

23rd World Congress of International Advertising Associations, Dublin
6th-8th June 1973

"The European Community and its future influence in the world" -
An Address on Thursday, 7th June by Mr. Sean G. Ronan, Director-General
for Press and Information, Commission of the European Communities

Introduction

On behalf of the Commission of the European Communities, I should like to express appreciation to the organisers and members of the 23rd World Congress of Advertising Associations for the invitation to address you today on the subject of "The European Community and its future influence in the world". The fact that you have considered this subject relevant to the theme of the Congress which is "The Changing Spheres of World Influence", is in itself an indication of the global impact which the Community has made. Unfortunately because of other commitments including attendance at the European Parliament, it was not possible for Dr. P.J. Hillery, Vice-President of the Commission in charge of Social Policy, to address you today and I should like to convey his sincere apologies. What I propose to do is to look backwards for a while to explain what the Community is, what it has achieved, how it is developing and then to look forward at the Community's relations with other parts of the world and endeavour to assess future trends. I shall naturally stress aspects of the Community's work which I feel might be of particular interest to this World Congress.

The Dimensions of the EC

The emergence of the European Community, which since 1st January 1973 includes Britain, Denmark and Ireland in addition to the Six founder members, as one of the world's largest economic units, has been one of the most significant developments of the post-war period. For both member and non-member States, it has changed the context and the pattern of their trading and economic relations. The Community represents a unified market of over 250 million people accounting for about one-fifth of world trade, apart from the trade among the Nine member States themselves which represents another one-fifth of world trade. In less than 25 years the Community has helped to transform a large part of Western Europe from a group of war-ravaged and traditionally hostile nations into one of the world's most prosperous, most stable and most democratic regions. The Community has helped to promote greater welfare by removing barriers to trade in industrial and agricultural products and by aiming gradually to integrate the economic, monetary, industrial, agricultural, social, scientific and other policies of the member States. It has made an impact on everyone who lives in it by providing consumers with a wide range of products at more competitive prices from

all the member states, by providing a vast consumer market for manufacturers and producers and by obliging governments and statesmen to concert their policies on a growing range of subjects in a spirit of cooperation and agreement.

How the EC came about

This new and imaginative European enterprise grew out of the awareness of the need for European unity felt by many Europeans after the devastation and loss of human life caused by World War II. Mr. Winston Churchill crystallised the ideas which began to take shape in Western Europe after the war when in a speech in Zurich in 1946 he called for reconciliation within "a kind of United States of Europe". In the beginning the European Movement aimed at transferring Western Europe rapidly into a single federal state. Many, especially in Britain, held aloof from the idea. The big change was brought about by M. Jean Monnet who advocated a functional approach to European unity beginning with working institutions for practical economic matters. Thus was born in 1951 the "Schuman Plan" for a European Coal and Steel Community. It was thought that economic integration in this and other fields would achieve conciliation in Europe, eliminate the possibilities of future wars and attract the pragmatic British too in time.

The plan for a European Defence Community failed but the Federal Republic of Germany was brought into the western defence system in another way - through membership of NATO.

The Messina Conference of 1955 of the Foreign Ministers of France, the Federal Republic of Germany, Italy and the Benelux Countries led to decisive integration moves for a general economic union and the joint development of the peaceful uses of atomic energy. The Treaties establishing the European Economic Community and Euratom were signed in Rome in 1957 and ratified before the end of the year. The six parties to the Treaties decided to apply to the whole of their economies the principles which had been proved in the Coal and Steel Community. They agreed to the gradual merging of their six separate markets into a single area of common economic policy with the same characteristics as an individual national market in which men, goods and capital would be able to move freely.

The Rome Treaty

The essential feature of the new Community was the establishment of a customs union with a common external tariff. But it was not limited to that. The Rome Treaty called for the elimination of other obstacles to

trade to establish the Common Market. These included a common commercial policy towards third countries; freedom of movement for persons, services and capital; common agricultural and transport policies; procedures to coordinate the economic policies of Member States and stabilise their balance of payments; the harmonisation of economic laws in Member States; the creation of a European Social Fund to improve job opportunities and help raise workers' living standards, and of a European Investment Bank and the association with overseas countries to increase trade and development.

