The EEC and the GATT

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The General Agreement on Tariffs and Trade (GATT) was signed at Geneva on 30 October 1947 by 23 countries which wished to lower their customs tariffs on a number of items then constituting almost half of world trade. These were the first large-scale multilateral customs negotiations in history. The Agreement aimed to help expand international trade based on the notion of free trade. It entered into force on 1 January 1948. Its two basic principles are:

– non-discrimination

Also known as 'the most-favoured-nation clause', this clause requires trade concessions agreed between two GATT contracting parties to apply to all other signatories, with the exception of developing countries which are subject to special treatment.

– compensation

This provision requires a contracting party who has withdrawn a concession to grant equivalent compensation in order to offset the disadvantage caused.

Submitted to GATT before its entry into force, the Treaty establishing the European Economic Community (EEC) was heavily criticised in that body, with particular regard to the external customs tariff, the common agricultural policy (CAP) and the scheme for associating the Overseas Countries and Territories (OCTs). Some signatories to the GATT feared that the EEC would impose protectionist measures which conflicted with the principles of the Agreement. For its part, the United States, which was running a large balance of payments deficit, sought to increase its sales within the European common market. In November 1958, Douglas Dillon, US Under Secretary of State, proposed the opening of multilateral negotiations with a view to customs duties between countries signatory to the GATT being lowered. The Geneva Agreement actually provided for the granting of compensation to third countries in the event of the establishment of a customs union between certain Member States. In 1960, the EEC therefore decided to reduce by 20 % its common external tariff on which the Six were to align their national tariffs. The Dillon negotiations, also known as the *Dillon Round*, succeeded in securing an average cut of 6.5 % of the EEC's Common External Tariff.

In May 1964, the GATT opened negotiations in Geneva known as the *Kennedy Round*. The United States wanted to increase its exports, which implied a progressive lowering of trade barriers. In fact, 20 % of American exports were already destined for the European market. For their part, the Member States of the EEC hoped to negotiate new tariff cuts with the countries in the European Free Trade Association (EFTA). From the outset, the United States and the EEC agreed on a maximum reduction of 50 % on all customs duties over a period of five years, seeking harmonisation of the highest duties. But the US Congress disagreed with a general levelling out and imposed a ceiling on tariff reductions on a number of products subject to exceptions. The GATT's sector-based negotiations resulted in a cut which, between 1968 et 1972, reached an average of 35 % on the industrial products which made up three-quarters of world trade.