

1966

THE EUROPEAN COMMUNITY AND THE WORLD

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THE EUROPEAN ECONOMIC COMMUNITY AND THE WORLD

The European Economic Community, comprising six countries: Germany, France, Italy, Belgium, the Netherlands and Luxembourg, is the world's largest importer and second largest exporter.

It is understandable that the creation of such a powerful economic unit has considerably increased Europe's importance in the world and has made it a new factor in international affairs.

The Common Market has given a sharp stimulus to liberal trading policies by making other countries desirous of sharing in its rapidly growing trade.

This explains why 68 countries, including the Associated African States and Madagascar, had established diplomatic missions or sent representatives to the European Communities in Brussels and Luxembourg by January 1, 1966.

After eight years of existence the Community has concluded formal association agreements with Greece and Turkey and 18 African States, formerly dependent territories of France, Belgium and Italy.

The Community has concluded trade or similar agreements with Iran, Israel and the Lebanon. Tariff concessions have been granted to India. The possibility of closer economic ties with Austria is being explored and the Community is examining applications for association by Nigeria, Kenya, Uganda, Tanzania, Tunisia, Morocco and Algeria.

Regular consultations take place with countries having vital trading interests in the Community. These include Britain, Denmark, Ireland, Norway and the Latin American countries.

Finally, the Community, after agreeing to substantial cuts in many of the duties in its common external tariff (Dillon Round 1960-62), pledged itself to the success of the Kennedy Round of trade negotiations aiming at overall reciprocal tariff cuts of up to 50%. There is little doubt that the United States and the European Community may be considered the principal negotiators in the Kennedy Round.

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discriminatory
CSC
UNCTAD
1965

WESTERN EUROPE

Greece

Greece applied for association* under Article 238 of the EEC Treaty on June 8, 1959 and the association took effect as of November 1, 1962. The association agreement provides for the progressive establishment of a customs union between the EEC and Greece over a 12-year period beginning in 1962. The member countries of the EEC extended the benefit of intra-Community tariff cuts to imports from Greece without immediate reciprocity. & Greece will abolish her tariffs on imports from the Community by annual reductions of 10% over the 12-year transitional period. In order to protect her young industries, Greece may space out her tariff reductions over a 22-year period through 5% annual reductions for certain items representing about one third of her imports from the Community (Annex I of the association agreement).

Greece will adopt the Community's common external tariff in step with her tariff cuts as specified above; i.e., for the majority of products within 12 years and for the products listed in Annex I of the agreement within 22 years.

The agreement provides for the progressive harmonization of Greek agricultural, economic and commercial policies with those of the Community. During the first five years of the agreement Greece may obtain loans from the Community up to a total of \$125 million in accordance with the rules of the European Investment Bank, \$36.8 million of which had been allocated by the end of 1964 in six private and public investment projects (roads, development of energy resources and irrigation).

The agreement provides for a joint Council of Association composed of representatives of the Greek Government and the Community's Commission and Council of Ministers, each side to have one vote. The Association Council held 14 conferences up to December 1965. An Association committee of experts has been formed which meets on a regular basis. Parliamentary representatives of the six EEC members and Greece also meet from time to time.

Turkey

Turkey applied for association on July 31, 1959 under Article 238 of the EEC Treaty and the agreement establishing an association between the EEC and Turkey entered into force on December 1, 1964. Its object is to prepare the gradual integration of the Turkish economy into the EEC. Pursuant to this objective, the agreement provides immediate measures for the improvement of the Turkish economic structure, followed by the progressive establishment of a customs union between the Community and Turkey.

European

*Article 237 deals with the conditions under which a country can become a full member of the Community. Normally full membership implies complete removal of trade barriers, acceptance of a common external tariff and far-reaching agreements on common policies. Article 238 deals with the possibility of concluding an association agreement with any third country generally embodying liberation of trade and establishment of reciprocal rights and obligations.

In order to encourage the accelerated development of the Turkish economy, the member States of the EEC pledged to grant Turkey through the European Investment Bank over a period of five years, financial aid amounting to \$175 million, in the form of loans for investment projects forming part of the Turkish development plan.

three The customs union between the EEC and Turkey will be established in two stages:

During a preparatory stage, which will last five years and may be extended for another period not exceeding five years, Turkish tobacco, raisins, dried figs and hazelnuts (products representing nearly 40% of Turkey's exports), will be granted tariff quotas at preferential rates in the Community. Tobacco and dried grapes will benefit from intra-Community rates.

Raisins?

needs rewording stages confusing

The preparatory phase will be followed by a transitional stage, lasting a maximum of 12 years in which the customs union between Turkey and the Community will be gradually introduced in accordance with the provisions of a supplementary protocol to be drafted by the Association Council in the meantime. During this same period, Turkish economic policy will be harmonized with that of the Treaty of Rome (free movement of workers, right of establishment, freedom to provide services, transport, competition, fiscal measures, harmonization of legislation, economic and commercial policy). Finally, Turkey may become a full member of the Community.

The implementation of the agreement is supervised by the Association Council which comprises members of the six Governments, the Council of Ministers and the Commission of the EEC on the one hand and members of the Turkish Government on the other, each party having equal voting rights. One of the first tasks of the Association Council, which had met twice up to December 1965, was to prepare the setting up of a joint Parliamentary Committee between the European Parliament and the Turkish Parliament.

Austria, Sweden, Switzerland (Neutral Countries)

which dates, wh/ stats

On December 12 and December 15, 1961 Austria, Sweden and Switzerland addressed letters to the Council of Ministers of the EEC in which they made known their desire to participate, through an agreement under Article 238 of the Treaty of Rome, in an enlarged European Market.

They expressed the hope that negotiations could be conducted and solutions adopted simultaneously for all the countries in the European Free Trade Association.

The three Governments considered that on this basis formulas could be found which would safeguard their permanent neutrality - a common factor

in their policy - but which would not affect the Community's integrity.

At hearings of their representatives before the EEC Council of Ministers on July 28, 1962 (for Austria and Sweden) and September 24, 1962 (for Switzerland), the three Governments expressed their desire for a certain freedom of action in commercial policy, particularly the right to negotiate trade and tariff agreements with third countries; for means of ensuring certain vital supplies in time of war; and for the right to abstain from certain measures inconsistent with the requirements of neutrality.

After the negotiations between the EEC and the United Kingdom were suspended on January 29, 1963, the contacts with Sweden and Switzerland were not resumed.

Austria: On March 20, 1963, the Austrian Government made a second approach to the Community asking the EEC member States to reactivate the association negotiations. The EEC Council of Ministers, at its session of April 2, 1963, instructed the Commission to report to it on possible solutions to the problem of relations between Austria and the EEC.

Exploratory talks, at which the Austrian mission outlined its Government's ideas on the content of a possible "arrangement" agreement, were held in Brussels in three stages: in July, November and December 1963.

On June 3, 1964, the Commission submitted to the Council a report on these exploratory talks which was debated at the Council session of July 28-30, 1964. It was realized that Austria, with its close trade relations with the Community, its neutral status and its State Treaty, is a case apart.

At its session of March 2, 1965 the Council instructed the Commission to open the first round of negotiations with the Austrian Government. The purpose of these negotiations will be to study possibilities for an agreement removing obstacles to trade between the Community and Austria and providing sufficient harmonization of Austrian customs and economic policy with those of the Community to prevent distortion of competition.

The negotiations opened in Brussels on March 19, 1965 and since that date four further negotiations have taken place between EEC and Austrian officials: on April 22, 1965, May 17, 1965, June 21, 1965 and December 6, 1965. The next round has been scheduled for February 1966.

United Kingdom

On August 9, 1961 the United Kingdom expressed the wish "to open negotiations with a view to acceding to the Treaty of Rome under the terms

of Article 237" (full membership). The British Government requested that account be taken of Great Britain's special relations with the Commonwealth as well as of the essential interests of British agriculture and of her relations with the other member countries of the European Free Trade Association.

