

THE EUROPEAN ECONOMIC COMMUNITY

AND

THE UNITED STATES OF AMERICA

Speech by:

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Ladies and Gentlemen,

I should first of all like to thank your Chairman for his kind words of welcome and to say what a privilege and pleasure it has been for me during my brief visit to the United States to have had the opportunity of visiting the city of New Orleans and of speaking to this distinguished audience today, at Louisiana State University and of course to the members of the Atlantic Council of the United States.

I should like to dwell on two particular themes which I think are of great interest to all of us, namely the current developments in the European Economic Community - the EEC - and secondly its relationship with the United States.

Links between the U.S. and Europe have always been and must continue to be of vital importance for both our peoples. The fact that the past year has been a difficult one for relations between the European Community and the United States should not allow us to forget how much we share in our common heritage and way of life. We in Europe cannot ever forget the

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staunch support given by the United States to the creation and development of the European idea after the last World War. The result of the practical enthusiasm on both sides of the Atlantic to build a strong united Europe led in the mid nineteen-fifties to the establishment of the original European Economic Community.

As it grew the original Community of the six continental countries became an entity of considerable economic consequence. With the entry of Britain, Denmark and Ireland in January 1973, the Community has now become very big business indeed, as even a brief look at the relevant figures will show.

The enlarged Community accounts for roughly 40 per cent of world trade and 40 per cent of world monetary reserves. It is responsible for over a quarter of the free world's merchant fleet and virtually a third of the free world's development aid to the poorer countries. It produces nearly a quarter of the world's steel. Its population is larger than that of either the United States or the Soviet Union. The opportunity and challenge of our European market is such

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that nearly a quarter of U.S. exports come to the Community, and there has been a continuous flow of direct American investment.

On the other side the importance of the United States to the EEC is a matter of observable economic fact.

The U.S. is by far the leading Community trade partner, with goods exchanged in 1973 to the value of over thirty-two billion dollars. This represents approximately one fifth of the Community's total foreign trade. Two sectors are of particular importance : firstly US agriculture, principally cereals, which meet a vital Community need; secondly, the Community is dependent on numerous US high technology products. US direct investments in the Community now exceed twenty-five billion dollars at book value, over one quarter of total estimated US foreign investments. A number of crucial European high technology sectors are predominantly controlled by US capital.

Further, the Community and the US together account for the bulk of the world's monetary reserves. They are largely responsible for the maintenance of monetary stability in the world. Not least, they represent the principal donors of aid and represent the largest markets for the developing countries. They must, therefore, play a crucial role in helping to bridge the gap between the rich and the poor nations of the world.

If the US and the EEC are considered together with Japan, these three account for a very large share of world trade. It follows that all are vitally interested in the multi-lateral trade negotiations, and the maintenance of an orderly world system of trade, investments, and monetary flows. Thus, the Community is greatly interested in the progress of the Trade Reform Bill through Congress, in the hope that real negotiations can soon begin in Geneva.

Following the Summit meeting of Heads of State or Government of October, 1972 the European Commission and the US Administration agreed to institute regular high-level consultations on a twice-yearly basis. These

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consultations now take place alternatively in Brussels and Washington. By this means, each side is able to put forward its views and discuss its economic problems frankly and constructively in an understanding and cordial atmosphere.

The process of consultation between the European Commission and the United States Administration has therefore evolved further and faster during 1973 and the early months of 1974 than ever before. In addition to the twice yearly talks I have just mentioned more Members of the Commission and of the US Administration have been crossing the Atlantic more frequently, in order to enlarge the spectrum of debate in areas of common concern. In a recent address to a delegation of US Congressmen, the President of the Commission, Mr Ortolini, reminded his audience of the continuous process of consultation which has enabled the two sides to reach a very satisfactory level of cooperation in many fields, both within and outside the Community institutions.

Over the years, the issues of concern to us both have changed continually. As Mr Dent, the US Secretary of Commerce, remarked during his visit to Brussels on 18 April last : "If we were to solve all the matters before us today, we could meet again with a new set tomorrow". However, certain topics tend to recur : for example, commercial questions of all kinds ranging from the multilateral negotiations, through agricultural pricing and production, to industrial goods and components. Other recurring themes include the needs of developing countries, industrial policies, multinational corporations, and energy.

