



PRESS RELEASE

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street Northwest, Suite 707, Washington, D.C. 20037 Telephone: (202) 872-8350
New York Office: 277 Park Avenue, New York, N.Y. 10017 Telephone: (212) 371-3804

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FOR IMMEDIATE RELEASE

SOAMES STRESSES POLITICAL CONTEXT OF TRADE

WASHINGTON, DC -- April 6, 1973 -- The EC Commission's "overall view" on the scheduled world trade talks in the General Agreement on Tariffs and Trade (GATT) is being studied by the EC Council of Ministers in Brussels.

The Commission formally agreed to transmit its position paper on the GATT talks to the Council on April 4. On the same day, Commission Vice President Christopher Soames, responsible for the EC's external relations, informed the European Parliament of the Commission's thinking on the GATT talks. Excerpts from his remarks to the Parliament in Luxembourg follow:

"The House [European Parliament] will recall that at the Paris Summit conference last October the Community's institutions were asked to formulate by July 1 their 'overall view' on the forthcoming multilateral trade negotiations in GATT. The paper we are sending to the Governments is the Commission's contribution to that overall view.

"Now in all our reflections on this matter there is one thing I am convinced that we must never forget. We shall of course be negotiating about very concrete economic issues. There will of course be vested interests involved on all sides. There will of course be domestic political difficulties within each of our countries. And the results of the negotiations will be of great significance in themselves. Previous GATT negotiations on trade liberalization have had considerable beneficial effects on world trade expansion. Indeed it is this, accompanied by a notable economic expansion within the Community, which has provided the basis for its high and comparatively stable level of employment and the notable rise in the standard of living in recent years. But this is not the only importance we should attach to these negotiations. They have a political significance that goes far beyond the material issues actually to be discussed round the negotiating table.

The Political Importance of Trade

"We must bear in mind that trade is one of the few matters on which at present the Community can, and indeed must, speak with a single voice. And it is therefore through negotiations of this character that the Community can develop its personality and make its political impact and contribution to world affairs. We must appreciate, therefore, the political importance which all our partners will attach to these negotiations, inasmuch as they provide them with one of their rare opportunities to engage the Community as a whole. I am sure this is particularly true of the United States, which sees these negotiations as part of an important relationship in which trade has its place but in which many other wider political considerations are equally involved.

"The subjects on which we shall be negotiating will be technical, intricate, often intractable in character. There is no doubt in my mind they will be very tough negotiations. They will require all the skill our trading experts can muster. But the strategy of these negotiations must not be confounded with their tactics. They must on no account be allowed to run into the sands of technicality. That is why I hope that members of Parliament, and the representatives of the member states in the Council of Ministers, will give these technical matters their full attention. For they are bung-full of political content and will need positive overall political control. That control must not merely make certain that our policies in the economic domain are compatible with the political purposes which we and our major partners have in common, but also that the developing countries of the world would stand to gain from what we do.

"How in fact do we see the world context of these negotiations? We in the Commission believe that the moment is ripe for a major step forward in the freeing of world trade and that we should make the most of the opportunity. We believe that the Community has a great deal to contribute and that it also has a great deal to gain.

"We have recently been living through the most profound disturbance in the world's monetary system since World War II. But that does not in any way diminish the need to liberalize world trade.

"But it must be clearly stated that the large-scale international benefits which we hope will flow from these negotiations would be seriously jeopardized

if ways are not found to shield the world economy from monetary shocks and imbalances such as have occurred in the last few months. The Community must make its contribution to the necessary monetary measures involved.

To Liberalize Trade and Help "Third World"

"In the trade negotiations, we believe that the Community should have two paramount aims. Between the industrialized countries we must consolidate and continue the process of liberalization, and do so on a reciprocal basis to our mutual advantage. For the less-developed world, we must ensure not simply that their interests are not damaged, but, on the contrary, that they secure greater opportunities for their economic expansion as a result of what we do. Without detriment to the advantages enjoyed by those countries with whom our Community has special links, new opportunities must be given to developing countries to increase their trade.

"Let me now come to our more detailed suggestions for the overall view of these negotiations. They will involve, among other things, discussions on tariffs, on non-tariff barriers, on agriculture, on what we can do to help the developing world, and on safeguard clauses. Let me take each of these topics in turn.

"I do not suppose that we shall reach a world without tariffs in these coming negotiations, nor do we think that the time is ripe to try to do so. But I do hope we shall achieve a significant further lowering of tariffs. What we need is a formula for lowering tariffs on industrial products -- a simple formula and one that can be generally applied. We now have big differences between the tariff systems of industrialized countries. Some have a fairly even tariff that does not vary too much from product to product. Other countries have a tariff barrier that looks more like a craggy mountain range, with very high duties on some goods and very low duties on others.