The first meeting at ministerial level between the six Governments and the Commission on the one hand and the Government of the United Kingdom on the other was held in Paris on October 10, 1961.

At that meeting Mr. Heath stated that Britain was ready to subscribe fully to the aims of the Treaty of Rome, including the elimination of internal tariffs, a common customs tariff, a common commercial policy and a common agricultural policy.

During the sixteen months between October 1961 and January 1963 the negotiations were devoted successively to a survey of the difficulty of the problems ahead, problems relating to the Commonwealth and the question of how British agriculture could be adapted to the common agricultural policy.

Following the press conference held by President de Gaulle on January 14, 1963 the negotiations with the United Kingdom were suspended on January 29, 1963.

At its sessions of May 8 and May 30, 1963, the Council of Ministers studied the procedure for an exchange of views and information with the United Kingdom.

On July 26, 1963 the British Government announced its agreement with the Community proposal that these exchanges of view be held quarterly in the framework of the Council of Ministers of Western European Union, an organization which comprises the six member States of the EEC and the United Kingdom. The object would be to study, in addition to political questions, the economic situation in Europe. One of the underlying aims of these meetings is to avoid either the Community or Great Britain taking steps likely to have an adverse effect on their relations and thus to leave open the possibility of later accession by Great Britain.

Denmark

On August 10, 1961, the Danish Government submitted its application to the EEC under the provisions of Article 237 (full membership).

The first ministerial meeting between the Six and Denmark took place on October 26, 1961. At a ministerial meeting on November 30, 1961 the Danish Government declared that for its part it did not wish any special arrangements extending beyond the transition period, that it

accepted the common customs tariff and subscribed to the principle of a common commercial policy as well as to the provisions of the Treaty on agricultural policy.

The first stage of the negotiations for Denmark's accession to the Community was conducted at six ministerial meetings during the same period negotiations were being conducted with the United Kingdom. When the negotiations with the United Kingdom were suspended, study of the problems raised by the Danish delegation had not gone beyond the technical stage.

Despite the suspension of formal negotiations on accession, the Danish Government proposed that bilateral contacts be established at the ministerial level with the EEC Commission to discuss both general questions and concrete problems arising between Denmark and the Community. The Commission gave its assent on July 29, 1963 and the first meeting was held on October 8, 1963. Others followed on December 6, 1963, February 28, 1964 and June 3, 1965. Following a request from Germany, the Council of Ministers called on the Commission on May 14, 1965 to draw up a report on the trade relations between Denmark and the EEC, relations which from the Danish point of view have been steadily deteriorating, particularly in the egg, pork and poultry meat sectors.

This report was forwarded by the Commission to the Council at the end of October 1965. Among the findings of the Commission appears the conclusion that the main Danish difficulties may best be solved within the Kennedy Round. Meanwhile, the Commission endeavored to find specific solutions to Danish problems, i.e. by allowing special provisions for Danish beef imported by Germany.

Norway

The Norwegian Government had informed the Council of Ministers on April 30, 1962 that it wished to open negotiations with the Community for accession under Article 237 (full membership) of the Rome Treaty.

During a preliminary meeting held in Brussels on July 4, 1962, the Norwegian Foreign Minister stated that his Government was prepared to accept the objectives and provisions of the EEC Treaty and explained the problems which would arise for his country in the event of accession, particularly in the field of agriculture and the highly important one of fisheries. A second meeting took place on November 12, 1962. During this meeting the Six asked the Norwegian Government for clarification of certain passages in Mr. Lange's statement of July 4, and Mr. Lange sent a written reply to the questions. After the suspension of the negotiations between the EEC and Great Britain, the Norwegian Government did not ask for further talks.

Ireland

On July 31, 1961 the Irish Government applied for full membership in a letter to the EEC Council.

A first meeting took place between the six EEC Governments and Ireland on January 18, 1962 at which the Irish Prime Minister described the economic situation of his country and the reasons why his Government considered that it was in position to join the Community.

After a number of preliminary meetings between representatives of the Irish Government and the Six, the EEC Council gave its assent at a meeting on October 22, 1962 to the negotiations proposal made by the Irish Government.

This decision was communicated to Ireland on October 24, 1962. The negotiations with the United Kingdom were suspended before formal negotiations with the Irish Government could be opened.

Spain

On February 9, 1962 the Spanish Government submitted to the EEC an application for association with the Community with a view to full membership in due course. The application was acknowledged by the Council on March 6, 1962, but thereafter no more official contacts were made until February 14, 1964, when the Spanish Government wrote to the Council of Ministers renewing its request for talks to settle its future relations with the Community.

The Spanish Government pointed out that, with the completion of its economic development plan, the time was ripe for exploratory talks to determine what form of relationship could be established and what commitments could be accepted by both sides; such commitments could then be written into the Spanish Economic and Social Development Plan.

On June 2, 1964 the Council authorized the Commission to open discussions and on December 9, 1964 the first meeting took place in Brussels between Spanish and Commission delegations. After hearing a statement by the head of the Spanish delegation, the Commission announced that it would send a questionnaire to the Spanish authorities. This was submitted to the Spanish mission on February 10, 1965. *

In August 1965 the Spanish Government submitted a verbal note to the European Commission and to the member States about the countervailing charge on oranges imported by the EEC countries. These EEC imports account for approximately 70% of all Spanish citrus exports.

*to seek solution of economic problems
caused as a result of the establishment
of the C.M.*

Portugal

In a letter addressed to the Council of Ministers of the EEC on May 18, 1962, Portugal requested the opening of negotiations to establish the terms for cooperation with the Community. Acknowledgement of receipt of this letter was sent to the Portuguese Government on June 29, 1962. Acting on a decision taken on December 1962, the Council invited the Portuguese Government to explain its desiderata at a hearing similar to that which had been arranged for the neutral countries. This hearing was fixed for February 11, 1963 but it did not take place.

also in air

Cyprus

As a member of the Commonwealth, Cyprus had addressed a letter to the EEC Council on December 10, 1962 requesting the opening of negotiations for association with the Community in accordance with Article 238 (association) of the Rome Treaty. At its meeting on January 24, 1963 the Council agreed to initiate the appropriate procedure with regard to Cyprus. After negotiations between the United Kingdom and the EEC were suspended, Cyprus announced its intention on March 8, 1963 to wait for future developments.

EASTERN EUROPE AND STATE TRADING COUNTRIES

not nec.

General Attitudes

The relations between the Community and the Eastern bloc countries are lacking any formal basis since the bloc countries never recognized the Common Market as a customs union. The EEC member countries have again and again rejected requests from the Eastern bloc for the extension, to the latter's advantage, of intra-Community tariff concessions by virtue of the most-favored-nation clause.

~ Nonetheless, in a 32-point working paper presented at a conference of Marxian economists held in Moscow in August 1962, the Common Market was accepted as "an economic and political reality" and its success described in a fairly objective manner. Showing an increasing interest in the Community, the state-trading countries endeavored to conclude bilateral trade agreements with certain member States.

On July 20, 1960 the Council of Ministers of the EEC decided that the member States should negotiate for the inclusion of a so-called EEC clause in any bilateral commercial agreement to be signed with non-member countries. This clause, which is of particular importance in agreements with Eastern bloc countries, provides for the reopening of negotiations and the amendment of the trade agreement as soon as the gradual establishment of a common EEC commercial policy makes this necessary.

On October 9, 1961 the Council took two further decisions with respect to bilateral relations. The first of these decisions established a consultation procedure for negotiating agreements concerning trade relations of member States with non-member countries. In this way a systematic procedure for reciprocal information on all commercial negotiations and prior consultations on all provisions of such agreements was officially introduced. These consultations take place at the request of a member State or of the European Commission.

The second decision aimed at standardizing the duration of trade agreements with non-member countries. It limited the duration of such agreements to the transition period of the EEC Treaty (end of 1969) and fixed a maximum life of one year for agreements which include neither an EEC clause nor a clause providing for denunciation from year to year.

