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THE EUROPEAN COMMON MARKET AND ITS MEANING FOR AMERICAN INDUSTRY

An Address by

WALTER HALLSTEIN

President of the Commission of the European Economic Community before the 67th Annual Congress of American Industry, sponsored by the National Association of Manufacturers, Hotel Waldorf-Astoria, New York, on Wednesday, December 5, 1962.

It is a very great satisfaction and a sincere pleasure for me to be invited to open the discussions of this 67th Annual Congress of American Industry with an address on what is known as the economic integration of Europe. Your association is famed for the worldwide sweep of its interests -- it would be astonishing if it were otherwise. What is happening in Europe does not only have great effects, even across the Atlantic, our modern Mediterranean, it is at the same time supremely fascinating. And you Americans have good reason to ask Europeans for explanations. What is more, as citizens of the United States, you have the right to do so. For without your material help -- I am thinking of the Marshall Plan -- and without the constant economic, political and moral support of the Administrations and the people of the United States (not to mention the military protection which has allowed us to carry on our peaceful activities), it would have been hardly possible for the Europeans to do what they have done.

What they have created -- and it is on behalf of this creation and about it that I am speaking to you today -- is in the true sense of the word a great enterprise. It is an action which, looked at against the background of European history with all its tragedy, is as daring as it is dynamic. A witty American ambassador described it by quoting Dr. Johnson's famous definition of a second marriage: "the triumph of hope over experience."

Two names are used to describe our undertaking. Sometimes we refer to the "Common Market", sometimes to the "European Community". These two expressions reflect two different aspects of the affair, the one economic, the other political.

What is the meaning of this venture for American industry? This is the question I am going to answer.

### I.

Let us begin with the economic side, with what is implicit in the term "Common Market" -- namely that it is a market.

We must, I believe, begin by grasping that old points of reference are no longer valid when one is thinking of Europe. For America, Europe long represented a group of small, fragmented and tariff-constricted markets. Having conceived a new economic order, we are now replacing these old markets with a new, large "common" market, within which tariffs have already been reduced 50%. In all likelihood they will have disappeared in the next four years, and with them a host of other restrictions on trade.

1. This market is a big one. Our new economy presently has a population of 170 million persons. If we take into account other states which wish either to join us or to be associated with us, an integrated European market of more than 250 million persons is easily conceivable, living in one large economic area, just as the American population too lives in one economic area.

Not only is this a large market -- it is growing still larger. According to our forecasts, the total gross product of the Community may rise from \$181 billion to \$288 billion by 1970 -- an increase of almost 60%. Part of the gross product of this area will undoubtedly be drawn from foreign trade, will stem from imports. No one can yet be sure whether this part will grow at exactly the same rate as the gross product, or even faster. But our experience leads us to expect a 60% increase in gross product to bring with it a comparable increase in the demand for imports, so that the Common Market's trading partners will have before them a market with a growing demand -- and a rapidly growing demand.

There are several reasons for this tremendous expansion of the market which we foresee in the years ahead, despite the brisk growth already experienced in the past few years.

Firstly, Europe still has much leeway to make up before it consumes as great a volume of industrial goods as the United States, where for every thousand inhabitants there are 340 cars as against 78 in the Common Market, 1,030 radio sets as against 244 and 315 television sets as against 60. These are only a few examples, to which we could add many others -- office machines, household gadgets and a host of luxury and semi-luxury goods. Another 50 million cars or so, 50 million

television sets and 145 million radios must be bought if the Common Market consumer is to be as well equipped as his opposite number in the United States.

On top of this, many goods that go with a high standard of living -- from the big cold-storage plants so common in the United States to private planes or highly automatic machinery -- have not yet really been discovered by the European consumer (including the businessman). New products will create a demand for both more and better goods.

Meanwhile, the march of progress continues throughout America and Europe. The Atlantic world is becoming more and more one world in its way of life, its standard of civilization. Developments in one country affect the others. If somewhere color television is introduced or automation is achieved in another branch of production, this will lead to a demand for the same innovation in Europe.

But demand can only exist where there is purchasing power. The Common Market, however, is also a market with growing purchasing power. The Rome Treaty, our constitutional instrument, pledges us, and I quote, to "an accelerated raising of the standard of living." If we consider the index or hourly wages in industry, we find for the most part that there has been a significant increase since 1958. From 100 in 1958 the index rose in Germany to 127 in 1961, in Italy to 115 and in the Netherlands to 116.

According to our forecasts, private consumption will stride ahead significantly in the next few years. We foresee an increase of about \$75 billion in the period from 1960 to 1970, so that in 1970 consumer demand may reach \$184 billion. This is a 66% rise in 10 years, and the basic amount will doubtless soar considerably as soon as the Community is extended.

