

THE POSITION OF THE EUROPEAN ECONOMIC COMMUNITY
IN WORLD TRADE

Address

by

the President of the Commission
of the European Economic Community

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Assembly of the Council of Europe and of
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The position of the European Economic Community in world trade has three aspects: it is reflected in the figures for our imports and exports, it depends on the instruments of policy available to the Community and it rests on the Community's fundamental trade policy decisions. The first of these points concerns trade and the other two trade policy.

I

On the first point I will confine myself to adding a few data to the impressive figures given by M. Dehousse. These data will serve to support two arguments.

1. The first argument is directed to our friends outside the Community. It is that the Community has discharged its responsibility for liberal world trade more fully than any other trading power.

This is self-evident. The EEC is the world's largest importer. Its share in world imports in 1963 was one-fifth (even more than 30% if internal trade is included) and it is increasing further. By way of comparison, United States imports in 1963 were about 70%, and those of the United Kingdom 56%, of EEC imports.

Not only in the field of industrial products have the Common Market's imports increased considerably - by 124% - since 1958. The Community, as the world's largest importer, also increased its imports of farm products by a further \$2 000 million since 1958, and by \$500 million during last year alone.

These figures are the result of our liberal trade policy. On several occasions we have reduced the common external tariff - which was in any case already low - the total cut being 20%.

2. The other argument is concerned with us ourselves. Out of self-preservation, it is imperative for the Community to maintain its competitive capacity.

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This follows from the degree to which it is involved in external trade. The share of the gross Community product represented by exports to outside countries is more than twice as high as in the United States and almost four times as high as in the Soviet Union. This is attributable to industrial exports: not less than 24% of world exports of industrial finished products (38% counting internal EEC trade) come from the Community.

It would be short-sighted merely to note these figures with complacency. As customs barriers are reduced, competition between the industrial nations will become keener. The developing countries are seeking salvation in more rapid industrialization even when they lack adequate internal markets. This must be an incentive to raise the output of our export industries.

II

Another point follows from the trade figures - and this already brings me to my second argument: the Community needs instruments consonant with its trading power in order to be capable of action in the field of trade policy. Its strength makes responsible action an obligation for it. To what extent is it already in a position to take such action?

1. The success of the Community, which is evident from the economic data, has made such a great impression in the world and awakened such widespread hopes that already, before its full development, the Community's strength is measured by a yardstick more properly applicable to the complete edifice. This is illustrated by the American offer of Atlantic partnership and a further token may be seen in the demands from the developing countries for greater help and more rapid solutions to the great problems of world trade, which Europe can only master on a community basis.

2. But the Community does not yet possess the machinery for a common external economic policy which it needs if it is to come up to these great expectations. We are in the middle of the transition period.

(a) According to the Treaty of Rome the Member States are to coordinate their trade relationships with non-member States in such a way that the prerequisites for a Community trade policy shall

exist by the end of the transition period. By that time the principles of national trade policy must be merged progressively into unified Community solutions. The instruments of trade policy can no longer be used on a national basis if the Common Market is to function as an internal market.

To mention only a few examples, this means in concrete terms that the Community engages in trade negotiations with non-member countries more and more as a unit, for with a uniform customs tariff it is only possible to negotiate as a unit. Member States' bilateral agreements must gradually be converted into Community agreements. There must be a common liberalization list, unified export systems, a common administration of quotas and an effective policy to protect Community trade against abnormal imports from non-member countries.

- (b) The greater part of this road still lies ahead of us. It is in customs policy that most progress has been made. The alignment of national customs duties on the common external tariff, the last gap in which has just been closed, is now two-thirds complete. The GATT negotiations are already being carried on by the Community as such.

There have also been advances in the sphere of agricultural trade policy. The Community today exercises competence in respect of many important products although it is true that the substantial decision on a common cereals price has not yet been made.

The first beginnings of unification are becoming apparent in the matter of trade agreements. The trade agreement with Iran was followed a short time ago by one with Israel and other negotiations are pending.

In other fields we have not got further than simple coordination. The Council has taken decisions laying upon the Member States the obligation, first to consult each other before

concluding bilateral agreements; secondly, to insert a clause making it possible to adapt the content of such agreements to the future trade policy of the Community; and thirdly, to limit their duration so that by 1970 at the latest they can be replaced by Community agreements.

- (c) Thus the limits within which the Community can already speak with one voice, act itself and assume responsibility, are narrow. The process of intra-Community harmonization is going on perhaps slower than was expected. But progress is being made. Our friends outside should not lose patience. Only a Community which appears as a homogeneous body can be a reliable and valuable partner for them.

