

THE EUROPEAN ECONOMIC COMMUNITY AND THE UNITED STATES OF AMERICA

Address by

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# THE EUROPEAN ECONOMIC COMMUNITY AND THE UNITED STATES OF AMERICA

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## I. Yesterday: tutelage

Europe owes America much. One might say it owes the United States everything that an outside state can contribute to the rebirth of a political entity.

In 1945, at the end of a suicidal conflict, Europe lay defeated, threatened by chaos, hunger and communism, the Balkans of modern times and at the mercy of the great powers. The sorry picture it offered has been painted by Winston Churchill in his famous Zürich speech: "... over wide areas a vast quivering mass of tormented, hungry, careworn and bewildered human beings gape at the ruins of their cities and homes, and scan the dark horizons for the approach of some new peril, tyranny or terror. Among the victors there is a babel of jarring voices; among the vanquished the sullen silence of despair".

The task of providing Europe with the material basis for existence, of breathing new life into it, of bringing it back into the comity of nations seemed almost hopeless. If the task has been accomplished, it is in great measure due to the support which Administrations of both parties, translating the unanimity of American public opinion, have from the outset given to the reconstruction and unification of Europe through an impressively consistent and unwavering, generous policy of Atlantic solidarity.

Support was given in the fight against hunger and poverty. The Americans had already spent about \$10 000 million on post-war relief when at the beginning of 1947 they realized

that Europe could not regain economic health without systematic long-term assistance from outside. Their reaction to this situation was an offer of unprecedented generosity announced by the then Secretary of State, George C. Marshall, in a remarkable address at Harvard University on 5 June 1947. America offered as much help over the coming years as Europe needed to feed its people, ensure supplies of raw materials and set the wheels of production in motion once more. Only one condition was imposed - the forward-looking condition that Europeans should get together and so help themselves.

While Eastern Europe remained aloof under pressure from the Soviet Union, 17 Western European countries accepted the American offer. They formed the Organization for European Economic Co-operation, or OEEC, and undertook to help each other in putting the European Recovery Programme into effect. This was the turning point for free Europe. This was the source of all our "economic miracles".

An immense flow of goods, to the value of almost \$15 000 million, poured into Europe between the beginning of 1948 and the middle of 1954. Raw materials, food, fertilizers, machinery and vehicles, oil and coal from all over the world came to this distressed continent of Europe at the expense of the United States. About 80% of the aid was in outright grants, the remainder was loaned. When the Marshall Plan came to an end, it was replaced by the Mutual Security Act, which provided both military and economic aid. This brought another \$6 000 million to Europe. In this case the capital provided bore new

fruits: by selling the goods delivered by America to their own economies, the European countries raised a considerable amount of money in their own currencies. These "counterpart funds" were used between April 1948 and the middle of 1963 to finance investments worth nearly \$10 000 million and spread over many branches of the European economy.

But this was not all: in OEEC the European countries were authorized to liberalize their trade with each other without being required to grant the United States or Canada the same advantages under the most-favoured-nation clause. This was a spur to closer economic co-operation in Europe and gave our economy the breathing space which allowed for the post-war recovery.

These American actions speak for themselves. They made our recovery possible. No European will ever forget the courage, the wisdom and the generosity on which they rested.

But this is only one side of the medal. No amount of economic aid could have saved Europe if the militant imperialism from the East had not been contained. The danger reached giant proportions in 1948, when the Communist Party in Czechoslovakia seized power under the protection of Soviet troops, the Russians tried to strangle free Berlin by blockading it, and the whole of Europe was in danger of being overrun, without being able to defend itself.

America understood that the conquest or enslavement of Europe would involve America too. It decided to throw all its

weight into the balance. The boys from Texas and Kentucky, from Michigan and Carolina came to defend the free world at the Iron Curtain which divided Europe. They maintained the air lift to Berlin until the East, discouraged, raised the blockade. America's defence expenditure soared: from \$13 300 million in 1949 to \$49 500 million in 1952. These dollars formed a dam against the red flood. On 4 April 1949 they were reinforced by the North Atlantic Treaty, guaranteeing a formal defensive alliance among the Atlantic nations.

Behind this shield, European reconstruction moved ahead. For this too we shall remember America.