The basic requirements of the customs union were completed ahead of time in 1968. Free movement of workers was also achieved but other non-tariff barriers still remain and are being slowly eliminated. After much hard bargaining, the Six reached an agreement by 1966 on the basic principles of a common agricultural policy, which included free trade in all major farm products, price supports and refunds on external exports, levies on imports of external farm products to maintain price levels and modernisation grants. In 1967 the Coal and Steel and the Euratom Communities were merged with the EEC to share a single set of institutions with one executive authority, the European Commission. This made it possible to coordinate policies for some sectors divided between two or more of the former executives, e.g. energy. The year 1969 is generally regarded as a watershed in Community affairs with the convening of the Summit Conference of Heads of State or Governments at The Hague, which broke the deadlock over the entry of Britain and the other applicant countries and registered the first declaration of intent of the Six for full economic and monetary union.

The EC is more than a customs union

Economic integration through the European Community Treaties is more a means than an end. Their common aim is to promote conciliation between the Member States and to use the words of the Preamble to the Rome Treaty, "an ever closer union of the peoples of Europe". The Community then is more than just a common market or customs union. It is pressing ahead as a group of countries with a determined political will to work together in numerous fields of common interest and to tackle a whole variety of common economic - and increasingly technical and scientific - problems, which countries acting alone are increasingly unable to meet. The objective is full economic and monetary union by end-1980 and, we hope, ultimately a full European union.

The Community is therefore a living and developing organism. It has

already progressed well beyond the terms of the original Treaties. Industrial reorganisation, agricultural reform, common policies on science and technology, regional and social affairs and environmental protection are examples of Community action not specifically provided for by the Treaties. The Community assumes new commitments once a consensus has been reached about the desirability of doing so.

The Institutions

Neither is the EC a conventional international or intergovernmental organisation. It is a sui generis new type of structure binding nations together. It is equipped with independent institutions - the European Commission, the Council of Ministers, the European Parliament and the Court of Justice. The Commission of 13 members is independent of the governments. It is the policy proposing and implementing body once the Council has decided on the policies. It is also the mediator and watchdog to ensure that Community Treaties and Laws are applied. The Council on which each member government is represented takes the major policy decisions. The Parliament with 198 seats filled by members of the national parliaments is a consultative body to ensure democratic control and with powers to remove the Commission on a motion of censure. The Court of 9 judges has jurisdiction over Community law. Individuals, companies, the Community institutions and member governments may appeal to it. The continuous interplay and dialogue between the institutions is a key to Community development and produces a balance between the national and the common interest. The institutions are not functioning exactly as forscen but more in an evolutionary way, and the role of the Parliament is gradually being strengthened to improve the democratic gap. More consultation and the improvement of its budgetary powers are envisaged. From 1975 when the Community will have a system of financing from "own resources", the Parliament will have the final say on certain parts of the budget but not on the cost of many of the policies. However, this whole question is under active consideration by the Commission at present. The question of direct elections of members of the Parliament has been postponed for the time being.

The Balance Sheet

Contrary to what is often thought, the EC is not a highly protected area. Internal trade has risen more than sixfold between 1958 and 1972. The average of the Common External Tariff (CET) is slightly over 6%.

There are few quota restrictions, few tariffs exceeding 10% and none exceeding 30%. American tariff protection is somewhat higher on average but some items are quite heavily protected. Japanese tariffs are much higher. During a five-year transitional period the new Members are obliged to reduce their tariffs gradually in the direction of trade liberalisation. There is tariff-free access for the industrial and semi-finished industrial products of over 90 developing countries and a new willingness on the part of the EC to go even further. The EC acting as a unit contributed greatly to the success of the Kennedy Round of tariff negotiations of 1964 to 1967. The multilateral trade Liberalisation Conference due to take place in the framework of GATT at the end of the year should take a major step in further liberalisation of world trade - if it takes place which is not as yet quite certain.

On agricultural trade, the EC has been less liberal but here it is faced with a social problem to ensure that farmers have a fair standard of living, stable markets and improved methods. Reforms in the agricultural policy are envisaged but the basic principles of the policy will be maintained. An essential point to bear in mind is that the Community is not noticeably more protectionist than, say, the United States, although its structure - small average size of farms and 13% of the total work force in farming - is infinitely less favourable.