Acting on an internal decision of the Council of the same date (October 9, 1961), the member States agreed in principle to limit the validity of long-term agreements with state-trading countries to December 31, 1965. This internal decision created a special regime for state-trading countries different from the general regime applicable to third countries.

The Council's decision also provided that the Commission should examine with the member States, as soon as possible and in any case by

January 1, 1966, all existing agreements on commercial relations with third countries in order to see that they do not obstruct the inauguration of the common commercial policy.

By a Council decision of December 29, 1965 the deadline for the conclusion of the joint examination was extended to the end of 1967.

validity

On May 15, 1962 the Council approved consultation arrangements proposed by the coordinating group. In accordance with these arrangements:

i) Member States will consult each other whenever one of them or an official body in that State is considering granting guarantees for export credits or financial credits linked with the supply of home-produced goods and having a duration exceeding five years, this means terms considered to be in excess of "Berne Union" standards;

ii) Agreement has been reached in principle to harmonize gradually the terms and conditions of credit insurance with a view to the elaboration of a model credit insurance system common to all the member countries.

On March 3, 1964 the Commission submitted to the Council a proposal for improving the consultation procedure laid down by the Council decision of October 9, 1961 generally used for negotiations between member States and state-trading countries. The object is to adapt the consultation procedure so as to facilitate the gradual coordination of existing national trade agreements and their subsequent conversion into Community agreements. Furthermore, the Commission urged for a speedier introduction of a commercial policy vis-à-vis the state-trading countries. The proposal laid down a timetable for unifying by stages the member States' commercial policies with regard to state-trading countries by the end of 1969. By these coordination measures it should be possible to conclude long-term agreements with the state-trading countries. Such agreements at present expire in principle on December 31, 1963. The Commission's proposal includes a passage extending this final date to December 31, 1967.

state-trading proposal

Although the proposal was widely discussed in 1964 and 1965, it has still not been adopted by the Council.

On January 24, 1963, the Council issued regulation No. 3/63 governing trade in certain agricultural products (grains, pork, eggs and poultry) with state-trading countries. This regulation was later extended to the other products falling under Community regulations (milk, beef and rice) and its validity until the end of 1966. The regulation provides for a specific system of control and suspension in the event of disturbance of the market originated by imports exceeding certain reference quantities.

Beside the general rules with regard to state-trading countries, relations with three of these countries are worthy of special mention.

USSR

At its session of September 23-24, 1963, the Council approved the terms of a memorandum proposed by the Commission concerning possible tariff concessions to the USSR. This memorandum was intended to answer the request made by the USSR in 1963 to certain member States for Community customs treatment. After rejecting the Soviet request on the grounds that it had no legal basis, the Community stated its readiness to introduce tariff measures to promote imports of certain products for which the USSR is its main supplier (vodka, caviar and canned crabmeat) on condition that the USSR considered her requests to be finally answered.

The Soviet Government has not yet replied.

Yugoslavia

In September 1962 the Yugoslav Government approached the Community with a view to technical discussions on trade. The EEC Council of Ministers decided at its session of December 3, 1962 that in principle the Community was in favor of exploratory talks between Yugoslav and Commission experts.

The first technical discussions were held from January 25-29, 1965 and a second round took place from May 17-25, 1965. The Yugoslav delegation pointed out that it was important for Yugoslavia to maintain her sales of farm produce at a level that would enable her to buy more in the EEC and also to increase her industrial exports. Yugoslav exports to the EEC consist mainly of cattle, meat, eggs, poultry, tobacco, wine, fruit and vegetables.

The Commission delegation expressed the hope that sales to Yugoslavia, particularly of industrial products, would expand steadily. At the close of the conversations the two delegations decided to submit to their respective authorities the results of the yet unfinished examination of trade problems.

Poland

In November 1964 and again in late March 1965 the Commission discussed the problems of Poland's exports of agricultural products with a delegation from that country. In view of the assurances offered by Poland as to sluice-gate prices, the Commission decided not to impose a supplementary amount on Polish eggs, in accordance with Article 4 of Commission regulation No. 109.

Berlin

In a Declaration annexed to the Treaty, the Member States declared that all necessary measures should be taken to ease the economic and social situation of Berlin, to promote its development and to ensure its economic stability.

In a second Declaration annexed to the Treaty, the Government of the Federal Republic reserved the right, when depositing its instruments of ratification, to declare that the Treaty should also apply to the Land of Berlin.

In the instruments of ratification, the German Government declared that the Treaty would apply to Berlin, with the provision, however, that the occupying powers in Berlin would not be affected by the inclusion of Berlin within the Treaty.

Soviet-Occupied Zone of Germany

In a special Protocol annexed to the Treaty, exchanges between the Federal Republic and the Soviet-Occupied Zone are considered to be part of German internal trade. The member States must inform each other and the Commission of any agreements affecting exchanges with the Soviet Zone.

The Federal Government informed the Commission that, by virtue of interzonal commercial agreements, goods that did not originate in the Soviet-Occupied Zone of Germany would not be allowed automatically into Germany and that this trade would have to be regulated by a special agreement.

AFRICA

Countries Formally Associated with the EEC

First Association Convention. Article 131 of the EEC Treaty stipulated that the member States should agree to bring into association with the Community the non-European countries and territories which had special relations with Belgium (Congo and Ruanda-Urundi), France (French West Africa including: Senegal, Sudan, Guinea, Ivory Coast, Dahomey, Mauritania, Niger and Upper Volta; French Equatorial Africa including: Middle Congo, Ubangi-Shari, Chad, and Gabon) and Italy (Somalia). + Neth. + other territories

The purpose of this association was to further the prosperity of the inhabitants of these countries in such a manner as to lead them to the economic, social and cultural development due to them.

At this time the first association system was created most of the countries and territories mentioned were dependent entities under the jurisdiction of France, Belgium and Italy. The Association with the EEC was decided upon by the member States acting for these countries.

Duration of the first Convention: The Association Convention entered into force on January 1, 1958 and expired on December 31, 1962, thus covering a period of five years.

Economically the system provided twofold consequences:

a) The member States applied to their trade with the associated countries the same liberation measures they applied gradually between themselves. On July 1, 1962 tariffs on EEC imports from Associates were down 50% and on agricultural products 35%.

b) In return, the Associated States were bound to apply gradually to their trade with the EEC member countries only those trade conditions in effect between each of the Associates and the State with which it had special relationships.

The system, therefore, was not so much a system of eliminating obstacles to trade within a free trade area, as one of nondiscrimination in the treatment between the Associated on the one hand and the EEC member countries on the other.

Financially the system provided for contributions of \$581 million for investments through the European Development Fund in the form of outright grants. Most of this money was spent on basic development (roads, railways, ports), modernization of rural areas and technical and educational projects.

Interim period - T

Second Association Convention. The Convention between the EEC and 18 African and Malagasy States, signed on July 20, 1963 at Yaoundé in Cameroun, became effective on June 1, 1964 and will remain in force for a five-year period (until May 31, 1969), but it may be extended.

Because most of the Associated Countries and Territories had gained their independence since 1958, the new Association Agreement underwent a fundamental change and was drafted on the basis of relations between sovereign countries with equal rights.

The Community's new African partners are (in alphabetical order with population in millions):

Burundi (2.2)	Madagascar (5.2)
Cameroun (4.1)	Mali (4.1)
Central African Republic (1.2)	Mauritania (0.7)
Chad (2.6)	Niger (2.9)
Congo-Brazzaville (0.9)	Rwanda (2.6)
Congo-Leopoldville (13.9)	Senegal (3.1)
Dahomey (2)	Somalia (2)
Gabon (0.5)	Togo (1.4)
Ivory Coast (3.1)	Upper Volta (4.5)

Economically the basic purpose of the Convention is the gradual establishment of a free trade area between the EEC and each of the Associated States. It does not automatically extend to relations between the Associated States since customs unions or free trade areas may be continued or established freely between two or more Associated States.

