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ADDRESS BY WILHELM HAERKAMP,
VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES,
TO THE EUROPEAN CHAMBERS OF COMMERCE IN RIO DE JANEIRO
ON 9 OCTOBER 1979

"THE EUROPEAN COMMUNITY AS A PARTNER IN THE WORLD ECONOMY"
It gives me great pleasure
to be here with you today.

This is the first time I have had the opportunity
of addressing members of European Chambers of Commerce
together outside Europe.

It is also my first meeting with representatives
of Brazil's economy.

I lay stress on this for two reasons:

1. The Commission in Brussels attaches the greatest importance
to maintaining close contacts with the business Community.

We have no desire
to take the place of industrialists,
even if that were possible;

what we want
is to be their partners.

Although people sometimes seem to get the opposite impression,
it is our aim in Brussels
to intervene as little as possible
in business policy decisions.

2. We feel that the Chambers of Commerce
2. We feel that the Chambers of Commerce of the EEC Member States should cooperate together as closely as possible.

Any collaboration between European Chambers of Commerce, formal or informal, is welcome to us.

The increasingly-felt solidarity between the governments and people of Europe should be matched by a similar identification in the economic sphere.

I would like to say a few words to you today about the EEC's responsibilities in the foreign trade field.

But first, let us look for a moment at the state of the Community as it prepares to move into the nineteen-eighties.

Where do we stand today, and what are the prospects for the future?

This year has been an important one
This year has been an important one for the Community, with three major developments taking place:
- the creation of the European Monetary System,
- the first direct elections to the European Parliament, and
- the signing of the Greek accession treaty.

As you are aware,

the European Monetary System (EMS) came into force in April of this year.

This means that the Member States now once again form a sizeable zone of relative currency stability, similar to that which linked all the industrialized countries in the nineteen-sixties, when the Bretton Woods system still operated.

The EMS is the first step on the road to a stable European currency area, and, at some later date, to a single European currency.

I stress the words "first step",
I stress the words "first step",
since as we saw a fortnight ago,
even the new system is going to call for occasional parity adjustments.

We are still a long way
from achieving long-term stability in currency relationships.

That is going to require
a much higher degree of coordination
between the economic and financial policies of the nine Member States.

So long as inflation in the Community varies
between 5% in Germany,
and 15% to 20% in Italy or Ireland,
it will unfortunately remain impossible
to put European currency relationships
on as firm a footing as we would like.

The second major event of 1979
The second major event of 1979 was the holding of the first direct elections to the European Parliament. Its importance for the future political development of the European continent can hardly be overestimated.

For the first time in Europe's history, members of political parties organized on a European scale (Socialists, Christian Democrats, Liberals and Conservatives) are directly representing the 260 million inhabitants of the European Community.

On 28 May the Greek accession treaty was signed in Athens, completing the first phase of the second Community enlargement operation.

Greece will become the tenth member of the European Community on 1 January 1981, when all Member States have completed ratification of the act of accession.

Two years later, at the beginning of 1983, Spain and Portugal will also become members, if all goes according to plan.

At that stage
At that stage
the Community will have twice as many members as in 1958,
when it was set up.

In geographic terms,
the Community will cover about four-fifths of Western Europe
and half of the European continent
(not counting the Soviet Union).

The seventies have been a period
of rapid development for the Community
both internally and externally.

Today it is stronger than ever before.

Internally,
the Community's range of action is considerable.

Hardly any important decision in Europe today,
whether on energy, the environment or social policy,
with nothing of agriculture,
is taken autonomously at national level,
that is without reference to the Community.

In external affairs too,
the Community can wield discreet, but none the less
sometimes effective influence.

We should not, however, blind ourselves
We should not, however, blind ourselves to the problems the Community has to tackle in the next few years.

Four of them seem to me to be of particular importance:

Firstly,

the Community will have to sort out its agricultural policy. It cannot afford today's huge chronic surpluses of products such as milk or sugar.

Equally, it is not going to be financially justifiable for the EEC to continue devoting three-quarters of its expenditure to 5% of its population while neglecting other areas of Community expenditure, such as energy research or industrial restructuring, which are at least as important.

