

EMBARGO:

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"THE EUROPEAN COMMUNITY IN THE WORLD ECONOMY"

Address by Mr. Wilhelm Haferkamp,  
Vice-President of the Commission of the European Communities,  
in charge of External Relations,  
at the EEC-China Business Week,  
Brussels, 30 March 1981

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This EEC-China Business Week takes place at a most appropriate time.

In a few days - on 3 April - it will be exactly three years ago that the Trade Agreement between the People's Republic of China and the European Community was signed in Brussels.

I should like to see this Business Week as a celebration of this anniversary

which can only be a good omen for its success.

For us in Brussels, this Business Week is an historic event.

Only once before in its 20 year history has the European Community organized something similar,

The EEC-China Week brings together over 300 industrial and commercial operators from all 10 member countries.

It thus brings into the limelight

the truly European dimensions of the relations between the European Community and People's Republic of China.

Your Government has always stressed

Your Government has always stressed the Community aspects in its relations with Western Europe.

We have always gratefully acknowledged the support, indirect as it has been,

which has been lent in this way to the cause of the European economic and political integration.

Three years ago, at the signing ceremony, I said

that the Trade Agreement between the Community and China was important

not only for economic reasons

but also - and above all - for political reasons.

I said that it was the beginning of a development

that would be of benefit to both sides.

Our mutual trade has indeed doubled since,

and this Business Week proves

that we want to promote it further.

The mutual trust which was expressed

The mutual trust

which was expressed by the conclusion of the Agreement has no doubt been an element of stability much needed in a world which still has to fight - and increasingly so - mistrust, political tension and instability.

What I could not foresee three years ago

was the degree in which the international scene would deteriorate.

The China Business Week takes place

in a period of greatly increased economic and political instability and tension in the world.

It takes place

at a time of world-wide recession and pessimism.

Yet, you will discuss with our industrial managers, our importers and our exporters concrete possibilities

of increasing mutual trade,  
business cooperation  
and investment.

That is the second reason

That is the second reason

why the timing of this Business Week could not be better,

It shows the right path at a moment

when too many preach the wrong path of protectionism

It shows our determination not to be led astray

The world economy is undergoing a very rough test.

A recent GATT report described the year 1980

as one of the worst of the last thirty years.

Gaston Thorn,

the President of the European Commission,

recently qualified the economic prospects as the "worst ever".

A major cause of the world-wide economic crisis

has been the reshuffling of economic and political power

which has been going on during this decade

and in which the oil price is a most powerful lever.

It is now more than 15 times higher

than in September 1973.

No commodity with the exception of gold

No commodity with the exception of gold

has ever known a steeper price increase in such a short period of time, of only 6 years.

All oil importing countries, rich or poor,  
feel the crunch of the oil bill.

But those who suffer most

are undoubtedly the many developing countries

which are being rudely thrown back in their efforts  
to achieve economic development.

The world-wide crisis

has severely hit the European Community.

In such a grim economic landscape

In such a grim economic landscape it is not surprising  
that the call for protectionist measures is heard again  
not only inside the Community  
but everywhere in the world.

It is a reaction of fear,  
no more and no less.

And as fear is the worst of counsellors  
it should be ignored.

Protectionism

will not safeguard our standard of living  
it will ruin it.

We have achieved economic progress by accepting competitive  
challenges.

Protectionism means admitting weakness.

Giving in to that is the end of progress.

You may wonder whether this credo

You may wonder

whether this credo

has its place in a presentation of the European Community  
and its place in the world economy.

I think it has.

It is the principle

on which we have based our Community.

But it also sketches the difficult circumstances

which confront the Community - like all other trading nations -  
in a crucial test.

We have to show now

how serious we are

in our attachment to the principles of free trade.

We have to show now

how serious we are

about our commitment to the development of dynamic  
relations with other countries in the world  
and about our pledge to help developing countries.

In a way, this is a moment of truth.

For everybody.

The Community has contributed

The Community has contributed very actively  
to the development and the proper functioning  
of world trade.

It has played an active role  
in helping less developed countries.

It has stimulated regional integration in other parts of the world  
and more recently  
has also made a contribution  
to greater monetary stability within Europe and even outside.

The first and foremost contribution  
which the Community made to the rapid development of world  
trade since World War II  
was its very creation in 1958.

Our countries realized  
that free trade among themselves was the key to prosperity.

One of the declared aims of this liberalisation  
was to increase the competitive strength of Community industries

The creation of the European Community

The creation of the European Community

has given rise to

- a large Industrial Free Trade Area  
encompassing all Western Europe,  
from Turkey to Iceland;
- successive rounds of world trade liberalisation,  
within the framework of GATT.

As a consequence,

Western European countries today

trade more than two thirds of their exports of  
manufactures among themselves,

free of any duties or other major obstacles.

This is an unprecedented achievement  
in the world,

and undoubtedly one of Europe's major post-war  
achievements and contributions

to the international political and  
economic system.

