

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

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STATEMENT BY MR. ROBERT FANELL, REPRESENTATIVE
OF THE EUROPEAN ECONOMIC COMMUNITY,
ON FRIDAY, 15 MAY 1959.

The member countries of ECLA agreed that the Executive Secretary, Mr. Raul Prebisch, should invite the European Economic Community to send representatives to this session. This was a gesture of courteous friendliness.

The European Community was pleased to have this opportunity to send its greetings to you at the very place where as we have done in Europe, you are building a closer union between your countries.

Thus the very first mission with which the European Community's representatives have been entrusted is, as Mr. Georges-Picot has already told you, to bring you greetings from the Community's institutions and from the six countries which belong to it. We wish to express our sincere desire to see success crown the constant struggle you are making for a better future, for solid economic prosperity and for the health and happiness of your peoples.

Our second mission is to introduce you to the European Economic Community which has just appeared on the international scene. A gesture of simple courtesy; but more than that for it is intended to show you the European Economic Community as it is, its aims and its methods of achieving them. You will see in all this a firm desire to avoid misunderstanding and to prove to you that we wish to live as good neighbours with the outside world and to show you why that will be possible.

ECLA is a particularly suitable body for such an introduction:

1. Firstly, because this meeting of yours gives me a unique opportunity to make the acquaintance on one single occasion and **as a family** the representatives of the twenty Governments of Latin America and not only those with whom the European Community has already established contacts in other international bodies;

2. Secondly, because ECLA, which is a United Nations Commission where work is carried on for the purposes of economic and social co-operation, seems well suited to a first meeting, the aim of which is to draw closer the links between two areas, two groups of countries, so as to achieve better understanding of the aims pursued by both parties.

We have learnt from your discussions about the aims which you are pursuing; the aims of the European Community I shall now with your permission, Mr. Chairman, outline to you.

Allow me, first of all to embark upon a brief description. I shall depict for you in two outlines the reasons why Europe is inevitably on the way to economic integration.

Firstly: The six countries of the European Community have 163 million inhabitants. This means a density of 140 inhabitants per square kilometre of land area. Equivalent densities for other countries are 21 per square kilometre in the USA, 2 in Canada, 9 in USSR and in Latin America; 7 in Argentina, about 7 in Brazil, 3 in Bolivia, 19 in Costa Rica, about 9 in Chile, etc.

This density of 140 inhabitants per square kilometre involves close relationships between every man and his neighbour, relationships of interest with constant and intense exchange.

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Secondly: In the six countries of the European Community each square kilometre produces an average of 120,000 dollars per year, while in the United States it produces only 49,000 dollars.

I say this to show you how closely knit the machinery of production is. On both sides of all frontiers cultivated land jostles against factories. Frontier areas have common geographic characteristics.

The multiplicity of the means of transport and the increased speed of communication by road, rail and air are such that even areas far removed from the frontiers are aware of and influence each other and have an economic and social heart which wishes to beat in unison with the other regions beyond the frontiers.

Nonetheless, legislation and economic social and financial regulations have left the different parts of these areas which are natural geographic and economic units with widely varying structures. Closeness, and I would say even co-habitation, have given an irritating quality to these differences of structure and potential artificially created in the past.

The standard of living of the inhabitants had to be made uniform and increased. More had to be produced more cheaply. Output had to be increased not only to give more to the inhabitants of the six countries but also to use exports of capital goods to pay for the considerable increase in imports of commodities which was foreseen in order to reach the first aim: in 15 years an increase of 95 per cent of tea, coffee and cacao, 142 per cent of wood and wood pulp, 150 per cent of rubber and 260 per cent of minerals and metals, etc.

Political needs demanded the economic unification and integration - political will brought it about. There have been several stages:

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After the First World War, 1914/18, there was the belgo-luxembourgeois economic union embracing two countries. After the Second World War, Benelux was established embracing three countries.

There was, and there still is, an effort being made by 17 countries to ensure economic co-operation. This is the purpose of OEEC (Organization for European Economic Co-operation) and was made possible by the Marshall Plan of American aid to Europe at the close of the Second World War. This was a generous plan on the grand scale, if ever there was one. Close co-operation between the 17 countries has made great things possible.

OEEC has attempted to eliminate the external symptoms of division between the economies of the European countries but has unfortunately not had the power to remove the causes of those symptoms.

More was needed; steps had to be taken to go further towards co-operation itself within a more closely knit framework than the 17 countries if ever it should be shown that an attempt at co-operation limited to a smaller geographical area was necessary to give the movement new drive.

