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### Report

drawn up on behalf of the Committee on External Economic Relations

on the Community's approach to the coming multilateral negotiations in GATT

Rapporteur: Mr C. de la MALÈNE

PE 33.375/fin.



On 13 November 1972 the President of the European Parliament authorized the Committee on External Economic Relations to prepare a report on problems arising in the preparation of the multilateral trade negotiations to be opened in GATT in 1973.

The Economic Affairs Committee, the Committee on Agriculture and the Committee for Relations with African States and Madagascar were asked for their opinions on these problems.

On 13 February 1973 the Committee on External Economic Relations appointed Mr de la Malène rapporteur.

The Committee discussed the Community's approach to the coming negotiations in GATT at its meetings of 15 and 26 June 1973.

At the latter meeting it unanimously adopted the motion for a resolution.

The following were present: Mr de la Malène, chairman and rapporteur; Mr Boano, Mr Fellermaier and Mr Thomsen, vice-chairmen; Mr Baas, Mr Bangemann, Mr Christensen, Mr Cousté, Mr Klepsch, Mr Ligios, Mr Radoux, Mr Sandri.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the Community's approach to the coming multilateral negotiations in GATT

The European Parliament,

- having regard to the Memorandum from the Commission of the European Communities on the development of an overall approach to trade in view of the coming multilateral negotiations in GATT (COM(73)556 and 556/2);
  - having regard to the report of the Committee on External Economic Relations and to the opinions of the Committee on Economic and Monetary Affairs, the Committee on Agriculture and the Committee on Development and Cooperation (Doc. 118/73);
1. Approves as a whole the main lines of the Commission's proposals on the Community's approach to the coming multilateral negotiations in GATT;

As regards principles

2. Hopes that these negotiations will be conducted in a spirit of co-operation and of constructive dialogue between all the partners in GATT;
3. Requests that there shall be no discussion during the negotiations of the Customs Union and common policies already put into effect, which are now mainstays of the building of Europe;
4. Declares that, within only six and seven years of the final dates set for the establishment of European Union and of Economic and Monetary Union, it is an urgent necessity that the Governments of Member States and the organs of the Community should speed up, in the field of external economic relations, the definition and implementation of common policies to enable the Community to assert itself as a separate organized entity;
5. Considers that the two sets of problems, commercial and monetary, should be seen as objectively interdependent, though requiring to be dealt with in a manner appropriate to their nature;

As regards objectives

6. Declares that the Community's objective in these negotiations is to establish a more outward-looking, balanced and fairer system of international trade;
7. Believes that such an objective requires the introduction of improved international regulations, which must be observed more strictly;
8. Supports the Commission's attitude on industrial customs tariffs, according to which the higher the duty, the greater the reduction which can and ought to be made;
9. Hopes that mutual concessions will be largely balanced, so as to permit a significant reduction in the too numerous measures or non-tariff distortions obstructing trade;
10. Considers that only clear-cut commitments and the introduction of machinery for consultation and the settlement of disputes can lead to satisfactory results in this area;
11. Is in favour of seeking international agreements to improve the organization of markets in agricultural products and for the establishment in this area of a code of good conduct governing export practices;
12. Draws attention to its traditional view that new preferential measures should be introduced on an international scale, in particular for certain agricultural products of the developing countries, in order to enable those countries to maintain and increase their export revenues;
13. Emphasizes in this connection that mere liberalization of trade unaccompanied by any other organization of our relations can only be detrimental to the developing countries;
14. Believes that the safeguard measures permitted by GATT should be determined by previous consultation and include machinery for the supervision and settlement of any disputes;
15. Instructs its Chairman to forward this resolution and the accompanying report to the Council and the Commission of the European Communities.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman : Sir Brandon RHYS WILLIAMS

The Committee on Economic and Monetary Affairs appointed Sir Brandon Rhys Williams draftsman of the opinion on 2 February 1973.

The Committee discussed the draft opinion at its meeting of 15 June 1973 and approved it unanimously.

The following were present: Mr Lange, chairman; Sir Brandon Rhys Williams, vice-chairman and draftsman of the opinion; Mr Artzinger; Mr Burgbacher; Mr Flämig (deputizing for Mr Arndt); Mr Harmegnies; Mr Kater; Mr Notenboom (deputizing for Mr Starke); Mr Springorum (deputizing for Mr Schwörer); and Mr Yeats.

