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COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

BACKGROUND INFORMATION

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SOME ASPECTS OF THE COMMON MARKET'S

DRAFT ASSOCIATION AGREEMENT WITH GREECE

Representatives of the Greek Government and of the Commission of the European Economic Community (Common Market) initialled the draft agreement of association between Greece and the EEC in Brussels on March 30, 1961. Some details of this agreement follow.

The draft agreement will be submitted without delay to the Council of Ministers of the Community which, after consulting the European Parliament, will decide by unanimous vote. The agreement will then go through the process of parliamentary ratification.

The Basis: A Customs Union

The draft agreement is based on the establishment of a customs union between Greece and the Community, which seemed to the negotiators the most suitable way of attaining the main aims which they had set themselves. In the first place, the integration of Greece with the Community is to be facilitated in the interests of Greece herself. Because of the strict obligations which it entails, a customs union will achieve this more surely than any other formula.

Secondly, the special situation of the Greek economy had to be taken into account. Greece must be in a position to pursue and even to speed up modernization and industrialization activities already under way. In certain cases, it was necessary to ease the Greek obligations in order not to jeopardize these activities. In other cases, it proved essential to strengthen, by substantial support from the Community, what had already been accomplished.

The achievement of the first of these aims called for some adjustment to the customs union, such as the introduction of an extended transition period for certain products or freedom for Greece to protect its new industries. The second aim led the negotiators to provide, among other things, that financial aid would be given to Greece and that special measures would be devised to secure outlets in the Community for Greek goods.

Internal tariff reductions

The dismantling of tariffs will, in principle, be completed by both sides in 12 years, but:

1. For about one third of its imports from the Community, Greece will be allowed to stagger reductions over a period of 22 years.
2. The reductions made between the Six before the entry into force of the association agreement will be extended to Greece.

The common external tariff

Greece will adopt the Community's common external tariff. For each product the moves toward this tariff of duties applied by Greece vis-à-vis non-member countries will go hand in hand with the tariff reductions which Greece will carry out in favor of the Community. However, some latitude has been left to Greece in limited cases.

Delicate problems arose in connection with amendments which the Community might make to its common external tariff and with the opening by one of the parties of tariff quotas for the benefit of non-member countries. Practical solutions were found for these difficulties, reconciling the Community's autonomy with the need to give Greece a guarantee that the specific advantages granted to it for certain products would not be cancelled out in practice, while at the same time making allowance for the state of its trade with non-member countries.

Quantitative restrictions

On quantitative restrictions there will be a standstill, and later an enlargement of quotas, so that all such restrictions will have disappeared on the Greek side by the end of the extended transition period. On the Community side, the system in force among the Six will be extended to Greece.

The liberalization lists which the member states have consolidated among themselves will also be consolidated as far as Greece is concerned. Greece, for its part, will consolidate a certain percentage of its trade with the Six. This percentage, which will be 60 per cent at the entry into force of the agreement, will rise to 75 per cent in the following five years.

Agriculture

It was thought necessary to make special arrangements for agricultural products, which make up the bulk of Greek exports to the Six, as well as to non-member countries. Such special arrangements were in any case essential if the common agricultural policy was to be carried out among the Six. In the draft agreement, they take the following form:

1. Greek agricultural policy is in principle to be harmonized with that of the Community. This is essential if trade restrictions on agricultural products are to be eliminated under the agreement of association. Special procedures will be instituted between Greece and the Community so that the former's legitimate interests can be taken into account.
2. Nevertheless, the advantages which the Six have granted to one another will be extended to Greece in respect to agricultural exports even before this harmonization of policy has taken place. However, certain restrictions are necessary for a very small number of products in order to avoid the possibility of difficulties in the Community market.
3. To permit increased exports of agricultural products to the Six, and thereby to balance the probable rise of Greek imports from the Community, specific advantages have been provided for Greece's two main agricultural products, tobacco and raisins. These advantages consist mainly in a speedier reduction of tariffs. For wine, which is exempted from the general system of anticipatory measures, it was nevertheless considered that certain special measures could be taken.
4. Special provisions have been worked out for the import into Greece of certain agricultural products from the Community.

Free circulation, transport, competition and economic policy

The draft agreement of association is not limited to the mere establishment of a customs union. On the model of the Treaty of Rome, and taking into consideration both the needs and resources of Greece, articles have been drawn up on the free movement of persons, services and capital: Transports: Rules of competition: and economic policy,

In most of these provisions express reference has been made to the principles or rules laid down in the Treaty of Rome, leaving it to the Council of Association to determine the terms and conditions of their implementation.

Foreign trade policy

The article dealing with foreign trade policy was of particular importance during the negotiations since it deals with the possibility of other countries becoming associates or members of the Community in the future. It takes into account both Greek interests and the need to preserve the Community's independence in this field.

Escape clause

The final provisions of the draft agreement include an escape clause, taken from Article 226 of the Treaty of Rome which allows safeguard measures in cases of serious economic difficulties.

Institutions

To insure the efficient functioning of the agreement of association, it was considered advisable to provide for a Council of Association composed on the one side of members of the Greek Government and on the other of members of the Council of Ministers and the Commission of the European Economic Community. Each side will have one vote. The Council of Association will be empowered to take decisions and to formulate recommendations.

Any disputes which might arise from the failure of either party to observe its obligations will be referred to the Council, which may submit them to an existing court, such as the Court of Justice of the European Communities. Failing this, the parties will resort to arbitration procedure, each appointing one arbitrator and the two arbitrators co-opting a third. During the first five years of the implementation of the agreement, the third arbitrator will be the President of the Court of Justice of the European Communities.

Financial provisions

The draft agreement of association confers very considerable advantages on Greece, but it also imposes obligations which demand a certain effort from the Greek economy. To make it easier for Greece to accomplish this effort it seemed advisable to grant her financial aid which would take into account her particular situation. For this reason, a special protocol to the draft agreement lays down that Greece may obtain from the Community loans up to a total amount of \$125,000,000 to be used within five years from the entry into force of the agreement. These loans will be granted in accordance with the procedures of the European Investment Bank.