Continuing the provisions of the first Convention, exports from the Associated States to the member States will benefit from the same gradual abolition of duties and expansion of quotas as the member States apply among themselves.

Moreover, immediately ^{after} the second Convention took effect, the following tropical products could enter the member States duty free: pineapples, coconuts, coffee, tea, pepper, vanilla, cloves, nutmeg, cocoa. At the same time, the common external tariff applicable to the same products originating from other tropical countries than the Associates has been substantially reduced, but in such a way that the Associated Countries enjoy a preference over these other suppliers. *del!*

Furthermore, the EEC undertakes to pay due regard in its agricultural policy to the Associated States' interests with respect to those of their products which are similar to and competitive with European products such as oilseeds, rice and sugar.

On the other hand, the Associated States granted within six months the same tariff treatment to goods originating in any of the member States,

and will gradually (by 15% annually) reduce tariffs on imports from the Community. Quota restrictions on these imports should be abolished within the first four years of the new Convention.

This obligation to remove tariffs is of some importance since the new Convention gives the African countries the specific right to retain old tariffs or quotas, or create new ones where needed to protect infant industries.

Financially the new Convention differs from the first Agreement in four ways: the total amount of aid has been increased from \$581 million to \$730 million, the aid can take a greater variety of forms, it can be used for a much wider range of tasks and there is a new emphasis on technical assistance.

Of the \$730 million, the major part, \$620 million will be in the form of nonreturnable grants for general economic and social investment in the Associated States generally, technical aid connected with investment projects and technical cooperation.

The remaining \$110 million (\$46 million in the form of special low-interest loans from the European Development Fund and \$64 million in normal European Investment Bank loans) will be used mainly to develop the economic infrastructures of the Associates and to promote diversification of their output.

The institutional framework of the new Convention is based on the principle of absolute equality between the Community and the Associated States and both sides have equal rights in supervising its implementation.

A number of institutions control the Association Convention. The Council of Association, consisting of the EEC Council of Ministers, the Commission and one representative each from the Associated States meets once a year.

Detailed day-to-day administration is carried out by the Association Committee made up of one representative from each of the Community countries and the Associates.

Finally, the Parliamentary Conference, consisting of members of the European Parliament and parliamentarians from the Associated Countries, meets once a year to consider the Association Council's annual report, and the Court of Arbitration settles disputes that may arise in interpreting the Convention.

French Somaliland and the Comoro Islands

The association of these dependent territories continues to be governed by Part Four of the Rome Treaty. On February 25, 1965, the

Council renewed the provisions of this association for a period of five years. The decision, which became effective on June 1, 1964, contains chapters on trade and financial aid that follow the basic outlines of the new Convention with the 18 independent Associates.

Algeria

Algeria was included in the Rome Treaty from the time the Treaty came into force (January 1, 1958) until it became independent on July 1, 1962. Although technically this puts Algeria outside the territorial scope of the Treaty, in practice the member States still considered Algeria to be part of the Community with respect to trade relations (Article 227 of the Treaty and Article 16 of the Implementing Convention relating to overseas countries).

In June 1963 the EEC reviewed the trading situation of Algeria and concluded that provisionally this country should continue to enjoy the benefits of Article 227 of the Rome Treaty as requested by President Ben Bella in his letter of December 24, 1962.

On July 1, 1963 an Algerian delegation handed a letter to the EEC in which the Algerian Government stated its intention to introduce a three-column customs tariff consisting of: a rate for French goods, a higher rate for goods from other EEC countries and a common higher rate for non-member countries.

On November 1, 1963 the Algerian Government put its new customs tariff into effect, and by a letter of December 18, 1963 suggested talks on an expert level in Brussels to discuss future relations with the EEC.

Meetings were held between February 28, 1964 and December 18, 1964 after the Council had asked the Commission to conduct these talks. The Commissions' report on the Algerian talks was submitted to the Council on February 24, 1965.

The Algerian requests at these talks were similar to those of the Moroccan and Tunisian Governments (see below).

Tunisia and Morocco

In a Protocol annexed to the EEC Treaty, the member States agreed that the establishment of the EEC should not affect the preferential customs treatment applicable to imports into France from Tunisia and Morocco of goods originating in these two countries.

In a Declaration of Intention annexed to the Treaty, the same member countries declared their readiness to propose to the countries of the French franc area the opening of negotiations with a view to concluding conventions for economic association with the Community.

earlier discussions in 57

By a letter of October 8, 1963, the Government of Tunisia asked for exploratory talks with the Community on the future of economic relations.

On December 14, 1963 the Moroccan Government sent the Community a similar letter.

Initial meetings between the Commission and a Tunisian delegation were held on December 12, 1963 and January 22, 1964 and with a Moroccan delegation on January 30, 1964.

Both delegations expressed the opinion that the agreement should cover all economic relations with the EEC and that the working hypothesis might be the establishment of a free trade area.

Requests of the Maghreb countries: the Tunisian, Moroccan and Algerian Governments stated that they are in favor of overall preferential agreements with the EEC, with a view to establishing some kind of free trade area in keeping with GATT regulations.

The Maghreb countries expect the EEC member States to grant them similar preferences to those in force in intra-Community trade. In return, however, they would reduce customs duties and quotas at a much slower pace than the EEC member States. Furthermore, provision would have to be made for safeguard clauses if balance-of-payments difficulties made it necessary to protect infant industries.

For farm products (fruit, vegetables and wine) in particular, the three countries wished to derive substantial advantages, equivalent at least to those they enjoyed in the past with respect to France. Finally the three countries asked for financial assistance and the best possible conditions for their nationals employed in the member States.

Nigeria

Nigeria based her request for negotiations with the Community (introduced in the fall of 1963) on the EEC Governments' Declaration of Intention issued in April 1963 shortly before the signature of the Yaoundé Convention. The Declaration specified three possible ways in which States with economic structures and methods of production similar to the countries already associated with the Community can establish a special relationship with the Six.

The three forms of relationship are accession to the Yaoundé Convention, signature of a special association agreement or conclusion of a trade agreement.

Nigeria chose the second alternative - the special association

agreement, taking the form of a free trade area. Nigeria would therefore have almost all the trade rights and obligations possessed by the 18 Associated States under the Yaoundé Convention. However, a Nigerian agreement would have its own institutions and would not provide for the granting of development aid to Nigeria by the Six.

Exploratory talks between Nigeria and the EEC Commission were held between November 18 and November 28, 1963 and again on February 2, 1965. On the basis of a Commission report the Council drew up, on June 8, 1964, the terms of reference for negotiations with Nigeria. Various rounds of negotiations took place between July 1964 and July 1965 when the Commission submitted a final report to the Council with a view to an association agreement.

In this connection, it is of particular significance that Nigeria, with a population of 55 million, almost as large as all of the 18 Associated African Countries taken together, will continue to be a member of the Commonwealth and the sterling area.

According to the draft proposal, the EEC offer would allow all Nigeria's export commodities, except four (peanut oil, palm oil, cocoa beans and plywood) to enter the Common Market free of duty immediately after the agreement came into force. The four products mentioned, where Nigeria competes with the 18 Associated States, would be subject to a free tariff quota, with the possibility of an annual increase of 3% or 6%.

I don't think 2% is Community treatment Yes! AD

Nigeria's trade offer to the Community would provide a special tariff preference of 2% (in some cases 5%) on 26 products representing about 8.2% of all Community sales to Nigeria in 1963. In addition, Nigeria would be allowed to keep various restrictions on her imports from the EEC in light of her industrialization and development needs.

East African States: Kenya, Uganda and Tanzania

In November 1963, the Governments of the three member States of the East African Common Services Organization sent a joint request to the Community which referred to the above mentioned Declaration of the EEC States (see Nigeria) and asked for negotiations with the Community.