The Committee:

1. Supports the aim of further liberalisation of trade and recognizes that the persistence of protective barriers to perpetuate obsolete industries is contrary to the interests of the world economy, but considers that tariffs may have a legitimate role in assisting particular industries;
2. Demands further reductions in non-tariff barriers to trade;
3. Recognizes that the adjustment of the parities of the major currencies of international trade in the past two years have had highly significant consequences for industrial and primary producers alike, and that the full effects on the competitive position of particular commercial and industrial enterprises of all kinds throughout the world have still to be realised;
4. Accepts that the uncertainty of the present monetary situation introduces a speculative element into any detailed comparison of the strengths and weaknesses of the industries engaged in import or export in different countries;
5. Stresses that in any likely solution of current monetary problems the exchange rates of the major currencies of world trade are likely to remain subject to variation from time to time and that such changes are likely to occur more frequently than under the Bretton Woods Agreements;
6. Judges that it would be inappropriate for the negotiations on tariff reform to be delayed in anticipation of the eventual establishment of a definitive world monetary system, but that they must take account of

the general aim that international trade should be continued in future within a structure of fixed but adjustable parities;

7. Asks that general tariff changes should not be applied simply to offset the effect of agreed parity changes;
8. Requires that the agreements to be made should permit the application of direct or indirect subsidies for the purpose of commodity price support schemes for the benefit of the Third World or for the maintenance of stable balance-of-payments conditions in particular developing countries.



OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr C.-E. HÉGER

The Committee on Agriculture was requested to deliver an opinion on the report of the Committee on External Economic Relations on the Community's approach to the coming multilateral negotiations in GATT.

The Committee on Agriculture appointed Mr HÉGER draftsman of the opinion.

It discussed the matter at its meetings of 14 and 15 June and 27 and 28 June 1973 and at the last meeting it adopted the following opinion unanimously, with one abstention.

The following were present: Mr HOUDET, chairman; Mr VETRONE, vice-chairman; Mr HÉGER, draftsman; Mr DELLA BRIOTTA (deputizing for Mr CIFARELLI), Mr John HILL, Mr KAVANAGH, Mr de KONING, Mr LEFEBVRE, Mr LIOGIER, Miss LULLING, Mr McDONALD, Mr MARTENS, Mr SCOTT-HOPKINS, Lord St. OSWALD.

1. The Committee on Agriculture has been instructed to deliver an opinion for the Committee on External Economic Relations on the Community's approach to the coming multilateral negotiations in GATT.

2. These negotiations, which are to begin in September, differ in several respects from the Kennedy Round of talks that took place from 1964 to 1967.

- In the Kennedy Round, it was the United States which had offered to reduce customs duties. The name given to these negotiations itself is a clear indication of who initiated them. This time, however, the bases for the negotiations are those outlined, or rather recommended, in a joint statement by the Community and the United States and confirmed during the Conference of Heads of State held in Paris on 20 and 21 October 1972.

- The economic importance of the principal partners has changed. The European Economic Community is now a Community of Nine and Japan's position in world trade is becoming increasingly important.

- The question of whether or not to include agricultural products in the negotiations was left open for some time during the Kennedy Round. This is not the case now.

- Finally, the question of trade must be viewed in a general context which the draftsman will be outlining below.

3. The United States has already made known its position, which is based on President Nixon's Trade Bill. The Community should do the same by working out a common concept clearly showing that it will be participating in the GATT negotiations as a single entity and that it will be represented by one negotiator, the Commission. The latter will be acting on instructions given by the Council before 1 July 1973 under Articles 113 and 114 of the EEC Treaty.

4. Three problems have been cited by the United States: defense, monetary questions and trade.

Each of these problems should be dealt with by the organizations or institutions particularly involved in the field concerned. Although it must be dealt with separately, the monetary problem is related to the trade question. While this cannot be made a precondition, it should at least be said that decisions to be taken in the trade sector should not be implemented before a solution has been found to the monetary problem.

The negotiations on trade should make it possible to improve living conditions in the world by expanding production and liberalizing imports and exports, with due account taken of the interests of the developing countries. The bases of Community unity must not be questioned at these negotiations since, following its enlargement, the Community must more than ever strengthen the common policies it has already established and make progress in the others.

