SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Friday, 2 November, at 2.30 p.m.

Chairman: Mr. W.P.H. VAN OORSCHOT (Kingdom of the Netherlands)

Subject discussed: 1. European Economic Community - Information furnished by the member States

European Economic Community - information furnished by the member States (L/1887)

The CHAIRMAN recalled that at the previous meeting, the representative of the Commission of the European Economic Community had made a statement regarding developments during the past year in the implementation of the Rome Treaty. The text of this statement had been distributed in document L/1887. It had been agreed that discussion of the matter would be resumed at this meeting.

Mr. ZAHMAN (Pakistan) said that in view of the considerable impact the commercial policies of the European Economic Community would have on the economies of the less-developed countries, Pakistan had followed them with keen interest. It was hoped that these policies would be outward looking in character and would lead to an expansion of trade not only among the members of the Community but also between the Community and third countries, especially the less-developed countries. There had been a steady fall in the price level of primary commodities during the last ten years, as well as undue and not infrequent fluctuations in commodity markets. The price level of manufactures had on the other hand risen. These factors had led to a drastic adverse change in the terms of trade of the countries producing primary commodities. The effect of these factors on development programmes had consequently been very serious. Pakistan, for instance, was compelled to export twice as much in order to import the same quantity of goods which it had imported a few years ago. It was obvious that trade in primary commodities was not susceptible to sustained growth and could not in any case meet the requirements of a developing economy. The less-developed countries had therefore to diversify their economy and give a broader base to their export schedule. However, this would be difficult, perhaps impossible, if even the simple manufactures of these countries were subjected to high tariffs, quantitative and other restrictive measures. The gravity of the situation had been recognized by the United Nations and the Economic and Social Council had adopted a resolution at its last session calling for an international trade conference to discuss ways and means of relieving the pressure generated by these circumstances on the less-developed countries. In this context of world concern, no regional or other arrangements should be envisaged which could possibly have the effect of restricting the exports of the less-developed countries and reducing their foreign exchange earnings.
The Pakistan delegation was pleased to learn from the representative of the European Economic Community that the trade balance between the Community and the countries of Africa and Asia, taken together, showed for 1961 a credit balance of $631 million for the latter countries. This general picture, however, unhappily did not apply to Pakistan. While Pakistan's imports from the Community had increased from $340.8 million in 1958-59 to $618 million in 1960-61, exports from Pakistan to the Community rose only from $284.2 million to $314.7 million during the same period. The debit balance on trade account had thus risen from $56.6 million to $304.2 million in the course of three years; this was a progressive and serious deterioration of considerable magnitude. At the same time the foreign exchange requirements of Pakistan for consumer goods, industrial raw materials, plant and machinery and for the repayment of loans obtained to finance the current Five-Year Plan were increasing. Pakistan's liability with regard to the servicing of loans was expected to rise from $80 million per year in 1960-61 to $480 million in 1964-65. It was feared that this serious imbalance in Pakistan's terms of trade with the EEC countries would worsen as time passed if the present trends continued. The elimination of internal barriers between the member States of the Community might result in trade diversion; purchases within the Community from low-cost producers outside it were likely to be reduced in favour of producers within the Community.

Nevertheless a ray of hope in this gloomy picture was provided by the representative of the EEC. He stated that basically the problem of under-development was a problem of disequilibrium and that the entire world community benefited from any effort aimed at reducing this disequilibrium. This enunciation of the position of the EEC had conveyed the feeling that the Community realized the predicament of the less-developed countries and it was hoped that the Community would take steps to remedy the situation. In the view of his delegation these steps would include, among others, a system for the improvement of Pakistan's terms of trade by increasing the prices of primary products and raw materials, some help in the process of economic diversification by discouraging certain industries within the Community, particularly those based on imports of raw materials, and the provision of increasing access for simple manufactures. The Community would also benefit because by being able to sell their goods the developing countries would be able to absorb more exports from the Community.

Mr. APE (Nigeria) said that it was very encouraging to note from the information furnished by the EEC that in terms of value there had been an increase between 1958 and 1961 of some $200 million in the total imports of the Community from the African countries not associated with the Community. While it was of interest to note that the trade balance between the European Economic Community and the countries of Africa and Asia taken together showed a credit balance of some $631 million in favour of the latter, his delegation would have wished that the breakdown of this figure had been given. His delegation was grateful to the Community for pinpointing the fact that although there had been a steady increase in the quantities of imports of the principal tropical products, there had been a marked fall in their total value. This situation was
not new to the CONTRACTING PARTIES, but it was hoped that the challenge this presented would be taken up immediately by all industrialized countries with a view to finding an early solution. In this respect, his delegation would like to regard the statement of the Community as a declaration of its intention to collaborate with others in remedying the situation. The Nigerian delegation had been fortified in this belief because the Community's statement included the Community's acceptance not only of its special responsibility with regard to associated countries but a general responsibility to contribute to the creation on the international level of the essential prerequisites for the balanced development of all countries.