Exploratory talks took place between February 10 and February 14, 1964. The Council drew up terms of reference for negotiations at its session of October 12-13, 1964. The first round of negotiations took place between March 1 and March 8, 1965. A second round scheduled for June was adjourned mainly because of the differences on the scope of the agreement to be concluded. The Commission, before continuing the negotiations, referred to the Council to get more detailed instructions.

*for Commonwealth
Conf. & ...*

The difficulties which arose were centered on the East African countries' request for non-reciprocity of trade advantages (in accordance with the resolutions passed during the United Nations Conference on World Trade) and on the fact that some of the East African countries produce agricultural commodities competitive with EEC products.

Libya

In a Declaration of Intention annexed to the EEC Treaty, the member States declared their readiness, upon the entry into force of the Treaty, to propose to the Kingdom of Libya the opening of negotiations with a view to concluding conventions for economic association with the Community.

In the absence of a Libyan application there have been no negotiations until now.

MIDDLE EAST COUNTRIES

Lebanon

Lebanon transmitted a memorandum to the Commission on October 2, 1962 proposing conversations on ways and means of establishing and developing economic cooperation.

The subsequent talks between the Commission and the Lebanese mission pointed up the difficulties facing the EEC in granting tariff reductions to a single country, particularly the most-favored-nation clause and Lebanon's lack of specialized production, which would reduce the benefit of any tariff cuts granted.

The Lebanese Government, therefore submitted a new memorandum to the Commission on December 12, 1963 and a complementary memorandum in February 1964. The EEC Council of Ministers, at its April 13, 1964 session, laid down terms of reference for the Community delegation. The negotiations took place between May 13-15, 1964 and led to the initialing of an agreement on trade and technical cooperation on March 9, 1965. The agreement is valid for three years and is renewable.

The main points of the agreement, signed on May 21, 1965, are as follows:

- EEC member States and Lebanon will grant each other most-favored-nation treatment in the widest sense of the term (important for Lebanon which is not a member of GATT);

- The EEC will provide technical assistance to Lebanon by sending experts to Lebanon or giving technical training to Lebanese nationals in the EEC.

A protocol on oranges and a declaration of intention concerning credit insurance for Community exporters to Lebanon are annexed to the agreement.

Israel

In a memorandum dated November 24, 1961, Israel confirmed and amplified its previous request for the opening of negotiations with a view to an agreement offering Israel easier access to the EEC market. After exploratory talks between the Commission and Israel in May 1962, the Council, at its September 24, 1962 session, stated that it would be inappropriate under the existing circumstances to envisage an association agreement with Israel. However, the Council authorized the opening of negotiations with a view to a trade agreement or other suitable arrangement.

On March 9, 1964, after three rounds of negotiations, the Council drew up new terms of reference for the Community delegation. Finally, on June 4, 1964, a trade agreement between the Community and Israel was signed which came into force on July 1, 1964. It was signed for three years and is renewable.

The agreement provides for temporary reductions in the EEC common customs tariff ranging from 10% to 40% of the present rates and covering 21 agricultural and industrial products of importance in Israel's exports. For instance, the rate of imported grapefruit juice was lowered from 19% to 8%. The list also includes reductions of about 20% for some chemical and aluminum products.

Since the agreement is non-discriminatory, the tariff reductions are extended to all other GATT members.

A Joint Committee of representatives from the Community and Israel was set up. A protocol appended to the Agreement provides that if the EEC concludes an agreement with an orange-producing country that might materially affect outlets, the question will be examined by the Joint Committee.

Iran

On May 24, 1962, Iran submitted to the Commission a memorandum proposing negotiations with the EEC. Preliminary talks took place between October 1 and October 5, 1962. Acting on a report from the Commission, the Council decided on April 1, 1963 to open trade negotiations with Iran with a view to concluding a trade agreement. These negotiations were concluded in July 1963 and a trade agreement between the EEC and Iran was signed in Brussels on October 14, 1963. It entered into force on December 1, 1963 and has been concluded for three years, renewable by common consent.

The agreement provides for temporary reductions in the common external tariff and for a tariff quota for products of special importance to Iran (carpets, dried grapes, dried apricots, caviar and raisins). These reductions in the EEC's common tariff are non-discriminatory.

10-10-63
9/10/63

FAR EAST

India

The EEC Council of Ministers, desirous of pursuing its cooperation with the developing countries and facilitating access to the Community market for their products, at a session on December 3, 1963 suspended or temporarily reduced the duties in the common customs tariff on a number of typical products from these countries, notably India, for the period January 1, 1964 - December 31, 1965. The suspension list comprises a number of miscellaneous products such as cashew nuts, shellac and various spices.

A similar decision was taken on June 18, 1963 for tea, maté and tropical hardwoods under a tariff arrangement made between the Community and the United Kingdom whereby the two contracting parties undertook to suspend all duties on these goods.

Taken as a whole, these concessions affect a volume of trade valued at \$221 million in 1962 - \$20 million of which was accounted for by imports from India. This last figure may be compared to \$165 million for total EEC imports from India.

Under a decision taken on December 23, 1965, the Council decided to extend the tariff suspensions for tropical products until December 31, 1966.

In September 1964 the Indian mission suggested exploratory talks to seek practical solutions to the chief problems between India and the Community, problems which had been raised both in GATT trade negotiations and the United Nations Conference on Trade and Development. The most important problems have been described by EEC Commissioner Rey as the Kennedy Round, renewal of the agreement on textiles, stabilizations of commodity prices and customs preferences for developing countries.

Japan

In June 1963 the Commission submitted to the Council a draft decision for joint action and ~~uniform commercial policy~~ with respect to Japan. This should permit the foundations to be laid of a common commercial policy under which it will be possible to extend to trade with Japan the tariff reductions expected from the Kennedy Round without endangering certain sectors of the EEC economy.

The proposal suggested the conclusion of a trade agreement offering certain mutual benefits, in particular the following:

- a) Formulation of a liberalization policy ensuring the same

advantages for both Japan and the Community as for the other GATT Contracting Parties;

b) Application of the safeguard clause under the Council decision of November 14, 1962 for the benefit of the whole Community and Japan;

c) Establishment of a list of certain sensitive products and of the quantitative restrictions concerning them.

The Council discussed this question at its session of April 13, 1964. On June 24, 1964 the Commission, complying with a Council request, outlined the possible content of a trade agreement so that exploratory talks might begin. Subsequent discussions in the Council failed to reconcile the views of the member States. The Commission was therefore requested to prepare, in light of the discussions, fresh proposals for submission to the Council. Currently the member countries apply different liberation lists in their trade with Japan thus obliging the Commission to have recourse to escape clauses in order to avoid trade deflections.

NORTH AMERICA

USA

The Government of the United States, which has from the beginning shown its approval of the efforts toward European integration, was the first to have accredited a special mission to the three Communities. Diplomatic relations between the U.S. and the EEC were established on March 13, 1958.

In light of the predominant trading position of the U.S. and the EEC in the world market, the various tariff negotiations which took place within the General Agreement on Tariffs and Trade were bound to be markedly influenced by the attitudes and concessions of the two partners.

Tariff Negotiations 1960-62 (Dillon Round). On September 1, 1960 a tariff conference opened in Geneva within the framework of GATT. The conference may be divided into two separate stages:

- the first stage dealt primarily with the renegotiation of the national tariffs of the EEC member States in view of the fact that the establishment of a common external tariff would affect certain concessions previously granted by the member States;

- the second stage dealt with a new multilateral tariff reduction along the lines of a proposal made in 1959 by U.S. Under Secretary of State Douglas Dillon.

These tariff negotiations were successful mainly because of the conclusion of the EEC-U.S. Tariff Agreement of March 7, 1962.

The Tariff concessions granted by the EEC in renegotiating under Article XXIV of GATT covered approximately the same value of imports as the concessions previously granted by the member States in their national tariffs. Calculated on the basis of the Community's imports from the U.S. in 1958, they affect about \$1.5 billion of trade.

