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Speech by Sir Christopher Soames
Vice-President of the Commission of the European
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We are engaged, now, on a great adventure: the creation of new policies, in the face of new historic challenges, for a new political animal: a European Community enlarged by three new members, and which, as a result of that enlargement, has transformed not only its own nature but also its relations with the rest of the world.

In the past, it has largely been what was going on in Europe that determined the Community's actions, the shape of its institutions, indeed its character and essence. In the future, I believe, a united Europe will increasingly have to meet the demands not only of our internal problems, but even more - indeed above all - the demands that are made on us by world problems. And it is on our response to these challenges, on our contribution to these world tasks, that we shall be judged.

Only yesterday, in fact, the Commission adopted two crucial documents: one on our overall view of the forthcoming world trade negotiations, the other on our future relations with certain overseas developing countries with whom Member States have special relations. Both papers will have gone to our Member Governments before the week is out. Together they represent and highlight a large part of the reappraisal of our external relations on which the Commission has been engaged, and to which the Council of Ministers will now be turning its attention.

I would like to say a few words this evening about both these papers.- First a word about our special links with certain developing countries. I know they have formed the target of some criticisms in the United States - not because they are of any major economic significance,

no one would pretend that, but on doctrinal grounds.'

And I must confess that if we started the world today from scratch, there might be little reason for us to go out of our way to do more for one developing country than another, except on economic criteria. But we don't start from scratch. In building the future, we have to take account of the realities of the present and the past. Several of the original member states had their historic connections in Africa, in the Mediterranean, and elsewhere. Other African countries, and a number of small islands dotted about the oceans, have been relying heavily on Britain through their Commonwealth connection. We could not, in coming together to increase our own prosperity, to make a more effective contribution to the future of the world, we could not, in coming together have started by sacrificing the vital interests of these developing countries'. Their acquired links, their heavy economic dependence on us, the legal commitments we had made to them could not be ignored or broken.

That is why the Community originally committed itself to its existing associates; and that is why, in the Treaty of Accession, all the Member States of the enlarged Community pledged themselves also to offer certain independent Commonwealth countries special arrangements suited to their development needs. The negotiations with these countries are to start this August and let me tell you something of the main features as I see them of the Commission's approach to this.

First of all, and this is basic to the whole concept, we believe that, given our limited resources, we will have to continue to do

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proportionately more for these countries than we are able to do for the rest of the developing world. On aid, for instance, of course our individual Member States have bilateral programmes all over the world, and also make their contribution to multilateral programmes on a world scale. In our aid programmes we have not, over the past few years, fallen behind what other countries are doing. Indeed the 1% of our gross national product going to finance development all over the world has compared very favourably with most other peoples'. So we do not really believe that, compared with other countries, our Member States are neglecting those developing countries with whom we have no special links. But over and above that general world-wide aid given by our Member States, we are pledged, as a Community, to give special aid to our Associates, That is a pledge we shall honour.

On trade the Community has, for nearly two years now, been operating a Generalised Preference Scheme for the benefit of all developing countries world-wide, whether associated or not. We very much hope that the United States will, in its turn, not wait much longer before implementing a generalised preference scheme of its own. We would ourselves like to improve our system and to make it more generous in the future by including more products, by raising import ceilings, and in other ways. But we will have to look to other industrialised countries to make a similar effort. The Commission regards this as an essential part of its overall approach to the forthcoming trade negotiations.

Nonetheless we still also see it as our duty to ensure that the Associated States who number among them some of the least developed countries in the world should be given additional advantages on our

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markets. They are dependent for the bulk of their exports on a very few products which historically they have always sold on our markets. They must continue to be able to do so. Otherwise we run the serious risk of creating economic followed by political vacuums with all the dangers that would involve for the Western world as a whole. We are dealing on the one hand with the continent of Africa, the political importance of which I need hardly stress to you tonight. And we are dealing on the other hand with a host of small islands dotted over the oceans, whose economies are weak, whose populations are small, but whose political importance in global terms we must not underestimate. Because of our history we carry a special burden and responsibility here. Only we can shoulder it -- who else could or would take it on? We are not complaining about it -- but I fail to see why others should.

That being said I must also make it clear that the Community does not seek to extend its policy of association and preferential trade agreements beyond the limits which history and close geographical links have made necessary. In fact I say quite categorically that the Commission, having considered this question, has no intention of proposing any additional agreements of a preferential kind with countries which lie outside Africa, the Mediterranean basin and the list of other developing countries referred to specifically in the Treaty of Accession. The list of these countries may look long, but let us look at it in perspective. All these developing countries between them represent a mere ninth of the gross national product of the developing world as a whole, and a minute proportion of world wealth and trade.

My next point is that we do not propose to ask for any reverse preferences from anyone. The Commission has made it abundantly clear in the paper which it adopted yesterday that it believes we should not seek any preference for our goods on any markets as against American goods, or Japanese goods, or those of any other trading country. The Community will not make the benefits of technical and financial cooperation, nor of tariff preferences, dependent in any way on the existence of reciprocal trade preferences in its favour. Any Mediterranean country, any present Associate, any new country that joins the next Convention of Association will be free to use its own tariff sovereignty.

