REPORT OF THE WORKING PARTY
ON THE ASSOCIATION OF THE OVERSEAS TERRITORIES
WITH THE EUROPEAN ECONOMIC COMMUNITY

Draft proposed by the Representatives of the Six

A. LEGAL ISSUES

I. THE TERMS OF REFERENCE OF THE WORKING PARTY

1. The representatives of the Six wish to point out that under its terms of reference the Working Party is under a strict obligation to take into account developments in world production and consumption, if only from the point of view of their long-term effects.

They note that the United Kingdom delegation, while not denying this point, observed that the English text of the terms of reference indicated clearly that due account was to be taken of such factors and that they had accepted this wording at the Twelfth Session only because they felt that by considering that the influence of these factors would be nil they would be attributing to them their due and precise influence.

2. The representatives of the Six wish to point out that the effects of the association of overseas territories should be considered as including effects felt by all the members of the GATT and not only by the under-developed members of GATT.

3. They note that the terms of reference of the Working Party have been interpreted as involving a study on an individual commodity basis, the commodities to be examined being selected both on account of the importance of the trade to which they give rise and of the degree of probability that the Treaty of Rome will have repercussions on this trade.
4. Lastly they wish to recall that the terms of reference only involved an analysis of the facts and not an attempt to seek solutions to any problems which might be found to exist.

II. STATEMENT BY MR. G. ROLI. OLDINI

III.

The representatives of the Six wish to reiterate the statement already made at the Twelfth Session, when they stressed that the examination of the economic consequences of the association of the overseas territories which was to be undertaken by the Working Party could not in any way entail any special legal consequences or imply for the Community any additional obligations over and above those which they had already accepted (Article XXIV of the G.T.T).

IV. THE GEOGRAPHIC SCOPE OF THE TERRITORIES
THE ASSOCIATION OF WHICH IS UNDER CONSIDERATION

The Six categorically refuse to accept that the overseas departments be included in an examination concerning overseas territories for the cogent reason that overseas departments do not come under Article 227, which governs the association of these overseas territories listed in the relevant annex to the Treaty.

B. THE ANALYTICAL METHODS FOLLOWED BY THE WORKING PARTY

The Six are of the opinion that the task of evaluating, in February-March 1958, the effects of the association of overseas territories provided for by the Treaty of Rome, which entered into force on 1 January of that year, is an extremely complex task and involves forecasts of such a highly hypothetical nature that they have to be formulated with the greatest caution.
1. Indeed, depending upon whether one deals with the short or long term effects of measures taken gradually during a period beginning on 1 January 1958 and extending over a period of twelve or fifteen years, the task involves a whole series of assumptions such as the short and long term effects of measures at present expected to be taken and the long term effects of measures to be taken fifteen years from now, including hypotheses relating to the situation existing in 1983 (1958 + 15 + 10).

2. In dealing with these various assumptions, an estimate must be made of the influence of the tariffs and quotas among other things, and of the various measures which the Community may institute within the framework of its common commercial or economic policy. It is hardly necessary to stress that for a number of the commodities under examination, the common tariff rates have not been fixed, not to mention the treatment which may be accorded to such products as a result of action to be taken by the Community institutions under the various provisions of the Treaty.

3. Furthermore, in order to be in a position to attribute to the specific influence of the Treaty of Rome, and more particularly to the association of the overseas territories, certain developments in external trade in the commodities concerned, it would normally be necessary:

(a) to forecast the evolution of the trade concerned;
(b) to isolate from such evolution those aspects which seem to be attributable specifically to the association of the overseas territories.

The Working Party has not adopted this process of investigation although it is a scientific sine qua non. It is obvious that, notwithstanding the need to use this method and the obligation arising from its very terms of reference (see above), the Committee has very rarely attempted to forecast the evolution of world trade between now and 1983. Obviously, such an attempt would have been difficult, but if the intention was to ignore this prerequisite as regards the method to be followed, then by the same token it became impossible to conduct any scientific analysis of the specific influence of the Treaty of Rome on commercial exchanges whose development the Working Party refused to trace.
4. The Six therefore emphasize that, in view of the fact that some delegations are deliberately ignoring the complexity of the factors on which actual developments depend, the study which the Working Party was to make has become merely an assertion that certain provisions of the Treaty of Rome, considered in isolation from their economic context, "will inevitably" have certain effects, etc. Thus, no attempt has been made to analyse the scientifically probable effects, and it has only been reaffirmed that certain provisions of the Treaty of Rome (relating to tariffs and quotas) are considered to be discriminatory, without there being any real effort to assess their specific effect, and thus without any contribution being made to the study of the problem.

5. The fact that economic analysis has been replaced as far as possible by a set of assumptions (there is a "preference", therefore competition will be affected, etc.,) is made even more apparent by the efforts of several delegations to take no account of the economic realities which affect the scope of the association of the overseas territories; these delegations have tried to picture this association operating in a mechanical and sovereign manner in a world from which many other economic influences would in some strange way be eliminated, or in which their effects would be minimized, for the purposes of this exercise, despite the irrefutable fact that all such influences are inter-related.