3. The connection between successful co-ordination and efficiency in action is also obvious in the current Geneva trade negotiations. Here I will make no forecasts, but only point to one contradiction which cannot be overlooked.

In the Kennedy round the Community appears as a unit. A dialogue between continents is developing and constructive results are beginning to emerge.

The World Trade Conference on the other hand presents a picture of inadequate co-ordination and lack of substantial agreement between the industrial nations of the free world. There is too much striving for independent positions, and this means that, in face of the 75 less developed States which have attained a dangerous solidarity in making their demands, neither on matters of procedure nor on those of substance, neither on an affirmative or negative decision, can the desirable degree of agreement be reached.

It is therefore in our own as in our partners' interest that the Community countries combine into a unit capable of action.

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III

The decisive point is naturally with what aims the Community applies its machinery. This brings me now to the third and most important point, the Community's actual trade policy. I will take four groups of questions. They concern trade with European neighbours, trade with the Atlantic partners, East-West trade and trade with the developing countries. This leaves out such important questions of external economic policy as world monetary problems, association with Greece and Turkey, the negotiations with Austria, all questions which are closely linked with those of world trade.

I wish to describe the Community's position in this world-wide system of co-ordinates through which relations between advanced countries on the one hand, and between industrial and developing countries on the other, are determined.

1. First, the Community's trade policy vis-à-vis the economically advanced countries of the northern hemisphere. The Community believes that the freest possible multilateral trade on the basis of strict most-favoured-nation treatment is the best system which can be found for States at this level of development.

These are not idle words.

(a) Thanks to this policy, not only has the economic integration of the Six done no harm to trade with European neighbours; it has encouraged it:

Our total imports from EFTA have gone up between 1958 and 1963 by 71% (by 18% in 1963) and from Great Britain alone by 105%. They increased much more strongly than our exports to EFTA, and even more than the exports of the EFTA countries to each other. During the same period internal imports within EFTA rose by 55% (by way of comparison, internal imports in the EEC went up 131%). It can therefore be claimed that the

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EFTA countries, and Great Britain in particular, have profited more from the economic upsurge produced in the Community by integration than from customs disarmament in EFTA.

In our opinion these figures belie the prophecy of an economic splitting of Europe. They bear witness to our resolve to prevent Europeans from drifting apart.

This gratifyingly high volume of trade must be maintained, and not the least guarantee that it will be is the Kennedy round, which, as is known, we wish to turn to the advantage of European trade also. The interest of Europe as a whole in the GATT negotiations can be seen from the following consideration:

At the present time EFTA has reduced internal customs duties by 60%. We too have cut them by 60%. To this extent our exports to EFTA and EFTA's to us receive differential treatment compared with internal EFTA or internal EEC trade. Nevertheless, as I have already shown, the progress of the Common Market has had an exceptionally favourable influence on trade between EEC and EFTA.

Success in the Kennedy round will give us an assurance that these relations will continue. The outcome of customs reductions following the Kennedy round will be that - leaving aside the special case of disparities - the degree of differentiation when the process of internal customs dismantling is complete will not be greater than it is today.

- (b) The Community's liberal approach also determines its relationships with its Atlantic trading partners. Underlying this are both political and economic considerations.

Politically the dominant note in these relationships continues to be given by the American proposal to collaborate with a united Europe on the basis of full equality as partners in all the tasks involved in the building-up and defence of a community

of free nations. President Johnson has associated himself with this offer, which was first made by President Kennedy in a historic speech in Philadelphia. By applying a liberal trade policy the Community is serving the economic aims of this plan, which found expression in the Trade Expansion Act.

From the economic angle, the Community wishes to bring about a better division of labour, higher productivity and more speedy expansion through free and flourishing world trade, particularly in industrial products. The competition which is to be expected when trade barriers have been dismantled will help to maintain economic stability and, in particular, to ward off the danger of inflation. For this reason too the Community will do everything to make the Kennedy round a success.

The problem of European competitive capacity I have mentioned becomes particularly topical by its bearing on the Kennedy round, for two reasons. First, the Community must bring itself to accept a stricter discipline if it wishes to ensure internal economic stability and expansion without danger to external balance. Secondly, it must ensure by its internal economic policy that firms can develop production units able to hold their own in Atlantic competition.

- (c) Numerous problems which have been the subject of lively public discussion in recent months arise in connection with East-West trade.

The question of what practical trading arrangements could be applied is not yet settled. In view of the differing economic systems and the unresolved political issues between East and West, we cannot purely and simply follow the principles on which the free world conducts its trade.

