

A DIALOGUE BETWEEN CONTINENTS

An Address By

ALBERT COPPE

VICE PRESIDENT

THE HIGH AUTHORITY

EUROPEAN COAL AND STEEL COMMUNITY

UNIVERSITY OF DAYTON

March 16, 1964

FOR IMMEDIATE RELEASE

Changing Relations Among Nations

Everyone of my age who has paused to look at the world around him has seen history moving on a certain course. Its general flow carries along the events of any particular period. To resist that deeper flow of history is simply a waste of time.

A man who will always be remembered as outstanding among those who have sought to apply this truth in our own day is Jean Monnet. Monnet has said: "The world must realize that we need more effective instruments of decision to order relations among the different countries. Those instruments should replace the old-style cooperation between governments."

Nowadays, we can no longer go it alone. Yet, we still hope to live prosperously and securely. Thus, there must be a natural trend toward larger units wherein a true community of interests is realized and acted upon by the majority.

International organizations, if they are to be viable, must jettison the principle of unanimous agreement and the right of veto. This is now being recognized in Europe (as it was 275 years ago by the 13 American States). It is the first step and the inherent logic in the formation of larger regional groups.

I propose to base my talk on two points.

For my first point I cite Bernard Shaw, who described Joan of Arc as the first Protestant and at the same time the first nationalist in history. She was a Protestant because she followed the dictates of her own conscience in defiance of ecclesiastical authority. She was a nationalist because she took up the cause of her country in disregard of the apathy of her King. Since Joan's day, nationalism has been the driving force, and the nation the pivot, of practically all collective human achievement.

But surely, today even the least perceptive of us have come to see that the complex of man's economic, cultural, and technical activities can no longer continue to center upon the nation-state such as those in Europe, where the populations of separate countries range from 300,000 to, at the most, fifty million.

This break with tradition no doubt comes more easily to smaller nations. I have heard Frenchmen say more than once that if a Dutchman or a Belgian upholds "supranationalism" it is just his way of being a nationalist. The reason? Because the European Community's supranational institutions safeguard its smaller nations against absorption.

My second main point is that a change in the scope of the decision-making process sets off a chain reaction in all fields of economic and political policy.

First the Benelux economic union, then the European Coal and Steel Community, and then the Common Market have led on to successively broader unity. By altering existing relations between nations, economic union creates the need for still further change. The same reasons that prompted the six Community countries to integrate will constrain the Community to open itself to the outside world and to seek a new balance with the other major groupings. The European Free Trade Area and the American Trade Expansion Act came into being as a result of the existence of the Common Market. Any link-up among small units, any enlargement of existing units, inevitably has side-effects on political, economic, and military affairs in some other part of the world. The world is in process of becoming one world, and hence all its component elements are becoming interdependent.

What are the motives behind these various link-ups?

Nobody in Europe - except the communists whose patriotism is unmatched in this field - believes that a national organization at the level of military defense is still meaningful. Only the Swiss still believe that a national army in the context of a small country any longer has a meaning.

The same holds true for the economic level. In Europe a return to nationalism would bar the way to the future - and we know it now.

Our limited national dimensions do not allow us to take full advantage of our efforts.

It is difficult to estimate the number of first-class men in all fields of science and technology which small countries such as the Netherlands or Belgium have had to "export" because the scale at which they worked had become too small. Your country is certainly the best example of the validity of the law of increasing returns, not only for material equipment, but also - and in particular - for human resources. The growing importance of the human factor is certainly not unconnected with the widening of the dimensions of our economies.

Thus - and this is an important point - as soon as Europe began to emerge from nationalism, it was bound to find its way toward unification, by reason of our whole history and of the common cultural basis we possess. The line of least resistance and of maximum affinity for a German usually applies as well to France, Italy, and the Benelux countries. And the same thing is true of a Frenchman. Despite the wars of the past few centuries, a Frenchman is closer to a German than he is to a Russian, whose military ally he was in 1914. And I could quote many other examples.

After conflicts in the course of centuries of growing nationalism, the last world war ended in such a way that none of the European countries could claim itself a victor. In a sense, it was better this way. We were thus able to embark on a period of peace without any feeling of domination by some over others, and without any spirit of revenge. Heaven knows what would have happened again if one of us had been a real victor.