Here then was the foundation on which Europeans could at last begin to rise from their political bankruptcy. OEEC and the Council of Europe did not make the desired progress towards political unification, but our fortunes changed on 9 May 1950 with the celebrated declaration of the French Foreign Minister, Robert Schuman. He proposed that the disastrous game of the balance of power should be replaced by a gradual merging of national interests into a European Community. This marked the birth of the Coal and Steel Pool, the first limited move towards the founding of a political union, later followed up by the establishment of the European Economic Community and Euratom.

Europe is proud of this political achievement. We gratefully remember the constant political and moral support given by the United States. Far from regarding the unification of Europe - the need for which was recognized as early as 1947 by men like John Foster Dulles and George C. Marshall - as a threat

to America's supremacy, the United States has consciously and consistently furthered the construction of an equal European power with which it could one day co-operate on a basis of partnership.

America has encouraged unity in economic matters.

It has encouraged unity in other fields also: for instance, the United States supported the plan for a European Defence Community that was to help spread responsibility for mutual defence more evenly over the alliance as a whole.

President Johnson was therefore quite right to describe European-American togetherness in rebuilding Europe after the war as a great success when he said at Georgetown University on 3 December 1964: "From desolation has come abundance. From division has come a degree of unity not achieved in a thousand years. From weakness and vulnerability has come stability within and security from without. From the ashes of holocaust has emerged the second strongest industrial civilization in the history of the world. This is a triumph of the people of Europe and a tribute to the generosity of America."

This was the past: the strong freely accepting responsibility for the weak, and then sharing that responsibility until such time as the weak were fully able to undertake independent responsibility for their own fate.

II. Today: dialogue

As Europe's political personality developed and as its economy grew stronger, it was natural that the points at which European and American interests met should become wider and more evident, and also that these interests should sometimes clash. We do not regret this clash; it spurs us on to frank and constructive talks between friends on either side of the Atlantic. Even in the European Economic Community conflicts of interest arise almost every day, but nearly all of them have been resolved by negotiation.

Nowadays the economic interests of Europe and America are reconciled by discussion. It was essentially the success of the European Economic Community that laid the foundations for the "dialogue between continents" that has now replaced America's benevolent tutelage of a Europe shattered by war.

The field of discussion is wide. The United States of America and the European Economic Community are brought face to face both in the Atlantic sphere and of course also - in view of the world responsibilities of both powers - on the world scene.



1. At Atlantic level the outstanding point of contact between the two continents this year is the Kennedy Round of tariff negotiations. There can be no disagreement about the basis of these negotiations and their ultimate aims.

The reason for the Kennedy Round, like the Dillon Round before it, lies in the successful development of the European Economic Community. It was this that encouraged our American friends to make a fresh move. President Kennedy put through the Trade Expansion Act, which gave him full powers for the new round of negotiations, precisely in order to be able to meet the challenge and the opportunity offered by Europe.

The European Economic Community is taking part in the negotiations with the firm intention of ensuring their success. We want to make the most of this outstanding opportunity to promote productivity and economic expansion, to raise the standard of living in the poorer countries as well as in the richer, and to achieve a better division of labour between the nations; we mean to do this by liberating the powerful forces of competition, that most dynamic power for the material progress of mankind.

This is a hard task, demanding great efforts of us all. We shall only achieve the result we seek if conflicting interests can be reconciled by a process of mutual give and take between all concerned. The keystone of the negotiations must therefore be the principle of full reciprocity of concessions. This rules out any measure that would give advantages to a single country at the expense of others, except in the special case of the developing countries. In this we are in complete agreement with our American, British and other colleagues, even if it is sometimes difficult to agree on a concrete definition of the principle of reciprocity and on its application in practice.

These are the main ideas behind the programme which was unanimously adopted by the Council of Ministers of the Community and which determines the position taken by the Commission at the negotiations in Geneva.

What, then, are the concrete problems which the United States and the European Economic Community are striving to solve in the Kennedy Round? These are, on the one hand, problems connected with trade in industrial goods and, on the other, agricultural problems.

The talks on trade in industrial goods are concerned with three main topics: the general principle of tariff disarmament and the goods to which it shall apply (i.e. the exceptions to this principle); the question of disparities; and, thirdly, non-tariff barriers and other obstacles with an effect equivalent to that of customs duties.

To take the first point: where trade in industrial goods is concerned, all the negotiating parties want radical tariff disarmament with as few exceptions as possible. The general working hypothesis is a linear reduction of duties by 50%.

This is a bold aim when one considers that it will in practice make it impossible for the duty on many goods to serve as a means of state intervention to protect a market that might be disturbed from without.