The free movement of labour is fully in force on a non-discriminatory basis. There is gradual introduction of free movement for professional people and of the right of businesses to establish themselves and supply services anywhere in the Community. Restrictions on transfers of investment capital are also being removed.

On freedom of trade, many non-tariff barriers still exist and also differences in fiscal, excise and sales taxes, differing legislation on standards of design of industrial products and differences in health legislation covering perishable goods and animals. A start has been made in eliminating such NTBs.

Tariff elimination alone does not guarantee that the consumer will reap all the benefits of the Common Market. Hence the Commission operates a tough competition or anti-trust policy designed to prevent both the private and the public sectors from indulging in practices which restrict or eliminate consumer choice for a given product. The achievements of the

Common Market must not be partially undone by restrictive and other practices.

What has been the impact of the EC on the world? So far it is measurable largely in trade terms. It is the world's largest trade partner and its trade with the rest of the world has been expanding fast. Imports into the Six have more than trebled from \$ 16 billion to \$ 52.5 billion between 1958 and 1972. Some at least of this increase must be attributable to the increased prosperity stimulated by the Community. It does seem that the economic theoreticians who hold that customs unions lead to the generation of trade not only internally but also with the outside world have been vindicated by the Community's experience. At least as important has been the value for the EC's trade partners of having one spokesman with whom to negotiate instead of six or nine. It is beyond question that in speaking with one voice the Community helped to assure the success of the Kennedy Round negotiations of 1964-67. This will be true of the Community of the Nine in the new trade liberalisation round. Another aspect of the Community's impact on the world has been its insistence that the rich industrialised countries should open their markets to the industrial exports of the developing countries. The Community took the lead in introducing generalised preferences in favour of the developing countries in 1971 and since then most of its partners, though not the United States, have followed suit.

The achievements of the Community at the time of enlargement might be said to have been mainly in the direction of "negative" integration, i.e. removing barriers and influences distorting the conditions of free trade. As for common economic and other policies which might be termed "positive" integration, the EC has made a tentative start. Therefore the new Member States are entering essentially "on the ground floor", i.e. the major options are still to be taken. As Vice-President Soames of the Commission has said, "the enlargement has come late, but not too late; it has come in time to be a turning point in world affairs".

II

The Paris Summit

The Summit Conference of the Heads of State or Government of the Nine held in Paris in October 1972 set the goals for the Community for the coming years. It dealt with all the areas ripe for Community action and

set a series of deadlines for Commission proposals and for decisions in the Council of Ministers.

The Member States reaffirmed their basic aims and their determination to complete economic and monetary union not later than end-1980; to end disparities between regions and in living conditions which should result in an improvement in the quality of life as well as in living standards; to increase its effort in aid and technical assistance to the least favoured peoples; to encourage the development of international trade and pursue their policy of détente and peace with the countries of Eastern Europe and the establishment on a sound basis of a wider economic and human cooperation; to establish its position in world affairs as a distinct entity determined to promote a better international equilibrium, respecting the principles of the United Nations Charter, and finally they affirmed their intention to transform, before the end of the present decade, the whole complex of their relations into a European union. The Conference declaration developed in considerable detail the means and targets for the attainment of these objectives, economic and monetary union and the associated sectors being one of the main themes and the others being the Community's external relations and the strengthening of its institutions. The target list for 1973 was impressive. By the end of the year the Community must be ready to move to the second stage of EMU. From 1974 onwards, the Community will be moving towards the orbit of the next summit that will give the necessary impetus for the final run-up to 1980. To-date the Community has met or is taking the necessary actions to meet the various deadlines set by the Paris Summit. Guidelines and action programmes have been elaborated or are taking shape particularly in the fields of regional, social, industrial, scientific, technological, environmental and energy policies.

Industrial Policy

Of particular relevance to the advertising world is the Community's industrial policy, the overall guidelines of which were set out in the Commission's memorandum to the Council in March 1970. The Summit emphasised the need to establish a single industrial base for the Community as a whole. This involves the elimination of technical barriers to trade and overcoming fiscal and legal obstacles to transnational cooperation and mergers between Community companies. The Summit also called for the speedy adoption of a European company statute, the effective opening up of public sector purchases, the promotion on a European scale of competitive firms in the field of high technology, as well as the transformation and conversion of declining industries under acceptable social conditions. Measures to promote fusions between

Community firms should first of all be in line with Community economic and social aims and, secondly, not run counter to its principles of fair and free competition. The programme of action and time-tables in this field are to be decided before 1st January 1974.