On industrial policy, the Community have sought to make it clear that their basic aim is to encourage the creation of viable and competitive industries that need no protection or subsidies. There is no discrimination against US companies or against any foreign companies as such." At the same time, the Community, like the US, wish to see maintained a beneficial degree of competition rather than market dominance of any giant corporation.

On energy, I think that all of us believe in cooperative solutions to the problems of long-term supply and energy conservation, even if the search is still going on for the best kinds of cooperation. The overall position in our bilateral contacts was well summed up by Mr Dent when he said : "It is clear that both sides are committed to an open trading policy".

Ultimately, the Community and the United States must succeed in adjusting their relationship to the changed and changing international situation. A way must be found to revitalize the Community's relations with the United States in an era of detente with the Communist world; to strengthen the triangular understanding between the three major trading groups of the world - the US, the Community and Japan; to accommodate the emerging economic power of the major oil producing countries; and to assume new responsibilities for the least favoured nations of the world.



The new, enlarged, Community is going through a very critical phase. In fact we have problems at three different levels. First, that of executing the Community's work programme, the greater part of which was laid down by the Summit Conference of the heads of State or Government in October 1972, two months before the three new countries joined the Community. Secondly, there has been the external challenge from the Middle East, which, catching the Community without a developed energy policy, provided a major threat to Community solidarity, and for a time had a negative effect on our relations with your country.

You must not forget that we in Europe are at least in the medium term far more dependent than the United States on Middle East oil. Some at least of our member States have rather different historical and political relationships with that area. Thus some divergence is bound to occur in the way in which the United States on the one hand and Europe on the other hand see the present situation. However, at the same time, we share a common concern for the future which must bring about a meeting of minds across the Atlantic.

Lastly, and perhaps most crucially, we have the uncertainties arising from governmental changes and, in certain cases, weaknesses; and most notably, the intention of the British government to renegotiate the terms on which the UK joined the Community. It is difficult, however, to comment on this last point until we know exactly what the British demands will be. But, to put it at the very least, such a renegotiation will deflect ministerial time and attention from pushing ahead with the Community's development; its impact will in the short-run be negative rather than positive.

Yet despite the magnitude of the tasks facing the new Community, and despite the fact that it was impossible to meet the end 1973 deadline on the setting up of the regional development fund, the record is by no means a negative one. I mention first, for this is my own field of responsibility, the social action programme which was approved by the Ministers, and under which the Community takes on a wide range of responsibilities regarding full employment, the improvement of living

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and working conditions , and the increased participation of the social partners, i.e. both labour and management. Moreover, 1973 was the year in which the new Social Fund, with a budget of around two hundred and fifty million dollars came into operation; under it the Community takes on a wide-ranging financial responsibility to assist in the provision of new jobs.

World currency instability, balance of payment problems in some of our member countries, world wide inflation and rising commodity prices and the problems created by the oil crisis have combined to restrict progress towards economic and monetary union; and it may well now be that the 1980 target for it is unattainable. Yet in spite of this unfavourable scenario limited progress has been made in the direction of Community monetary solidarity : I cite for instance the entry into operation of the European Monetary Co-Operation Fund last April. This Fund's initial function is to intervene on exchange markets to facilitate settlements between the central banks and provide short-term support for ailing currencies.

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I cannot systematically cover all the areas of common policymaking, but I should like to mention three very briefly. One of these is the protection of the environment and the increasingly serious problem of pollution in all its forms demands par excellence a multi-national approach such as the Community can provide. While concrete projects have yet to be implemented the Council has approved an "action programme" setting out a number of guidelines including the principle that "the polluter should pay".

Another is the challenge of advanced technology. As yet the Community's main contribution has been in the nuclear sector. The Euratom Community has been working since 1958 to complement national research programmes by executing a common programme in its research centres and to co-ordinate parallel programmes in a given field. Euratom has other "central" functions such as procuring fissionable materials and the Community and the USA have been co-operating closely on this since 1959.

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During 1973 the Council provided Euratom with a new multiannual research programme for long-term nuclear research. As to other fields of research Community co-ordinatory or complementary action is being studied in a number of areas, oceanology, telecommunications, ultra-modern land transport and aero-space being amongst them.

The third field I wish merely to mention is industry. The problems include relative competitive weakness due to too small production units, technical barriers to trade, the activities of the multinationals, barriers, legal and psychological, to cross-frontier mergers within the Community. In all these fields decisions for Community action have been taken or the Commission has laid proposals before the Council.