Within the European Economic Community we are, of course, in the process of abolishing our tariffs completely. But the Community is an economic and social union, and there are therefore enough other instruments that its organs can use to protect business if it is threatened. Nothing comparable is found in GATT. Indeed, such a level of institutionalized co-operation at the Atlantic level is - to use the words of Mr. McGeorge Bundy, Special Assistant to the American President - "constitutionally and psychologically out of range".

Nevertheless the European Economic Community, from whose wide experience the procedure of linear tariff reduction was evolved, has kept its list of exceptions short in order to ensure that the Kennedy Round will have the greatest possible measure of success. Accordingly, the general rule that duties are to be halved would apply to 70% of our dutiable imports; on 20% of our imports the duty would be reduced by a smaller amount, and only 10% would be completely excluded from tariff cuts.

The Community has thus given proof of its basically liberal attitude. This attitude is a sensible one for an economy like ours, for a quarter of our national product is based on foreign trade (in the United States the ratio is 7 : 100 ). The Community is the greatest importer in the world. In 1964 our imports from non-member countries were worth about \$26 500 million, whereas the figure for United States imports was about \$18 300 million. Our imports from the outside world increased by some 53% from 1958 to 1963, while American and British imports rose only by 34% and 28%. In 1964 our imports went up by a further 11%. We buy almost twice as much in the United States as we sell there: our imports in 1964 amounted to about \$5 400 million - 90% more than in 1958.

From these figures it is abundantly clear that the Common Market is open to world trade. The Community is vitally concerned that its exports, too, should expand still further; evidence of this is provided by the trade balance for 1964, which will probably show a deficit of almost \$3 000 million, whereas the United States is expecting a record surplus of over \$6 500 million. This is reason enough to work energetically for the success of the GATT negotiations, which give our industry a chance to show its adaptability and competitiveness.

The intra-European aspect of the Kennedy Round is important for us, and the directives given to the Commission for these negotiations contain a special clause dealing with it. It is a well-known fact that trade between the Six and the Seven has developed extraordinarily well since the EEC came into existence.

If the GATT negotiations succeed, there can be no doubt that this happy state of affairs will be maintained even when the EEC's internal tariff cuts enter their final stage.

The principle of reciprocity applies equally to industrial goods and determines our attitude to the question of disparities, which is the second theme of the talks on trade in industrial goods.

The problem of disparities arises because the effects are not the same if initial rates of duty of 60% and 20% are halved. In the one case a considerable measure of tariff protection remains, in the other almost none.

The Community's common customs tariff is like a stretch of gently undulating countryside. Only a few of its headings are above 25%. This is no mere accident but the result of a consistently liberal policy. Even in its original form the common customs tariff gave a much lower level of protection than did the national tariffs that preceded it. Adjustments resulting from the Community's agreement with its GATT partners, and our provisional unilateral reduction of 20% made in connection with the Dillon Round, have dismantled our external tariff to such an extent that it is now on the whole considerably lower than the British tariff, and also lower than the American.

The American customs tariff, on the other hand, is like a mountainous landscape, with sharp peaks and deep valleys. It includes 524 tariff headings on which the duty is between 25 and 30%, 386 between 30 and 35% and 427 over 35%.

Thus, in our view, no real reciprocity would be achieved by halving the two tariffs indiscriminately. What, then, is the solution? The best plan would be to cut the highest duties by more than half. This way is, however, closed to us by the provisions of the Trade Expansion Act. The alternative is to reduce the low rates less, once it is acknowledged that a real disparity in trade exists. It is in this direction that we are now looking for an answer.

The principle of reciprocity also predominates in discussion of the third topic relating to trade in industrial products: that of non-tariff barriers and other obstacles with an effect equivalent to that of customs duties.

The aim of the Kennedy Round is to create a freer system of world trade by inducing trading partners to open their markets equally to each other's goods. It is obvious that this cannot be done simply by cutting tariffs for, as duties are reduced, the other obstacles to trade gain in importance. Measures whose effect is equivalent to that of customs duties, such as the methods used to divide goods into groups in the tariff nomenclature or to assess the customs value of these goods (of which the American Selling Price system is one example), can influence and distort trade in the same way as non-tariff barriers such as

discrimination on grounds of nationality, state aids, dumping and cartels. If trading partners remain free to employ such means whenever they wish, they would often be able to wipe out the liberalizing effect of tariff disarmament. We therefore regard it as an important test of the liberal attitude of those taking part with us in the negotiations that, when the mutual readiness of countries to open their markets is being assessed and bargained over, these forms of trade barrier should be dealt with at the same time as customs duties themselves.