The sums which may be available for investment are no less impressive. In 1961, \$38 billion were spent on investment goods in the Community. Here too, according to our preliminary forecasts, there may be an increase of \$25 billion by 1970.

American industry is in a rather favorable position vis-a-vis this market. For the first time in history, American businessmen will be dealing with a market comparable with their own, allowing them to apply the methods of production and distribution -- and in particular rational methods of mass production -- which they have developed to supply their own market.

3. Finally, is this new market with its increasing demand and rising purchasing power accessible to the American producer? There are two facets to this question.

a) In the first place we note that in recent years an ever-growing stream of American capital has flowed into the Community. From 1950 to 1961, direct investment by Americans in the Common Market increased five-fold, from \$637 million to \$3.41 billion, while investment in the United Kingdom increased only four-fold, and in the world as a whole only tripled. To this we must add investment by purchase of securities. The few and imprecise figures available suggest that this type of investment has also been increasing rapidly.

We see in this American interest in Europe an incentive to our own progress. Important branches of the American economy employ production methods that we do not yet have in Europe. This makes the productivity of American firms using these methods higher than ours. In most cases, American investment means that American know-how and American production methods are brought to Europe. The higher productivity achieved forces European competitors to employ similar methods. Competition, which is the most important element in our economic order, is thus encouraged. On the other hand, new ties of cooperation and solidarity are formed when European firms participate in these investments and when agreements are made on the application of American know-how.

b) What is still more important, our large market is not only receptive to capital but it is also open to trade. The essential prerequisite for this is that we should have a liberal trade policy, and ever since the Common Market was founded we have stated our determination to practice such a policy. We have made the removal of all obstacles to trade within the Common Market the basic principle of our organization, and we are convinced that we shall all benefit if we adopt a liberal attitude to the rest of the world as well. Moreover, the EEC Treaty commits us to a liberal trade policy. Our own interest inclines us in the same direction. An economy like that of the Common Market in which processing industries play the leading role simply cannot afford to adopt a protectionist attitude. If even the United States, where foreign trade accounted in 1961 for some 7% of the gross national product, is showing an increasingly liberal attitude, this is even more necessary for an entity such as the Common Market, where a far higher proportion, namely 32% of the gross product, is derived from foreign trade.

This liberal attitude is not merely an ideal or a program; it is also the policy we are practicing. When the common external tariff was devised to replace individual national tariffs, we adopted the method of the arithmetical mean. This favors non-member countries by substantially reducing extremely high duties with their prohibitive effect. The Common Market's external duties thus vary between 0 and 25% (American duties, as you know, range from 0 to 60%). It is just the hard core of the extremely high or prohibitive duties which is of particular interest.

There is another calculation that we must consider concerning the incidence of the common external tariff. If one calculates the customs duties actually paid by importers, we see that the total is now smaller under the common external tariff than before under the national tariffs. In other words, the treasuries of the states have fewer receipts since the inauguration of the common external tariff than in the period of national tariffs.

Furthermore, we extended our first internal tariff cut to non-member countries -- and we did so unilaterally, without any quid pro quo.

Finally, when we started aligning our Member States' duties on imports from non-member countries we worked on the basis of the common external tariff reduced by 20%. This meant a further reduction below the duty rates originally proposed, and some of these reductions were bound in the "Dillon round" or tariff negotiations in Geneva.

In addition, in the new convention with our African associates, the negotiations which are now coming to a close in Brussels, we provide a reduction in the external tariff on certain important tropical products.

The greatest challenge, however, for our trade policy is the answer of the United States to the rise of the European Economic Community. This American move will lead to comprehensive negotiations in a variety of fields and will provide a new opportunity to lower the barriers to trade in the Atlantic area while helping trade in the world at large. Our Commission has watched with great interest the evolution of the new program, and we now look forward to the negotiations.

4. This brings me to my last criterion of the meaning of the Common Market to American business. There is no opening of foreign markets without reciprocity. The Trade Expansion Act is therefore the downright logical answer to what we have built up. Sharper competition is the natural consequence for all concerned on both sides of the Atlantic. I am, however, inclined to regard this too as an asset.

From more than four years experience with the Common Market, we have learnt that brisker and keener competition brings advantages -- not disadvantages -- for everybody. We all become stronger as we vie with each other. For instance, two states as highly developed as Germany and France have given up 50% of their tariff protection in a relatively short while, and at the same time the economies of these two States have been striding forward at an almost unprecedented pace. European experience cannot, of course, be applied automatically to all other cases. But it does allow us to expect that everybody will benefit from a freer Atlantic market.