A first attempt to overcome the barriers and to progress further towards integration was made by the six countries which joined the European Coal and Steel Community. The Coal and Steel Pool achieved total integration for the first time although in a limited field.

The six countries concerned decided to go further, and there soon came into existence Euratom and the European Economic Community established by the signature of the Treaty of Rome on 25 March 1957.

The European Economic Community will be a common market, that is a market within which goods and services will flow freely and without hindrance.

The Treaty of Rome did, however, do more than decree the establishment by successive stages of this free movement. Not content with the gradual elimination of obstacles to trade, customs tariffs, taxes, quotas and similar measures, it also provided for the elimination of the causes which had given birth to such measures. This, Mr. Chairman, is the particularly original characteristic of the step taken by the six countries.

The European Economic Community does not therefore content itself when tackling the problem of the establishment of a common market with taking measures for the proper regulation of the foreign trade of the six participating States. The European Economic Community's programme as regards the common market is broader and more ambitious. It aims at nothing less than linking the economic areas of the six countries so as to place economic exchanges within the area on a new footing as close as possible to those existing within the market of a single country.

How can this aim be achieved? Firstly, by removing the barriers which have so far stood in the way of such a system. These include customs duties and, above all, quota restrictions. The Treaty shows great prudence in dealing with the problem of the elimination of these barriers which have so far protected the different national economies. It provides for a programme for that purpose spread over a period of from 12 to 15 years. It also provides for the establishment of an investment bank which should help to meet the difficulties arising out of the creation of the Community, it provides also a social fund to take action each time it is necessary to make radical changes likely to affect the labour market and the level of employment.

By the juridical form a part of these provisions have given rise to the

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establishment of a customs union. This form was chosen because a model was found for it in international economic policy. GATT, that great world-wide trade and customs association, expressly authorizes the members of a customs union to accord each other a different treatment, that is, say a better treatment than that which they grant to States outside their union. This difference in treatment is even recommended as it leads broadly to greater freedom and to more liberal trade within larger economic areas; it is for that reason that different treatment is authorized under certain conditions; we have respected those conditions. A customs union furthermore provides for a common external tariff for reasons that are so obvious that I shall refer to them only briefly. If participating countries continued to have complete autonomy in their trade and customs policies, one country could too easily divert the flow of trade by manipulating its tariffs.

I have already said, however, that our Community goes considerably beyond a mere customs union.

It does so firstly because it is not confined to trade in goods. Indeed, it establishes within the Community what we call "the four freedoms"; these are: the free movement of persons, the freedom of establishment, the free flow of services and, lastly, the free flow of capital.

Lastly, our Community is more than a simple customs union chiefly because it aims at eliminating the distortions of artificially engendered competition.

The aim of the Treaty is to prevent Governments from taking artificial anti-economic measures contrary to the natural trend of economic activity

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and so to prevent them influencing trade within the Community.

That is why the second part of the Treaty also contains special provisions concerning transport. It provides for the elimination of preferential customs duties and tariffs which are contrary to free competition.

Close co-operation in this would be impossible without the harmonization of transport policies and a concordant development of the means of transport.

For this reason also the third part of the Rome Treaty ensures the gradual application of a common policy which will take the place of the individual policies of each of the six members.

This third part is particularly important and clearly requires States to consent to considerable sacrifice, as for example, the abandonment of age-long discriminatory practices which have become firmly established economic habits. That part of the Treaty will therefore deal with the rules of competition which are to be identical everywhere and which condemn State aid, dumping, and all types of practices restricting production and the free flow of goods and services, intended to give any one State a privileged position.

Similarly, tax laws will be co-ordinated and made non-discriminatory; in a general way there will be a concordance and co-ordination of the legislation in all six countries according to need. Three later chapters are devoted to economic policy. There must be a common trade policy by the end of the transition period that is after 15 years at the most. The Community should negotiate and sign a single agreement with any third party on behalf of the six member countries.

Policies relating to the economic situation at any given time become a matter of common interest that the Six deal with as a group. Similarly,

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the closest collaboration is guaranteed in questions of monetary policy. Exchange rates have also been decreed a question of mutual interest.

Lastly, two chapters deal with social policy. Provision has been made to ensure that social inequalities do not impede efforts to reconcile opposing forces in economic questions.

It was not without good cause that I have dwelt at such length on the provisions of the Rome Treaty. The equilibrium visible in the chapters is a brief indication of the balance maintained in the text. Two chapters are devoted to the free circulation of goods and to agriculture and six to other matters.