How can we come to grips with these non-tariff barriers? This opens a very wide field. All I can do here is to indicate a few of the goals to which our joint endeavour should be directed: it should be clear that free trade must always be fair trade; this rules out dumping; trade must not be hindered by import and export cartels; state aids, including tax preferences, must not take the place of the dismantled customs duties; foreigners must be permitted to tender for public contracts; no new measures must be introduced that are likely to restrict competition; and finally, unilateral retaliation against measures other than customs duties must not be adopted without prior consultation. This is roughly the way in which the dialogue between Europe and America on trade in industrial goods should develop. In view of the complexity of national policy towards industry, tariff negotiations are no longer sufficient in themselves. We must live up to the vision of far-reaching international co-operation that inspired President Kennedy when he proposed the new round of negotiations in GATT.

A comprehensive modern concept, depending on a process of mutual give and take affecting the rights and obligations of all parties, is the basis of the attitude adopted by the European Economic Community in the negotiations on agriculture, which is the other side of the Kennedy Round. This is not just an advantage, it is an essential when we come to deal with a matter like this, which is as important as it is difficult.

Some 30% of world trade is at stake - exports and imports worth about \$41 000 million. This is the large share of trade that falls to agricultural produce even in our industrial era of today. No wonder the big agricultural exporters, particularly the United States and some of the Commonwealth countries, attach great importance to satisfactory agreements on trade in agricultural produce.

Trade in agricultural produce is ailing. Its balance is disturbed and cannot be restored by commercial measures.

Everyone is familiar with the diagnosis. Thanks to modern techniques, the output of livestock and crop products in highly developed countries is rising at a rate and on a scale hitherto unknown. This would be a blessing to humanity if sales expanded accordingly. For a long time past, unfortunately, this has definitely not been happening.



The result is a chaotic situation in which hunger is rampant but the means of paying for purchases are lacking while elsewhere agricultural surpluses are mounting and markets are glutted. We must endeavour to grasp the vast scale of this problem of feeding the world and then look for an answer. Let there be an end to blind struggles to shuffle off as much as possible of our farm troubles on to the other fellow by cramming a little more of our own production into markets which are already overflowing; let us stop suppressing the symptoms and strike at the root of the trouble.

We shall find neither the source nor the solution of the problem in trade policy but in agricultural policy and development policy. It is here that we must get to work.

A development policy which consists of giving away surpluses cannot bring salvation and solve our agricultural problems. We must first discuss our agricultural policy itself. No country is keen to discuss this since all of them, whether they import or export agricultural products, have built up a comprehensive system to protect their agriculture.

The Kennedy Round is the proper place for such a discussion. There are three reasons for this: the negotiations cover the entire range of agricultural products and are attended by the main exporting and importing countries; the traditional selective principle has been abandoned in favour of the "across-the-board" principle, which means that each party to GATT has accepted commitments in respect of every single agricultural product; and lastly, the Kennedy Round is based on the principle of reciprocity, which means that each of the parties to the agreement must accept equivalent commitments for each agricultural product.

On the basis of this principle, the European Economic Community has tabled a plan in Geneva, proposing a new method the

essence of which is the "margin of support". Here it is not the name that matters: behind it lies the concept of a reference figure by which to measure the extent of agricultural protection.

We cannot of course confine our talks entirely to customs duties. In many countries customs duties play only a subsidiary role or none at all compared with government intervention on the market, production subsidies, export aids, import quota restrictions, etc. Customs duties are no longer the pillar of agricultural support common to all national systems.

There is however one other factor which is common to all national support systems, no matter how widely they differ, and that is their effect. This is measured by the difference between what the national producer receives for his subsidized product and the price at which foreign produce of the same kind and quality is offered at national frontiers. This difference is what we call the margin of support, and with it we seem to reach the heart of the agricultural problem. We have put forward, as a general rule, the proposal that the margins of support granted to each agricultural product should be bound at their present level, and that within this margin all should be free to choose their own methods of providing the support.

For the most important products for which supply and demand are not in balance these general rules should, in our opinion, be supplemented by world-wide agreements. We are thinking of wheat and other cereals, beef and veal, butter, sugar and perhaps oleaginous fruit. The purpose of commodity agreements must be not just to divide up markets, but rather to promote full co-operation between nations. Production policy must be framed in such a way as to prevent surpluses, and international trade prices must be stabilized.

