

Note by the French Department for Economic Cooperation (Paris, 30 January 1962)

Caption: On 30 January 1962, the Department for Economic Cooperation at the French Foreign Ministry considers the impact and the progress of present and future tariff negotiations between the EEC and the United States.

Source: Ministère des Affaires étrangères ; Commission de Publication des DDF (sous la dir.). Documents diplomatiques français. Volume I: 1962, 1er janvier-30 juin. Paris: Imprimerie nationale, 1998. 717 p. p. 65-69.

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Last updated: 03/08/2016

Memorandum from France's *Service de coopération économique* (Paris, 30 January 1962) ¹

Tariff negotiations between the EEC and the USA

N.

Paris, 30 January 1962.

The purpose of the tariff agreement currently being finalised between the Community and the USA is simultaneously to conclude two kinds of negotiations, both of which have been ongoing in Geneva since September 1960 in connection with the General Agreement on Tariffs and Trade:

1. The first phase of negotiations is mandatory for the EEC under Article XXIV § 6 of the General Agreement on Tariffs and Trade (GATT) — hence the name ‘XXIV:6 negotiations’ — because the common external tariff of the Six entails an increase in rates of duty previously consolidated by one or more members of the Community. Since those consolidations were made for the benefit of non-member countries in exchange for tariff concessions granted by those non-member countries to one or more Member States, if the EEC wishes to continue receiving these concessions, it must itself offset the increases which enforcement of the common tariff obliges it to make. Accordingly, the EEC alone has a statutory responsibility for granting concessions in respect of its own tariff.

2. The second phase of negotiations (known as the ‘Dillon Round’) ² comprises conventional multilateral tariff negotiations, in which concessions are normally balanced out in accordance with the rules of GATT.

In practice, it has proved impossible to maintain a fully clear-cut distinction between these two, theoretically consecutive, negotiating rounds.

Some countries have signed an agreement with the Community on the XXIV:6 negotiations only on the understanding that they will rescind that agreement if the Dillon Round fails, through another procedure, to secure for them the outcome they want. The USA, followed by a small number of countries, has refused to sign a ‘XXIV:6’ agreement at all, even with reservations attached.

The EEC, which was offering the USA compensation for industrial products which the USA deemed adequate, was not actually able to grant consolidations for agriculture in respect of products likely to be dutiable under the future common agricultural policy ³; nor could it agree to the trade concessions which the USA wanted instead.

For these reasons, in the case of the USA, a simultaneous settlement of the two series of negotiations, negotiated by the Commission on behalf of the Community, will be laid before the Council of Ministers of the Six next February. ⁴

A. Settlement of the ‘XXIV:6 negotiations’

1. In respect of industrial products, the EEC is making a number of concessions already approved by the relevant Community bodies.

These are consolidations and, in a very few cases, reductions in duties which are of minor importance.

2. For agriculture, the settlement is more complex:

(a) General clause: in a joint declaration, the EEC, with an eye to a number of events which will be occurring in 1962, such as decisions on the common agricultural policy, the association of various countries with the EEC and possible accession of others, declares its readiness to review with the US Administration, in the light of the aforementioned events, the totality of trade relations between the two parties (including their tariff aspects).

(b) As regards high-quality wheats (in practice, hard wheats of which the Community is a net importer), the EEC undertakes, pending the entry into force of the common agricultural policy, to maintain the Member States' national tariffs at the levels consolidated prior to 1 September 1960, not to make changes to the national systems of restrictions and control and to endeavour to avoid any change which would impact unfavourably on imports.

Once a decision has been taken on agricultural policy with regard to wheat, and by 30 June 1963 at the latest, the EEC will open talks on the implications of that policy for imports, without precluding the possibility of talks on the maximum rates of duty.

If these imports are significantly down on average imports for the corresponding period over three years, consultations will be held. If this decline is attributable to the common agricultural policy, the EEC and its Member States will have to remedy the situation.

(c) For common wheat, maize, sorghum, rice and poultry, the Community undertaking is as follows:

— pending the entry into force of the common agricultural policy, Member States will not make their national import systems more restrictive;

— after the common agricultural policy is adopted, the Community will open negotiations with the USA on the position regarding US exports of these products.