## II.

In addition to the economic significance of the Common Market, we must not lose sight of the -- no less important -- political aspect, the one which is expressed in the term "European Economic Community."

The merging of the six European markets into one market is being accomplished by pooling important elements of the economic and social policies of the Member States. Not only agriculture, transport and trade policies, but also general economic policy with all its various branches are being subjected to Community discipline. Business cycle policy, structural policy, regional policy, monetary policy, energy policy and so on: All this must be moulded into a harmonious whole. You will ask: What is the philosophy behind all this? This is the decisive question. The answer is: Behind all this lies the philosophy of a free political, economic and social way of life based on the freedom and responsibility of the individual, on property, freedom of contract and competition, on free enterprise, freedom to choose one's work, freedom of choice for the consumer, on the rule of law and democracy. If our undertaking proves a success -- and it must and will succeed -- this will immensely strengthen the values of Western civilization. It will be another piece of evidence, penetrating to and felt in the distant corners of the earth, showing that our way of life not only is better -- because it corresponds with what man is created for -- but also that it works better, because it helps man more in the struggle for existence, giving him security and the opportunity to develop his personality.

But the significance of this is not only economic: it is, generally speaking, of vital political importance for our existence, for the peaceful maintenance of everything comprised in the phrase "the free world."

When, twelve years ago, we began what is known as the economic integration of Europe, we knew that in essence this was a political undertaking. We wanted to ensure peace in Europe by making it not only unlawful but also impossible to wage war, which for centuries had cost Europe so terribly dear. We did so by merging the war potential of our economies and by merging the essential parts of the policies followed by the various states. In the same spirit, we now wish to create -- by exclusively peaceful means -- material and moral strength and security for the most decisive of the battle fields on which East and West confront one another in what some people call competitive coexistence.

That is what gives our undertaking its ultimate raison d'etre. It is from awareness of this, and from trust in our friends, that we draw our firm resolve.

Not profit but survival is our problem.

FOR RELEASE IN AFTERNOON PAPERS OF WEDNESDAY, DEC. 5 1962

NEW YORK, Dec. 5 -- Dr. Walter Hallstein, president of the Commission of the European Economic Community (Common Market), today told the 67th Congress of American Industry that success of the Common Market will immensely strengthen Western Civilization and provide both material and moral strength for the West in the cold war.

Addressing the industrialists in the Hotel Waldorf-Astoria, at the annual meeting sponsored by the National Association of Manufacturers, Dr. Hallstein said that American industry is in a "rather favorable position" in respect to the Common Market, since this immense European market is not only receptive to capital but it is also open to trade.

He noted that an ever-growing stream of American capital has been flowing into the European Community, direct investments increasing in the period 1950 to 1961 from \$637 million to \$3.4 billion.

"American industry is in a rather favorable position vis-a-vis this market," Dr. Hallstein said. "For the first time in history American businessmen will be dealing with a market comparable to their own, allowing them to apply the methods of production and distribution--and in particular, rational methods of mass production --which they have developed to supply their own market."

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The Common Market head emphasized that in addition to the economic significance of the Community, we must not lose sight of the political aspect. He explained:

"Behind all this (Common Market structure) lies the philosophy of a free political, economic and social way of life based on the freedom and responsibility of the individual, on property, freedom of contract and competition, on free enterprise, freedom to choose one's work, freedom of choice for the consumer on the rule of law and democracy.

"If our undertaking proves a success--and it must and will succeed -- this will immensely strengthen the values of Western civilization. It will be another piece of evidence, penetrating to and felt in the distant corners of the earth, showing that our way of life not only is better -- because it corresponds with what man is created for -- but also that it works better, because it helps man more in the struggle for existence, giving him security and the opportunity to develop his personality."

Describing the formation of the Common Market, Dr. Hallstein said the Europeans wanted to ensure peace in Europe by making it not only unlawful but also impossible to wage war, and did so by merging the war potential of the economies and by merging the essential parts of the policies followed by the various states.

"In the same spirit," he continued, "we now wish to create -- by exclusively peaceful means -- material and moral strength and security for the most decisive of the battlefields on which East and West confront each other in what some people call competitive coexistence.

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"This is what gives our undertaking its ultimate raison d'etre. It is from awareness of this, and from trust in our friends, that we draw our firm resolve.

"Not profit but survival is our problem."

Referring to American interest in Europe, he said this was an incentive for the Europeans' own progress. In most cases, Dr. Hallstein pointed out, American investment means that American know-how and American production methods are brought to Europe -- and the higher productivity achieved forces European competitors to employ similar methods. He added:

"Competition, which is the most important element in our economic order, is thus encouraged. On the other hand, new ties of cooperation and solidarity are formed when European firms participate in these investments and when agreements are made on the application of American know-how."