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ADDRESS BY WILHELM HAFERKAMP,
VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES,
TO THE EUROPEAN CHAMBERS OF COMMERCE IN RIO DE JANEIRO
ON 9 OCTOBER 1979

"THE EUROPEAN COMMUNITY AS A PARTNER IN THE WORLD ECONOMY"

It gives me great pleasure
to be here with you today.

This is the first time I have had the opportunity
of addressing members of European Chambers of Commerce
together outside Europe.

It is also my first meeting with representatives
of Brazil's economy.

I lay stress on this for two reasons:

1. The Commission in Brussels attaches the greatest importance
to maintaining close contacts with the business Community.

We have no desire
to take the place of industrialists,
even if that were possible;

what we want
is to be their partners.

Although people sometimes seem to get the opposite impression,
it is our aim in Brussels
to intervene as little as possible
in business policy decisions.

2. We feel that the Chambers of Commerce
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2. We feel that the Chambers of Commerce of the EEC Member States should cooperate together as closely as possible.

Any collaboration between European Chambers of Commerce, formal or informal, is welcome to us.

The increasingly-felt solidarity

between the governments and people of Europe should be matched

by a similar identification in the economic sphere.

I would like to say a few words to you today

about the EEC's responsibilities in the foreign trade field.

But first,

let us look for a moment

at the state of the Community

as it prepares to move into the nineteen-eighties.

Where do we stand today,

and what are the prospects for the future?

This year has been an important one

This year has been an important one for the Community,
with three major developments taking place:

- the creation of the European Monetary System,
- the first direct elections to the European Parliament, and
- the signing of the Greek accession treaty.

As you are aware,

the European Monetary System (EMS)

came into force in April of this year.

This means that the Member States

now once again

form a sizeable zone of relative currency stability,

similar to that which linked all the industrialized
countries in the nineteen-sixties,

when the Bretton Woods system still operated.

The EMS is the first step on the road

to a stable European currency area,

and, at some later date,

to a single European currency.

I stress the words "first step",

I stress the words "first step",
since as we saw a fortnight ago,
even the new system is going to call for occasional
parity adjustments.

We are still a long way
from achieving long-term stability in currency
relationships.

That is going to require
a much higher degree of coordination
between the economic and financial policies
of the nine Member States.

So long as inflation in the Community varies
between 5 % in Germany,
and 15 % to 20 % in Italy or Ireland,
it will unfortunately remain impossible
to put European currency relationships
on as firm a footing as we would like.

The second major event of 1979

The second major event of 1979

was the holding of the first direct elections to the European Parliament.

Its importance for the future political development of the European continent

can hardly be overestimated.

For the first time in Europe's history,

members of political parties organized on a European scale (Socialists, Christian Democrats, Liberals and Conservatives)

are directly representing the 260 million inhabitants of the European Community.

On 28 May the Greek accession treaty was signed in Athens,

completing the first phase of the second Community enlargement operation.

Greece will become the tenth member of the European Community on 1 January 1981,

when all Member States have completed ratification of the act of accession.

Two years later, at the beginning of 1983,

Spain and Portugal will also become members,

if all goes according to plan.

At that stage

At that stage

the Community will have twice as many members as in 1958, when it was set up.

In geographic terms,

the Community will cover about four-fifths of Western Europe and half of the European continent (not counting the Soviet Union).

The seventies have been a period

of rapid development for the Community both internally and externally.

Today it is stronger than ever before.

Internally,

the Community's range of action is considerable.

Hardly any important decision in Europe today,

whether on energy, the environment or social policy, to say nothing of agriculture,

is taken autonomously at national level,

that is without reference to the Community.

In external affairs too,

the Community can wield discreet, but none the less sometimes effective influence.

We should not, however, blind ourselves

We should not, however, blind ourselves to the problems
the Community has to tackle in the next few years.

Four of them seem to me to be of particular importance:

Firstly,

the Community will have to sort out its agricultural policy.

It cannot afford today's huge chronic surpluses of
products

such as milk or sugar.

Equally, it is not going to be financially justifiable for the EEC
to continue devoting three-quarters of its expenditure
to 5 % of its population

while neglecting other areas of Community expenditure,
such as energy research or industrial restructuring,
which are at least as important.