In the second stage the EEC and the U.S. made further tariff concessions on a basis of reciprocity and mutual advantage covering about \$1.6 billion of trade in both directions. The EEC concessions were mainly in the form of a reduction in the duties of the Common External Tariff for items of which the U.S. is the chief supplier. In almost all cases reductions of approximately 20% were effected.

Concessions were made to the U.S. on about 560 tariff lines of the common customs tariff. The tariff reductions granted by the U.S. to the EEC were also generally in the area of 20%, in some cases more, and covered about 575 lines of the U.S. tariff. It should be noted that the cuts made by the U.S. were less varied than those effected by the EEC. Moreover, the U.S. tariff still retains a number of extreme positions eliminated from the EEC tariff.

The benefits of the EEC-U.S. agreement were extended to all trade partners to whom the most-favored-nation clause applies.

Trade Negotiations 1964-66 (Kennedy Round). The meeting of the Trade Negotiations Committee at ministerial level on May 4, 1964 marked the official opening of the Kennedy Round. These tariff negotiations were made possible by the enactment of the U.S. Trade Expansion Act on October 11, 1962. The Act empowers the U.S. President to negotiate ~~drastic~~ across-the-board cuts (up to 50%) in the U.S. tariff and to eliminate customs duties entirely in sectors in which the Community and the U.S. together conduct at least 80% of world trade.

The U.S. favored equal percentage linear cuts as envisaged by the Trade Expansion Act. The Community first proposed a formula of tariff cuts based on the linear principle also but simultaneously reducing the disparities between the duties applying to the same product. The simple average of all tariffs on industrial products in the Community is 11.7% compared with 18.4% in the U.K. and 17.8% in the U.S. Of the duties listed in the EEC's Common External Tariff, not more than 5% exceed 25% ad valorem, compared with 28% of the duties in the U.S. tariff and 30.75% in the U.K. tariff and only 0.05% exceed 35%, compared with 10.4% in the U.S. tariff and 1.8% in the U.K. tariff.

After the U.S. had rejected the EEC formula a compromise was adopted in the preliminary meetings on May 23, 1963 in which the Community agreed that the general rule should be equal linear reduction. However, it also obtained agreement that the problem of disparities should be a major theme of the negotiations. The ministerial resolution provided that the negotiations should cover all classes of products, industrial and non-industrial, including agricultural and primary products and should deal not only with tariffs but also with non-tariff barriers.

On November 16, 1964 negotiations on industrial products got under way when exceptions lists established on a linear basis were submitted by the EEC, the U.S., the U.K., Finland and Japan. The procedure of justifying these exceptions, in accordance with the agreed criterion of "overriding national interest," took place between January 19 and February 12, 1965.

On May 17, 1965 the EEC submitted to the other GATT members its proposal for a world commodity agreement on grains under which all elements

of support for each producer country would be calculated and bound, world prices would be fixed at a fair and remunerative level and additional efforts be made with a view to stabilizing these prices and formulating the best methods of disposing of surpluses.

The negotiations in Geneva came temporarily to a *delayed* halt during the EEC crisis but various efforts are under way to achieve further progress before the Trade Expansion Act expires on June 30, 1967.

Disputes between the U.S. and EEC. Disputes have arisen several times between the Community and the United States in their trade relations. The most spectacular took place in 1962 and 1963.

The decision taken by the U.S. President on March 19, 1962 to increase the customs duties on window glass and carpets, which came into effect on June 17, 1962, provoked a lively reaction in Belgium, France and Germany. On June 26, 1962, the European Parliament passed a resolution in which it approved the counter measures taken by the Community on June 18, 1962 and affecting certain American exports such as polyethylene and polystyrene. *why mention this?*

In 1963 the U.S. Secretary for Agriculture expressed his Government's anxiety over the levy system for imported poultry applied by the Community. When the common agricultural policy came into effect, American exports of poultry to the Community declined sharply in relation to the abnormally high level to which they had been raised in anticipation of the Community regulation.

Invoking the U.S.-EEC agreement of 1962 (see above), the U.S. proposed negotiations on American poultry exports on the basis of the negotiating rights which the U.S. held with regard to the member States in 1960, with Germany as the largest importer. The U.S. notified its intention of withdrawing tariff concessions affecting a volume of trade amounting to \$46 million. This the Community considered unacceptable.

It was agreed to refer to GATT for an advisory opinion concerning the value, in trade terms, represented by the U.S. negotiating rights under the bilateral agreement. The EEC's estimate was set at \$16 million. The advisory panel put the amount at \$26 million, a figure which was accepted on both sides. On January 7, 1964, the U.S. suspended tariff concessions with regard to the Community on a volume of trade corresponding to this amount. In fact exports of U.S. poultry to Germany in 1963 amounted to about \$21 million, a figure not far short of that adopted by the GATT advisory panel as representing the U.S. negotiating rights.

The EEC maintains information services in Washington and New York. *why?*

Canada

Relations between the EEC and Canada have been cordial since the beginning. Canada has, however, shown on various occasions concern over the Community's agricultural policy and the system of variable levies for certain goods of interest to Canadian exporters.

On June 25, 1962, in view of Canada's difficult financial position, the Canadian Government temporarily introduced surcharges on imports, which affected a substantial proportion of the Community's exports. These measures were gradually made more flexible and were finally abolished completely.

LATIN AMERICA

Relations between the EEC and Latin American countries, which were initially marked by the latter's critical attitude toward the basic concept of European integration, have gradually entered a more constructive phase in which the desire for cooperation and agreement has grown stronger.

In January 1963 the Commission submitted an action program to the Council in which it announced the intention of establishing a contact group in Brussels through which there would be periodic technical discussions with representatives of the Latin American countries. In addition, the EEC proposed the opening of an information office in Latin America. In commercial matters, the Commission considered that in the course of the Kennedy Round, the possibility might be considered of binding or reducing certain duties of the Common External Tariff with respect to products of interest to Latin America.

On July 16, 1963 the periodical meetings began between the Latin American diplomatic missions in Brussels and the Commission, which the Council had approved on May 31, 1963 when examining the Commission's action program. The contact group organized regular meetings even after the opening of the Kennedy Round and a number of ad hoc working parties were instructed to undertake a full-scale analysis of economic relations between the EEC and Latin America.

In 1965 a Press and Information Office was set up by the EEC in Montevideo, the seat of the Latin American Free Trade Association.

At its session of November 23-26, 1964, the European Parliament, which had sent a delegation on a goodwill tour through Latin America in March 1964, adopted a resolution stressing the political and economic importance of relations between the EEC and Latin America and invited the Commission to submit new proposals along these lines.

The OAS (Organization of American States) maintains a European Office for permanent liaison with European organizations including the European Community.

Dependent Territories in Latin America

Antilles (Curacao, Aruba, Bonaire, Saint Martin) and Surinam (Netherlands)

St. Pierre and Miquelon (France)

The association of the dependent territories continues to be governed by Part IV of the Rome Treaty (Art. 131-136)

On February 25, 1964, the Council, pursuant to Article 136, renewed the provisions of this association for a period of five years until

May 31, 1969 (Official Journal No. 93, 1964). This decision came into effect on June 1, 1964 and its chapters on trade and financial aid follow the basic outlines of the Association Convention with the independent African States.

By virtue of a special convention the Member States included the Netherlands Antilles in the association agreement which came into force on October 1, 1964. The decision contains a special protocol for oils and ~~their~~ derivatives originating in the Antilles. According to this protocol, the Commission may authorize member States to reintroduce customs duties on the imports from the Antilles at times when these imports disturb Community markets. Protective measures may be taken at all events if imports of refined products from the Netherlands Antilles exceed two million tons a year. (Official Journal No. 150, 1964)

Réunion, French Guiana, Guadeloupe and Martinique - French Overseas Departments

The provisions of Article 227 of the Rome Treaty apply to these territories. Under Article 227, they are assimilated to a large extent to the member countries with respect to the free movement of goods, the elimination of duties and quotas and the establishment of a common customs tariff. The provisions on agriculture also apply with the exception of the agricultural guidance and guarantee funds.

