect the Council of Ministers, on 13 October 1959, decided to set up an ad hoc committee to study the general problem of action to be taken by the Community in favour of countries in the process of economic development, as the spokesman of the Six, Minister Spagnolli stated at the opening meeting.

The Committee has already started work and we hope that action will be taken so as to bring effective assistance to the countries concerned.

One might be tempted to draw conclusions from the above-mentioned considerations on the question of the effect of the establishment of the Community on trade with third countries. However, in view of the short period of time which has elapsed since the effective entry into force of the Common Market (1 January 1959) any such conclusions would have to be accompanied by many reservations. At this stage it seems preferable to note that the Six which in the last ten years, have increased their gross national product by a percentage which is roughly equal to that of the United States and the United Kingdom, are maintaining a very high rate of economic expansion. Once again the Community wishes to stress the importance which it attaches to the accelerated growth of its economy, not only in order to raise the standards of living of its peoples, but also to be in a better position to contribute to the economic development of all its trade partners, by means of increases in its import capacity and investments abroad. This is of particular concern to exporters of primary commodities, having regard to the fact that the Community is a major consumer of raw materials.