The European Economic Community has examined at length the problems raised by the new round of multilateral tariff negotiations which it is proposed to hold within the framework of GATT.

I should like at this stage to expound to you the main lines of the general position of the Community.

I am happy to tell you that the Community is prepared to participate in a new series of multilateral negotiations in which most contracting parties would participate, and in particular the developed countries. Such participation is in fact a prerequisite to the success of such negotiations.

The Community hopes that these negotiations can really attain their objective, which is to bring about an effective expansion in international trade. Indeed the Community, like other countries, is more concerned than ever before
over developments in its trade balance. Imports by the Community have steadily increased, from $15,000 million in 1958 to over $22,000 million in 1962 representing an increase of more than 40 per cent. We hope that this trend which enables third countries to benefit substantially by the economic expansion generated by the Common Market; can be maintained. It is clear, however, that this trend cannot continue without appropriate expansion of our exports. Now, exports from the Community, which increased steadily until 1961, reaching at that time a level of about $20,000 million, tended to stagnate in 1962. Consequently, the trade balance of the Community, which had nearly been in balance in 1961, showed a deficit of more than $1,500 million in 1962.

Having said this, I would like to tell you briefly how, in the opinion of the Community, the proposed negotiations should proceed if they are to bring about an effective trade liberalization helpful to all participants.

We hold the view that the traditional negotiating procedures on a product-by-product basis are no longer adequate to ensure substantial progress in this direction and to that end a method including tariff reductions extending automatically to all industrial tariff items appears to be the most appropriate solution.

The Community therefore welcomes the new legislation approved by the United States Congress which gives the President of that country the authority necessary to make an effort in the same direction. I should like on this occasion to stress how much we in the Community have appreciated the scope of the decision taken by Congress, which bears witness to the undeniable spirit of economic liberalism and is a further demonstration that the Government and the people of the United States are fully aware of their international responsibilities.

The Community as a result of its study of methods for an automatic linear reduction has reached the conclusion that within the framework of such procedures two problems which are in fact closely connected are of serious concern to it: the problem of tariff disparities and the question of exceptions.

The importance of the problem of tariff disparities has already been recognized by the group of experts which conducted the work preparatory to this meeting. This problem will, in fact, be all the more important as the contracting parties will be very anxious to achieve substantial progress towards the reduction and even the elimination of tariff protectionism. Indeed, if most tariffs were reduced to a level which did not involve any protection, those contracting parties which still maintained relatively high tariffs would be tempted to maintain them indefinitely. In addition, if it so happened that no adequate solution could be found to the problem of disparities, the contracting parties maintaining moderate tariffs would inevitably be led to resort to exceptions which would generate further exceptions, and this would culminate in a multiplication of exceptions. The Community holds the view that this
unavoidable multiplication might turn the proposed negotiations into a new product-by-product round. The contracting parties would then inevitably run the risk of being engaged in negotiations of much more limited scope than is hoped for and expected.

The so-called target rates formula proposed in the Group on Tariff Reductions has therefore been framed with a constructive aim in view. It constitutes a contribution to a dialogue that we would wish to be initiated and not a dogmatic stand intended to bring about a dogmatic quarrel. In that spirit the Community is also prepared to consider any other formula which might make it possible to achieve simultaneously a lowering, and a reduction of disparities, in tariffs. The Community is aware that it is difficult at this stage correctly to assess the implications of the various formulae which have been proposed. In these circumstances, and in order to enable the Contracting Parties to form a valid opinion, the Community proposes that a special working party be established in order to carry out, within the shortest possible time and at the latest by 15 August 1963 - having regard in particular for the tariffs of industrialized countries whose disparities as to level and structure might be evaluated more precisely - a concrete study of the merits and de-merits of the various methods of negotiation which have been proposed.

Another major problem which has held our attention is the question of agricultural products. The Community, for its part, agrees that the negotiations should also include agricultural products. The Community considers that such negotiations should naturally take account of the particular problems which arise in respect of those products and that, therefore, any elements which might effect the equilibrium of world agricultural markets should not be excluded a priori from the negotiation.

I believe that in this field also we must seek solutions based on mutual goodwill.

With this in mind, it would be desirable that a working party should be set up to define the conditions in which negotiations on agricultural products might be conducted.

I am of the opinion that our attention should be particularly focussed at this stage on the problems which I have just referred to. It is clear, however, that negotiations of the scope envisaged will raise many other important issues. I would mention as an example the problem of quasi tariff and non-tariff measures, escape clauses, etc. The solutions to be adopted on those problems must naturally, in our opinion, be outlined in good time if those problems are not to hinder the conduct of the negotiations once these have actually been initiated.
Taking account of the above remarks, we can agree to the suggestions which have been made regarding the procedures to be followed, and which aim at establishing a committee to prepare the way for the trade negotiations. We should address ourselves in the first instance to the preparation of terms of reference and precise directives for the committee, in order that it may be in a position to study and solve the major problems which I have just referred to and many other questions which have been outlined in the report of the Working Party.