Information

Practically all the speakers at the Summit Meeting stressed the need to give the Community a new "brand image" and to devote more attention to informing citizens about the European aspects of everyday problems. The Community's information policy and programme take into account that every citizen of the Community is entitled to objective but comprehensible information about its aims and activities. Moreover, the Community considers that its information policy should be one of the instruments for leading citizens to think along European lines. The Community also takes into account the different interests and information needs of both the member and non-member States. In particular the new Commission appointed on 1st January last wishes to emphasise the human side of the Community's activities for example in such fields as regional, social, environmental, aid and development, educational, etc. policies. It seeks ways of opening up dialogues with public opinion on the processes of European unification and is particularly interested in associating universities and the younger generation in the task of the new construction of Europe. The Community feels that it must endeavour to meet the aspirations of the young people and secure their participation and that of the general public in the achievement of its objectives. This, of course, is in addition to the work of liaison and dialogue with political, agricultural, industrial, trade union, scientific and many other sectors of opinion concerned with the more specialised areas of the Community's activities. The Commission needs the support of public opinion to accept the new European dimensions, to be constructive, to criticise their governments when they drag their feet; and to develop and use European level committees and groups, the Economic and Social Committee and the European Parliament to make an impact on the decision makers.

External Relations

As the Community has prospered and developed into the world's largest trading unit, many countries have established trade and other links with it. The Community in turn has sought to maintain good relations with its neighbours, to remain faithful to its traditional friendships, to pursue a policy of détente with Eastern Europe and to increase its aid to the developing countries. Over 90 countries have diplomatic representatives accredited to the Community. So far other countries have been able to

contemplate four main kinds of link with the Community

- full membership open to European States;
- association of European countries usually regarded as a step to eventual membership;
- association of developing countries overseas;
- trade and other agreements.

The Community acts as a unit in negotiating with countries that seek membership, association or a bilateral trade agreement. On the other hand, policy on aid and technical assistance partly remains the concern of the Member States.

Europe

One of the Community's outstanding achievements has been the negotiation of membership by Britain, Ireland and Denmark. Under the Treaty of Accession the new members in principle apply the original Community Treaties and subsequent Community Acts from 1st January 1973 but have in general been allowed a five-year transitional period to introduce some of the more important Community policies.

In addition to the enlargement negotiations, the Community has also concluded appropriate arrangements with the seven other States which are members of the European Free Trade Association (EFTA) unable or unwilling to join the Community as full members. When Britain, Denmark and Norway applied to join, it was generally agreed that it would be morally wrong and politically undesirable to allow new tariff barriers to be erected between them and their old partners. The solution adopted was to conclude industrial free trade arrangements between the Nine and Austria, Finland, Iceland, Portugal, Sweden, Switzerland, and following the referendum rejection of full membership, Norway. With few exceptions these countries and the Community will be reducing their tariffs vis-a-vis each other at the same pace as the Six and the three new members, with full free trade at the end of 1977. So, not merely is it a question of free trade between the Nine with its combined population of 250 millions, but also with seven other countries with a population of over 40 millions. Not only that but the Community also has association agreements and progressively freer trade with Greece and Turkey. In both cases the agreements are designed to pave the way to these countries joining the Community as full members. Preferential association agreements have also been concluded with Cyprus and Malta. Lastly, as regards Spain, trade is being progressively free between it and the Community under a preferential trading agreement which runs to 1976, after which the relationship could become closer if the political conditions were right. So here we have the makings of a single trading system

covering all the countries of Western Europe, with the Community as a sort of kernel, and appropriate arrangements with each of the "outside" countries.

Mediterranean

The Rome Treaty obliged the Community to take over the special economic links that existed between some of its member States and those of the Mediterranean area. Apart from the association agreements with some of them already referred to, the Community has negotiated preferential agreements with Egypt, Israel, Lebanon, Morocco and Tunisia and is negotiating with Algeria. It is also adapting these agreements to the changed conditions caused by the Community's enlargement. The Commission has proposed that the Nine negotiate the creation of a free trade zone with these countries that would be compatible with the rules of GATT. It is also attempting to establish a more coherent overall policy towards the Mediterranean in the interests of contributing to stability and development in the area.

