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CONCLUSION OF THE NEGOTIATIONS UNDER ARTICLE XXIV(6) OF
THE GATT

441.2(103)

The Commission recently transmitted to the Council its final report on the negotiations under Article XXIV(6) of the GATT following the enlargement of the Community. The report is accompanied by two draft Council decisions, one on behalf of the EEC, the other on behalf of the ECSC, approving the tariff concessions granted by the Community. The Council is invited to adopt the two decisions at its meeting of 22 July so that on 31 July 1974 the Community can proceed, as planned, to withdraw the old schedules of concessions notified to the GATT by the Community of Six and the three new Member States and replace them by the new schedule of concessions valid for the whole of the enlarged Community. It should be pointed out that the new schedule of concessions will apply erga omnes, i.e. to all GATT countries.

The Commission stated in its report that there was a great deal at stake during the negotiations under Article XXIV(6): "The enlargement of the Community had to be presented to the GATT and, as it were, accepted and recognised by the GATT..... Conclusion (of the negotiations) on the proposed bases will allow the Community to take part in the multilateral trade negotiations on the basis of a customs tariff recognised by its partners in the GATT".

Under Article XXIV(6) of the GATT, when the formation or enlargement of a customs union gives rise to the modification of bound customs duties, the Contracting Parties must maintain the general level of tariff concessions at the same level as before enlargement. Many third countries, however, tried to extend the scope of the negotiations and to seize the opportunity afforded by enlargement to obtain a unilateral lowering of the EEC customs tariff.

For example, certain countries took into consideration the impact of their exports of the preferential effect created by removing duties not only between the constituent territories of the enlarged Community but also between the enlarged Community and the many third countries with which it is linked.

The Commission rejected this argument as incompatible with Article XXIV(6) of GATT, which sees the formation of free-trade areas or customs unions as a means of promoting the liberalisation of trade. It should be added that the expansion of trade resulting from the formation of a customs union or a free-trade area is more important than any effects of deflection of trade.

Many Commonwealth countries requested that the loss of their preferential trade links with the United Kingdom should also be taken into account. The Community only admitted a right to compensation for certain bound duties in the preferential part of the United Kingdom schedule of concessions which concerned Canada and Australia. In the case of the developing Commonwealth

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MEMORANDUM FOR THE RECORD
DATE: 11/15/54

The following information was obtained from a review of the files of the [redacted] and [redacted] on [redacted] and [redacted] at [redacted] on [redacted].

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countries, as indeed of the other developing countries in general, the Community's system of generalised preferences and the improvements to it made it easier to conclude the negotiations.

Throughout the negotiations the Commission endeavoured to keep them within the framework prescribed by the GATT. In view of the unfavourable psychological climate at the outset the Commission considers that the final outcome of the negotiations is satisfactory.

THE NEGOTIATIONS THEMSELVES

First stage

January 1973: The Commission informed the other Contracting Parties that, as compensation for withdrawal of earlier concessions given by the three new Member States, the Community was offering to apply the tariff concessions of the Community of Six in the enlarged Community. To appreciate this offer it should be borne in mind that the United Kingdom customs tariff was on average 1.5 to 2 points higher than the EEC's and that the agricultural imports of the Six have in the past ten years increased much faster than those of the three new Member States, especially the United Kingdom.

The Commission entered into negotiations with seventeen countries¹ covering 83% of imports into the enlarged EEC other than those from countries linked with the Community by a free-trade area or customs union agreement. The Community's offer of compensation was generally considered inadequate.

July 1973: The Commission proposed to the Council that the initial offer should be improved by making a certain number of further concessions on specific products. It considered that the first offer remained valid as a whole but involved imbalances in both the agricultural and industrial sectors for certain countries seen in isolation.

December 1973: The Council adopted the supplementary offer which, however, fell short of the Commission's proposals. The point was made that these offers were, in the Community's opinion, sufficient compensation to warrant winding up the negotiations. Some countries stated that they were prepared to conclude the negotiations on the proposed basis but others considered that the improved offer was still unsatisfactory.

April 1974: The Council re-examined the situation in the light of the additional requests made by certain countries. The Council invited the Commission to investigate together with these delegations, including the United States, under what conditions it would be possible to conclude the negotiations on a mutually satisfactory basis.

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|-----------|-------------|---------------|------------|
| Argentina | India | Poland | Uruguay |
| Australia | Japan | Romania | Yugoslavia |
| Brazil | Malaysia | South Africa | |
| Canada | New Zealand | Sri Lanka | |
| Chile | Pakistan | United States | |

Spain and Israel have reserved their right under Article XXIV(6) pending the conclusion of their current negotiations with the Community.

May 1974: The Community made a new offer, comprising additional tariff concessions and a formula for settling the problem of cereals, designed to enable the negotiations with each of the partners to be concluded.

The negotiations with the vast majority of the countries have ended and the agreements have been initialled by the Commission.

The agreements with the United States and Australia contain an "agreement to disagree" on the problem of cereals. These two countries consider that their legal rights are maintained as regards the concessions being withdrawn for these products, while the Community considers that the negotiations on all products with all countries have ended. But the EEC, Australia and the United States have, however, agreed on the following declaration:

"Notwithstanding this divergence of opinion and taking account of the complexities of the problems involved in cereals, the United States, Australia and the European Communities agree to continue discussions with a view to seeking, through international negotiations agreed solutions to the problems arising in the field of international trade in cereals."

The Commission's report as well as the draft decisions comprising the approval of the Council are on the agenda of the Council meeting of 22-23 July.