On February 25, 1964 the Council issued a decision governing the application of Treaty provisions on the right of establishment (Art. 52 to 58) and payments (Art. 106) to the French Overseas Departments.

French Territories in the Pacific

New Caledonia and French Polynesia. These territories are covered by the new Association Convention which came into effect on June 1, 1964 (see above, Surinam etc.).

The Diplomatic Relations of the EEC

Following the United States, which established a diplomatic mission in Brussels in 1958 to maintain closer contacts with the EEC institutions, a great number of non-member countries have established permanent delegations or official relations with the Community.

At the end of 1965, 68 countries maintained official relations with the Community. These countries are as follows, in alphabetical order:
(*Countries without permanent missions)

Decision

*Association
Decision*

Algeria	Guatemala	Peru
Argentina	Finland	Philippines
Australia	Haiti	Portugal
Austria	India	Rwanda
Brazil	Iran	Senegal
Burundi	Ireland	Somalia
Cameroun	Iceland	Spain
Canada	Israel	Sweden
Central African Republic	Ivory Coast	Switzerland
Ceylon	Jamaica *	Syria *
Chad	Japan	Thailand
Chile	Lebanon	Tobago
Colombia	Madagascar	Togo
Congo(Brazzaville)	Mali	Tunisia
Congo(Leopoldville)	Morocco	Turkey
Costa Rica	Mauritania	South Africa
Dahomey	Mexico	South Korea
Denmark	Niger	United States
Dominican Republic	Nigeria	United Kingdom
El Salvador	Norway	Uruguay
Ecuador	New Zealand	Upper Volta
Gabon	Pakistan	Venezuela
Greece		Vietnam *

THE EUROPEAN COAL AND STEEL COMMUNITY AND THE WORLD

The Treaty establishing the European Coal and Steel Community came into force on July 25, 1952. It was signed for a duration of 50 years in Paris on April 18, 1951 by the same countries that signed the EEC Treaty six years later.

Under the provisions of the Coal and Steel Treaty, the member States retain their sovereignty over commercial policy and, unlike the EEC, in fixing their external tariffs for coal and steel. Since an economic union implies cooperation and, if possible a common front, the High Authority is instructed by the Treaty to present recommendations to the Council of Ministers to help the States to coordinate their policies.

Under instructions from the Council of Ministers, the High Authority represents the States as a collectivity and negotiates with third parties on their behalf.

The ECSC and GATT (1952-1957)

Section 15 of the Convention annexed to the ECSC Treaty called for a "harmonized" external tariff for steel by February 1958 that would be less restrictive than the individual tariffs in effect when the common market for steel opened in 1953. As a common tariff on imports from outside the Community and free trade inside for only one or several products conflicts with the most-favored-nation clause in GATT, the ECSC member countries had to obtain a waiver from the most-favored-nation clause.

This waiver was granted to the member countries by a GATT decision on November 10, 1952, after the Community had answered questions asked by the Contracting Parties (mainly Great Britain, the U.S., Austria, Sweden and Denmark) with respect to the Brussels agreement on Community steel export prices and the level of those prices.

On May 24, 1954 the High Authority was authorized by the Council of Ministers to negotiate with Austria and the other countries concerned in respect of special steel within the framework of the fourth series of tariff negotiations in GATT.

On March 6, 1956 the Council extended this authorization to ordinary steel with a view to bringing about a reciprocal reduction in tariffs on Community products.

On April 11, 1956 a tariff agreement was concluded at the GATT level between the ECSC and the United States under which reciprocal concessions were made for certain ordinary and special steels of which the other

party was chief supplier in 1954.

On ~~May 8, 1956~~ a tariff agreement was reached with Austria, under which the latter made concessions on many of her duties on ordinary and special steels and also allowed Italy, which had made the biggest concessions among ECSC countries, the main quid pro quo with regard to non-Treaty products.

These tariff concessions made by the ECSC were extended to all other GATT members.

Harmonization of Customs (1958)

In fulfillment of the transitional provisions, on February 10, 1958, the member States introduced on their external frontiers a customs tariff for steel imports harmonized on the basis of the lowest rates in force in the Community, i.e. the Benelux duties plus two points.

By virtue of the earlier concessions and the new "harmonization" measure, the average tariff protection of the ECSC was reduced to approximately 6%, whereas five years earlier, before the creation of the ECSC, France, Germany and Italy had charged duties ranging from 12% to 28%.

No member country applied customs duties on coal with regard to third countries at that time.

Agreement with the United Kingdom

On September 23, 1955 an ~~Association Agreement~~ between the U.K. and the ECSC, signed on December 21, 1954, entered into force. It provided for a regular consultation procedure in matters of common interest concerning coal and steel. *and was!*

A particular feature of the Agreement is a provision that no further restrictions on trade in coal and steel between the two contracting parties may be introduced, in the event of a crisis or a shortage, without prior consultation.

The exchanges of information, forecasts and consultations take place in the Council of Association. The Council consists of four representatives of the U.K. Government and four representatives of the High Authority. By December 1965 there had been 15 meetings of the Council of Association. By this procedure both parties obtained a better knowledge of developments in the coal and steel market.

Within GATT it had not been possible to conclude a tariff agreement with Great Britain. However, work went ahead in the Council of Association and on November 25, 1957, a formal tariff agreement was signed between the U.K. and the member States of the ECSC.

Under the terms of this agreement, the U.K. undertook to reduce its rates of duty on a large number of iron and steel products, which previously ranged between 15% and 33 1/3% ad valorem, to a level not exceeding 10% ad valorem, at the same time making the appropriate adjustments in the alternative specific duties. The Community countries undertook that the maximum rates applied by them should be those arrived at by the harmonization of their external duties. The agreement laid down a special procedure for prior consultation if either party wishes to raise its duties. This agreement was of far-reaching importance for the establishment by the ECSC members of an extremely low "harmonized" external tariff on steel imports (see above).

Relations with Austria

In addition to the above mentioned tariff agreement within GATT, the ECSC and Austria reached agreement on two points:

On July 24, 1956, in an exchange of letters between the Austrian Minister of Foreign Affairs and the High Authority, a procedure was established for the joint examination of the price practices at issue. An agreement was reached giving an exact definition of dumping and setting up a joint committee to deal with difficulties arising in trade in coal and steel between Austria and the Six.

An agreement on the introduction of international rail through rates for coal and steel in transit across Austrian territory (mainly German-Italian traffic) signed on July 26, 1957, came into force on March 1, 1958. A special Transport Committee comprising experts of the High Authority and the Austrian Government was set up under this agreement.

Relations with Switzerland

Switzerland, as a traditional importer of coal and steel from the Community, took up the question of the manner in which it could best ensure a regular flow of supply.

On January 26, 1957 a Consultation Agreement, signed on May 7, 1956 between the Swiss Confederation and the High Authority and in agreement with the Council, came into force.

Under this agreement, the High Authority undertook to consult Switzerland before Treaty measures providing for the allocation of Community

resources and export restrictions on coal and steel were implemented. Switzerland would also be consulted before minimum or maximum prices for Community products exported there are introduced. Provision was made for the consultations to be held by a Joint Standing Committee.

On July 28, 1956 a railway agreement was signed with the Swiss Government for the introduction of international through rates for Community products traded between member countries and passing in transit through Switzerland.

GATT Negotiations (Dillon Round) 1961-62

The member States of the ECSC decided to include steel among the products to be discussed in the Dillon Round tariff negotiations in 1961-62. However, insofar as the harmonized tariff for ECSC products was already below the EEC common level, even after the 20% reduction, and among the lowest in the world, this situation left very little scope for further concessions. Therefore, when the U.S., Israel, Finland and Switzerland offered substantial concessions in some cases on their iron and steel tariffs, these concessions were matched by counter concessions in the EEC tariff (products other than iron and steel).

