European Economic Community

Statement by the Representative of the Community on the Implementation of the Rome Treaty

On 1 January 1964 the European Economic Community entered on the second half of its twelve-year "transitional period". This date does not mark a "stage" in the sense of the Rome Treaty, but it should incite us to reflect, first of all on the precise significance of these first six years of progressive economic integration, particularly in the context of international economic relations, and secondly because for all of us this will be a year in which we shall have to make choices of fundamental and decisive importance for our future.

The creation of the Community naturally gave rise to great hopes, and inevitably it also aroused great anxieties. We have always tried to be mindful of both the hopes and the anxieties. Both are probably accompanied by a little too much impatience, and there is perhaps a hiatus between the action expected of the Community in the immediate future, and the requirements of its internal consolidation which is vital for its action to be effective.

For all these reasons the Community wishes to avail itself of the opportunity offered to it by the CONTRACTING PARTIES for a frank and open discussion with its partners, in the light of the information which it furnishes to them.

I. The achievement of the Common Market

In my statement at the twentieth session, I informed you of the schedule for tariff disarmament within the Community after the transition to the second stage of the Common Market. I shall not, therefore, revert to this in detail, but shall merely note, by way of a reminder, that on 1 July 1963 a further 10 per cent reduction in customs duties between the EEC member States brought the level of such duties down to 40 per cent of their 1957 level on industrial products, 55 per cent on non-liberalized agricultural products and 60 per cent on liberalized agricultural products.
On the same date, i.e. two and a half years ahead of the requirements under the Treaty, the second step towards the alignment of national tariffs with the common customs tariff was taken, reducing by 60 per cent the difference between the national duties effectively applied on 1 January 1957 and those provided for under the common customs tariff resulting from the negotiations. In this connexion it should be noted that on 2 April 1965, having regard to the prospect of new tariff negotiations, the Council decided to repeat its liberal gesture at the time of the first alignment on 1 January 1961, so that the second alignment likewise was made on the basis of the initial customs duties reduced by 20 per cent, even on products for which there had been no reduction in duties during the negotiations. This method of calculation has not, however, been applied to certain products in List G.

As regards the achievement of the economic union, efforts were actively continued in 1963 with a view to harmonization and the formulation of common policies. One may note in particular studies relating to the elimination of measures with equivalent effect to quantitative restrictions, and first and foremost, practices which can hinder the effects of intra-Community trade liberalization, such as those requiring the utilization of national products.

Work in this field has proceeded in parallel with the adaptation of national monopolies and the harmonization of legislation, regulations and administrative requirements, disparities in these being a frequent source of difficulties and obstacles for trade.

The policy in regard to competition is aimed at ensuring that the edification and balanced development of the Common Market is not impeded or impaired by the maintenance of obstacles resulting either from inconsistencies in economic and fiscal regulations and from State assistance systems, or from improper exploitation of the dominant position of private entrepreneurs and from agreements designed directly to restrict competition among them.

In accordance with the regulation on ententes, some 35,000 notifications have been submitted to the Commission for examination. In deciding on cases notified, the Commission bases itself on the very strict provisions of the Treaty in this regard so as to guarantee the freedom of economic action of all participants in the market. It has, for example, issued a recommendation aimed at putting an end to restrictions on competition in the building materials sector. Experience shows that the notification requirements also seem to have a preventive effect on the attitude of undertakings in this field.

The principles established and the practice followed under the Treaty for the repression of intra-Community dumping are proving effective. As regards extra-Community dumping, work is continuing on the approximation of the legislation of member States regarding dumping and on the formulation of uniform principles for commercial protective measures to be taken by the Community in the event of dumping.
Steady progress is being made regarding the free movement of workers, capital and services. The Community considers these sectors as being of vital importance, but as they are less directly connected with the work of the CONTRACTING PARTIES, I shall merely make a passing reference to them.