Such, in broad outline, is our thinking on the agricultural portion of the Kennedy Round. It is new and bold, perhaps revolutionary. No wonder that the Community has encountered doubts and opposition in this connection, but no one has found any alternative.

With the decision on cereal prices taken on 15 December 1964 the Community has established one of the most important conditions for using this approach at the conference table.

The political and economic significance of this decision can scarcely be overestimated. I can think of only one comparable example in history: the bold decision taken in 1846 by Robert Peel, the British Prime Minister, to repeal the corn laws, thus ushering in a golden era of English agriculture.

This parallel can also be extended to the trade policy aspects of the EEC's decision. The Community has offered tangible proof of its intention not to pursue a policy of high prices in the agricultural sector, which might lead to self-sufficiency. The Community, as the world's largest importer of agricultural produce, has always been mindful of its responsibility towards non-member countries. Statistics bear this out: between 1958 and 1963 our imports of farm products rose by more than \$2 000 million, or 28%. The United States benefited more than most, increasing its agricultural exports to the Community by 50%.

Let me sum up by saying that the common agricultural policy of the European Economic Community and its approach to the agricultural portion of the Kennedy Round can be taken as a basis for international co-operation in agriculture. The starting point

for such co-operation is the realization that the lack of balance between supply and demand on world markets affects the agriculture and the economies of all countries. The purpose of co-operation is to restore and maintain this balance. The principle of co-operation is to apportion the burden in accordance with a single set of criteria based on the level of development reached by the countries concerned. The instruments of co-operation will be the decisions by which all States are to bind the margins of support they grant to agriculture and the world agreements to be reached on a number of specific products.

2. The fate of the Kennedy Round is inextricably bound up with the general conditions of economic activity, and it will depend in part on whether we succeed in mastering the common problems of economic and monetary policy. This is the second point at which our interests and those of the United States of America meet in the Atlantic setting.

We saw clearly last year what the success or failure of a State's economic and monetary policy can mean for its economic and political equilibrium. We also learned that its neighbours, indeed the whole of the free world, are affected as well.

The time has come to draw our conclusions from this. We have long since recognized that a healthy world economy based on

division of labour cannot be guaranteed by commercial policy alone. Today we need a comprehensive and coherent external economic policy. On both sides of the Atlantic we must pursue our economic and monetary policy in contact with each other if we wish to ensure full employment and smooth economic growth in conditions of free trade.

There is no lack at present of occasions on which this co-operation is put to the test. An illuminating example is offered by the problems of maintaining equilibrium in international payments balances. I am here thinking not so much of the defence of the pound, for which the Community and the United States joined together in broad emergency action, but rather of the trend of our own balance of payments in the light of relations with the United States.

The Community's trade deficit with the outside world is immense. Between 1958 and 1964 it rose twelvefold to almost \$3 000 million. The lion's share of this deficit - about five sixths in 1964 - is accounted for by the United States. By contrast, the American trade balance shows a surplus which has increased by almost \$2 000 million since 1958 until, in 1964, it reached the astounding level of \$6 500-\$7 000 million.

So far the financial equilibrium of the free world has not suffered from this. The surplus on the balance of trade has helped the United States at a difficult time to bear its immense responsibility for the defence of the free world and for the advancement of the young nations in Asia, Africa and

Latin America. It has created a certain compensation for an increasing outflow of capital.

The American surplus on trade is still being eaten up today by these heavy deficit items in the balance of payments. But the centre of gravity is changing. Europe is coming to the help of the United States with growing strength. In his 1965 defence message President Johnson was able to announce a reduction of almost \$2 000 million in defence expenditure. In his message on foreign aid he announced the lowest expenditures on military and supporting assistance since the United States began granting such assistance. At the same time, however, the stream of American exports of capital has continued to swell (the increase of \$1 700 million in 1964 raised the total figure to nearly \$6 000 million).

Europe has certainly profited from the considerable inflow of external capital and is still doing so. This capital has helped to finance reconstruction and supplements the resources of the capital market of the European Economic Community.

We see in this American interest in Europe a powerful stimulant for our own progress. Along with investments, the technical knowledge and the novel production methods which have given America its lead in productivity are coming to Europe. This obliges European competitors to use similar methods, and it promotes competition - the most important element of our free economic order - with consequent better supply. Furthermore, valuable links of co-operation and solidarity are established when European firms are associated with these investments and when agreements are made on the use of American know-how.