You Americans made the inestimable contribution to our cause by the spirit in which you approached the period of peace. For long, we in Europe had been in the habit of keeping what Mussolini once rightly called "the tragic accounts of war." You Americans, on the other hand, gave economic assistance to your Allies and to your former enemies. You turned the page. This is something we would have been incapable of doing. This moral contribution was even more important than the Marshall Plan.

Certainly, the rapid economic expansion which has abolished poverty, hunger and want in the greatest part of the Europe of the Six has contributed toward changing the mentality of Europeans. Progress, economic and otherwise, is no longer regarded as something to be taken away from others, but rather as the result of an overall effort. People nowadays feel only very slightly consoled by the thought that elsewhere their fellow-beings are also poor, or even poorer. A resigned attitude is increasingly coming to be considered as a form of laziness and apathy. Certainly, the boundary between resignation as a virtue and resignation as a vice has been considerably shifted in the direction of action and the application of the proverb "Heaven helps those who help themselves." We have learned how to use our economic apparatus and that we can modify it in order to increase its efficiency.

The bringing-together of the European nations has been conditioned by the evolution of ideologies. For my part, I attach great importance to the bringing-together of the three major political currents in Western Europe: the Christian, socialist and liberal parties. Today, our traditional political parties are able to agree upon a common European policy in the economic, social and financial fields. But it is much easier for them to do this on a European level than to collaborate on the national level, where they are still influenced by struggles of the past.

Admittedly, there are some laggards in this progress toward continental unity. Monaco, San Marino, and Andorra lagged at the time when the European nations were growing up. It is striking to notice that lack of enthusiasm for membership of any particular group is a characteristic of the countries which did not have to go through the two world wars -- notably Sweden and Switzerland.

Bigger, broader-based units are gradually developing everywhere. In Europe we have the Community of the Six, with the possibility of other European countries coming in. Britain is working hard to keep the Commonwealth a unit.

China with her six to seven hundred million people is an emerging major unit in herself. Very possibly one of these days we shall have Latin America moving in the same direction. The same is true of the Arab world and of Black Africa. There, too, the beginnings of pan-Arabism and pan-Africanism are taking shape more and more clearly every day.

The Economic Dialogue

On the economic side, I can perhaps best begin by pointing to the present imbalance between the developed and the emergent countries: 20 per cent of the world's population has in its hands 80 per cent of the world's income. Granted, there has always been a considerable disproportion in the distribution of wealth in this world. But now there is another circumstance which is creating a completely new atmosphere: the have-nots as well as the haves know that there is a disproportion. This is hammered home in the underdeveloped countries by the press and other communication media. The foundations are being laid for a possible standing alliance of the have-nots: the cement would appear to be hatred.

Within this context, I think we have three problems.

(a) First, the underdeveloped countries have to establish their own market economies. Then, there will be a need to stabilize raw-material prices. Lastly, we shall have to push toward liberalization of world trade.

These three things come in a definite order. There is no point in trying to alter the sequence. We have got to get into our heads and into the heads of those concerned, the difficulties involved in the development of a market economy. After all, we can trace the beginnings of the market economy in Europe back to the eleventh century.

When Adam Smith published his Enquiry into the Wealth of Nations in 1776 -- and that epochmaking work was, in point of fact, an economic program for our own then underdeveloped economies -- he gave to Chapter I of Book I the significant title "On Specialization." What his recommendations boil down to is that we should not all do the same thing.

Then again I would emphasize that the markets must develop smoothly. I do not think throwing our agricultural produce on the market at what amounts to dumping prices is going to help the emergent peoples. The total annual American and European subsidy to agriculture works out to about seven billion dollars; the total assistance to the underdeveloped countries is running at four billion -- not much more than half. Our subsidies to our own farmers are undoubtedly a distorting factor in world trade in agricultural produce. And it means that the markets open to the emergent countries for the sale of their own produce is considerably constricted.

(b) My second point concerns the stabilization of raw-material prices. Underdeveloped countries call for such stabilization, yet what they really want is to have the prices higher. The basic difficulty is that it will be difficult at a later stage to get prices moving progressively in line with rising productivity.

But, actually, have we any choice?