And finally,

the Community will come under increasing pressure from its trading partners if it attempts to unload its surpluses on to the world market to the detriment of other producers.

The second challenge
The second challenge facing the Community, which is at least as important, is to arrange for the three new Member States to be integrated as smoothly as possible in the eighties. This will require a great deal of flexibility on both sides.

At the same time

the Community will have to adjust its own industry to the new pattern of international competition.

I am thinking here firstly of competition from the developing countries, above all from the so-called threshold countries.

This competition is making itself felt in a particularly marked fashion in such sectors as footwear, textiles, wood products and food, but I am also thinking of the risks and hazards resulting from the oil price rises and the consequent shift of economic and financial power to the OPEC countries.

You all know
You all know that some formerly very large sectors of European industry such as shipbuilding, textiles or steel are facing a serious crisis. Numerous firms and hundreds of thousands of workers have lost their source of income in the last few years. Over the same period we have made a certain amount of progress with restructuring, but the process is by no means complete. It requires further sacrifices on the part of workers and firms. Nevertheless we believe it is necessary for even politically sensitive sectors to be completely integrated into the world economy. Without constant adjustment to the changing relationships in the world economy Europe simply cannot maintain its high standard of living.

The fourth, and probably the greatest challenge
The fourth, and probably the greatest challenge for us is in the sphere of energy.

The European Community and Brazil are facing similar problems here.

- We are both highly dependent on imported energy.
- We both need to develop new sources of energy.
- We must both try to be more sparing with our use of energy than in the past.

In the Community, awareness of this challenge has risen considerably in the wake of the first and second energy crisis.

The search for new technical solutions such as wind or solar power is under way.

Coal has been rediscovered, yet adjustment to the post-oil era has hardly begun.

We are still excessively dependent on a small number of oil producers.

It is our belief
It is our belief that the change to new energy sources will give fresh impulse to our industries, but clearly, also, the continually rising price of energy will be harmful to growth.

This is why we see it as essential to press ahead with the development of alternative sources of energy, while at the same time stepping up the search for oil and gas deposits throughout the world.

As regards external trade, 1979 saw the long-awaited conclusion of the Tokyo Round talks. The Community, which participated as a single entity in what have been the longest and toughest GATT negotiations to date, played an important part in these talks.

Over the next eight years, the industrialized nations will be lowering duties on industrial products by about one-third.

That is a remarkable achievement.
That is a remarkable achievement.

It must be judged against the background
both of the already very low rates of duty applied,
and of the extremely difficult economic problems
currently facing most of the industrialized countries.

By the end of the nineteen-eighties,
the average rate of duty
charged by the developed countries on manufactured
products will be a mere 7 \%,
compared with 10 \% at the moment.

The duty on semi-manufactures
will be reduced from 6 \% to 4 \%.

In future,
there will be no more than one tariff heading in the EEC
(on industrial goods) bearing duties of over 20 \%.

In trade with industrialized countries,
duties will no longer constitute a significant obstacle.

They are no longer a decisive factor.

This state of affairs
This state of affairs is mainly due to the tough negotiations between the industrialized countries, in particular the USA, the EEC and Japan.

The extent to which the developing countries took part in the GATT negotiations varied, but they will benefit from the results on the strength of the most-favoured-nation principle.

In particular, it could be those countries which already have a diversified industrial structure which will benefit most from the Tokyo Round. Brazil is one such country, and so are Yugoslavia, Korea and Argentina.

I stress these positive results for the developing countries, particularly because it is precisely they who have been so critical.

Yet it's a fact
Yet it is a fact
that henceforward all developing countries
will have better access to the markets of the industrialized countries,
without having provided any quid pro quo,
in other words
without having dismantled their generally formidable protective barriers to any great extent.

In future the world trading scene
will be divided even more clearly than it is now
between two categories of country or groups of countries.

On the one hand,
there will be those
granting their economy, or rather their industry,
only a slight measure of protection,
by tariff or other means,
against unwelcome competition.

I am thinking here of all the Western European countries,
the USA, Japan
and one or two developing countries,
such as Singapore and Hong Kong.

