

June 1963

P/21/63

INFORMATION MEMO

Certain Community commitments fall due on 1 July 1963.
The position is summed up below.

CUSTOMS DUTIES

A - Intra-Community duties

On 1 July 1963 intra-Community duties which in accordance with the Treaty provisions and the two speed-up decisions have already been reduced by:

- i) 50% of the basic duty for industrial products,
- ii) 35% (or 30% for certain liberalized products) of the basic duty for agricultural products listed in Annex II of the Treaty,

will be further lowered by 10% of the basic duty. This brings the total reduction to 60% for industrial products and 45% (or 40%) for certain agricultural products. Thus the target of a total reduction of 50% of basic duties by the end of the second stage (31 December 1965) will, so far as industrial products are concerned, have been surpassed by 1 July 1963.

There is no sign that Member States which hitherto have applied the reduction by the across-the-board method will resort to item-by-item reductions in cases where these would be permissible under the Treaty.

On 27 August 1962 Italy of its own accord made a further 10% cut in the customs duties in force on 1 July 1962 (i.e. a 5% cut in duties by comparison with 1957) for industrial products with certain exceptions (1) and for agricultural products other than those coming under a common organization of markets accompanied by a levy system. This reduction will be absorbed in that due on 1 July, which means that Italian duties will have to be lowered by a further 5% in order to reach the level provided for after the reduction on that date.

B - Second move towards the common external tariff

- I. Under the EEC Treaty the common external tariff must be introduced in accordance with Article 23, which lays down:

- a) the following schedule:

First approximation: end of the fourth year after entry into force of the Treaty (31 December 1961);

.../...

(1) This concerns products for which Italy has requested authorization to take safeguard measures in pursuance of Article 226 of the Treaty (certain silk, lead and zinc products).

b) the following particulars:

First approximation:

- i) where the duties applicable on 1 January 1957 do not differ by more than 15% from the duties under the common external tariff the latter duties are applicable forthwith;
- ii) in the case of other tariff headings each Member State shall apply a duty which reduces by 30% the difference between the duty of 1 January 1957 and that under the common external tariff (see Appendix A, examples 1 and 2)

Second approximation: the difference between the duties of 1 January 1957 and those under the common external tariff will again be reduced by 30% (see Appendix A, examples 3 and 4)

Third approximation: the common external tariff will be applied in its entirety.

II. The first speed-up decision (12 May 1960) and the second (15 May 1962), which was supplemented by the decision of 22 May 1963, changed the above schedule and particulars as follows (industrial products):

a) Schedule

First approximation: 1 January 1961 (a year earlier than the date set by the Treaty);

Second approximation: 1 July 1963 (2 1/2 years earlier than the date set by the Treaty).

b) Particulars

First approximation:

- i) the approximation is calculated on the basis of the common external tariff less 20% (see Appendix B, examples 1, 2 and 3);
- ii) the calculation may not result in customs duties lower than those of the common external tariff before the 20% reduction (see Appendix B, example 2);
- iii) for some particularly sensitive products on List G, the approximation is to be made towards the duties of the common external tariff before the 20% reduction;

Second approximation:

- i) same arrangements as for first approximation (see Appendix B, examples 4, 5 and 7);

- ii) for tariff headings where duties have been reduced by more than 20% under GATT, approximation will have to be made towards these reduced duties (see Appendix B, example 6).

The following tables show the different ways in which several national tariffs are affected by the approximation towards the common external tariff carried out in accordance with Article 23 of the Treaty (Appendix A) and the approximation according to the speed-up decisions (Appendix B).

C - Processing traffic

From 1 July 1963 until 30 September the rate of levy on goods entering into processing traffic is to be 55% in all Member States.

This Commission decision affects goods obtained in a Member State incorporating products which, in the manufacturing Member State, have not paid the appropriate customs duties or charges with equivalent effect or have benefited by a total or partial drawback on such duties and charges.

The proportion of the customs duties to be taken into consideration in determining the rate of the levy in question had been fixed at 25% on 28 June 1960. It was raised to 35% on 1 January 1962 and to 45% on 1 July 1962. The decision to raise it to 55% coincides with the fresh 10% reduction in the basic duties in intra-Community trade which took effect on 1 July.

Like the previous rates, the 55% rate has been fixed solely in the light of the Treaty rules on tariff disarmament between the Member States and the gradual application of the CET. These rules, however, underwent considerable changes in 1962 as a result of the introduction of the system of agricultural levies and the association of Greece with the Community. Since these two developments directly affect the scope of Article 10(2) sub-paragraph 2, the Commission will soon have to take a decision amending and bringing up to date the decision of 28 June 1960. Pending that decision the 55% rate has been provisionally adopted.