(d) For tobacco, the EEC, not making full use of the opportunities for concessions allowed for under the association agreement with Greece ⁵, agreed only to a two-point reduction in the ad valorem rate of duty (from 30 to 28 %) and a four-point reduction in the maximum rate (from 42 to 38 units of account). The minimum rate is unchanged.

(e) Lastly, no undertaking was given in respect of cottonseed oil and soyabean oil, but a number of concessions were granted for agricultural products of minor interest pursuant to a decision of the EEC Council of Ministers dated 13 February 1960 as well as for a very small number of products on which the French Agriculture Minister had given his agreement.

B. Settlement of the Dillon negotiations

During these negotiations, on 12 May 1960, the EEC offered a linear reduction of 20 % of duty on products in respect of which it intends at the same time to speed up the introduction of the common external tariff. This linear reduction excluded virtually all agricultural products and all products on List G. ⁶

Moreover, a number of other considerations relating either to GATT procedures or to the peculiarities of the US tariff (excessive duties on certain products, customs valuation method) prompted the EEC to withdraw other products from its offer, in particular most chemicals.

In a few exceptional cases, however, most notably motor vehicles and their spare parts, the Community reduced its tariffs by slightly more than 20 % (duties were cut from 29 to 22 % and from 19 to 14 % respectively).

As a result, the concessions granted by the EEC cover a trade volume of around US\$ 600–650 million.

For its part, the USA is offering concessions for a roughly equivalent volume. But more than half the volume covered by these concessions, markedly less diversified than those of the EEC, is achieved by an 8.5 % to 6.5 % reduction in the duty on motor vehicles, which is of only relative interest.

The settlement outlined above was negotiated by the Commission, assisted by a special committee made up of representatives of the Member States and acting on the basis of directives from the Council of Ministers.

Since the agreement is to be concluded by the Council on behalf of the Community, the Council must now decide, at its meeting on 5 February, whether to approve it. The decision must be unanimous.

The following arguments may be advanced as grounds for approval by the French Government:

1. The felicitous outcome of the negotiations with the USA required under Article XXIV § 6 of GATT amounts to *de facto* recognition of the common external tariff. The value of such recognition is considerable, when measured against the encouragement which an American refusal to reach agreement would have given to those who seek to minimise the EEC's tariff and the autonomy of its agricultural policy.
2. No huge concession had to be made over the common agricultural policy. The USA was seeking to exert a major influence over the way in which the EEC determines levies, prices, quotas and, generally speaking, all its trade measures, but it has had to be content with the terms set out above. These represent a reasonable compromise between the EEC's desire for freedom to shape its own agricultural policy and the USA's understandable concerns vis-à-vis that policy.
3. For industrial products, the 20 % linear reduction accepted by the EEC (with the exceptions described earlier) is not altogether balanced by reciprocal US cuts, but the imbalance is not huge. Furthermore, the US customs concessions are to be introduced all at once, though those in respect of the common external tariff will, in principle, be phased in. And if this 20 % reduction had not been adequately matched, under the secret agreement reached by the Ministers of the Six in May 1961 the EEC would, at all events, have cut the common external tariff by 10 % without any reciprocal measures.
4. The Community has completed a vital stage of its journey towards full international recognition. By its offer of linear cuts, it has shown proof of liberalism and, at the same time, impelled the USA to revise its own economic policy, and it seems that the effects of that revision will be far-reaching, if not totally satisfactory.

(DE-CE. A 30-6-636. *Négociations tarifaires générales.*)

1. This memorandum was probably drafted by Mr Guy de Lacharrière, Foreign Affairs Adviser reporting to the Head of Division at the Departmental *Service de coopération économique*.
2. After Douglas Dillon, US Under Secretary of State, who proposed them in late 1959.
3. The agreement on the common agricultural policy was concluded in Brussels on 14 January. It was to come into force progressively as of 1 July. [...]
4. The Council of Ministers of the Six, meeting in Brussels on 5 and 6 February, issued an official statement welcoming the easing of customs difficulties between the USA and Europe. See *Le Monde* of 8 February 1962, p. 6.
5. Signed on 9 July 1961. [...]
6. Set out in an agreement concluded in Rome on 2 March 1960 by the Ministers of the Six, List G included a number of products, duties on which under the EEC's future common external tariff would not follow the general rule that they had to be the arithmetical average of national duties. The list included alcohols, pulp, lead and zinc, aluminium and magnesium, and motor vehicle spare parts.