The Community must first further elaborate its trade policy vis-à-vis the East and create for itself the necessary machinery. Like the policy of the individual Member States, the future Community policy will also have to hold the balance between a liberal import

policy, enabling the East bloc countries to obtain the foreign exchange necessary for their purchases from the West, and a system of controls to prevent disturbances in the Common Market motivated by economic or political aims.

The policy of the Member States in this matter has proved its worth. In the last five years the Community's trade with the East has increased by 87%, i.e. about twice as much as EEC trade in the world average. It reflects the complementary relationship of the economic structures. However, the development has been less favourable of late. This is due to the changing situation in agricultural trade and is only partly a result of the EEC. The real causes are the revolutionary changes in farming techniques, which bring about great increases in productivity and are now making their effects felt in Europe also.

It is quite natural that these structural changes should not only modify EEC trade in farm products with the free world - we need only think of the "chicken war" episode - but also affect trade with the East.

However, in view of the advantageous geographical situation and other economic factors we have good reason to suppose that trade in goods with the East will develop satisfactorily. If the East succeeds in industrializing more intensively, trade in both directions may in the long run gain new momentum as industrial products take a larger share. In the end the volume of Eastern trade will depend only on the capacity of the Eastern economies to compete and to deliver the goods. At present the East bloc countries are still largely unable to supply, in exchange for Community products, goods which our economy requires.

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2. Today East and West are equally targets for the demands of the less developed countries of the southern hemisphere. This brings us to the other large area of our trade policy, which is essentially development policy.

Our task is clear. It is to make the peoples of Asia, Africa and Latin America partners in mutual progress such as already exists in the Atlantic economic area. On the other hand the road and the method are in dispute.

- (a) In principle we consider free trade on the basis of strict most-favoured-nation treatment as the best system of world trade. However, we cannot escape the conclusion that at present free trade alone cannot be the answer to the task of development. With some exceptions, the developing countries are not yet in a position to hold their own in free competition and capture unaided an adequate share in markets.

The desired international division of labour through competition presupposes a certain measure of equality in the terms of competition, so that equality of opportunity is ensured. We can see no reason why this principle, which has long been recognized in national economic law, should not be valid on the international plane.

It cannot be denied that there is considerable imbalance in the relationship of the industrialized with the developing countries, and - often even more pronounced - of the more advanced with the less-favoured developing countries. In order to establish the system of a market economy in trade with the developing countries also - I am here thinking of trade in industrial goods - selective and degressive aid measures, limited in time and determined in the light of the development aim, must be taken by the industrial countries. They must take account of the degree of development of the individual country and the

competitive capacity of its products. An individualizing development policy is necessary. This is our policy.

(b) Against it we find pitted and vaunted as a model the concept of a cosmopolitan, undifferentiated, humanitarian development policy. We consider this concept unrealistic and economically unreasonable, for the following reasons:

- (1) It is Utopian to suppose that the Community can give effective help by pouring from its horn of plenty at random and attempting to scatter largesse over the whole world, when even the United States have had to concentrate their help on a few selected countries out of fear - as we read in the Clay report - "of attempting too much for too many too soon". Our possibilities of giving aid are limited.
- (2) We can only help, and only wish to help, others to help themselves. The developing countries bear the primary responsibility for their own economic advance. It is their business to provide a minimum of those internal prerequisites without which external help crumbles to dust. Their capacity to turn to advantage the aid received is a pre-condition for all support. Here too we are in agreement with the practice of the American Government as they themselves explained it at the World Trade Conference.
- (3) A world-wide, open and undifferentiated system inevitably favours the "situations acquises" of individual developing countries which are more advanced and already industrialized to a certain extent, in particular a few countries in Asia and Latin America. Against this, it is especially disadvantageous to many African countries, although these have the greatest leeway to make up. Europe cannot accept this prospect. The economic, geographical and historical links

between Europe and Africa confer on the Community an irreplaceable role in the development of the African continent from which it cannot and will not withdraw.

- (c) This rejection of a flat and shapeless world-wide development policy does not at all mean that the Community's tasks in this field have been defined on a regional basis once and for all. On the contrary: in the living stream of international life the objectives in the Near and Far East, in Latin America and in Africa constantly require fresh definition. If this is regionalism, then it is a fact and not a doctrine. The Community's development policy cannot be imprisoned in cut-and-dried formula such as the "open or closed system" alternative.

In this connection the Community will steadily widen its area of responsibility. In his speech on "North and South relationships" the American Under-Secretary of State, George Ball, rightly said that a direct relation probably exists between the will of the European nations to accept a world-wide responsibility and the progress they make towards their own political and economic unity. It is true - and I quote again from his speech - that we may not disregard our historical responsibility. "We cannot resign from history".