Operation of the Treaty of Rome

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THE Treaty of Rome which establishes the European Economic Community of W. Germany, France, Italy and the Benelux countries (the Six) came into force on January 1, 1958, and provides for the first steps towards the formation of a customs union between these countries to be taken on January 1, 1959. The following paragraphs describe the main provisions in the Treaty for achieving this union:

TARIFFS

The Treaty provides for the reduction by the Six, on January 1, 1959, of all tariffs against one another by 10 per cent from the level at which they were levied on January 1, 1957*. This cut will apply to revenue as well as to protective duties but not to taxes on imports which are the equivalent of internal taxes; member states may substitute an internal tax where they reduce a revenue duty.

A second tariff cut is due on June 1, 1960. This cut must achieve an overall reduction in customs receipts by 10 per cent and the duty on each item must be lowered by at least 5 per cent. A similar cut is to follow on January 1, 1962. Thereafter the remaining tariffs between the Six will be progressively reduced and eliminated over a further period of 8–11 years.

The Treaty of Rome does not oblige the Six to alter tariffs against the outside world before January 1, 1962. On this date member countries are due to take the first step towards bringing their individual external tariffs into line with the proposed common tariff. Where rates of duty are very close to those for the common tariff they will be brought into line at once. For all other duties the difference between them and the proposed common tariff rate will be reduced by 30 per cent. The assimilation of the individual tariffs to the common tariff will be completed over a further period of 8–11 years. There is, however, provision for members of the Six to move more rapidly to the common tariff if they wish.

The result intended is that at the end of 11–14 years from next January all customs duties between the member states will have been abolished and they will have a common external tariff against the rest of the world. This common tariff has still to be worked out in detail but the general principle is that it should be the arithmetic average of the rates charged by the four Customs territories (W. Germany, Italy, France and Benelux) on January 1, 1957. France, Italy and Benelux are, however, to use higher rates for this calculation for certain items. The Treaty also lays down what the common tariff is to be for some items and has provided that for certain other items the common tariff shall be negotiated.

QUOTAS

On January 1, 1959, the Six are obliged to combine any bilateral quotas granted to other members of the Six into common quotas open to all members. The common quota for each individual item must be increased by not less than 10 per cent, and the total value of all the common quotas must be increased by not less than 20 per cent (where a country has liberalised more than 90 per cent in O.E.E.C. credit can be taken for the liberalisation over 90 per cent in calculating this 20 per cent).

In addition, if the common quota does not amount to the equivalent of 3 per cent of domestic production in the importing country the quota shall be increased to that level. Where a member of the Six grants no quota at all at present it is also obliged to establish a common quota for its partners equal to 3 per cent of home production. In cases where a country has no domestic production the size of its import quota is to be fixed by the European Economic Commission.

Quotas are due to be increased annually in accordance with these rules. In the case of small quotas these must be increased to the equivalent of 4 per cent of domestic production at the start of 1960 and 5 per cent at the start of 1961. The aim of these rules is to ensure that no quota restrictions remain between member countries by the end of 11–14 years from January 1, 1959.

AGRICULTURE

The above rules for abolishing tariffs and quotas between the Six member countries of the European Economic Community apply to agricultural items as well as to industrial ones. There are, however, special rules for agriculture which allow member countries to retain minimum prices below which imports from one another can still be restricted.

OVERSEAS TERRITORIES

The overseas territories of the member countries are to be associated with the European Economic Community and the tariff reductions by the Six member countries will be extended to all the overseas territories. These overseas territories are obliged in return to reduce their duties step by step towards the member countries and towards other associated overseas territories. But the associated overseas territories may retain tariffs against the member countries where these are needed for economic development or for budgetary reasons; in these cases the overseas territories are obliged only to apply the progressive tariff cuts to the difference between the tariff applied to their mother country and that applied to the other members of the Six. This will ensure that while they may retain tariffs against the Six there will by the end of 11–14 years be no discrimination in favour of the imports from any one of them. Where for instance France has a preference in one of her colonies now this will be gradually extended to Germany, Italy and Benelux.

* Since this date W. Germany has already reduced import duties on a wide range of industrial goods on an m.f.n. basis—see "Board of Trade Journal", August 16, 1957 and March 28, 1958.