As regards regional policy, the EEC Commission has undertaken a series of enquiries and studies with a view to determining the broad outlines for concerted action, at the Community level, in order to remedy the backwardness of under-privileged areas of the Community. I mention this so as to single out the most important of these enquiries which relates to the promotion of an industrial development centre in an area in Southern Italy. The objective is to enable a network of industries to develop, after the initial launching, merely through the play of market forces. This is therefore an experiment for determining an effective method of industrialization and the experiment might also furnish data which would be valuable for application at the international level.

If I have waited until now before mentioning the common agricultural policy it is solely in order to spend a little more time on a subject on which your attention and your interest are at present centered. First of all, the most recent development has been the adoption of three new regulations on 23 December last on rice, beef and dairy products. These will be communicated to the CONTRACTING PARTIES and you will therefore be able to examine them at leisure; they are based on the same principles and the same global concept of organizing the agricultural market as the regulations adopted early in 1962; they demonstrate the same concern with finding a balance between the Community's internal responsibilities in the agricultural sector and its external responsibilities; they reaffirm the common desire of the member States to equip the Community with effective instruments of agricultural policy, and they make the Community better able to participate in the multilateral effort to organize the world agricultural market.

I should now like to comment at greater length on the results of a study which the Commission carried out in November 1963 on the first year of application of the agricultural regulations. Such studies are scheduled to take place regularly so that an accurate assessment can be made of the effects of the common agricultural policy at both the internal and the external levels, with a view to determining any measures which may be necessary. This first study covers the period from 30 July 1962 to 30 June 1963; it is still too early and the period is too short to yield sufficiently substantial elements of appreciation, but there are nevertheless some interesting indications, as follows:

- The application of the regulations has not caused any disturbance on the markets of the member States. For the products subject to levy, the substitution of this measure for all other protective measures has not had any inequitable repercussions. In the cereals sector, the price stabilization mechanisms proved their effectiveness when there was a record harvest in the Community.
As regards exchanges with third countries, there has been no drop in global imports. Intra-Community exchanges in cereals fell in quantity and in percentage (3 per cent) to the benefit of exchanges with third countries, while consumption of cereals rose substantially (2.6 million tons) because of increased consumption for animal feed. As regards animal products the level of intra-Community exchanges was maintained in quantity, and having regard to the rise in production this was reflected, in percentage terms, in a slight decline in the share of third countries in total imports, while intra-Community exchanges continued at substantially their former level. This trend might call for a review of the question of protection. The degree of self-sufficiency with respect to pork remained in the vicinity of 100 per cent. Production of eggs is rising more rapidly than consumption. The rate of growth of poultry production is virtually in step with that of consumption, thus maintaining at 90 per cent the degree of self-sufficiency of the Community. Poultry imports by the Federal Republic from third countries in the 1962/63 season were only 7.8 per cent below the 1960/61 level, representing an increase of 10.6 per cent as compared with the level for 1959/60. It may be noted in passing, in this connexion, that in 1963 the value of poultry imports by the Federal Republic from the United States was $21 million, despite the fact that for some time the German market was still disposing of the substantial stocks imported for speculative reasons during the period immediately prior to the entry into force of the common agricultural policy regulation on this product. Imports of fruit and vegetables remained stable.

II. Economic expansion within the Community and trends in its commercial relations with other countries

There is a clear relation between economic expansion in the Community and the development of its trade with the rest of the world. In accordance with the spirit and the principles of the Rome Treaty, this relation has never ceased to be a positive one and it is a source of obligations and at the same time problems for the Community which must strive to ensure equilibrium between its internal edification and its external relations, and prevent either field from impairing the development of the other.

A few figures will suffice to illustrate this relation and locate the sensitive points of balance. From 1958 to 1963 (results of the first half-year), industrial output in the EEC rose by 44.7 per cent, gross national production rose by 26.4 per cent, and exchanges between the Six rose by 130 per cent. On the other hand, while Community exports to the rest of the world rose by 35 per cent, its imports from the rest of the world increased by 53 per cent; these last two figures indicate a steady deterioration in the Community's trade balance which for the first eight months of 1963 showed a global deficit of $2,300 million, or almost twice the corresponding figure.

