

Europeans from Alexis de Tocqueville to the present day, impressed with the prosperity of the United States, have attributed it partly to the size of the domestic market and to free trade between the states. The large U.S. market served as a model for the Community's most characteristic feature, the customs union for industrial trade. The common agricultural policy covers trade in farm products.

The customs union entails:

- the removal of customs duties and other barriers to free trade between member countries;
- the replacement of national tariffs with a single common tariff on imports from non-member countries and the development of a common commercial policy towards them;
- the harmonization of customs rules and enforcement procedures so that duties will be assessed in the same way.

TARIFFS AND QUOTAS

The Community's founding members removed the last quota restriction on trade between them on December 31, 1961. They introduced the common customs tariff on imports from non-member countries in three stages, which ended on July 1, 1968.

The Community has emerged as a distinct entity in international trade. It negotiates as a unit in GATT trade talks. It has trade or association agreements with more than 70 countries (see *The Community and the World*, page 30).

The common customs tariff level was reduced in the Dillon and Kennedy Rounds of

negotiations within the General Agreement of Tariffs and Trade (GATT). Since the last Kennedy Round tariff cut, on January 1, 1972, the Community has had one of the world's lowest tariff schedules. Its industrial tariffs average 7 per cent, the same as the Canadian average. Only 13.1 per cent of EC tariffs on industrial goods exceed 10 per cent; 2.4 per cent exceed 15 per cent. For comparison, 30.0 per cent of Canadian industrial tariffs exceed 10 per cent and 5.0 per cent exceed 20 per cent.

Britain, Ireland and Denmark are gradually being assimilated into the Community's customs union. Industrial tariffs between new and old member states are being removed in five cuts of 20 per cent each. The first reduction was made on April 1, 1973. The last is scheduled for July 1, 1977.

Import and export quotas on trade among the Nine (except for a few "sensitive" products) were removed on January 1, 1973. Measures equivalent to quantitative restrictions were removed by January 1, 1975. Agricultural alignment, a six-stage process, is scheduled for completion by December 31, 1977.

The new members take on the common customs tariff towards non-member countries in four steps. They made a 40 per cent alignment on January 1, 1974. Three more alignments, of 20 per cent each, take effect on January 1, 1975, on January 1, 1976, and on July 1, 1977.

CUSTOMS RULES

The Nine are standardizing customs laws

and administrative procedures. They have a common liberalization list of more than 900 products that can be freely imported, a common procedure for administering quantitative quotas and imports from state-controlled economies, and a common system, including safeguards, for exports to and imports from non-member countries.

They have a common definition of the "origin of goods" and a uniform method of determining customs value of imports. Community criteria for imposing anti-dumping duties are the same as those embodied in the GATT's Article VI. Other common rules cover goods in transit, storage of goods in bonded warehouses, and goods temporarily imported for processing and re-exportation, "inward-processing traffic". Export credit terms are being aligned, and common rules on travellers' import allowances are in use.

The new members will apply these rules by the end of the transition period to full membership, December 31, 1977.

EFFECT OF CUSTOMS UNION

The formation of the Community's customs union has stimulated trade, both between members and with the rest of the world.

From 1958 to 1972 the trade of the Six with each other rose from \$6.8 billion (27 per cent of their total trade) to about \$61.0 billion (52 per cent). France and Italy, which were traditionally protectionist countries, with relatively little experience of foreign competition, recorded the largest trade increases. (Trade-growth figures are not valid for the Nine).