



COMMISSION
OF THE EUROPEAN
COMMUNITIES

PS

441 2(103)

**Speech by
Dr. Martin Bangemann,
Vice-President of
the Commission of
the European Communities**

**United States of America,
17th-19th November 1989**

Check against delivery

1. Fortress Europe is yesterday's news

During my last visit to the United States, a year ago, when I was still West Germany's Minister for Economic Affairs, the one topic on everybody's lips was the fear of "Fortress Europe". By the end of 1992 the Community will have realized its most ambitious project to date: the creation of a single European internal market. Once this is completed, there will be no more barriers to the movement of goods, services, capital and people between Denmark and Greece, or Germany and Portugal, than there are in the United States between New York and Phoenix, or Chicago and Los Angeles.

Europe will become the world's largest market, with over 320 million consumers and with a high purchasing power.

Such a "supermarket", of course, gives rise not only to hopes, but also to fears.

These fears have, however, since been largely dispelled.

The Community has as a matter of fact proved that it will remain an open and trustworthy trading partner to the outside world and this not only in word but also in the facts.

Example 1: Banking

The "fortress idea" was mainly inspired by the issue of reciprocal treatment on banking licences.

The original formulation was in fact misleading, but the Community has since decided exactly what it means by "reciprocal treatment":

Firstly: The internal market will make no difference to branches which have been set up in the Community by non-Community banks.

They will still need a local licence and will not benefit from the second banking Directive's provisions on home country supervision.

Secondly: Subsidiaries of non-Community banks, which are already operating in the Community, will, in principle, enjoy the same rights as Community banks, i.e. they will need only one licence for the whole internal market.

What could be less bureaucratic than that!

This shows that the internal market is a deregulation program of the first water.

In the future, banks will need only one licence instead of twelve.

Along similar lines, we are going to simplify other licensing procedures.

Thirdly: New licences for subsidiaries of non-Community banks will be conditional on Community banks enjoying the same rights as local banks in the applicant's home country.

We want no more, and certainly no less, than effective market access, and reciprocal treatment in the form of national treatment.

Personally, I am not fond of such reciprocity clauses, but negotiation is often the only way of really removing obstacles to effective market access. I generally hold multilateral GATT rules to be a better safeguard of free and undisrupted world trade.

However, where such rules do not yet exist or are inconsistently applied, we have to bridge the gap by negotiation. We are also prepared to open up our services, on condition that our trading partners do the same.

Example 2: Automobiles

The European automobile industry is the world's number one producer (12.3 million in 1988) - and that is just how we want to keep it! The internal market at last gives European producers the home market they have longed for, with a single licence covering the whole Community.

Differing regulations on fog lamps, drivers' seats or side lights are being harmonized to reduce European (and other) manufacturers' production costs.

We expect this to strengthen our competitiveness on the world markets. One of the internal market's principal target is to get Europe's economy into top shape.

The internal market is just the beginning, the warm-up session for the competition's heavyweight class, that is the world market.

The Community is not, however, just an automobile exporter.

In 1988 we imported 1.5 million cars, almost as many as we exported (1.6 million).

By contrast, Japan exported 4.4 million cars and imported only 100 000!

So, as you can see, the Community is already a comparatively open market for motor vehicles.

With the internal market, we will progressively suppress import restrictions on Japanese cars which still exist in some Member States. Import quotas are always a sign of economic weakness.

We want the internal market to demonstrate Europe's new self-confidence, not its weakness. After a transition period, we are going to completely liberalize the European automobile market.

As direct investment grows, the world economy is becoming increasingly interlinked.

U.S. direct investment in the Community has risen from barely \$ 3 billion in 1960 to \$ 126 billion in 1988; firms from the Community have meanwhile invested as much as \$ 260 billion in the United States.

This shows just how interdependent the economies of our two continents are.

Import barriers are becoming an increasingly ineffective way of protecting national industry, when local subsidiaries are set up almost everywhere.

This gives rise to fierce competition in the home market from which nobody can escape.

Competition can only be faced by maximum productivity, the highest quality and the best price.

We Europeans are ready for this. That is why we have done nothing to restrict direct investments in the Community by non-Community countries. Quite the opposite: U.S. and Japanese firms are more than welcome to invest in the Community, because it encourages the integration of the world economy and reduces the risk of protectionism.