"I think what we have to do is this: We should settle on a broad principle that the higher the tariff, the greater the reduction in it for which we should aim. For the very low tariffs we can set a threshold, so that they don't have to come down any further. That way, we will help to reduce the problem of reciprocity with some of our trading partners in the future.

Non-Tariff Barriers

"Non-tariff barriers are clearly going to play a very important role in these negotiations. But they are so disparate in character, so complex and so inchoate, that simple overall formulae will be impossible to find. So we should be selective in our strategy here. GATT and the Organization for Economic Cooperation and Development have already made various studies. We can pinpoint some individual non-tariff barriers in different countries where changes can yield substantial benefits to trade. We should agree to pick out some of the main fields where we can get rid of a complex of non-tariff barriers, or at least regulate them by codes of good conduct. Certainly we can draw up a list of the main non-tariff barriers applied against us by our trading partners that we want to see disappear. But to make the negotiations credible, we will also have to prepare a list of our own non-tariff barriers that we ourselves are prepared to throw into the pot in return, to negotiate away or at least to adapt.

"For the most part, these barriers are not imposed by the Community. They are imposed by our individual member states. We must look to the member states to work together with the Commission to draw up a list of them which is substantial enough to set against, in a spirit of reciprocity, that we will be seeking to obtain from our partners. Under no illusion that it will be easy to calculate reciprocity here, the best we can do is to aim at a package deal that is fair overall.

Agriculture

Of course the negotiations on agriculture will be different in character from those on tariffs and non-tariff barriers on trade in industrial goods. We have to take account of the special characteristics of agriculture. Both the Community and our main trading partners each apply support policies of one kind or another for the benefit of their own farmers. We have to take account, too, of the instability of world markets. The Commission believes that our overall objective must be to negotiate measures on a reciprocal basis to permit the regular expansion of agricultural trade. We shall resist any attack on the principles of the common agricultural policy, but we must equally be prepared to apply the instruments of that policy in such a way that our broad objective of expanding agricultural trade in the world can be achieved. We will be suggesting that in the negotiations we should consider drawing up with our partners a code of good conduct on agricultural export practices. We shall also propose that international arrangements should be considered for certain commodities.

Developing Countries

"Next I come to our contribution to improving the trade opportunities for developing countries. We have given a great deal of thought to this question. It will not have escaped the House that the lowering of tariffs between industrialized countries, even though extended to the developing countries on a most-favored-nation basis, does very little to help. On the contrary, the lower the most-favored-nation tariffs are, the less use is the generalized preference scheme to the developing world. The lower the tariff, the less does exemption from it help. To some extent, of course, developing countries will benefit from any expansion of world trade. But we do not intend to let matters rest there.

"First of all, it is essential that all developed countries should now apply generalized preference schemes. The Community has done so. We are greatly encouraged to hear that in the forthcoming trade bill our American friends now intend to incorporate provisions to introduce a generalized preference scheme of their own. We for our part believe that the best way to help developing countries would be for us and others to extend generalized preference schemes. We would like to see them cover a greater number of transformed agricultural products. We would also like to see an increase in the quantitative ceilings on certain sensitive products. We should also make special efforts to take account of the interests of developing countries when we consider non-tariff barriers and when we consider agricultural trade. We might think in terms of food aid commitments when we are considering how to regulate agricultural markets.

Safeguards

"The last detailed point to mention is the vexed question of safeguards when domestic producers are gravely threatened by the results of trade liberalization. We believe that the provisions of Article XIX of the GATT should be maintained as they are. But this article has not proved easy to apply effectively in the past. Perhaps we should extend its provisions so that we can apply safeguard measures selectively rather than right across the board against all our suppliers. But in that case we should wish to agree with our partners on very stringent criteria. We may need more flexible safeguard procedures, but we must remember the danger that too many over-lax safeguard procedures could come in time to jeopardize confidence in the world-wide liberalization of trade.

"That is the main content of the paper which we are now sending to the Ministers, and it was in broadly these terms that I outlined it to the Council

yesterday. It does not set out to be a draft mandate for the negotiations or to be exhaustive. Nor for that matter does it represent some sort of response or riposte to the preparations which our partners in these negotiations are at the moment making themselves. None of that would seem at this stage either necessary or wise. What we are trying to do is to draw attention to the main problems and help the Community as a whole to prepare a constructive overall approach to what we hope will prove an economically fruitful and a politically constructive negotiation.