The Commission's proposal is based on a free trade area. Not because of what we want, but to conform with GATT rules, our Associates will have gradually to abolish their customs tariffs on our goods. But they would be free to offer the same treatment to others in return for what they will. Equally, nothing would prevent them from levying non-discriminatory fiscal duties on all imports, including those from the Community, and from protecting their new industries against imports from all sources. For we fully recognise the needs both of their budgets and of their own economic development.

Then there is the problem of the extreme degree of dependence of many of these countries on a single commodity. In Protocol 22 of the Accession Treaty, the Community declared "its firm purpose" to safeguard the interests of "all the countries referred to in this Protocol whose economics depend to a considerable extent on the export of primary products and particularly of sugar". That is a pledge which we take very

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seriously indeed. We must find means of stabilising their export receipts and also safeguarding their levels of employment. That will not be easy; it may also not be cheap. Moreover we must be careful to avoid freezing the economic structure of these developing countries in the production of commodities that have an indifferent future on world markets, and at the same time also encourage the conclusion (or the further development) of suitable arrangements on a world scale.

That is how the Commission sees the future relationship with these countries. Now we want as many of them as possible to come to the negotiating table. We pose no preconditions. We want them to come and talk to us, to explain their concerns, and to help us to find together the most appropriate solutions for their problems.

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Let me now turn to our relations with our industrialised partners, notably with the United States, the greatest economic colossus in the world, and Japan, the most dynamic and successful of the major trading nations. I bracket them together very consciously and by design.

With the United States, many of our European countries have ancient links. They are links of kinship and history, links of shared battles and common fortune, similarities in culture and in social systems. Today we have major areas of convergence in our foreign policy objectives, we have new links through multi-national companies, and we are linked, too, by the efforts which the United States is making, along with ourselves, in our common alliance for our common security. It is with this total context of many intertwining ties in mind that we should seek together in the negotiations to come to do all we can to resolve sources of friction between us and to cement our various cooperative endeavours. I have no doubt that these negotiations will be tough. Domestic pressures on both sides of the Atlantic will be exerted that could wreck what, between us, we hope to do. But given patience, cool tempers and creative intelligence, we should succeed.

With Japan there is no such historic link of kinship or sentiment; the physical distance that divides us is matched only by the difference between ourselves and their ancient traditional culture. But many of the challenges faced by our Western societies are being faced now, sometimes in even acuter form, by the Japanese. In the level of their

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industrialisation and technology, in the thrust of their exports, in their contribution to the development of Asia, the Japanese have secured their position alongside the rest of the industrialised world. Japan, an island off the great shore of Asia, could feel as isolated without America and Europe as we in Europe would feel isolated without our partnership with the United States. An uncertain, anchorless Japan, a Japan that is - or feels - excluded and cold-shouldered by the West would bode no good to the stability of our modern world. And it may be healthy that the bilateral European-American relationship should be re-inforced by a subtler triangular one: in which Japan is brought on the same basis into our consultations on trade, on money, on the crucial and pressing issues of the world's future supplies of energy, on research, on international investment, on development aid and on whatever else is of their concern as much as ours.

This will all be highlighted in the great trade negotiation which will we hope open this autumn, designed to carry the world along the road of trade liberalisation on a reciprocal basis. I will not go tonight into the details of the paper the Commission has sent today to the Council on this subject. I would simply sum up our proposals as follows: a significant further reduction in industrial tariffs, a serious negotiation on agriculture, a package of measures as large as possible to reduce non-tariff barriers, a careful look at safeguard procedures, and a constructive effort to improve the position of the developing countries in the world

in the world trading system.

We consider these negotiations to be of the highest importance for if we do not go forward together we are all too liable to slip back.

You may have seen reports of a recent study published by the Brookings Institution which set out to calculate the cost to the American consumer of the present level of United States protection. It put the cost at between three and five billion dollars a year. Whatever the precise figures, the cost very clearly is enormous. There must be a similar cost to us Europeans, and of course also to the Japanese and to other countries' consumers, in terms of higher prices paid for domestically produced goods, of loss of quality competition, and loss of choice. In the face of protectionist pressures from vested interests on the producer side, it is our responsibility never to forget the perhaps less vocal but at least equally important consumer interests of the broad mass of our peoples.

Just one last word on monetary questions. We have recently been living through the most profound disturbance in the world's monetary system since the war. But that does not in any way diminish the need to liberalise world trade. On the other hand the large-scale international benefits which we hope will flow from these negotiations would be seriously jeopardised if ways are not found to shield the world economy from monetary shocks and imbalances such as have occurred in the last few
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When I recall how successfully the American Administration, under President Nixon's very personal leadership, have over the past two years worked to unfreeze the hostile atmosphere between the United States and and its rival great power blocs, how profoundly the President's initiatives have already transformed the world scene - then I find confidence that in the year which he has been pleased to call The Year of Europe his Administration will do all that lies in its considerable power to reach agreement on the much lesser problems that have arisen between the United States and their long-established friends and allies in Europe. We in Europe must work with equal dedication towards the same goal.

That is, I trust, the spirit in which our enlarged Community will now go forward with its partners into a worthwhile, constructive and exciting future.