Example 3: Standards

There's an old saying amongst managers: "If you can set the standards, you can lead the market."

We in Europe are just not going to let the important markets of the future slip through our fingers: we are going to pool our technological forces by stepping up research and industrial cooperation.

European cooperation has already shown its success in the field of high-definition television.

The television standard developed by European firms will bring a new television era.

This technology will enable us to receive new, flicker-free television broadcasts.

Television manufacturers and programme-makers should move ahead to make sure they do not miss the boat.

A common television standard is in the interests of both European television manufacturers and U.S. programme-makers.

Incompatible standards, which may even have been dictated by someone else, are of no use to either party.

However, the Community is not using technical standards as a protectionist, isolationist weapon.

We are striving, wherever possible, for international standards.

That is why we are not setting compulsory "Eurostandards" for the internal market.

On the contrary, we have chosen a different way: Community law sets only the minimum requirements which a product must meet to protect the environment and the consumer, and guarantee product safety.

The requisite technical standards are developed by independent standards institutes and are therefore not obligatory.

Any manufacturer who proves that his product meets the basic requirements can sell his product freely throughout the Community.

One technical certificate or - in the case of particularly sensitive or dangerous products - a single authorization will do for all twelve Member States.

This simplified administrative procedure applies to all firms, whether they are based in the Community or not.

The internal market is open to all. This should make the internal market especially attractive to medium-sized companies outside the Community, who cannot afford to maintain branches or have their own sales force in the Community.

My message to U.S. medium-sized firms is: discover the Old World!

Never before has it been so easy to establish a foothold there.

Example 4: Television

There has been a lot of fuss in the U.S. press about an alleged decision by the European Community to impose a television quota.

Let us get one thing clear: there is no law which says that more than half of television broadcasts have to be European.

All there is, is a political will to preserve the European identity in a medium of television's importance.

The actual decision only sets the conditions for television programmes to be broadcast freely across all borders, throughout the Community.

Private television channels should expand dramatically, their needs being met to a great extent by U.S. programme-makers.

In the future, more - not fewer -
American films will be seen on European
television.

However, television is not just a
product, it is also part of our
culture.

We are not prepared to completely
abandon our culture to the market
forces.

Europe's cultural diversity is not just
nostalgia and sentimental recollection.
It is the source of our strength and
creativity as we face the economic
future.

Every country, every region has a right
to its own language and its own
traditions.

The question of which languages will
still be spoken tomorrow and which
values will hold, cannot just be a
matter of economics.

To this extent, the internal market can be said to have a cultural dimension.

We are not out to build a Europe which is just economically powerful, but a Europe in which its people can rediscover their cultural identity and a sense of belonging.

This deep-seated need for cultural autonomy and self-assertion is also present in the relationship between the United States and Canada.

Canadians want to set a fixed quota for local television programmes, what we - Europeans - only have recommended!

The general GATT rules are quite rightly not applied to television.

We should keep it this way.

Let us stop this continual fighting.

It can only make cooperation in trade policy more difficult and distract us from more important matters.

At a time when there is not even free trade in steel and cars, culture should not be down-graded to a mere commodity. For, as everybody knows, man does not live for money only.

2. Regional cooperation as a model for the future

The European internal market is also a response to international economic challenges.

Two different trends are currently shaping the world economy.

On the one hand, the strands of the world economy are now so interlinked that one can hardly speak of products as being American, European or Japanese any more.

On the other hand, there is an obvious trend towards bilateral agreements and arrangements between the major trading blocs.

I am not someone who fundamentally opposes regional agreements.

Such regional agreements are to be criticized only where the principles of free world trade are undermined "by mutual consent".

Self-restraint agreements must remain an exception for the same reasons, and should also be temporary, just as anti-dumping measures are subordinated to strict GATT rules.

No trading partner has a God-given right to have everything its own way. The principle of free trade depends heavily on mutual trust.

Blacklists or counter-measures against trading partners, unilaterally stigmatizing them as sinners, are incompatible with this.

Looking at balance-of-trade figures in isolation is not of any help either.

The balance of trade between the United States and the Community is pretty much equal.

In 1988 the United States enjoyed a small surplus of ECU 4 billion; in the first quarter of this year the Community is ahead by ECU 2.4 billion.

A positive balance is no proof of foul-play.