With regard to the peculiar problems raised for Nigeria in the context of trade relations with the Community, although there had been an increase in the value of total imports by the Community from African countries not associated with the Community, this increase was proportionately lower than the increase in the Community's imports from the associated countries. This situation indicated the issues that could continue to arise for Nigeria and would become worsened in the event of the United Kingdom's accession to the EEC. His delegation was pleased to note that some definite progress had been made towards concluding the new terms of association with the associated territories of the EEC, and hoped that it would not be long before the final terms were settled. The Nigerian delegation had already indicated its hopes, aspirations and expectations in the appropriate quarters. It sincerely believed that a solution could and should be found, and that whatever arrangements were arrived at would be consistent with GATT obligations as well as with the views his delegation had hitherto expressed on these matters.

Mr. MIGONE (Argentina) said that once again a truly vital problem was being considered, one that was vital for trade among nations and the future of GATT; vital for the very destiny of the developing countries and therefore perhaps even for world peace. In the GATT and in other international forums his delegation, like those of many other nations, had expressed its disquiet to the European Common Market. On this occasion, faced with the alarming deterioration in the terms of trade and the progressive disappearance of traditional markets, his delegation had noted the statement of the representative of the Community with logical anxiety. The Community's statement had brought home the tremendous efforts made in the progress towards the fundamental objectives of the Rome Treaty, but it had also dispelled the last shreds of hope, that there had been some shift in the policy of the Community, to the benefit of the developing countries. The delegation of Argentina had stressed in Committee II, and would revert to the matter again in connexion with agenda item - programme for expansion of trade - its justifiable objections to the Community's frankly protectionist policies in agricultural matters and to the repercussions of these practices on Argentina's economy.
The countries of Western Europe, of which the Community was a growing expression, had played in the past and would have to play in the future a preponderant rôle in the development of Argentina, to the undoubted and great benefit of both sides. Nevertheless, because of Argentina's situation as a temperate zone country exporting agricultural products, it had been said, not by Argentina but by a neutral authoritative source like the Haberler report, that Argentina was one of the nations most affected by restrictions on its export trade. The process of European integration was of great significance in the worsening of these difficulties and most of all at the present time, when Argentina needed the maximum comprehension from other countries in order to overcome its particularly unfavourable domestic economic situation. The delegation of Argentina wished to make perfectly clear its moral position on this delicate matter. Being closely linked to Western Europe, it was a matter of particular satisfaction to see that after half a century of dramatic ups-and-downs, a magnificent revival was being achieved in union and prosperity. Nevertheless, his delegation had to express alarm at finding that such lofty achievements could be realized in a certain manner and at the expense of the developing countries which constituted three quarters of the population of the world. Instead of speeding up the process of liberalization of international trade, which was the raison d'être of the General Agreement, the move was decidedly being made in the contrary direction. He wondered whether this approach might not mean destruction not only of GATT but of the immense effort of international co-operation to overcome the powerful trends which divide society into rich and poor and nations into those which were industrialized and those which were in the process of development. Article XXIV of the General Agreement and all its antecedents, indicated that the regional organizations envisaged under its provisions were conceived with a view to very lofty objectives. Among them, perhaps the most positive, was harmonious world expansion; but equally positive was the prohibition of practices which implied any form of attack.

Although the economies of the developing countries were weak individually and therefore powerless to attain on their own the solutions which their problems required, collectively they represented an incomparable force and on their success or failure depended peace among nations and the future of our civilization. The highly-developed countries were precisely those which, because of their special order of hierarchy in an inter-dependent world, held in their hands the power to guide, as in general they had been doing, the harmonious progress of world economic development. It was not understandable how a few of these same countries could not only shut their ears to the dramatic appeals made to them by the countries which were less favoured, but should deliberately proceed with programmes which tended to aggravate and consolidate this unjust international situation. On many occasions the CONTRACTING PARTIES had listened to speeches concerning the advantages which the European Economic Community would bring to all in the future. While this might possibly be so, in the face of the negative and heavy reality which darkened the immediate future, the question might be asked whether these advantages which had been foretold were not the mere consolation of a promised paradise. Argentina was a young country devoted to peace and to the constant bringing together of nations. In conformity with its desire to co-operate in this direction it had acceded to the General Agreement. Argentina was anxious to devote
all its efforts to finding shorter and more effective ways towards the liberali­
izations of world trade. But in view of the establishment of the European Economic
Community and the proliferization of regional economic organizations, which
signified so many exceptions to the basic principle of the most-favoured-nation
clause, it might be asked what the future task of GATT would be. If it were to
consist of dealing with the interests of regional groupings, then it should be
considered what measures would be adequate for commercial relations between more
or less sealed compartments.