5. There has been frequent talk of 'globalization' in connection with the three above-mentioned problems. It might be advisable to use this term during the negotiations on trade, since no sector of the economy should be sacrificed to benefit another. At all events, the rule should be one of reciprocity between the partners. Agriculture falls within this global context, since the basic principles governing the common agricultural policy, that is Community preference, unity of the market and common financial responsibility, remain sacrosanct.

6. The sacrosanct nature of these principles does not, however, mean that various adjustments or concessions cannot be made with a view to better organizing the world market, particularly in the case of certain products, and making allowance for the interests of the developing countries. The negotiating mandate given to the Commission should be unambiguous where the principles are concerned but sufficiently flexible with regard to their application. Instructions that allowed no flexibility would have a paralyzing effect; very detailed instructions would weaken the negotiators' position.

7. This opinion centres on the agricultural sector without, however, ignoring the possible effects of reductions in customs duties and the adjustment of non-tariff measures on Community agriculture. It is in fact important to ensure that reductions in customs duties are reciprocal but proportionally greater, the higher the duty, and to retain minimum tariffs in order to allow the possibility of promoting in future imports of certain products from the developing countries.

Non-tariff measures often affect the Community's exports of agricultural products. The obstacles most frequently raised take the form of quantitative restrictions or health measures. Harmonization in the latter field is necessary so that trade possibilities can be expanded.

It cannot be denied that this range of possibilities is desirable in the interests of the consumer and would in many cases be beneficial to specialized agricultural producers. There is no disputing that the present agricultural policy could be improved. But it cannot be based on economic aspects alone. The social and above all the human factor should be taken into account.

This is why the adaptation of agricultural structures remains a subject of topical interest, with the rider that it implies retraining and the creation of new jobs. If the improvement of structures is to continue, it would be wrong to take trade negotiations as a reason for setting for these reforms a timetable which cannot be observed at the social and human level.

8. Unquestionably, the consumer, like the economy as a whole, has a fundamental interest in the stability of the agricultural markets. It should not, however, be forgotten how difficult it is to achieve such stability in a market characterized by a situation in which demand is relatively stable and supply extremely variable.

On the subject of better organized markets, mention should be made of the Sugar Agreement and Wheat Agreement, in spite of the difficulty in defining the Community's exact position on these two agreements. The accession of the new Member States will perhaps make it easier for the Community to decide its position. A programme which includes the creation of reserve stocks and the granting of increased food aid does not release the rich countries from their obligation to pay a fair price for products originating in the developing countries, for which these products represent a basic source of income.

9. In another connection, the concentration of efforts on high quality products should be based on internationally recognized standards, with a stipulation that producers who observe these standards will be suitably rewarded.

As to the Community's financial responsibility, any selective and economically justified aid that is granted should be subject to checks both to prevent abuses and to ensure an improved standard of living for recipients in the future.

10. Having made these points, the Committee on Agriculture views with favour the proposals made by the Commission in respect of the forthcoming multilateral negotiations and set forth in a document dated 4 April 1973 entitled 'Establishment of an overall concept for the forthcoming multilateral negotiations' (COM (73) 556), which was amended on 22 May 1973.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Miss C. FLESCHE

On 23 February 1973 the Committee on Development and Cooperation appointed Miss C. FLESCHE draftsman of the opinion.

It discussed and unanimously adopted the draft opinion at its meeting of 22 June 1973.

The following were present: Mr ACHENBACH, chairman; Mr DEWULF, Mr CHRISTENSEN, Mr LAUDRIN, vice-chairmen; Mr AIGNER, Sir Douglas DODDS-PARKER, Mr FLÄMIG, Mr HARMEGNIES, Mr James HILL, Mr KOLLWELTER, Mr RUMUALDI, Lord St. OSWALD, Mr VAN DER ECK

1. In its memorandum to the Council of 4 April 1973<sup>1</sup>, the European Commission stressed that during the coming negotiations opening in TOKYO in October 1973, particular account must be taken of the interests of the developing countries; the latter must suffer no disadvantages and furthermore their trade must be expanded and their export revenue improved. Moreover, 'the task will have to be accomplished without detriment to the advantages enjoyed by those developing countries with which the Community has special relations'.