Both from my previous job as Minister for Economic Affairs and as the European Commissioner responsible for industry, I know only too well that one's own failure is not always someone else's responsibility.

If this were true, some companies could not win where other loose.

Economic success is not just a matter of economic productivity or exchange rates.

To be successful one also has to come to terms with the culture and way of thinking of the country in question.

Many import barriers are purely psychological, in the minds of both the buyer and the seller.

Here too the European internal market is a good training ground for the world market.

It forces people to "think international" and get to grips with other countries' ways of thinking.

Regional cooperation is a first step to getting to know each other and exchanging views.

The principle of free trade also requires closer political cooperation in order to maintain the free exchange of goods even during difficult times. I regard regional cooperation therefore as an effective guarantee of free trade and of the general GATT rules.

An improved cooperation with one's neighbours will ensure, almost "en passant", the basic principles of free trade: open borders, tolerance and mutual respect.

The European Community is a regional association which is at once both politically coherent internally and open to the outside world.

Europe is a continent with many neighbours.

The Community tries to cooperate closely with all its neighbours. It is now almost self-evident that we cooperate very closely with the 6 EFTA countries (Scandinavia, Switzerland and Austria).

EFTA is not only our most important trading partner; it is also an association of democratic, European states and nothing could be more disastrous than yet another partition of Europe, and this time between democracies!.

We are also seeking closer cooperation with the more reform-minded states of the Warsaw Pact.

The world is moving.

The old, bi-polar world is gone.

Now the world has several axes, one of them, I am pleased to say, being a revitalized Europe.

The Community can, and has every right to, regard itself as more than an economic community.

As the strongest economic bloc it gives an attractive example to the rest of Europe.

The Community, therefore, has a particular responsibility to ensure future progress towards European unity.

The ideological division of the world into "capitalist" and "socialist" is crumbling from one day to the next.

The model of the planned economy has been relegated to history.

Nowhere in the world is there a country where such a Communist-controlled planned economy has led to wealth and prosperity.

Communism has failed not only because of its economic shortcomings, but, above all, because humanity's thirst for freedom resists such totalitarian ideologies.

Some Communist states have realized this and are prepared to open up.

The Community supports this reform process without sacrificing the least part of its own political identity.

It might perhaps be intellectually rewarding to speculate about the shape of Europe tomorrow.

But the most important consideration at this crucial point in the political and social metamorphosis of Eastern and Central Europe is a brighter future for the people of the Soviet Union, Poland and Hungary, and East Germany.

This is a time for practical assistance and relief, not a time for settling ideological scores and saying: I told you so.

We should above all think twice before drawing ill-considered historical parallels.

The old Europe is gone for good.

The Community's economic and political integration has largely seen to that. But as we move to sweep aside the Community's internal borders by 1992, we also want to see other borders open up to let people through.

The goal is the "United States of Europe", a Europe larger than the present-day Community.

We will not be formally negotiating the entry of any other country before 1992, but afterwards the Community will, in principle, be open to any European democracy.

The prospect of a united, free Europe is of particular importance to Germans. A divided Germany is unnatural.

For more than 40 years, Berlin has been a sign of European division. Now it is a sign of new hope.

In order to overcome the European division we have also to overcome the German division.

It's not logical to abolish the frontiers from the Atlantic to the Ural and leave the Berlin wall!

As a European and not only as a German, I say: there exists only one Germany.

Reunification is only one political answer to this.

There are also other answers such as i.e. a confederation between the two Germanys or the continuation of a second German State, which would be democratic but independent.

But more important than such speculative political considerations is the fact that Germans from the East and the West can come together.

This is the key message of the last days.

Germans in East and West speak one language, have a common history and a common culture.

Telling Germans to give up the idea of a united Germany would force them to choose between two perfectly compatible notions: Germany and Europe.

The reunification of Germany cannot be achieved by drawing new borders, it can only be achieved by sweeping aside old ones.

European integration is the only way to solve the German problem peacefully.

This opinion is shared by German politicians of all persuasions.

Henry Kissinger is supposed to have said that all the German people's unfulfilled hopes lay in the East.

Today we see many Germans crossing from East to West because they believe it to be the only way of fulfilling their personal hopes.

We must work towards a world in which people can live in their mother countries.

Only then will we be able to speak of a free Europe, of a free world.