At the same time

At the same time,

trade obstacles have been lowered world-wide.

Import duties

in the EEC,  
the USA,  
Japan  
and other European countries

are today lower than at any moment in history.

In addition,

generous tariff preferences are being granted  
by industrial countries to the developing world.

However concerned we should be about the rising mood of  
protectionism,

the fact is - still -

that world trade has never been as free as it is today.

Believing in and supporting free world trade

is for the Community not just a matter of idealism  
or economic doctrine.

It is in the Community's very interest

to be open to the world

and to have open access to it.

If the Community belongs to the world's

If the Community belongs to the world's most developed areas  
it is not because of its wealth of raw materials  
it hardly has any  
and needs to import them.

Its strength lies

- in its processing skill,
- in its technological know-how,
- in its trading capacity.

But how could it turn these qualities to its advantage  
if it could not through exports  
earn enough to pay for its imports?

The Community is the world's largest trading entity.

Our imports represented in 1979 almost 300 billion dollars.  
Our exports were close to 270 billion dollars.

That is 50 % higher than the volume of foreign trade  
of the United States.

Exports and imports represent each

Exports and imports represent each a quarter of our Gross National Product.

For individual Member States the figures go as high as 40 and 50 % for the Benelux countries and even up to 65 % for Ireland.

Tedious as figures may be,

these show better than any description

what external trade means to the Community.

The Community is, however, more than a mere trading unit.

It does not only have a special responsibility

for maintaining a free and open international trade system.

The Community also, and increasingly,

takes a political responsibility

for what is going on in other parts of the world.

This political role is essentially one

of contributing to peace and stability,

whether in the Middle East, in Asia or Latin America.

The Community has always felt

The Community has always felt

a special commitment for the developing countries.

Thus,

it has been the main source of development aid in Africa.

It is shouldering a major burden of the relief operations

that had to be undertaken by the international community  
in favour

of the Kambodian population struck by the Vietnamese  
invasion

and of the increasing numbers of Afghan refugees  
to Pakistan.

The Community has been one of the major suppliers of food aid  
to countries like

Egypt,  
Bangladesh,  
Pakistan  
or India

that are still suffering from insufficiencies  
in their food supply.

And, of course, the Community

And, of course, the Community as a regional grouping  
has, wherever possible,  
supported movements of regional integration in the  
developing world

whether in ASEAN,  
in southern Africa,  
or in South America.

In helping developing countries

to improve the living standard of their populations  
and to build modern economies,

we try to assist them

in developing a greater degree of economic and political  
independence.

This is our contribution to a new international order,  
that is to a more equitable sharing of prosperity  
throughout the world.

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Let me turn from this analysis

Let me turn from this analysis of our past and present policy to the challenges of the future.

I perceive three major changes before us:

The first major change we will have to face is the oil price increase.

It was not in itself something which was to be condemned.

Still, it would have been infinitely better for the whole world if the fifteenfold rise in the oil price had been spread out more evenly let us say over the last decade.

We think the high price of oil and energy will be a permanent feature of the world economy.

And it will force Western Europe (and other industrialized countries) towards a more energy efficient economy.

We find ourselves in the middle or perhaps only in the beginning of that transition.

We have all been used.

We have all been used to cheap and unlimited oil supply.

This has changed for good.

We had to make a fundamental reassessment of the importance of energy for our economies and our societies at large.

Today we feel,

many of us for the first time,

that conventional energy supply is not unlimited and that energy supply is going to be a, if not the major, limiting factor in our future economic growth.

For the first time in its industrial history

Western Europe has found itself exposed to the risk of physical oil shortage

because of unrest and upheaval in the Middle East.

Today we do know

that any major cut-off of oil supplies will provoke total disarray and disaster in our economies.

That is why the European Community

That is why the European Community is determined  
to win the energy challenge during the next two decades.

We simply have no other option

if we want to preserve our freedom and our economic prosperity

We will have to diversify our sources of supply,

both geographically  
and in terms of composition,

We must be less dependent on one single region  
and on one single source of energy.

Coal and nuclear energy will necessarily have to play  
a far larger role in our energy balance sheet

than during the last 20 years.

The European Community

The European Community will continue to be dependent at a large scale on imports of energy

whether coal,  
uranium,  
liquid natural gas  
or oil.

And we do express the hope

that the old and new supplier countries of energy,  
including China,

can be counted upon to supply parts  
of their excess energy.

The second area of main changes concerns raw materials.

We shall have to develop an economy

which is much less raw material-intensive  
than it used to be.

The age

when raw materials were in abundant supply  
and when we could indulge in large-scale waste,  
definitely belongs to the past.

We shall more than ever be obliged

We shall more than ever be obliged

to recuperate as much as possible of used raw materials,

whether steel,  
copper,  
glass,  
paper  
or aluminium.

We shall thereby

not only reduce our own import dependence,

but also help a growing world population to better satisfy  
its growing requirements.