For this reason we welcome a certain amount of long-term American investment, provided it benefits all sectors of the economy without excessive concentration in any single branch. Such investments are the counterpart of our own capital holdings abroad. We therefore hope that our American friends will find ways and means of expanding their imports more strongly and that when discussing the deficit in their overall balance of payments they will keep their exports of capital in mind.

The Atlantic balance-of-payments problems call for new arrangements and measures to reconcile stability with the liquidity needed for economic growth and to avoid placing burdens on the monetary system of the western world. For this reason, too, we are reflecting on a European monetary union.

3. These are questions which originate in the Atlantic area even if the answers have world-wide repercussions as well. But the dialogue of continents touches on even further points, for it is concerned with the building-up and defence of the whole free world. Europe's part in this becomes all the greater as its unity advances. Today already the interests of the United States of America

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and of the European Economic Community meet in the Middle East as in the Far East, in non-black as in black Africa, and in Latin America - to say nothing of the tasks on our own doorstep, which naturally are our closest concern.

Over and above this, however, the European Economic Community has intervened energetically in the world-wide struggle for the economic and social advancement of the poorer peoples - in what is today called development policy. In so doing it has joined the United States in undertaking a work of peace which is greater and more difficult than any other which can be imagined.

Our common goal is clear; if we want to get closer to it we must also agree not only on the goal, but on how to reach it. Agreement on this point has often been lacking. At the United Nations Conference on Trade and Development the confrontation of European and American ideas as to the proper method of giving development aid revealed serious shortcomings in co-ordination and a high degree of disunity on matters of substance. The lesson has been learned, and we have together succeeded in making a promising start with the reform of GATT to the advantage of the developing countries.

We hope that henceforward this Atlantic co-operation will also prove its worth in the organs of GATT and of the World Trade Conference.

This confidence finds support in President Johnson's 1965 message on foreign aid, which states that the lesson to be drawn



from the experience of recent years is that American help must be given selectively and must be concentrated. Our development policy is in fact also based on these principles.

We will begin with selectivity. This means two things. First, we can and will only help others to help themselves. Every developing country itself bears the prime responsibility for its own economic progress. Ability to make use of the help received is the first condition for any support. Selectivity means, in the second place, consideration for the degree of progress already achieved by the country asking for help. Nothing justifies the claim of the more advanced developing countries that they should receive exactly the same treatment as those which have the greatest leeway to make up. The principle therefore is not "the same for all" but "suum cuique".

Concentration, President Johnson's second maxim, means abandoning the concept of a world-embracing egalitarian development policy. Help given indiscriminately is help wasted. On this point too we are agreed. The United States has therefore concentrated three quarters of its help on 11 countries, and the European Economic Community has begun by tackling the development of the African continent. Here, as Vice-President Humphrey recently recognized, economic, geographical and historical links point to Europe playing a leading role.

That naturally does not mean that the leading economic powers of the West have subscribed to a narrow-minded and exclusive policy. As regards the European Economic Community the trade figures alone prove this. Our imports from all developing countries

rose between 1958 and 1964 by 44% to \$9 800 million, our imports from the associated African countries on the other hand by only 28%. The increase, in conformity with our traditions, of our imports from Latin America by 50% in the same period deserves special notice.

For the future too the Community's activity in the development field is not defined on a strictly regional basis. It will constantly be extending its field of responsibility. Here too we agree with our American friends that there is probably a direct relation between the will of the European nations to bear world-wide responsibility and the progress of their political and economic unification.

### III. Tomorrow: partnership

Such is the way of history: Europe, which only yesterday was dependent on American care, is today ready to share in the dialogue between continents; tomorrow, the rights it assumes and the burdens it shoulders in the new partnership will be commensurate with the strength it has drawn from unity.

1. Atlantic co-operation is the lodestar of our collaboration with the United States of America. President Kennedy outlined the principles and aims of this policy, and the America of President Johnson has declared its faith in this concept which recognizes the change that the recovery of Europe has brought about in Atlantic relations. In a memorable speech in Philadelphia on

4 July 1962

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President Kennedy declared that in a united Europe his country saw "a partner with whom we could deal on a basis of full equality in all the great and burdensome tasks of building and defending a Community of free nations". On 25 June 1963, speaking in the Paulskirche in Frankfurt, he added: "Some say that the United States will neither hold to these purposes nor abide by its pledges - that we will revert to a narrow nationalism ... Instead we look forward to a Europe united and strong - speaking with a common voice, acting with a common will - a world power capable of meeting world problems as a full and equal partner ... in an Atlantic partnership - an entity of interdependent parts, sharing equally both burdens and decisions and linked together in the tasks of defense as well as the arts of peace."