Statistics show that in 1958, when there was a minor recession, the underdeveloped countries lost more by the fall in prices than they received in aid from the developed countries.

Long before Keynes, and without any of the advantages of our econometricians nowadays, Montesquieu -- a Frenchman -- observed that when rich countries meet poor the rich become richer and the poor poorer. What wonder, then, that many of these "poor" countries regard our free-market economy as all very fine in its way -- but only in our way.

Our own European countries, most of them just emerging from a colonialist phase and hence viewed with suspicion, were not able to influence the process as a whole. Today we are trying to do better. The agreement signed a short time ago between the European Economic Community and eighteen African countries

was intended, among other things, to do something to lessen the effects of price instability. Every African country must make a push to escape from the tyranny of the one-crop economy; we are to help them in proportion to their efforts to help themselves.

(c) And now for my third point, liberalization of world trade.

I should like, first, to marshal some technical data.

It is generally accepted that the protection afforded an economy by a customs tariff is governed not by the level of the duties as such, but by the degree of difference among them. A uniform duty of ten per cent, for example, does not, properly speaking, give any protection at all. It simply amounts to a general ten per cent devaluation of the external purchasing power of the currency. Protection is secured by differentiating the tariff according to the elasticity of home demand and the degree of insulation it is intended to preserve.

For instance, the arithmetical mean of the duties in the E.E.C. common tariff is 11.7 per cent, in the American tariff 17.8 per cent, and in the British, 18.4. And whereas duties of 15 per cent or less constitute 75 per cent of the whole in the E.E.C., in the United States the proportion is only 60 per cent, and in Britain, only 45 per cent. I should also add some more figures relating to the dispersion. In the European tariff, 83 per cent of the duties lie within the range from 5 to 20 per cent. In the higher bracket, from 20 to 50 per cent, we find only 4 per cent of the duties. In the American tariff, the lower bracket contains 56 per cent and the higher bracket -- those tariffs between 20 and 50 per cent -- contains 26 per cent.

It is quite clear that the problem of this unequal tariff structure should be solved at the same time as applying a uniform and general tariff-cut.

This brings me to the subject of the Atlantic partnership, and in particular to the Kennedy Round. Was it proposed to offset the European Community's protectionism? Certainly not.

I do not propose to argue about the precise implication of the term "protectionist." Common market exchanges among the member-countries increased by as much as 100 per cent, compared with 1958. Of course, external-Community trade cannot match up with internal-Community trade. This is true in all countries, even the United States. It should not be considered as a mark of protectionism. But, I have a better example. Let us compare imports in the Community with her exports.

The Community's imports increased by 58 per cent between 1958 and 1963. For those who find this figure rather low, I should add that exports increased by only 35 per cent in the same period.

The Community's trade-deficit vis-à-vis the United States has grown from 1.2 billion dollars in 1958 to 2.5 billion last year.

The ECSC will be importing in 1964 almost double the tonnage of coal imported in 1953. While exports decreased rapidly from 1953 to 1963, ECSC imports of steel from non-Community countries grew from 1 million to more than 4 million tons. While exports have gone down, our imports of iron ore have increased threefold in ten years. In the meantime, we have been closing down coal and iron-ore mines at an increasing speed. More than 300,000 workers have left the mines in our Community.

These facts show that the European Community is not protectionist.

There is unquestionably a connection between President Kennedy's trade proposals and the success of our European Community, which I always felt was as welcome to him as it is to us. What really matters is this: those proposals would have been pointless if the United States had been faced with six separate countries instead of a single negotiating partner.

The Trade Expansion Act proposes a fifty per cent across-the-board cut in tariffs between the United States and the European Community in the

'Kennedy Round' of GATT negotiations to begin early in May. The 50 per cent linear cut is a United States proposal and serves as the basis for discussion in GATT. We in Europe have recognized the Act as a revolutionary measure making a major advance toward increased international trade. We have welcomed the proposal providing certain rules are followed. Some have already been hammered out in early, and sometimes not easy, talks. Sometimes it is thought that only the French have insisted on amendments to the U.S. proposals. This would be a mistake. I mean a large part of the informed publics supported them. The adopted rules are now:

(1) Exceptions from the list of products to which the cut would apply could not exceed five per cent of total external trade;

(2) A special formula would be applied in cases wherein marked disparities in tariff levels on the same product, as between the United States and the Community, existed;

(3) Certain countries would be declared low-tariff countries;

(4) Non-tariff measures would be included in the discussions.

