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The Secretary of State presents his compliments to His Excellency the Ambassador of Switzerland and has the honor to refer to the Embassy's note of March 9, 1960 dealing with certain trade policy matters. The Swiss Government's views have been studied with interest. The United States wishes to make several observations on them. It believes the matters in question will affect importantly the progress of forthcoming discussions in the trade committee established pursuant to the resolution adopted in Paris on January 14, 1960.

The United States welcomes Switzerland's determination to do everything in its power to make the discussions a success. The United States fully shares this determination. The United States also considers it necessary that the discussions begin in the most favorable possible atmosphere and that legitimate interests of all parties concerned, the European Economic Community, the states signatories to the Convention for a European Free Trade Association, and third countries be protected.

United States officials have within the past several months made known to their Swiss colleagues this Government's views on political and economic aspects of the EEC, the EFTA, and related subjects. While the United States Government's attitude toward these matters differs in certain respects



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from that of Switzerland, it understands the Swiss position which has been carefully explained to the Department of State and to the American Embassy in Bern. The United States would not suggest that Switzerland agree to any action it considers to be prejudicial to its fundamental interests. On the other hand, the United States is confident that the Swiss Government will appreciate the considerations which affect the United States position in the present situation.

The United States is convinced that negotiation of a multilateral arrangement between the EEC and the EFTA which would be acceptable to all of the parties directly concerned and to the international trading community as a whole would not be possible now or at any early time. This is a basic consideration which conditions practical possibilities for the near future, irrespective of the views of individual governments and regardless of the degree of enthusiasm with which individual governments may view such a long-term possibility.

The question therefore arises as to steps which might be taken in the short-term. The United States believes that a key to fruitful commercial relations, short-term and long-term, between the European Economic Community and other nations lies in the Community's willingness and ability to adopt the lowest possible tariff policy. Any tariffs adopted must of course be consistent with the necessity to carry out the Rome Treaty, including the provisions for formation of a customs union.

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The recent proposal of the Commission of the European Economic Community to which the Swiss Government refers must be considered by the Community's Council of Ministers. Therefore, the United States would not wish to comment on it in detail at the present time. It wishes to note, however, that advance application of the Rome Treaty's tariff provisions if accompanied by a provisional 20 percent reduction in the future level of the common external tariff would appear to offer major advantages for non-member states. Such a reduction, together with the Community's willingness to participate in multilateral tariff negotiations and to examine sympathetically in accordance with GATT principles difficulties arising in connection with particular export products of individual countries, should help appreciably in dealing in a practical manner with short-term and long-term trade problems which might arise between the Community and other states.

Naturally, Switzerland is the best judge of the effects on its own economic interests of actions which have been taken or may be taken by the EEC. The United States wishes to emphasize that for many countries, however, a proposal along lines of that advanced by the Commission would, if adopted, offer major advantages. These advantages would seem to obtain for the Community's European neighbors as well as for more distant nations. There would be substantial reductions in many EEC duties on a wide range of imports from all destinations, reductions which might not otherwise take place. On the other hand, certain duties which must eventually be raised as the customs union is established would not increase as much as foreseen in the common tariff.

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The Swiss Government has expressed the opinion that, should the Community adopt a proposal involving acceleration and tariff reduction, the ultimate establishment of a multilateral European economic association would be prejudged in a negative manner. On the basis of recent exploratory discussions the United States believes there is a strongly-held view within the Member States of the EEC that proposals for multilateral generalization of all internal EEC tariff reductions, now under discussion in certain quarters, would undermine the customs union of the EEC and prejudice the long-term question of European trade in the direction of an eventual European-wide economic association along the line of the Free Trade Area proposal which so recently failed of adoption. Such a proposal might even require that national tariffs of some Member States be lowered when, within less than two years, the same tariffs would have to be raised again in conformity with the Rome Treaty.

The United States recognizes the complexity of the issues confronting the trade committee of the twenty-one and the depth of the feeling on all sides. It hopes however that should opportunities arise to reach agreement on measures which would serve to bring about liberal EEC trade policies to the benefit of all concerned, such opportunities will not be foregone because other measures of an interim or of a definitive nature which certain governments favor may prove impossible of realization. It should be possible for each participant in the course of the forthcoming Paris discussions to reserve fully its attitude on long-term questions.

Department of State,
Washington,

April 3rd. 1960