2. European unification and Atlantic Partnership are then the pillars of United States policy towards Europe. They are equally the bases of our policy towards America.

We know the price of this partnership offered us by America: Europe will not be a valid and equal partner before it has completed its own unification. Only then will it be strong enough to take up the rights and burdens of partnership with this huge power and so, in the last resort, be able to decide its own fate.

To get Europe into good shape for this development is the raison d'être and objective of the European Economic Community.

Consequently, we Europeans have unreservedly accepted the offer made by America, which is as far-sighted as it is logical. I and others have repeatedly made this point on behalf of the Commission. Now we must get on with making a reality of our agreements. There are many fields of common interest which are lying fallow.

As everyone knows, Atlantic partnership is a long-term objective. None the less - or just because of this - we must get started today and move towards it step by step. In the commercial decisions we take during the GATT round of tariff negotiations, just as much as in our discussions on how responsibility for the defence of the free world can be better distributed, we must never lose sight of the bases of this partnership.

To achieve success we shall have, on both sides of the Atlantic, to pursue with tenacity a logical policy on the lines described by President Johnson in his State of the Union Message: "We continue to pursue our goal of twenty years - a Europe growing in strength, unity and co-operation with America. This European policy ... is based on the realities of common interest and common values, common dangers and common expectations ... Free Europeans must shape the course of Europe, and, for the same reasons, that course has been, and will be, in our interest."

We welcome this similarity of views.

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PRESS RELEASE

The European Economic Community and the United States of America

(Summary of the address by Professor Walter Hallstein, President of the Commission of the European Economic Community, before a conference on "Europe, America and World Trade", organized in Amsterdam on February 4, 1965 by the European Movement in the Netherlands)

Yesterday United States tutelage, today dialogue of continents, tomorrow Atlantic Partnership - these are the three aspects which President Hallstein brought out in an address given today in Amsterdam. "Europe owes America much. One might say it owes the United States everything that an outside State can contribute to the rebirth of a political entity", said President Hallstein. Looking at the history of post-war relations between Europe and America, he stressed the tremendous economic and military efforts which had made possible the reconstruction of Europe. No European would ever forget the courage, the wisdom and the generosity on which they rested. Behind the shield of NATO, a shield erected by America, the reconstruction of free Europe moved ahead. Far from regarding the unification of Europe as a threat to America's supremacy, the United States had consciously and consistently furthered the construction of an equal European power with which it could one day co-operate on a basis of partnership.

Dialogue between continents

Discussion was the method used today to reconcile the economic interests of Europe and America. At Atlantic level the outstanding point of contact between the two continents this year was the Kennedy Round. There could be no disagreement about the basis of these negotiations and their ultimate aims even though a variety of difficulties impeded their course from time to time. The European

Economic Community was taking part in the negotiations with the firm intention of ensuring their success. This was a hard task demanding great efforts of us all. We would only achieve the desired result if conflicting interests could be reconciled by a process of mutual give and take between all concerned. The keystone of the negotiations had therefore to be the principle of full reciprocity of concessions. This ruled out any measure that would give advantages to a single country at the expense of others, except in the special case of the developing countries.

The President then discussed the two aspects of the Kennedy Round, trade in industrial goods and agriculture. The talks on trade in industrial goods covered the general principle of tariff disarmament, the question of disparities and non-tariff barriers and other obstacles with an effect equivalent to that of customs duties. The President explained that the Community's working hypothesis was a linear reduction of duties by 50%. This was in our own European interest, and for this reason we had submitted only a short list of exceptions. But, said President Hallstein, "in our view no real reciprocity would be achieved by halving the two tariffs indiscriminately". Since the Trade Expansion Act did not allow of a more than 50% reduction in the case of some headings in the United States tariff, the only solution was to reduce the low rates less once it was acknowledged that a real disparity in trade existed. It was in this direction that we were now looking for an answer.

