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INFORMATION MEMO

The Commission of the European Economic Community has submitted to the Council in the last few days a series of proposals for the unification of commercial policy.

In the Commission's opinion, the Community cannot evade its obligations in respect of commercial policy vis-à-vis the rest of the world. This opinion was explicitly endorsed in Council decisions taken at the end of 1963 approving instructions for negotiations on customs duties and agricultural policy in the Kennedy round.

At the beginning of this year the Community entered on the second half of its transition period. Unification of general commercial policy can therefore now no longer be neglected. Decisions on general policy lines must be taken forthwith, since, as in other fields, the transition from national rules to the common uniform arrangements must be carried out in phases over several years. And it is only in this way that the long-term links binding the Member States with non-member countries can be smoothly converted to links at Community level. In the Commission's view, therefore, the Council must, before the end of 1964, reach general agreement on aims and methods in introducing a uniform commercial policy.

As internal customs duties and other obstacles to trade within the Community gradually disappear, recourse among the Member States to safeguard clauses is bound to increase as long as external trade policies diverge. Instead of a customs union, only a free trade area would be achieved. It is essential that merchandise, once inside the Community, should be allowed to circulate without hindrance throughout the six countries.

The European Parliament and the Economic and Social Committee were not alone in pressing last year for rapid unification of commercial policy: leading sectors of the European economy have also come out in favour of such measures. The Council itself agreed in its programme of work for 1963 that its Action Programme of 25 September 1962 on commercial policy must be speeded up. The Commission believes that this should be done in the following way:

Regulations should be adopted by the end of 1964 on each sector of trade mentioned in this Programme. They would establish obligatory stages for progressive unification up to the end of the transition period and establish instruments and procedures for the commercial policy when unified. Only such progressive action, by an agreed general approach, will distribute fairly and equally among the Member States of the Community the burdens and benefits deriving from the establishment of a common commercial policy.

This stage-by-stage plan would therefore cover the following main heads: liberalization, quota restrictions, commercial relations with Japan, relations with the Communist countries of Eastern Europe, measures of commercial protection, aid and encouragement to exports, standardization

of export restrictions and the conversion of bilateral agreements into Community agreements.

The Commission believes that priority should be given in taking decisions to three items mentioned in the Programme: commercial protection, relations with Japan and relations with state-trading countries.

The Commission's proposals on commercial protection had already been laid before the Council in November 1963. The Commission feels strongly that no time should be lost in their adoption. The customs union now rapidly forming would be jeopardized if national equalization taxes were allowed to prevent merchandise imported in the Community from circulating freely. For other measures of protection as well, such as safeguard clauses, import arrangements should be unified.

The Commission regards a settlement of commercial relations with Japan and subsequently with other low-cost countries as an important prerequisite for the success of the Kennedy round. With Japan, a general safeguard clause and a short negative list should be agreed. This would establish conditions for the liberalization of imports of manufactures throughout the GATT countries and would limit the application of EEC internal safeguard clauses.

Precisely because immediate transition to a common commercial policy vis-à-vis the countries of Eastern Europe would create major difficulties, the Commission believes it vital to begin in good time with progressive measures. Here the general interest at present centres on export policy. The Community Institutions should therefore take early decisions to co-ordinate their attitudes on credit conditions. On the import side, too, early harmonization is desirable. The consultation procedure of October 1961 must be adapted to the new circumstances so that existing national commercial agreements can be progressively co-ordinated and converted subsequently into Community agreements. In their turn these measures to co-ordinate the Member States' policies would, the Commission feels, create the right conditions for the conclusion of long-term agreements with the state-trading countries, the validity of which is at present limited in principle, by a Council decision of 1961, to 31 December 1965.