And finally,

the Community will come under increasing pressure from
its trading partners

if it attempts to unload its surpluses on to the world
market to the detriment of other producers.

The second challenge

The second challenge facing the Community,
which is at least as important,
is to arrange for the three new Member States
to be integrated as smoothly as possible in the eighties.

This will require a great deal of flexibility
on both sides.

At the same time

the Community will have to adjust its own industry
to the new pattern of international competition.

I am thinking here firstly of competition from the developing
countries,

above all from the so-called threshold countries.

This competition is making itself felt in a particularly marked
fashion

in such sectors as footwear, textiles, wood products and food,
but I am also thinking of the risks and hazards

resulting from the oil price rises

and the consequent shift of economic and financial power
to the OPEC countries.

You all know

You all know

that some formerly very large sectors of European industry
such as shipbuilding, textiles or steel
are facing a serious crisis.

Numerous firms and hundreds of thousands of workers
have lost their source of income in the last few years.

Over the same period

we have made a certain amount of progress with restructuring,
but the process is by no means complete.

It requires further sacrifices on the part
of workers and firms.

Nevertheless we believe

it is necessary for even politically sensitive sectors
to be completely integrated into the world economy.

Without constant adjustment to the changing relationships
in the world economy

Europe simply cannot maintain its high standard of living.

The fourth, and probably the greatest
challenge

The fourth, and probably the greatest challenge for us is in the sphere of energy.

The European Community and Brazil are facing similar problems here.

- We are both highly dependent on imported energy.
- We both need to develop new sources of energy.
- We must both try to be more sparing with our use of energy than in the past.

In the Community

awareness of this challenge

has risen considerably in the wake of the first and second energy crisis.

The search for new technical solutions

such as wind or solar power

is under way.

Coal has been rediscovered,

yet adjustment to the post-oil era has hardly begun.

We are still excessively dependent on a small number of oil producers.

It is our belief

It is our belief

that the change to new energy sources
will give fresh impulse to our industries,
but clearly, also, the continually rising price of energy
will be harmful to growth.

This is why we see it as essential

to press ahead with the development of alternative sources
of energy,
while at the same time stepping up the search for oil and gas
deposits throughout the world.

As regards external trade,

1979 saw the long-awaited conclusion of the Tokyo Round talks.

The Community,

which participated as a single entity in what have been
the longest and toughest GATT negotiations to date,
played an important part in these talks.

Over the next eight years,

the industrialized nations will be lowering duties on
industrial products by about one-third.

That is a remarkable achievement.

That is a remarkable achievement.

It must be judged against the background

both of the already very low rates of duty applied,
and of the extremely difficult economic problems
currently facing most of the industrialized countries.

By the end of the nineteen-eighties,

the average rate of duty

charged by the developed countries on manufactured
products will be a mere 7 %,

compared with 10 % at the moment.

The duty on semi-manufactures

will be reduced from 6 % to 4 %.

In future,

there will be no more than one tariff heading in the EEC
(on industrial goods) bearing duties of over 20 %.

In trade with industrialized countries,

duties will no longer constitute a significant obstacle.

They are no longer a decisive factor.

This state of affairs

This state of affairs

is mainly due to the tough negotiations
between the industrialized countries,

in particular the USA, the EEC and Japan.

The extent to which the developing countries took part in the
GATT negotiations varied,

but they will benefit from the results on the strength
of the most-favoured-nation principle.

In particular,

it could be those countries

which already have a diversified industrial structure
which will benefit most from the Tokyo Round.

Brazil is one such country,

and so are Yugoslavia, Korea and Argentina.

I stress these positive results for the developing countries,

particularly because it is precisely they
who have been so critical.

Yet it s a fact

Yet it is a fact

that henceforward all developing countries

will have better access to the markets of the industrialized countries,

without having provided any quid pro quo,

in other words

without having dismantled their generally formidable protective barriers to any great extent.

In future the world trading scene

will be divided even more clearly than it is now

between two categories of country or groups of countries.

On the one hand,

there will be those

granting their economy, or rather their industry, only a slight measure of protection, by tariff or other means,

against unwelcome competition.

I am thinking here of all the Western European countries,

the USA, Japan

and one or two developing countries,

such as Singapore and Hong Kong.