The Committee on Development and Cooperation fully supports this attitude which accords with the views expressed in the Community's statement of intention of 13 December 1971 and in the declaration adopted by the Paris Summit in October 1972.

In this context it also recalls the attitude adopted by the EEC/AASM Association parliamentarians who declared in the resolution adopted in KINSHASA on 30 March that they hoped 'the forthcoming worldwide multi-lateral negotiations in GATT and the IMF - in which the developing countries will all be participating for the first time - will result in a more equitable organization of world trade and international monetary relations and that concertation between the partners of the Association will be continued and intensified during these negotiations'.<sup>2</sup>

2. The industrialized countries must take firm action, reflecting a strong political resolve, to associate the developing countries in the expansion of world trade.

Firstly they must agree to review the current basic principles of world trade. In fact, at present the rules of the economic game are to the advantage of the strongest and most competitive countries; unless these rules are revised, the less favoured countries will have no real chance of economic expansion.

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<sup>1</sup> COM(73)556 - chapter V

<sup>2</sup> Resolution on the 8th Annual Report on the Activities of the Council (Doc.46 of the Parliamentary Conference of the Association)

Moreover, the rich countries, and above all the European Community must attempt, from the outset, to open a dialogue with the developing countries. The EEC must take all requisite measures to ensure compliance with the commitments it has contracted vis-à-vis its associated countries with a view, above all, to effective consultation and, where necessary, agreement on joint action to be taken.<sup>1</sup>

When the major partners of world trade meet, the EEC - the third world's chief trading partner and, with its Member States, the main aid-granting body to the developing countries - may indeed find allies in these countries whose support may prove very valuable during the negotiations.

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<sup>1</sup> It is to be welcomed, in this connection, that the EEC and the 19 Associated African States agreed at the Association Council meeting of 15 June to continue their consultation on the GATT negotiations both during the preparatory work and at the coming Ministerial Conference in TOKYO this October.

3. The new round of multilateral negotiations may provide an opportunity to lay down the first elements of the international policy of development cooperation which the EEC proposes to pursue at world level and which, following the points made in the Paris Communiqué, must include above all:

- promotion of international agreements on primary commodities with a view to stabilizing markets and increasing the less favoured countries' exports;
- improvement of generalized preferences with a view to achieving a steady increase in the sales of manufactured products from the developing countries.

In the second case it is clear, as the European Commission noted in its memorandum, that if a preferential margin is maintained in favour of the developing countries, this will necessarily completely preclude the elimination of customs duties or reduction of charges below a certain level. Moreover, before the preferential system can be improved, the other industrialized countries, in particular the United States, must introduce a comparable system.

In the sector of non-tariff trade barriers, action must be taken to reduce or eliminate certain quantitative restrictions applying in particular to exports from the third world.

Action must also be taken to improve sales of agricultural products of the developing countries. This can best be achieved by including a wider range of products of agricultural origin in the category of processed goods, which enjoy generalized preferences, and by improving the market access for products of particular interest to the third world countries. The EEC must be prepared to apply the instruments of its common agricultural policy in such a way that when growth of world trade in agricultural products is achieved this will not only benefit the major producers in the temperate zone but also the farmers in tropical regions.

4. Efforts must centre on the facilities to be granted to the less favoured countries to enable them to expand production and improve their trade outlets.

However, this action must follow the lines laid down at the Paris Summit, without detriment to the advantages enjoyed by the developing countries with which the EEC has special relations.

Respect for the commitments which the EEC must contract vis-à-vis the associated countries does not preclude extending European aid, which is at present directed mainly to Africa, to other continents. For example, a proposal has been put forward to offer 'supply agreements' for some of the



developing countries' major products. After drawing up a list of its requirements, the EEC could offer those countries which are willing to cooperate to satisfy them the appropriate facilities and market guarantees. Such agreements, simultaneously offered to countries of different continents, would also help to assure Europe's supplies.

5. The current balance sheet for the second development decade shows that far from nearing a solution, the third world's economic problems are still growing.

As the main partner of the less developed countries the EEC, aware of its responsibilities and of the hazards of this development both in terms of international cooperation and of the world balance, must give full support to the search for a fairer and more balanced system of international trade.

