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September 12, 1963

Mr. Frederic S. Otis
Managing Editor
International Commerce
U.S. Department of Commerce
Washington 25, D. C.

Dear Mr. Otis:

Attached is the article on the Community's trade policy that we discussed on the telephone today.

The text was prepared for INTERNATIONAL COMMERCE by Mr. Guenter Seeliger, Director General for External Relations, Commission of the European Economic Community.

Very truly yours,

Alma R. Dauman

ATT:
"A Liberal Community"

A LIBERAL COMMUNITY

Questions frequently arise as to the trade policy of the E.E.C. The best response is probably the record, as it derives from the Rome Treaty and as it exists in specific acts of the Community since its inception in 1958.

The Rome Treaty, our constitutional instrument, commits us to a liberal trade policy.

The single Community tariff to which we are moving, is not higher than the incidence of the previous national tariffs of our Member States. We are not, as it is so often erroneously stated, "raising a tariff wall against the outside world." We are, of course, eliminating our internal tariffs, those which apply to trade between our Member States, just as the United States, early in its history, eliminated tariffs that applied between the various states.

Even in the elimination of our internal tariffs, there has been benefit to our world trading partners : in the first internal reduction of 10 %, the Member States agreed to extend this reduction to our world trading partners in so far as industrial products were concerned, without demand for reciprocity.

Subsequently, our Community welcomed, and joined vigorously in, the well-known Dillon round of tariff cutting, offering to non-Member States a 20% reduction in our single Community tariff. Where reciprocity was forthcoming, we did in fact accord reductions, contributing to the success of the Dillon round and to the liberalization of world trade.

Currently we are in the process of reducing tariffs on an important range of tropical products, in the context of an agreement with the African States associated with the Community. This action is to the benefit of the non-associated developing countries for whom trade in these products is so important.

Of extreme importance is our intent to negotiate with the United States, and our other world trading partners, further tariff reductions in the so-called Kennedy negotiations now unfolding as a result of the United States Trade Expansion Act. At the 20th

ministerial meeting of GATT in May, 1963, the Ministers of the Community, the U.S. and the trade partners of both agreed that the further negotiations would be conducted on the basis of linear trade reductions but that they will also take up tariff disparities, particularly in the case of the U.S. tariff which is characterized by a number of relatively high duties compared with the tariff of the E.E.C. which was the fruit of an averaging process.

In the field of agricultural trade, increasingly our trade relations with non-Member countries will be governed not by tariffs but by our Common Agricultural Policy. Suffice to say that in this complex field we feel that our trading relations with the world will be at least better than if we had no Common Agricultural Policy. This policy is, among other things, intended to prevent European agriculture from moving to a surplus situation, which could only cause trade to suffer. Again at the GATT ministerial meeting, the U.S. and the E.E.C., in particular, endorsed the idea of world commodity arrangements which would attempt a reexamination of the national policies which have so frequently put solutions out of reach.

In the realm of trade itself, I would like to point out that, contrary to the fears of some, Common Market trade with the world has benefited, not suffered, because of our internal economic progress. Community imports from non-member countries have risen 38% since 1958. Our exports, on the other hand, have increased only 29%, and last year rose only 1%.

We are a growing, attractive market for other countries. A recent study estimates that the gross Community product (GCP), which was slightly more than \$ 181 billion in 1959, may rise to \$ 288 billion by 1970. This would represent an increase of almost 60%. Other projections show that private consumption may increase more than 66 percent. With increasing purchasing power and consumption, it can be expected that further integration in the Common Market will continue to be reflected in persistently beneficial relations between the E.E.C. and its trading partners throughout the world.

This is not by any means a protectionist record. It is a liberal record. We have no tariff raising program. All our efforts have been, and are being, directed to tariff lowering. It is a record of which we are proud.

DEVELOPMENT OF TRADE BETWEEN THE S.E.C. AND NON-MEMBER COUNTRIES

Imports from Non-member Countries (\$ millions)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
	16,156.1	16,222.3	19,423.8	20,453.4	22,327.0
% incr.		4.0%	19.7%	5.3%	9.2%
		Total % incr. = 38.2%			

Exports to Non-member Countries (\$ millions)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
	15,911.7	17,050.6	19,482.8	20,424.5	20,638.0
% incr.		7.2%	14.3%	4.8%	1.0%
		Total % incr. = 29.7%			

Imports from the United States (\$ millions)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
	2808.0	2651.5	3827.5	4053.1	4452.0
		-5.6%	+44.4%	+5.8%	+9.8%
		Total % incr. = 58.5%			

Exports to the United States (\$ millions)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
	1664.3	2371.3	2243.7	2231.8	2448.0
		+42.5%	-5.4%	-0.5%	1.8%
		Total % incr. = 47.1%			
					9.8%