I should like to say a few words about the problem of the differences among existing tariffs and duties.

In many cases, opposition to an unqualified reduction springs not from fear of the United States, but from uncertainty over possible, indirect effects in other countries which would have to be granted identical concessions within GATT, under the most-favored-nation clause.

Take the iron and steel industry. The present American and European Coal and Steel Community rates are eight or nine per cent; the British are fifteen per cent (with a specific duty of \$7.00 on pig iron, which is a particular headache) and the Japanese around 25. An all-round fifty per cent cut would leave some countries entirely unprotected and others, such as Japan, still with a higher degree of protection than Europe's today. Needless to say, such a measure would be bound to affect the location of the steel industry in the world.

Like us Europeans, you Americans are prepared to go a considerable way to ensure free trade. The Trade Expansion Act contains provisions for assisting U.S. areas and industries affected by trade expansion. We in the Six have had pioneer experience in this field. Between 1956 and 1963, the High Authority of the European Coal and Steel Community made available for the tiding-over and retraining of 300,000 redundant coal and iron-ore miners a total of 55 million dollars. For there can be no question of letting the brunt of this process of building up larger economic units fall upon the workers.

The United States and the European Community, then, are willing to bear their share of responsibility -- indeed more than their share.

We hope to dispose of many problems by special treatment for cases in which the disparities are in excess of a given figure. I do not think anyone can object to that: a cut of one-half in a 70 per cent duty which has remained unchanged for decades irrespective of the reasons for which it was originally imposed can hardly be said to favor trade expansion. Such cases are more frequent in the United States tariff list. The United States, being less dependent on foreign trade, has until now, not particularly needed tariff flexibility.

There will, inevitably, be special cases, too. I am thinking particularly of the agricultural sector, which has enjoyed "special" status in our national economies since the nineteen-thirties, (and in fact, in some others, since the seventeenth century). It would be surprising if this were to be neglected in a world-level negotiation. We Europeans would be the last to deny the stimulating effect of keener competition on the productivity of industrial enterprises. But, at the same time, it is important not to underestimate the efforts our countries have had to make to change in a mere fifteen years from dealing in terms of, say, ten million consumers to dealing in terms of twenty million, and then 170 million, and ultimately in world terms.

Economic dialogue brings us into a much wider field than that of tariffs. In equalities may exist in other fields. It is well known that United States anti-trust provisions are stricter than those in force in the E.E.C. That is a point to be included among the non-tariff aspects of the impending negotiations. But this is a point to be assessed in its proper context with regard to the size of industries. Altogether the size of American business is to a certain amount terrifying to European business. The size of your American mammoths is entirely alien to our European dimensions. As a matter of fact, for many people, not only in France, it seems alien to our "European way of life."

Some of you have no doubt read of the merger between two big European manufacturers of photographic apparatus and materials -- the two biggest in Europe, in fact. Their combined turnover is about 33 million dollars. Well, the turnover of their American competitor is about four times as large. And this is not a unique case as you all know.

The Political Dialogue

Since the first debates on the subject of European political union, there have been two very definite schools of thought -- those who were in favor of establishing institutions to take common decisions, and those who were not. It was in 1948, at the European Congress in The Hague, that the division first clearly emerged between the British, who would not accept any interference with the principle of national sovereignty, and the Six, who accepted the principle of common institutions.

In the present debate on relation between the United States and the Six, we are not at the stage of asking ourselves whether common institutions between us are necessary for a successful partnership. Nevertheless, I cannot entirely gloss over the question here, for two reasons. First, I must show that there is an essential difference in political conception between the European Community and the partnership we hope to establish. Secondly, I would emphasize that it is to the interest of both parties that the political function of our European Community institutions should be recognized and expanded. The whole success of the idea of partnership, which we owe to the statesmanship of President Kennedy and which will always be associated with your country's name, depends upon it. A partnership in which one partner is a Community of nations acting only by unanimous decision cannot be a true partnership.

Also, relations between the United States and Europe would be impossible if one insisted that there must be unanimity on all basic points before any common agreement can be reached.