Special negotiations with Austria led to customs reductions by the ECSC. On the Community side Italy granted the most substantial concessions.

Special Coal Measures (1959-present)

On January 28, 1959, the High Authority addressed a recommendation to the Federal Government requesting it, in accordance with GATT agreements and Art. 74,3 of the Paris Treaty, to levy temporarily, a customs duty not exceeding DM 20 per ton on all imports of third-country coal above a specific minimum, duty-free quota of about five million tons.

This measure was taken and renewed regularly every year in view of the persistent serious difficulties in the German coal situation. The duty-free quota has been raised to six million tons yearly.

Antidumping Cases with Respect to the United States, Spain and Greece (1962-63)

On September 27, 1962 a complaint was lodged by U.S. firms with the U.S. Treasury Department against ECSC exports of wire rod. Following consultations with the High Authority, on June 19, 1963 the American Tariff Commission unanimously dismissed the complaint as unfounded. From December 1962 to June 1963, however, valuation for customs purposes was suspended under the U.S. antidumping laws and the product practically ceased to enter the U.S. market during this period.

By a decree of February 4, 1963, the Spanish Government imposed countervailing duties on a number of iron and steel products imported into Spain. Although the measure was general in its application, it primarily affected ECSC suppliers.

On August 21, 1963 the Greek Government introduced antidumping duties on concrete reinforcing rods from the Community and from the East. The High Authority started talks with both the Greek and Spanish Governments and asked the Community States that antidumping measures should be examined, along with other paratariff measures, in the Kennedy Round.

Special Steel Measures (1963-Present)

Under the pressure of persistently declining prices and a steep rise in imports, the High Authority initiated a series of temporary protection devices.

1) By two decisions adopted by the Council of Ministers of the ECSC at the High Authority's suggestion, on June 6 and July 15, 1963, restrictions were imposed on imports of steel and pig iron from countries and territories with state-controlled trading systems. These decisions called for imposing quotas on imports from state-trading countries and treatment of existing bilateral agreements as maximum tonnages.

2) By a decision of January 15, 1964, the High Authority suspended the possibility of alignment on the particularly low-priced imports from state-trading countries.

3) On January 15, 1964, the High Authority sent two recommendations to the ECSC member States. The first recommended that they take whatever action required to bring the peripheral import protection of iron and steel products to the minimum Italian level (averaging 9%) with effect from February 15, 1964. The other suggested that they introduce, alongside the increase in the ad valorem duty to the Italian level, specific protection amounting to not less than \$7.00 per metric ton on imports of foundry pig iron.

Both recommendations were based on Art. 74,3 of the ECSC Treaty. The High Authority, which cannot change the member State's tariffs itself, can thus require the member States to take temporary precautionary measures to deal with specific difficulties.

All these special measures were still in effect at the end of 1965.

Convention of Association with the African Countries

As proposed by the High Authority and approved by the Council of Ministers, a multilateral agreement on ECSC products was annexed to and forms part of the Yaoundé Convention. Convention of Association between the African countries and Madagascar and the EEC countries, signed on July 20, 1963 at Yaoundé, entered into force on June 1, 1964. Thus duties on imports into the ECSC member States were totally eliminated at once, while duties on imports of the same products into the Associated States will be gradually eliminated subject to the reservations and restrictions made necessary by the economic development of these countries.

Kennedy Round

On May 2, 1963 the Council of Ministers of the ECSC approved in principle the inclusion of iron and steel products in the Kennedy Round discussions. The High Authority, which was directed to follow the preparations for the talks in GATT and the EEC, has informed the Council that the Community's aim must be to secure through the talks an overall harmonization of duties of all the major steel-producing countries, in the direction of a general lowering of obstacles to trade. It has also been agreed that the Community should convert its inadequate system of harmonized duties into a single unified tariff.

Association of Greece and Turkey

The treaties associating Greece (from November 1, 1962) and Turkey (from December 1, 1964) with the EEC do not apply to ECSC products since the negotiations were not extended to the coal and steel sectors.

Liaison Office in Latin America

In 1965 the High Authority opened a technical liaison office in Santiago de Chile with a view to increasing cooperation and exchanges of information in the ECSC sectors with the Latin American countries.

THE EUROPEAN ATOMIC ENERGY COMMUNITY AND THE WORLD

The Treaty establishing the European Atomic Energy Community (Euratom) which came into force on January 1, 1958, emphasizes the importance of worldwide relations in at least two respects:

- Euratom must develop research and assure the widest possible dissemination of technical knowledge. It must therefore broaden its experience of different reactor systems, both through research within the Community and through cooperation with other countries and with international organizations;

- Since Euratom takes over the role of governments or national authorities as regards supplies, it must see that for peaceful applications all consumers in the Community are regularly and equitably supplied with ores and fissile materials, both Community produced or imported from third countries.

The Euratom Commission, in implementing the Treaty, has initiated important bilateral agreements with third countries.

Euratom-U.S.A.

On November 8, 1958 Euratom and the United States signed an agreement for a joint power station program and a joint research and development program under which the two sides each contribute up to \$50 million for joint research centered on the improvement of water-cooled reactors.

On June 11, 1960 a rider to the agreement was signed widening its terms of reference, and again, on May 21 and May 22, 1962, two amendments to the first agreement for cooperation were signed with the United States authorities.

By virtue of these agreements, the U.S. made available to the Community, for its own use, or for use by enterprises established in the Community, certain quantities of special fissile materials to be used in power reactors or under the Community's research programs.

A new amendment, signed on August 22, 1963, provided, after the necessary authorization by the U.S. Congress on August 1, 1964, for the supply of uranium 235, plutonium and uranium 233 to the Community. Provision was also made for the transfer of 70 tons of enriched uranium and 500 kg. of plutonium. (The US hold a quasi-monopoly position in the enriched uranium sector in the western world)

An agreement signed on May 25, 1964 between the Euratom Commission and the United States Atomic Energy Commission extended the relationship to all

work connected with fast reactors undertaken for peaceful purposes on either side. Provision was made up to 1967 for about \$200 million on the European side and almost as much on the U.S. side.

The Euratom Commission has maintained a liaison office in Washington since 1958.

Euratom-United Kingdom

An agreement was signed on February 4, 1959 covering the exchange of information and training facilities and the setting up of two committees to administer cooperation. Exchanges of personnel have been arranged-- Euratom scientists have been working at Harwell and British scientists at the BR2 reactor at Mol.

With regard to supplies, two contracts have been concluded providing for the delivery of plutonium by the United Kingdom for the "Rapsodie" fast reactor. In the fast reactor field, technical consultations have taken place with British experts to determine the form and extent of potential cooperation between the two parties.

Information exchanges have taken place on fast breeder reactors, fusion, health and safety problems, nuclear ship propulsion and fuel retreatment.

Euratom-Canada

Agreements signed on October 6, 1959 cover joint research on the natural uranium heavy water-moderated reactors, of which the Canadians have wide experience. They provide for a five-year joint research and development program, with each side contributing up to \$5 million, a joint advisory committee and the exchange of information.

Negotiations are in hand for renewing the technical agreement, probably for a second term of five years.

Euratom-Brazil and Argentina

Agreements were signed on June 9, 1961 (with Brazil) and on September 9, 1962 (with Argentina) which provide for cooperation over a wide field of activities, including the exchange of research information and the improvement of prospective techniques for raw materials.

Other Countries

With Japan the Euratom Commission hopes that cooperation in the form of exchanges of technical staff and information will be possible in basic

research and reactor physics, ship propulsion and health protection. The subject is before the Council of Ministers.

Technical links are to be instituted with the Swedish AB Atomenergi and experts have been appointed on both sides. The emphasis is to be laid on the reactor physics of heavy water reactors.