1 On the basis of customs statistics - exports f.o.b., imports c.i.f.
for the same period in 1962, and ten times the global deficit recorded for 1958. The deficit vis-à-vis the United States amounts to $5,000 million and will probably tend to rise still further. In addition, in 1963 there was a continuing decline in the rate of economic growth, and a growing tendency towards rising production costs - in other words a deterioration in the Community's competitive capacity vis-à-vis its principal trade partners. Lastly, it should be borne in mind that only since 1960 has per capita income within the Community gradually risen slightly above the $1,000 mark. In 1961 it reached $1,129. This places the Community about eleventh in the world in this regard, a position which it already occupied in 1957, coming after not only countries such as the United States, Switzerland and New Zealand, but also Sweden, Australia, Denmark, the United Kingdom and Norway.

These are our problems; and although it is not the intention of the Community to use them as a pretext for limiting its rôle in world affairs, the Community must nevertheless take account of them in order to safeguard its own consolidation whenever necessary and in order to maintain, for the benefit of all, the stability of its economic development.

On the occasion of earlier statements, it seemed to me that a number of countries represented here were particularly interested in the most recent trade figures which I could furnish. I would not wish to disappoint them.

From 1958 to 1962, the rate of increase in the value of EEC imports from various geographical areas has been as follows:

- EFTA countries: 51%
- United States: 58%
- Associated overseas countries: 24%
- Latin America: 35%
- Eastern Europe: 77%
- Other third countries: 19%

From 1961 to 1962, the increase in terms of value was as follows:

- For the EFTA countries: from $4,900 million to $5,500 million
- For the United States: from $4,000 million to $4,400 million
- For developing third countries: from $7,500 million to $8,100 million
- For the associated overseas countries: from $1,700 million to $1,800 million.
Comparing the first eight months of 1963 and of 1962 respectively, the indices of the value of European Economic Community imports were, on the basis 1962 = 100:

From EFTA 113
From North America 113
From the developing countries, taken together 107

If one groups the developing countries according to their geographical situation, the indices are:

For those in South America 106
For those in Western Asia 110
For those in Eastern Asia 105
For those in non-associated Africa\(^1\) 114
For those in associated Africa 103

Lastly, I will mention in particular, to meet the wish which they themselves expressed during the discussion at the twentieth session:

India, with an index of 103, also
Pakistan 115, and
Ceylon 108

III. Development policy

A. The new Association Convention between the Community and eighteen African and Malagasy States was signed at Yaoundé on 20 July 1963. The text of the Convention, which is for a duration of five years, has been submitted to the CONTRACTING PARTIES. It will enter into force once it has been duly ratified by the national parliaments of the signatory States.

This is not the moment for any detailed analysis of the provision of the new Convention, but I would like simply to outline its essential features.

I have already had occasion to stress the close relation of continuity which exists between the former Convention and the new one. This contract of association, concluded between sovereign partners having full equality in law, henceforth expresses the community of views as between all the signatory countries on the principles and methods of a coherent development policy.

\(^1\)Not including Mediterranean Africa and the Union of South Africa.
The Convention defines the fullest possible development policy and it provides for institutions where all the parties are represented on a basis of parity and for the means necessary for its implementation. The Community and the associated States have acknowledged that they need each other, and that conviction has been the starting point for the harmonious and balanced organization of their mutual co-operation, which is adjusted to the well understood interests of all the partners, while taking account of the interests of third countries, witness the tariff reductions which will become effective when the Convention comes into force.

The fact that the new Convention is open to all countries whose economic situation is comparable to that of the developing countries which have signed it, demonstrates the spirit of solidarity and the sense of responsibility in which it has been conceived and drawn up.