Socialist States

Unfortunately, relations with the state-trading countries in Eastern Europe have not been so satisfactory, apart from Yugoslavia with which the Community has concluded a preferential trade agreement, and unlike more than 90 countries in the world, none of them recognise the Community, have diplomatic relations or do business with it as such. There are grounds for believing that this situation may change slowly. China, for instance, has changed her attitude and direct EC-China links may not be all that far away.

At all events, the Community intends from this year to apply its common commercial policy to the state-trading countries and all further trade agreements with them should be negotiated by the Community as such. We do not yet know how in practice things will work out, nor have the limits of the Community's responsibilities regarding other sorts of cooperation which are frequently bound up with trade agreements yet been defined. If, however, there is no political deterioration in East-West relations, then a "normalisation" of the relations with the Socialist States might be expected in due course.

Developing Countries

A sizable part of the action programme set by the Summit was devoted to the Community's role in regard to the developing world. Here the Community has both specific and general responsibilities. Specific in relation to 18 associates in Africa which were former French or Belgian colonies. Under the Yaoundé Conventions the Community extends tariff-free access to its market and channels to them development aid from the European Development

Fund. Similar but rather looser arrangements have been extended to Kenya, Tanzania and Uganda under the Arusha Convention. In September the Commission is due to start negotiations with these countries as well as with up to 20 countries of the British Commonwealth in Africa, the Pacific and the West Indies for a renewed association to come into operation early in 1975. It is not yet known how many Commonwealth countries will join in the negotiations - some may opt for looser arrangements or a trade agreement - but it is in any event likely that the Community's responsibilities will be greatly extended.

These associations come in for some criticism but it is usually ill-founded. It is not neo-colonialism; the associations are administered by joint institutions and supervised by a joint parliamentary assembly. The associates may offer reverse preferences in favour of the Community's exports to underline the aspect of equal partnership but the Community does not ask for them. Why should these countries be given a privileged status among the developing countries? The answer is because historical ties and responsibilities exist for which provision was made in the Rome Treaty. Moreover, 13 of the present associates are rated amongst the poorest in the world and particularly qualify for a vigorous aid programme.

The Community and the 22 Latin American States have set up machinery for a "permanent dialogue" as a means of strengthening political and economic relations between the two groups. Regular official contacts take place between the Community and the Latin American Co-ordinating Committee. The Community has trade agreements or is currently engaged in trade talks with Argentina, Uruguay, Brazil and the Andean Pact countries.

The Community has negotiated tariff cuts for specific products from India, Ceylon, Pakistan and has a special trade agreement with Iran. It has made similar arrangements in favour of the South East Asian nations - Indonesia, Malaysia, the Philippines, Singapore and Thailand - and is also establishing a "permanent dialogue" with them.

As for the developing countries as a whole, a major instrument of the Community's aid policy has been the world-wide system of generalised tariff preferences which it was the first industrialised entity to introduce for over 90 developing countries in 1971. This imaginative initiative in development-aid policy has further opened up markets in Community countries for the manufactured or semi-finished products of the developing countries. The Community has since extended the number of beneficiary countries and the list of products to which this trade liberalisation applies. The Community

is also active in extending food aid to developing countries, especially when they are hit by natural disasters. The Commission is pressing for a widening of the Community's role in this whole field for instance through helping to coordinate the bilateral aid programmes of the member countries. All in all it can be fairly confidently predicted that the Community's responsibilities for helping the developing countries will increase and that development aid and technical assistance will come more and more to the front as a Community activity.

Industrialised Countries

In its relations with industrialised countries the Paris Summit affirmed that the Community is determined, in order to ensure the harmonious development of world trade, to contribute, while respecting what has been achieved by the Community, to a progressive liberalisation of international trade by measures based on reciprocity and relating to both tariff and non-tariff barriers. The Summit also expressed the Community's determination "to maintain a constructive dialogue with the United States, Japan, Canada and its other industrialised trading partners in a forthcoming spirit and using the most appropriate methods". This formula falls short of the type of institutionalised permanent dialogue, particularly between the Community and the United States, that some would have preferred.