The principle of reciprocity also predominated in discussion of the dismantlement of non-tariff barriers and other obstacles with an effect equivalent to that of customs duties. We regarded it as an important test of the liberal attitude of all those taking part in the negotiations that when the mutual readiness of countries to open their markets was being assessed and bargained over, these forms of trade barrier should be dealt with at the same time as customs duties themselves. In view of the complexity of national policy towards industry, tariff negotiations were no longer sufficient in themselves.

The reciprocity of rights and obligations of all partners was also the basis of the attitude adopted by the Community in the negotiations on agriculture, the other aspect of the Kennedy Round. This was not just an advantage; it was a necessity. Trade in agricultural produce was ailing. Its balance was disturbed and could not be restored by commercial measures. The methods used today meant that no State any longer had confidence in the free play of supply and demand where agricultural products were concerned. The problem was to master the chaotic situation in which hunger and scarcity were rampant, while on the other hand agricultural surpluses were mounting and markets were glutted. We must endeavour to grasp the vast scale of this problem of feeding the world and then look for an answer. We shall not find the source of the problem in trade

policy but in agricultural policy and development policy. The solution would have to be found in agricultural policy.

In this connection President Hallstein again mentioned the possibility of discussing agricultural matters in the Kennedy Round with some chance of success, since the negotiations covered the entire range of agricultural products and were attended by the main exporting and importing countries.

The Community had proposed a new method, the essence of which was the "margin of support", a reference figure by which to measure the extent of agricultural protection. Margins of support should be bound at their present level. This thinking on the agricultural portion of the Kennedy Round was new and bold, perhaps revolutionary. No wonder that the Community had encountered doubts and opposition in this connection; but no one had found any alternative. With the decision on cereal prices taken on December 15, 1964, EEC had established one of the most important conditions for using this approach at the conference table. The common agricultural policy of the European Economic Community and its approach to the agricultural portion of the Kennedy Round could be taken as a basis for international co-operation in agriculture.

President Hallstein pointed to the common problems of economic and monetary policy as the second point at which our interests and those of the United States met in the Atlantic setting. "We must pursue economic and monetary policy in contact with each other on both sides of the Atlantic if we wish lastingly to ensure full employment and smooth economic growth in conditions of free trade". The President went into the problems raised on both sides of the Atlantic by the balance of payments, and said that these called for new arrangements and measures to reconcile stability with the liquidity needed for economic growth and to avoid placing burdens on the monetary system of the Western world.

The dialogue of continents covered questions going beyond those which originated in the Atlantic area. It was concerned with the building up and defence of the whole free world. Europe's part in this became all the greater as its unity advanced. The interests of America and of the Community were already meeting in all parts of the world. The EEC had intervened energetically in the world-wide struggle for the economic and social advancement of the poorer peoples - in what was today called development policy. In so doing it had joined the United States in undertaking a work of peace which was greater and more difficult than any other which could be imagined.

Our common goal was clear; if we wanted to get closer to it we must agree not only on the goal but on how to reach it, but agreement on this point had often been lacking. We hoped that in future Atlantic co-operation would also prove its worth in the

organs of GATT and of the World Trade Conference. We were at one with President Johnson when he said that development help must be given selectively and must be concentrated. The principle therefore was not "the same for all" but "suum cuique". Concentration in development policy meant abandoning the concept of a world-embracing, egalitarian policy. Help given indiscriminately was help wasted.

The Community's future activity in the development field was not defined on a strictly regional basis. It would constantly be extending its field of responsibility.

In the third part of his speech in Amsterdam President Hallstein pointed to the way history was developing: Europe, which only yesterday was dependent on American care, was today ready to share in the dialogue between continents: tomorrow, the rights it assumed and the burdens it shouldered in the Atlantic partnership would be commensurate with the strength it had drawn from unity. Atlantic co-operation was the lodestar of our collaboration with the United States of America. President Kennedy had outlined the principles and aims of this policy and President Johnson too had declared his faith in it. European unity and Atlantic partnership were therefore the pillars of United States policy towards Europe. They were also the foundations of our policy towards America. Europe could not be a valid and equal partner before it had completed its own unification. Only then would it be strong enough to take up the rights and burdens of partnership with this huge power and so, in the last resort, be able to decide its own fate. The United States of America offered us partnership. To get Europe into good shape for this development was the raison d'être and objective of the European Economic Community also. Consequently we Europeans had unreservedly accepted the offer by America, which was as far-sighted as it was logical. "I and others have repeatedly made this point on behalf of the Commission of the European Economic Community. We must now get on with making a reality of our agreements."

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