On the other hand,

On the other hand,

there will be the second group of countries

which,

understandably for reasons of development or
employment policy,

protect their industrial growth from competition
by means of tariff walls

which are sometimes extremely high,

not only against the industrialized countries

but also against other developing countries.

The Tokyo Round also achieved

considerable progress in the dismantling of non-tariff
barriers to trade.

Technical standards may not be used for protectionist
purposes.

For the first time

there is to be a greater international transparency
in the field of government procurement.

There will be stricter GATT rules on subsidies

which affect foreign trade.

In the agricultural field,

In the agricultural field,

unfortunately, the results do not compare with those achieved in the industrial sphere,

with the exception of arrangements on dairy and meat products.

Above all,

the Tokyo Round must be seen

as demonstrating the political will

to resist protectionist pressures of all kind.

In the European Community

we shall continue to pursue an open-door policy towards the rest of the world.

We are convinced

that such a policy is the best way

of bringing about necessary changes in industrial structures.

Our industry must prove itself in the arena of world-wide competition.

The European Community

The European Community

has been mistakenly, and in our opinion unjustly represented
as a "protectionist monster".

Our duties

even for the sensitive products of the food and light industry
sectors

are lower than those of Japan and the USA.

With very few exceptions

we have no quantitative restrictions on imports
of either industrial or agricultural goods.

We are therefore rather disappointed that,

in Latin America in particular,

the European Community has acquired the reputation
of being a "union of unholy protectionists".

Is this not a case of mistaken identity?

Is it not dangerous for people in glass houses
to throw stones?

Sometimes one cannot help thinking

Sometimes one cannot help thinking

that the European Community is being judged by particularly exacting standards.

We do not object to this in itself,

since we are, of course, aware

of our responsibility as the world's leading trading power.

But the question must still be asked,

whether it is fair

to criticize a partner because of its allegedly protectionist policy

when one has surrounded oneself with a much higher protectionist wall.

We will therefore be systematically continuing

our policy of reducing trade barriers,

but we will also increasingly see to it

that our trading partners

also make a fair contribution to free world trade.

We will examine more closely

We will examine more closely

complaints from our producers of dumping, subsidies,
or export restrictions

and press our trading partners

to dismantle their trade barriers.

As in the past,

we will, of course, try to be as understanding as possible
towards our partners' particular development
and balance of payments requirements.

To conclude,

I would like to make a few comments

on relations between the European Community and Brazil.

Brazil occupies a prominent position amongst
non-European trading partners.

In 1978,

leaving aside the oil-producing countries as a special category
Brazil was the fourth most important non-European trading partner
after the USA, Japan and Canada.

Trade between Brazil

Trade between Brazil and the European Community

has more than quadrupled in the last ten years

and the latter,

via its high imports,

consistently helps to narrow Brazil's balance of payments deficit.

Brazil also occupies a prominent position in the field of private investment for the European Community.

We therefore

attach considerable importance to relations with Brazil.

The cooperation agreement

which we hope to conclude in the next few months should testify to this.

To a certain extent

it should provide the political framework

within which the business activities of European firms in Brazil and, we hope, increasingly also Brazilian firms in Europe,

can develop with the minimum of obstacles.

The agreement will also set up

The agreement will also set up an institutional mechanism whereby any difficulties which may arise can be settled smoothly and amicably.

We feel that we are just at the beginning of intensive cooperation between Europe and Brazil.

There are various reasons for this:

- Brazil's enormous economic potential and rapid economic growth provide opportunities for the European Community.
- Brazil's rise to become one of the ten biggest industrial nations in the world provides Brazilians and Europeans with opportunities for industrial specialization and cooperation which have surely not been fully exploited so far.
- Brazil's relative closeness to Western Europe means that industrial manufactures and semi-manufactures can be transported cheaply.

- And finally,

- And finally, the similarity of the challenges
facing Brazil and Europe in the field of energy,
environment or technological policy
should lead in future
to a strengthening of cooperation
between Brazil and Europe.

I am not thinking
only of cooperation in the field of imports and exports,
but also of stepping up exchanges of students, researchers
and engineers.

I am thinking of the possibilities
for joint planning and execution of major projects
in other developing countries.

I am thinking
of cultural cooperation.

I am sure
that the inclusion of the Iberian Peninsula in the European
Community
will further the development of our relations in many ways.

We are on the brink of a new and important phase of cooperation
between Brazil and the European Community.