It will none the less be necessary,  
even urgently necessary,

to develop in time new mineral deposits of

fertilizer,  
iron ore,  
and above all, of non-ferrous metals.

There is much more scope

for systematic surveying and exploiting of new mines  
in many developing countries including China.

The Community is willing to help,

including financially, in those efforts.

The third , and probably most important major change

The third, and probably most important major change from the European point of view,

will be the transition to a post-industrial economy and what may be called a leisure society.

In a way,

we are in the middle of this radical transformation of our societies.

Indeed,

the share of industry in our economies keeps shrinking as well as that of agriculture.

This is true both for output and for employment.

Just as the European Community is able

to feed its population and to feed it well with less than 8 % of our labour force,

we are capable

of satisfying our needs for manufactured products with about one third of our labour force.

This trend will continue

This trend will continue and even accelerate,  
when micro-processors and industrial robots  
will increasingly take over more sophisticated functions  
in the industrial production process,  
functions that were traditionally performed  
by unskilled or semi-skilled labour.

We can best measure the enormous productivity of our economies  
by comparing three sets of figures

- per capita income in the Community in 1980  
was more than 10.000 US \$ higher than ever before  
in our history,  
even though still lower than that of some individual  
European countries outside the EEC or the U.S.;
- This extremely high per capita income was produced  
by a work force  
comprising no more than about one third of the total  
population (the remaining being children, retired  
people or unemployed).
- The labour force works on average no more than forty hours  
per week and enjoys a four weeks annual vacation.

In the future.

In the future

our West European society will no doubt be less  
production- and less consumption-minded  
than during the past thirty years.

For most material goods

we have reached a degree of saturation  
that most of us had only dreamt of twenty-five  
years ago.

We shall therefore,

almost by necessity,

become more and more service minded,

and we shall devote an increasing amount of our time  
and energy

to the supply of services,

whether productive services

in the fields like engineering or consulting,

social services

for the old and handicapped

or leisure services

especially in the field of education.

Summing up, the next twenty years

Summing up,

the next twenty years will no doubt bring about major technological revolutions in the European Community.

Our way of life will undergo profound changes.

We feel that we are groping for new patterns of life even though we are unable to define these as of now.

We must be ready to accept these changes.

We must not undergo them,  
we must plan them,  
be ready for them.

They are all an inescapable consequence of our open position in the world.

We have no alternative,

We can only thrive as part of the world community.

That means

that we must contribute to its well-being  
and to its progress.

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Let me after this excursion

Let me after this excursion into the future  
revert to the present and to this Business Week,  
and let me say in conclusion  
what we might expect from a meeting such as this.

In our view

this Business Week should serve above all two purposes:

- First, better understanding of each other;
- secondly, mutual exploration of future potentialities  
for cooperation between China and the European Community.

Better understanding of each other's problems and also of each  
other's possibilities

is the key to a relation of partnership  
which we should develop among ourselves.

Better understanding is important  
to avoid disillusionment.

This is the more important  
as we are working within different economic and social systems.

Our governments,

Our governments,

let alone the Commission of the European Communities,  
cannot order private industrialists

to produce,  
to buy or to sell,  
to import or to export specific commodities

nor can we, even if we wanted to, fix the prices

at which commercial or industrial transactions ought  
to take place.

In our system

economic decisions are being taken every day by hundreds  
of thousands of operators.

The governments can no more than influence the overall environment  
in which such decisions are being taken.

This gives us the flexibility in decision taking  
for which we are sometimes envied.

That is also the reason

why you will meet here mostly private operators  
and only very few civil servants.

For it is the private operators

For it is the private operators

who determine,

within the overall political context set by governments,  
the volume of trade or cooperation  
between the European Community  
and your country.

We have not come here

to conclude immediate or short-term business transactions,  
even if in some cases these may result from our meeting.

What is more important

is to enable you on the one side

and our own economic operators on the other side

to get a better grasp of what is possible  
and what is not possible in terms of medium  
and long-term

commercial,  
industrial,  
technological  
and even financial cooperation.

In a word, we have not come here

In a word,

we have not come here to bemoan our present woes  
of which each of us has his share  
but to prepare the future.

We are certain

that there is a future  
for China and the European Community  
and for cooperation between China and the European  
Community.

The success of this conference

will therefore not be measured at the end of this week.

But if, let's say by 1990,

mutual trade between China and the European Community  
will have risen to four times its present volume,

those assessing at that moment relations between China  
and the European Community may perhaps look to this  
Business Week as having been one of the factors  
behind such a positive development.

In the East you have much more than we

In the East you have much more than we in the West cultivated  
the virtue of patience,  
of looking at long, historical developments.

We can learn from you in that respect.

But I may assure you

that already now we look at the cooperation between  
your country and the European Community in an historical  
and long-term perspective.

We do so with the same confidence and trust

in which we created the special relationship between  
the European Community and the People's Republic of China  
and in which we both organised this EEC-China Business Week.

I wish it success.