The Summit set a deadline of 1st July 1973 for finalising a Community negotiating position in advance of the world trade negotiations in the framework of GATT due to begin later this year. The Community hopes that an effort on the part of all the partners will allow these negotiations to be completed in 1975.

A special word must be said about the Community's trade problems with the United States. I need not remind you of the immense encouragement and support given by the United States to the objectives of European economic and political integration from the start, and Europeans are always grateful for it. The US always understood that some commercial price might have to be paid for the formation of the Common Market of which they were not members. But now that the Community exists and is exercising its trade responsibilities, it is not surprising that there should be points of conflict. For their part, Americans dislike the levy system of the Common Agricultural Policy, the free trade agreements with other European countries, the agreements with developing countries, some of which feature "reverse preferences" in favour of Community exports, and so on. For its part, the Community can point to a whole range of protectionist practices in the US. Matters, however, have been

brought to a head by the fact that the US has now run into massive trade and payments deficits and is asking its major trade partners to cooperate in putting through measures which will lead to changes in these trends more favourable to the US.

Now, as I have said, the Community is willing to join her partners, including the US, in negotiating further trade liberalisation. But the Community does not accept that it should be held to blame for the US trade deficit. For what is the record? The US has consistently had trade surpluses with the Community, mainly very large and last year only smaller. Her trade deficits are vis-a-vis Japan, which accounts for three-quarters of the total, and Canada. And in spite of the Common Agricultural Policy, US agricultural exports to the Community have risen substantially and the US has a substantial surplus with the Community on this account also. Finally, US industry has profitted enormously from its investments in Europe, having fully benefitted from the Common Market -- and now its extension to the new member countries.

Without wishing to go into the matter in greater depth, I will make just two other general points. The questions at issue between the Community and the US are really of minor importance compared with those on which they are in agreement: democratic government, the open society, the liberty of the individual, press freedom and so on. We should never lose sight of this. Secondly, working out a common negotiating position will be a major test of the enlarged Community. All being well, it should have agreed on the general position by July. Already it looks as if the Community is well on the way to a consensus position on upholding the principle that reciprocity should be at the basis of the negotiation, that it will be prepared to discuss concessions on agriculture so long as the principles of the Common Agricultural Policy remain intact and that tariff and non-tariff barriers should be included.

The Community and the US, of course, maintain a continuing dialogue involving high-level consultation with the object of resolving their economic and monetary problems and it hopes that their differences can be put into right perspective. The Community is convinced that its trade policies are liberal and correct and that Congress will give the US Administration its authority to negotiate further trade liberalisation by approving the Trade Bill. The GATT negotiations will be tough and intricate but the Community is determined that they should succeed and that people all over the world should benefit from the further elimination of restrictions to trade.

World Role

To conclude, it will be clear that the enlarged European Community has emerged on the world scene as a major economic entity with a network of

relationships with the rest of the world which will become of increasing importance. At this time when the post-war pattern of international relations is changing, the European Community must evolve its own identity, find its own place in the world and develop its own relationships in its own interests with other nations both great and small. The statesmen who created the Community were inspired not just to prevent future wars or to become richer but to achieve a politically united Europe so that Europe could fulfil its destiny and rise to the responsibilities of greatness.

Europe still lacks cohesion to act as a unit and speak with one voice in several areas of vital policy. Continuing efforts are, however, being made to establish closer political cooperation parallel to the movement for economic integration. The Foreign Ministers of the Nine have concerted their views on, for example, the proposed European Security Conference, the Middle East and other topics. The Community cannot be one of the mightiest economic entities and not live up to its global responsibilities and potentialities for peace and prosperity. The time has come for it to shape its political role in the world -- a role that will demand common expression of a European policy in foreign affairs. That is why the Heads of State or Government at the Paris Summit set the major objective of transforming, before the end of the present decade, the whole complex of the relations of the Member States into a European union and requested a report on this subject before the end of 1975.

Therefore, an outward-looking Community not turning in on its own affluence and speaking with one voice as one of the world's largest economic powers could unite politically the major European democracies and make a greater contribution to its own security. It could help to bring about détente between East and West, contribute more fully to the balanced growth of world trade and the development of the less prosperous nations. Above all, it could use its talents and exert its influence for the maintenance of world peace.