His delegation shared the view expressed by the representative of the
Community that the solution of the agricultural problem lay in international
solidarity. This solidarity undoubtedly demanded sacrifices. Which were the
countries most appropriate to make these sacrifices, the less-developed
countries, or the great powers whose agriculture enjoyed excessive protection?
The Government of Argentina would continue discussions with the Community
because it believed that both their destinies were bound together and that any
interruption of it might cause irreparable damage to both sides. His delegation
trusted that as the Community expanded to take in other countries it would
consider more equitably and more promptly the problems of the countries
exporting primary products, without any discrimination. It was hoped that the
Community would successfully adopt the auspicious slogan expressed by the
Chairman in his opening statement to the present session of the CONTRACTING
PARTIES - that - "Trade and Aid" should go hand in hand.

Mr. IALL (India) made a statement which had been distributed in
document L/1902.

Mr. AOKI (Japan) expressed the hope that the commercial policy of the
Community would be outward looking. He welcomed the statement by the Community
that it was making progress towards the establishment of a common commercial
policy. He had noted with satisfaction that the objective in the liberalization
field was to make liberalization lists vis-à-vis third countries uniform at the
highest possible level. In this connexion he hoped that the Community would be
able to remove the discrimination exercised by its member States towards Japan
as soon as possible, perhaps even before the final establishment of its common
commercial policy.

Mr. KLUSAČ (Czechoslovakia) said that his country had followed the
development of Western European integration with great attention and grave
concern, because the countries involved in this process were its direct neighbours
and its important traditional trade partners. The process of integration in
Western Europe was developing in a period of major technological, economic and
political changes, and it remained to be seen whether the forces which initiated
the formation of this grouping would not turn it into an instrument retarding
the solution of problems which had now become necessary.

With regard to the import question of the rôle of the EEC in international
trade, one of the main arguments of the EEC countries was that the formation of
the Common Market was designed to promote not only the expansion of intra-
Community trade but also the expansion of trade of the EEC countries with all
the non-member countries, leading to an overall balanced expansion of
international trade. However, the general trends of the development of world trade so far did not confirm this contention. The representative of the Commission had supplied a series of figures on the development of trade of the Community. It was a pity that the various percentage rates of increase in imports indicated in his statement, did not refer to the same comparable periods. If they had, they would have revealed that in 1961, while intra-Community trade increased by 15-16 per cent, trade with the third countries had increased only by 5-6 per cent. This was a disquieting situation, especially in view of the fact that a reduction in the growth of world trade was approaching and the full impact of the Western European integration had not yet been felt. The repercussions of the EEC were not yet fully reflected in the total turnover of trade with third countries mainly because imports from the EEC by third countries continued to grow. Exports to the EEC countries by the latter were, however, facing increasing obstacles arising out of the preferential policies of the EEC. In the case of Czechoslovakia, in 1961 the rate of growth of its imports from the EEC countries was more than twice as high as the rate of growth of its exports to the same countries. It should be understood however that trade was not a one-way street. Obstacles in the way of exports must sooner or later adversely affect the movement of goods in the opposite direction; this was being felt already in 1962.

It was not enough to consider the totals of the trade turnover nor the totals of imports and exports. The repercussions of the preferential policies of the EEC exerted an increasingly unfavourable effect on the structure of trade between the EEC and the third countries. It had been stated many times that integration should lead to an increased economic activity within Western Europe and consequently third countries could expect to be able to export more to the Common Market. However, even if there were increasing economic activity within the Common Market, third countries could expect to export only such goods which were not affected by the preferential policies of the EEC. Many countries were at present considering their appropriate place in the pattern of international division of labour and world trade. The concept of international division of labour where the EEC countries would export industrial products and third countries would specialize in raw materials could not be considered as an acceptable basis of economic relations in the second half of the twentieth century.