This therefore, will make it quite clear that it could be a profound mistake for any person to regard the establishment of the Common Market as a mere attempt to abolish customs barriers. The European Community is far greater undertaking.

Its purpose is to establish an economic entity, one only but with six territories. The Common Market is by no means a mere affair of geographical juxtaposition; it is a coherent alloy that will issue from the crucible in to which will have been poured all the elements that will make certain the consistency of the alloy, the social economic financial and political elements.

This means, therefore, that when we speak of customs tariffs, it is impossible for us to consider the matter solely from the angle of tariff. We must also look at it from a more varied point of view, one which will include its repercussions on the innermost life of the whole Community. Similarly, if we find it impossible to settle any question tariffs for example, there is nothing to prevent us from a solution from another direction since all approaches are open to us. I cannot stress too much that to forget

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this special feature of the system created by the European Six is to forget its very essentials.

I should like to bring to your notice yet another characteristic of our Community. When Europe had to be reconstructed after the terrible destruction of the World War, the age of mass production was inaugurated with the coming of the robot and automation.

It has become clear that a modern economy cannot survive unless it can dispose of wide marketing areas. That is why the whole philosophy of the Rome Treaty is founded on the idea of free trade, both as regards matters arising between member states and those between the member States and other countries.

The determination of the Community to achieve free trade is evident in article 18 of the Treaty on the establishment of a common customs tariff which is to the effect that the member States declare themselves ready to contribute to the development of international trade and to the removal of obstacles to trade by concluding agreements for the reduction of customs duties below the general level which they could adopt.

This determination is to be found in the very method adopted in establishing a common customstariff, which will be no more restrictive than that of the Six member states. I would add that we are firmly convinced that this common tariff, in the form we have given it, is more liberal than that of the Six, as will be apparent from the weighting of the arithmetical averages chosen as the basis for calculation.

A further proof of this determination is to be found in the decision which the Community has just taken to agree to the tariff negotiations proposed

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in GATT by the United States Under-Secretary of State, Mr. Douglas Dillon, the purpose of which will be to reduce the common tariff to a level still lower than that set initially. And that, Mr. Chairman, will certainly be of great interest to the countries of Latin America.

But, you will say, to what extent have you taken your relations with other States into account, and why a community of six only?

Two questions to which I must give a reply.

To the first, I reply that the Rome Treaty was anxious above all not to set up in the centre of the world an economic group which would withdraw into itself, isolate itself and be more a source of division, restriction and hardship than of union, freedom and prosperity.

The close dependence of the European Six on the rest of the world no longer needs to be shown. It is a fact. Without the outside world, the Six would be of little account. It would be taxing the pioneers of the Common Market with extreme short-sightedness to think that they had forgotten this fundamental truth. To prove that this is not the case, let me quote from the Treaty.

First of all, article 29, which also deals with tariffs states that in fulfilling the functions entrusted to it, the Commission shall be guided by the need to promote trade between member States and third countries.

Article 110, which constitutes the foundation of the trade policy lays down that in establishing a customs union between them the member States intend to contribute to the harmonious development of world trade...

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Finally, a declaration of purpose gives these articles their full value. The joint declaration concerning cooperation by international organizations with member States is to the following effect

"Recognizing that the establishment of a customs union between them must contribute to the prosperity of other countries, ... Desirous of enabling those countries to share the prospects of expansion offered by the establishment of the union... Declare themselves ready to conclude agreements with other countries which will ensure the harmonious development of trade".

After having brought to your notice these articles from the Treaty and the declaration which is an integral part of the Rome agreements, I cannot but regret the incomprehension of any who might persist in regarding the Rome Treaty, in spite of the most solemn affirmations, as an act of isolationism and a threat to the interests of third parties.

Why six nations? Simply because it was necessary to begin somewhere. I have deliberately used the word to begin, because we have left the doors wide open for others to follow us. Article 237 of the Treaty explicitly provides that other States may become members of the Community. The right of accession will not be bartered. But it must be realised that on becoming a member of a club every one must pay an entrance fee, which must be the same for all.

The Treaty goes further than article 237. Article 238 contemplates the right of association for those who cannot become full members. "The reciprocal rights and obligations of associates will be freely discussed",

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and the Treaty does not exclude the possibility even of amending some of its clauses if there is clearly no other way of entering on a reasonable basis an association desired by both parties.

The Rome Treaty is liberal in its aims and its purposes, in its spirit in its text; it cannot and must not be considered as the deliberate and final creation of six countries for six countries, but as a long-term work, easily accessible which should benefit the whole world by associating it with its activities in every possible way.