Finally, a few words about our relations with the rest of the world. Here the Community is making very

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definite progress. First, we met last year's end-June deadline for the establishment of a mandate governing the Community's approach to the multilateral trade negotiations which we hope will begin this year. It was no mean achievement that the main countries whose starting positions were widely divergent, particularly as regards trade in farm products, should have reached this agreement and on time. As I said earlier, we earnestly hope that Congress will give its approval to the Administration's Trade Bill, thus opening the way for negotiations to commence.

But there is another aspect of the Community's trade relations that I would like to mention. The Community's relations with and responsibilities towards the less-developed countries are now in the forefront of the Commission's preoccupations. Already in July 1971 we offered the Generalized Special Preference arrangements to all recognised Developing Countries. Periodically

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the arrangements are reviewed and the ceilings for the duty-free quotas for sensitive products raised. Last year ceilings were raised resulting in an increase of about 40% in the value of the products having free access to the Community market. Already there is evidence that exports from the industrialising Developing Countries to the EEC are being stimulated by the Generalised Special Preference system.

Another aspect of Community aid to Developing Countries is the Food Aid Programme, which is expanding year by year. For the year 1974-1975 gifts of food in excess of three hundred million dollars to countries with endemic malnutrition or to famine areas like the Sahel countries south of the Sahara have been authorized.

In all likelihood indeed the Community will be increasingly involved in the business of bridging the gap between the rich and the poor countries. The co-ordination and dove-tailing of national aid programmes and world-wide commodity stabilization agreements are two actions which we have suggested.

Another proposal of very immediate urgency is that put before the UN Special Assembly in April : the setting up of a three billion dollar crash-programme to help the 25 or 50 countries whose foreign exchange losses from the quadrupling of oil prices will be so catastrophically high as to negate the value of the development aid they receive.

Finally, the Community is in mid-negotiation with 44 countries, some old associates, some British Commonwealth countries in Africa, the Caribbean and elsewhere, plus four other African countries for an extension of the specific responsibilities which the Community has exercised since 1959. With many or all of these mainly very backward countries the Community will be taking on major trading and economic development commitments.



The new, enlarged, Community is still a very young animal. It is subject to intense strains and pressures. Yet progress is still being made. I believe that perception of the magnitude of the problems and challenges facing us will impell our member Governments to sanction appropriate measures on the Community level. As the old Six found so often : the experience of impotence or ineffectiveness before major economic and technological developments is in itself an education and a stimulus to real progress.

And this goes not merely for us in the European Community; it goes for the Community of Atlantic countries as well. There is one thing on this side of the Atlantic which perhaps you are inclined to forget. The European Community is not a monolith. It is still in important aspects nine different countries with different ideas of what to do. We still have a long way to go on the road to the creation of one United Europe. The difficulties that lie in our path are not insurmountable but they are difficulties nevertheless. They require and will continue to require understanding on your part if we are to eventually form a true Atlantic Partnership

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between what John F. Kennedy called " the new Union emerging in Europe and the old American Union founded here 175 years ago".

You must not forget that our Community consists of Nine different nations with a long and often distinguished record in the past in world affairs. It is therefore not an easy task to persuade these nations to act in unison, to pool their sovereignty in order to exercise it in common and thus to assure its effectiveness for the good of themselves and of the world community. Because the objective of uniting Europe is not merely that the countries and the peoples of Europe should enrich themselves further; it is so that Europe with its long wealth of experience can bring that experience to bear on major world problems. In this the co-operation of the United States is a vital element.

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I should like finally to say a few words about the future of the Community. It is clear that we are entering a critical phase of our development. Important divisions of opinion about the future of the Community have been clearly manifested inside the member States. We are suffering from an internal dichotomy of views on the nature of the European identity. This has prevented unanimous agreement on the formulation with the United States of a joint approach to the Middle East oil producers. We are no longer unanimous about the need for political union. And we now find that one of our members wishes to re-negotiate the terms on which it joined the Community.

I believe that we will overcome this present crisis and that the majority of our peoples accept that just as a close relationship <sup>between</sup> the United States and Western Europe ensured the survival of our common ideas during war time crisis so now a common understanding of each others difficulties are no less vital when the world's economy has to adjust itself to a highly uncertain future.