On the other hand,
On the other hand,
there will be the second group of countries
which,
understandably for reasons of development or employment policy,
protect their industrial growth from competition by means of tariff walls
which are sometimes extremely high,
not only against the industrialized countries but also against other developing countries.

The Tokyo Round also achieved considerable progress in the dismantling of non-tariff barriers to trade.

Technical standards may not be used for protectionist purposes.

For the first time there is to be a greater international transparency in the field of government procurement.

There will be stricter GATT rules on subsidies which affect foreign trade.

In the agricultural field,
In the agricultural field, unfortunately, the results do not compare with those achieved in the industrial sphere, with the exception of arrangements on dairy and meat products.

Above all, the Tokyo Round must be seen as demonstrating the political will to resist protectionist pressures of all kinds.

In the European Community we shall continue to pursue an open-door policy towards the rest of the world.

We are convinced that such a policy is the best way of bringing about necessary changes in industrial structures.

Our industry must prove itself in the arena of world-wide competition.

The European Community
The European Community

has been mistakenly, and in our opinion unjustly represented
as a "protectionist monster".

Our duties

even for the sensitive products of the food and light industry
sectors
are lower than those of Japan and the USA.

With very few exceptions

we have no quantitative restrictions on imports
of either industrial or agricultural goods.

We are therefore rather disappointed that,
in Latin America in particular,
the European Community has acquired the reputation
of being a "union of unholy protectionists".

Is this not a case of mistaken identity?

Is it not dangerous for people in glass houses
to throw stones?

Sometimes one cannot help thinking
Sometimes one cannot help thinking
that the European Community is being judged by particularly
exacting standards.

We do not object to this in itself,
since we are, of course, aware
of our responsibility as the world's leading trading
power.

But the question must still be asked,
whether it is fair
to criticize a partner because of its allegedly
protectionist policy
when one has surrounded oneself with a much
higher protectionist wall.

We will therefore be systematically continuing
our policy of reducing trade barriers,
but we will also increasingly see to it
that our trading partners
also make a fair contribution to free world trade.

We will examine more closely
We will examine more closely complaints from our producers of dumping, subsidies, or export restrictions and press our trading partners to dismantle their trade barriers.

As in the past, we will, of course, try to be as understanding as possible towards our partners' particular development and balance of payments requirements.

To conclude, I would like to make a few comments on relations between the European Community and Brazil.

Brazil occupies a prominent position among non-European trading partners.

In 1978, leaving aside the oil-producing countries as a special category Brazil was the fourth most important non-European trading partner after the USA, Japan and Canada.
Trade between Brazil and the European Community has more than quadrupled in the last ten years and the latter, via its high imports, consistently helps to narrow Brazil's balance of payments deficit.

Brazil also occupies a prominent position in the field of private investment for the European Community.

We therefore attach considerable importance to relations with Brazil.

The cooperation agreement which we hope to conclude in the next few months should testify to this.

To a certain extent it should provide the political framework within which the business activities of European firms in Brazil and, we hope, increasingly also Brazilian firms in Europe, can develop with the minimum of obstacles.

The agreement will also set up
The agreement will also set up an institutional mechanism whereby any difficulties which may arise can be settled smoothly and amicably.

We feel that we are just at the beginning of intensive cooperation between Europe and Brazil.

There are various reasons for this:

- Brazil's enormous economic potential and rapid economic growth provide opportunities for the European Community.

- Brazil's rise to become one of the ten biggest industrial nations in the world provides Brazilians and Europeans with opportunities for industrial specialization and cooperation which have surely not been fully exploited so far.

- Brazil's relative closeness to Western Europe means that industrial manufactures and semi-manufactures can be transported cheaply.

- And finally,
And finally, the similarity of the challenges facing Brazil and Europe in the field of energy, environment or technological policy should lead in future to a strengthening of cooperation between Brazil and Europe.

I am not thinking only of cooperation in the field of imports and exports, but also of stepping up exchanges of students, researchers and engineers.

I am thinking of the possibilities for joint planning and execution of major projects in other developing countries.

I am thinking of cultural cooperation.

I am sure that the inclusion of the Iberian Peninsula in the European Community will further the development of our relations in many ways.

We are on the brink of a new and important phase of cooperation between Brazil and the European Community.