APPENDIX A

ESTABLISHMENT OF THE EEC COMMON EXTERNAL TARIFF UNDER THE TERMS
OF THE TREATY (Article 23)

First approximation (31 December 1961)	
<u>Example 1</u>	
Common external tariff	20
National tariff on 1 January 1957	30
National tariff on 1 January 1962	27
<u>Example 2</u>	
Common external tariff	20
National tariff on 1 January 1957	12
National tariff on 1 January 1962	14.4
Second approximation (31 December 1965)	
<u>Example 3</u>	
Common external tariff	20
National tariff on 1 January 1957	30
National tariff on 1 January 1966	24
<u>Example 4</u>	
Common external tariff	20
National tariff on 1 January 1957	12
National tariff on 1 January 1966	16.8
Third approximation: end of the transition period (31 December 1969)	

APPENDIX B

ESTABLISHMENT OF THE EEC COMMON EXTERNAL TARIFF ACCORDING TO THE
SPEED-UP DECISIONS (INDUSTRIAL PRODUCTS)

First approximation (1 January 1961)

Example 1

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	30
National tariff on 1 January 1961	25.8

Example 2

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	21
National tariff on 1 January 1961	20 (+)

Example 3

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	12
National tariff on 1 January 1961	13.2

Second approximation (1 July 1963)

Example 4

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	30
National tariff on 1 July 1963	21.6

(+) the lower limit being the common external tariff not reduced by 20%.

APPENDIX B (contd.)

Example 5

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	21
National tariff on 1 July 1963	20 (+)

Example 6

Common external tariff	20
Common external tariff less 20%	16
Common external tariff (concession under GATT)	14
National tariff on 1 January 1957	21
National tariff on 1 July 1963	16.8

Example 7

Common external tariff	20
Common external tariff less 20%	16
National tariff on 1 January 1957	12
National tariff on 1 July 1963	14.4

Third approximation: 1 January 1967, according to the Commission's Action Programme.

(+) the lower limit being the common external tariff not reduced by 20%.

ECONOMIC AND FINANCIAL AFFAIRS

The 1 July time-limit does not in fact apply in this field: during the month of July, however, the Commission will finalise its proposals for the general economic forecasts necessary for Community "programming".

Certain important measures in the monetary and financial field have also recently been submitted to the Council. These concern the setting up of a Committee of Governors of Central Banks, closer co-operation on international monetary matters, consultation between Member States before any alteration of official exchange rates and the formation of a budgetary policy committee.

COMMON AGRICULTURAL POLICY

For agricultural products subject to a levy system, 1 July is the starting date for the alignment of prices and the gradual reduction of the intra-Community levies, which are to be phased out by the end of the transition period.

In the cereals sector the alignment of prices means narrowing the gaps between the target prices fixed by the Member States⁽¹⁾. This has been done for the 1963/64 season by setting a uniform quality standard for target prices, intervention prices and threshold prices which means an actual lowering of prices to the grower in certain member countries where prices are high. But the lowest target prices and the lower limits of the range of target prices have been raised for certain cereals. A uniform ratio will be established between the threshold price of barley and that of certain other coarse grains for which there is no guaranteed price to the grower. These preliminary approximation measures will mean a reduction in part of the intra-Community levies.

For processed products such as flour, groats, meal, malt and starch the cereals component of the levy will therefore be changed; the other component (protection for the processing industry) will be reduced by two-fifteenths.

For conversion products (pigmeat, eggs and poultry), the intra-Community levies will also be reduced. The component of the levy representing the effect on feeding costs of differences between the prices of feed grains (cereals component) will be lowered in step with the approximation of cereal prices. The component representing protection for the conversion industry will be reduced by two-fifteenths. The third component of the levies on imports from non-member countries which determines the Community preference goes up by 1% and will therefore be at least 3% of the sluice-gate price. However, for technical reasons it is not possible to complete the calculations for the levies on conversion products by 1 July and their application has had to be postponed for a month. The new levies on pigmeat, eggs and poultry will not therefore take effect until 1 August.

(1) For the previous season nothing more than a standstill was decided.

SOCIAL POLICY

At the end of 1961 the representatives of the Member States, meeting in Council, adopted a resolution gradually to bring about equal pay for men and women.

The Member States had undertaken to take the necessary steps according to the following time-table:

- i) by 30 June 1962 there should be no wage discrimination greater than 15%;
- ii) by 30 June 1963 no wage discrimination greater than 10%;
- iii) by 31 December 1964 all wage discrimination abolished.

With the help of Government experts and both sides of industry the EEC Commission has drawn up a questionnaire which has been distributed to the Member States for completion by 30 September 1963. The replies will inform the EEC Commission on how the time-table is being observed, in particular the appointed date of 30 June 1963.

ASSOCIATED AFRICAN COUNTRIES AND MADAGASCAR

The African States including Madagascar associated with the EEC must, under the terms of the agreement reached between those States and the Member States on 19 December 1962, make a further 10% cut in their customs duties in favour of the Member States on 1 July 1963. On the same date the Member States are to accord the associated States the same reductions as they accord one another.