The characteristic features of the assistance which the European Community furnishes to the Association in the form of financial and technical co-operation are its magnitude and its modalities. For the period covered by the Convention, a global amount of $800 million in aid is placed at the disposal of the European Development Fund of the member States, to be administered by the institutions of the Community and the Association. The financial techniques for assigning this aid include normal or special loans, grants, interest rebates, and short-term advances for price stabilization. Aid may be made available for capital investment, commercial aid towards production, structural aids towards agricultural and industrial diversification of the economy, and all the various forms of technical assistance.

In the field of trade, the new Convention provides on the one hand for extensive liberalization and on the other hand affords the possibility of protecting certain sensitive production sectors. The elimination of customs duties and quantitative restrictions as between the Six must also apply to the products of the associated States in the European Common Market. For their part, the associated States open their markets to the Six, but may take appropriate measures to protect their nascent industries. Such derogations, which enable account to be taken of differences in economic structure, limit the Community preference.

It would be vain and even dangerous to imagine that the Association can provide the solution to all the problems. First of all, because the needs are immense and also because the Association, being an economic organization in the world trading system, to some extent shares the defects and disadvantages of that system.

B. The Community wishes actively to contribute to the international organization of trade with a view to finding solutions favourable for the developing countries as a whole, and that is the objective which we pursue in this forum.
It may be noted that as soon as the new Association Convention comes into force the tariff measures provided for in it will result in substantial tariff reductions (ranging from 15 to 40 per cent) on a number of important tropical products, and this reduction is already effective as regards coffee.

Mention may also be made of the recent elimination of duties on tea and tropical timber and the suspension of the common customs tariff duties on a number of traditional exports of certain less-developed countries, of which India is one.

Import quotas for cotton textiles have been enlarged.

Under a trade agreement concluded with Iran in October 1963, the Community has granted tariff reductions on certain products of interest to that country, and those reductions are extended to all third countries.

The Community remains the principal customer of the developing countries: industrial raw materials account for 20 per cent of its imports from those countries, and tropical agricultural products for 65 per cent. In 1962, it imported $725 million of manufactures produced by those countries, which was 52 per cent above the level for 1958. The Community's trade deficit vis-à-vis those countries amounted to more than $2,000 million in 1962.

The Community has noted with satisfaction that in 1963 there was in general a very appreciable rise in the prices of primary commodities which are the principal source of export earnings for the less-developed countries. The Community welcomes this development. Experience has shown, however, that reversals in commodity price trend are frequent, and the Community therefore considers it desirable to ensure that this improvement, which might be only temporary, does not tempt us to relax our vigilance regarding the means of ensuring the stable economic development of the countries concerned. In particular the efforts needed in order to establish and stabilize commodity prices at remunerative and equitable levels must be borne in mind.

In the important field of technical co-operation, Community obligations amounted to $10.8 million in 1962 and its expenditure to $5.5 million.

An association agreement was signed with Turkey on 25 June 1963. The objective of this agreement, which has been submitted to the CONTRACTING PARTIES for examination, is the admission of Turkey as a full member of the Community as soon as its economic situation enables it to take on the requisite obligations for achieving the customs union. For this purpose, provision has been made for three stages: a preparatory stage, a transitional stage and a final stage.

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1 CST: 6 + 7 + 8.
Lastly, the Community meets regularly with the Latin American countries in an ad hoc group in order to ensure better mutual information and a better understanding of problems arising in their reciprocal relations.

IV.

Before concluding, I should like to mention that the association agreement with Greece, which came into force on 1 November 1962, has come through its first year of implementation to the satisfaction of all the parties. No doubt the Greek representative intends to give you some information in this regard, and I shall listen to him with pleasure.

I have tried to make my statement as full as possible while endeavouring not to make this monologue unduly protracted; I hope that it will serve as a useful introduction to the discussion which on each occasion constitutes a useful source of reflection for the Community.