It was hoped that the 1960-62 tariff conference would have brought at least a practical first step to an improvement of this situation. The results, however, were very disappointing in this respect. Such obstacles as prohibitive minimum specific duties and excessively protective rates remained in most cases unchanged, and in addition new obstacles were raised in the form of the common agricultural policy, common commercial policy, etc. In conclusion Mr. Klusak recalled the remarks made by the Chairman on preferential trade arrangements in his opening statement. The delegation of Czechoslovakia agreed with the view that if regional arrangements signified the formation of protectionist trade blocs, there would be a decrease in international trade, a halt to international economic expansion, and disorder in the world economy.
Mr. HAKIM (Indonesia) said that the manifold aspects of the European Common Market had been discussed at considerable length in the various sessions of the GATT. His delegation had considered the advantages which an expanding European economy could bring to the developing countries by generating a greater demand for the primary commodities these countries produced, but was conscious at the same time of the disadvantages, particularly of the discrimination which would result from the implementation of the Treaty of Rome vis-à-vis the developing countries not associated with the EEC. His delegation was grateful for the information provided in the EEC's statement on the many developments which had taken place within the EEC since the nineteenth session. It was obvious that the evolution of the EEC had an increasing impact not only on the economic structure of the Six but also on relations between the Community and the rest of the world, especially in view of the future membership of the United Kingdom. This impact would prove in some respects a change for the better, but would this be also the case with regard to the exporters of primary products, semi-manufactured and manufactured goods, as things stood at present? The representative of the Community said that the EEC's common commercial policy aimed at the harmonious development of world trade, the progressive abolition of restrictions on international trade and the removal of customs barriers, but what was the situation in practice? In the case of Indonesia, its exports to the EEC countries of such important products as tobacco, palm oil, coffee, wood, manioc, manioc flour, tapioca, pepper and cassiavera would be hard hit by the common external tariff. In addition to higher tariffs Indonesia would also have to face stiffer competition, particularly from countries associated with the Community.

The EEC's statement provided new evidence of the widening gap between the developed and the developing countries. Mention was made of the fact that the rate of growth in the Community's imports of raw materials from the developing countries was 7 per cent for the first half of 1962, as compared with the same period in 1961. This percentage might at first sight seem satisfactory but it was observed that the rate of growth in inter-Community trade was 15 per cent in 1961 and 14 per cent in the first eight months of 1962; one had to draw the conclusion that the developing countries were lagging far behind. With regard to the period 1958-1960, the total value of imports of the principal tropical products fell by 90 million dollars although the quantities imported had risen steadily. Here again the evidence was that the position of the developing countries was worsening by instability of prices. It was not logical to agree on the one hand that the developing countries must be given every opportunity to develop their international trade, while on the other hand instability of world prices damaged their economy and the entry of their products into the industrialized countries made difficult by tariff barriers and discrimination. A wider outlook was needed, especially by the EEC countries, which should take into account not merely the interests of the associated overseas countries, but the interests of the developing countries generally. Tea had been given a zero tariff with respect to the tea-producing countries. The same zero tariff should be afforded to other important products such as coffee, palm oil, etc. His delegation realized that this would confront the EEC countries with some fiscal problems and might
even cause a setback in revenues in the short term but it would be to their own interest in the long run. It was hoped that statesmanship would prevail and that even at this late hour the paramount interests of the developing countries would be taken fully into consideration without any discrimination whatever.

Mr. SANTIAPIILLAI (Ceylon) said that he had noted the progress made by the EEC in the achievement of its objectives and hoped that progress would also be reflected in the development of trade relations with third countries and with the less-developed countries in particular. In connexion with the decisions to speed up tariff disarmament, he wondered whether the transitional period could not be shortened still further. He welcomed the references made by the representative of the Commission to the EEC's interest in regard to the less-developed countries but considered that the expansion of trade was more important than action in the form of traditional assistance.

The decline in Ceylon's exports to the Community since 1958 was a matter for concern and between 1960 and 1961 they had cropped in volume by approximately 10 per cent. That trend was mainly due to the reduction in exports of coconut oil to Italy and the Federal Republic of Germany, and he wished to draw the attention of the CONTRACTING PARTIES to the effects and the discrimination resulting in the vegetable oils sector from the implementation of the common external tariff. In his view, because of its very size and strength the EEC should accept greater responsibilities than individual industrial countries. That evolution was important for the future of GATT and he therefore hoped that positive results could be announced at the twenty-first session of the CONTRACTING PARTIES.

Mr. GRIFFITH JOHNSON (United States) said that the expansion of trade between the EEC and the rest of the world was an encouraging factor, but he nevertheless appreciated the concerns expressed. The 50 per cent reduction in customs duties on manufactured goods and the smaller reduction in duties on agricultural products in intra-Community trade were evidence that trade liberalization could be effected without recourse to safeguard measures.