The first instance of this was the attempt to isolate the association of the overseas territories from the rest of the Treaty of Rome, and in particular from the European Common Market. Although many references were made to provisions of the Treaty of Rome which are not included in Part Four of that instrument, some delegations, who did not mind contradicting themselves, wanted to consider this association independently from the rest of the Treaty in order to forestall or refute the argument that the increased demand which would result from the establishment of the Common Market would have beneficial effects on the export trade of third countries. In actual fact it is clear that the Treaty of Rome is a single legal instrument; no part of it can be dissociated from the rest, and it can only be judged as a whole. Any such approach, based on the assumption
that the two institutions (the Common Market and the association of the overseas countries and territories) could exist in isolation, is a clear indication of the abstract and unrealistic spirit in which this study is being made and which vitiates its scope.

Similarly, the outlook for world consumption and production has been largely omitted from the study. Only the representatives of the Six supplied information concerning their production plans, although the terms of reference (see above) as well as the obvious requirements of analysis require that the various production plans for the whole world be considered before an attempt is made to judge either the evolution of this trade or, a fortiori, the possible effects on it of the association of overseas territories.

Furthermore, the representatives of the Six wish to stress that the forecasts made are thrown out of balance by the fact that during the discussions the influence of certain important factors was minimized by some representatives. The most important of these factors are the following:

(a) The influence of traditional factors in the orientation of trade patterns, which prevents any automatic, immediate and mechanical re-orientation of trade patterns as a direct result of purely tariff or quota considerations.

(b) The increase in consumption in the territories of the Common Market countries. Some delegations, doubting whether they had succeeded in their attempt to have these considerations set aside as being irrelevant to the discussion, asserted that it was in any case doubtful whether the creation of the Common Market would result in an increase in the standard of living of the peoples concerned, and hence in an increase in demand in the Member countries.

The Six wish to point out that to ensure the economic development and improve the standards of living of the peoples concerned is a basic concept of the European Common Market, and this same aim has inspired other similar
attempts in various parts of the world, and in Latin America in particular. The prospects for development which result from the various advantages offered by large economic units seem so clearly established that there is no need to undertake to prove them here. It will suffice to say that those who doubt the benefits to be gained from integrated economic units are expressing views which are original and paradoxical, but which are contrary to the conclusions generally accepted by science, and moreover, contrary to the philosophy of GATT (only in this light has Article XXIV any significance).

(c) **As regards the increase in consumption in the rest of the world** (a factor which the Working Party is obliged to take into account, both by its terms of reference and by the method of economic analysis), the representatives of the Six consider that some delegations have systematically given estimates which are too low in order to bolster up a deliberately pessimistic description of the trade of third countries.
(d) **Uncertainty of estimates due to interdependence of trade in different commodities which may in certain circumstances be substituted for each other.**

The Working Party has scarcely touched on the interplay of measures dealing with groups of commodities which had certain common characteristics which made them comparable, e.g., oils and fats, the tea-coffee-cocoa group, fruit (bananas, apples, oranges, etc.). In point of fact the treatment of these commodities under the Treaty of Rome (tariff rates, etc.) may not be fully known in each and every case, and the complexity of the problem is a challenge to the resources of science. Here again, however, the representatives of the Six feel that the simplification of the work had been obtained in an arbitrary manner as a result of which the examination does not have the value of an objective and scientific assessment.

(e) **Action to be taken by the EEC with the object of stabilizing the prices of primary products and in general the organization of their international trade.**

The representatives of the Six feel, as some delegations have in fact pointed out, that the A.O.T.'s have no reason to bring about a fall in prices and a collapse of the market by excessive increases in their production of primary commodities, since this would be ruinous for them as well as for third countries. It is therefore evident that the European Community will contribute to the organization of world trade in these commodities. If efforts in this direction were crowned with success, as a result of the Community supporting the countries which are seeking to organize trade in primary products, it is clear the implementation of the Treaty of Rome (and in particular of the provisions which govern the association of the overseas territories) will have brought to third countries major benefits which would more than offset every prejudice which they say they apprehend as a result of the implementation of the Treaty (though there is no evidence as to what the prejudice to be suffered would consist of).
The representatives of the Six consider that this aspect of the effects of the association of the A.O.T's has not been fully appreciated by the Working Party. They wish to stress that the influence exercised by one country, or one group of countries, on trade in a given commodity does not depend solely on the use of tariffs and quotas; it depends just as much on willingness, or unwillingness, to cooperate in international efforts at organizing trade in the commodity. It is therefore not possible to omit the effects of the association of the A.O.T's from this point of view.

(f) The representatives of the Six feel that certain delegations have considerably under-estimated the physical, climatic and financial problems which affect the development of production in the A.O.T's. In their view, the mere existence in the Treaty of provisions applicable to overseas territories automatically resolves the difficulties arising from availability of suitable land, of capital for investment, etc. The representatives of the Six only wish to point out that this is one more example of the unrealistic, theoretical and a priori approach of these delegations.

The representatives of the Six are prepared to admit that an accurate assessment of the impact of these various factors involved are an extremely difficult task for the Working Party, forbade any hasty over-simplification and called for restraint and caution in drawing conclusions. They maintain none the less that certain efforts such as those made by FAO show that this method is not necessarily quite impracticable for an international organization, and they fail to see why a group of government delegates analysing an economic problem should feel they can do without a scientific, strict and objective method of analysis.

C. Problems which occur repeatedly:
D. Submission of reports by individual commodities:

1. The Working Party studied the effects of the association of the overseas territories on international trade in the following commodities, for which reports are attached below.

2. These commodities were selected on the basis of the following criteria:

3. The examination of each commodity was carried out under the following heads:

4. Statements concerning the various methodology and other problems which arose in the case of some or all products have been collated above to avoid repetition.