The main thing is that the two parties be on the same wave length: that they use words in the same sense and conceive of partnership in the same spirit. One of our great aims must be to achieve a common approach in order to bring about a fairer distribution of wealth in the world, so as to prevent the disparity between rich and poor from reaching a pitch where it will jeopardize the peace and prosperity of all alike.

The distance between the rich and the poor countries is the cardinal fact of our time. It can sever the closest ideological bonds as for example the bonds between Russia and Red China. Do not misunderstand me -- I am not concerned here with touching on the thorny question of whether to recognize Red China, or when or how. I am concerned with words, and the meaning of words. We have gone wrong in Europe often enough on the semantics of words like "right" and "left". We have grasped by this time that they have no meaning in themselves. We do not believe there are rightist Communists and leftist Communists. But we are coming to believe more and more that there are poor Communists and rich Communists.

There is a good deal of intellectual amusement to be derived from the reflection that Marx was correct: in the final analysis, the course of Communism itself confirms to a considerable extent that ideologies do follow economics. Rich Communists behave differently from poor Communists. There could hardly be a finer tribute to Marx's memory. But along with amusement

goes a profound apprehension: how would it be if some day, instead of the Communist front of a few years back, we found ourselves faced with the common front of hunger? There too Marx might not be so far wrong. And the world would be a place of nightmare.

The underdeveloped world can fairly be regarded as bound together not so much by political inclinations as by hunger and poverty. I referred just now to the words "right" and "left." It is, I feel, something the same with the words "colonialist" and "anti-colonialist." They can have an entirely different connotation according to the part of the world they are used in. Some of us Europeans have been termed "colonialists" in Africa; North Americans are commonly labeled "imperialists" in South America. And it will always be so until we realize that underdevelopment is not a national but a world problem, a problem of urgency among the major groupings of the world.

The Military Dialogue

To turn to the strategic -- the military aspects. They are the most difficult, complex, and "political." They govern the rest: I need only remind you of General de Gaulle's refusal, partially on military grounds, to continue the negotiations for Britain's membership in the E.E.C. Since the signing of the Moscow Agreement on nuclear weapons testing, the military matter has become one of the most desperate immediacy. The question is, in essence, whether or not we in Europe are to live under an atomic compact between Russians and Americans - a Pax Russa - Americana, comparable with its predecessor the "Pax Romana."

The idea of a partnership suffers too when Europeans are at a loss to understand, for instance, why Americans stigmatize us as colonialists in Africa when their own policy in Latin America is considered to bear the same stigma. Why the dual standard over Suez and Panama? Why the alarm over Cuba when the Russians are in Saxony? We cannot allow such misunderstanding to continue.

To some Europeans the feeling of being no longer "with it" is unpleasant to a degree. M. Spaak has already answered "no" to the question: "Does Europe need an atomic force? For myself, I cannot at present feel as clear about it as he does. If we had such a force, it would certainly enable us not to worry about unpalatable agreements over our heads between two giants. On the other hand, proliferation would unquestionably involve far too high a degree of risk. It is obviously pointless to prophesy in this connection. But I should not be surprised if, in the end, economic considerations triumphed over military. For maintaining an army of sufficient size to play the "third force" is costly. It is best to wait and see what present developments in this field will produce. But anyhow the partnership will have to be an equal one.

I conclude by urging that we -- we in Europe and you in the United States -- keep open all channels of communication to sustain and widen our dialogue. We have learned this lesson in the past 12 years in Europe: the importance of personal contacts on all levels: governments, Parliaments of the Six, employers, workers unions, students, etc. One great reason that the European Community has survived the suspension of the U. K. negotiations has been these existing contacts.

"Our partnership," as your Ambassador to the European Communities, Mr. Tuthill, has said, "is not a static balance between two masses." To my experience what is important in politics is not so much the sums of the evolution attained than the direction that is followed. I have already noticed that in Benelux as a Minister of Economic Affairs of Belgium 12 years ago.

It is the most vital ingredient for peace in the world.

Together, we have common goals which make it our duty to work, beyond any temporary setbacks, toward the success of our partnership. In these times it is like Bacon said in the 16th century "only to God and to the angels to be lookers-on."