The market of the Community had, however, not been made sufficiently accessible for the less-developed countries and it was regrettable that the decision relating to the common agricultural policy had not taken sufficient account of the export problems of third countries. He hoped that those problems would nevertheless continue to be reviewed and that the Community would agree to formulate its common commercial policy after consultation with the CONTRACTING PARTIES in such a manner as to achieve full dismantlement of the remaining restrictions and follow a liberal policy towards third countries.

Mr. BOSCH (Uruguay) said that the statement by the representative of the Commission had been studied attentively. The certain and inevitable progress towards total integration within the EEC opened up a variety of perspectives about which his country felt some concern, in particular regarding the solutions adopted under the common agricultural policy vis-à-vis third countries which were based on considerations of social and economic nature; his country attributed great importance to the deliberations of Committee II in connexion with those measures.
He supported the views expressed by the representative of Argentina and requested an assurance that the preferential arrangements being negotiated with certain third countries would not result in any breach of the provisions of the General Agreement. In conclusion, he hoped that the EEC would weigh up its responsibilities so as to take account of the interests of third countries as a whole while ensuring its own prosperity.

Mr. HIJZEN (Commission of the EEC) thanked the CONTRACTING PARTIES for the interest shown in his statement and the frank discussion to which it had given rise. The creation of a customs union required time and reflection but delegations could rest assured that the EEC would take account of the comments made when drawing up its policy. It would however, be difficult to satisfy all the requests made, which were often contradictory.

In connexion with the various references made emphasizing the fact that the value of export earnings from primary commodities was falling while the volume of exports was rising, he recalled that in 1961 the EEC had already drawn the attention of the CONTRACTING PARTIES to the need to take concerted action for the adoption of measures to remedy the problem arising from the deterioration in commodity prices; clearly, however, the EEC acting on its own would be unable to take effective action in that field.

The common agricultural policy had not been drawn up for protectionist reasons and he was convinced that the future would show it to be a factor conducive to trade expansion since it opened the way for broader and more extensive solutions.

There were two aspects to the concept of international solidarity in which the Community saw the way to a solution of the problems: responsibility of all in the search for solutions, and mutual comprehension of the problems of each of the partners. In that connexion, it should also be borne in mind that the Community too had its problems. Agriculture in the Community was certainly faced with no fewer difficulties than agriculture in other countries. The solution adopted in the common agricultural policy had required sacrifices on the part of the member States. Solutions must be sought in that spirit in order to arrive at a world system satisfactory and fruitful for all.

With regard to problems arising from trade in tropical products, Mr. Hijzen recalled that the Community had supported the conclusions formulated by the Ministers at their meeting in November 1961. The problem could not, however, be solved merely by liberalizing imports; although customs duties existed everywhere, such a measure must be accompanied by others and the organization of markets for those products was the most important aspect. As regards the apprehensions expressed in connexion with preferences, he regretted that he could not supply details on the negotiations still in progress with the associated African countries but he gave an assurance that the EEC was endeavouring to reconcile the various interests involved and to find alternative solutions with a view to replacing the preferences by other measures suitable for affording equivalent guarantees to the associated countries for their development.
Referring to the remarks made by the delegate for India, on the scope of Article XXIV paragraph 9, Mr. Hijzen said that he believed he had grasped the direction of the thinking of the delegate for India; he could not at present go into details on that point but would not wish his silence to be construed as approval.

The representative of the EEC Commission emphasized that the rapid and increasing growth of intra-Community exchanges was a logical and foreseeable development since it stemmed from the objectives inherent in any customs union. What should be borne in mind, and that was the important thing, was that the development of trade between the Six had not been achieved at the expense of the third countries.

In conclusion, he considered that it would be to the advantage of the CONTRACTING PARTIES for the EEC to develop in a stable manner, and repeated the assurance that the EEC was prepared to co-operate with them and had established that the prerequisites for achieving international solidarity existed, and the joint endeavour to translate them into reality should be undertaken.

Mr. VALLADAO (Brazil) thanked the representative of the Commission for his reply which showed that certain problems of concern to third countries were being studied thoroughly with a view to the application of mutually satisfactory solutions. In the absence, however, of the clarifications requested regarding the concessions being granted to certain third countries on a number of tropical products and manufactured articles, the concern expressed in that regard was not likely to be allayed. It would be of particular interest to know how those concessions, which had been published in part in a statement by the United Kingdom Government, were consistent with the General Agreement.

The CHAIRMAN expressed his satisfaction at the fruitful discussion which had furnished an opportunity for the contracting parties to explain their concern in regard to the policy of the EEC and for the representative of the Commission to take account thereof; he hoped that in the future the contracting parties would have similar opportunities to discuss in good time the measures taken by the European Economic Community.

The meeting adjourned at 6.30 p.m.