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TRADE RELATIONS BETWEEN EUROPE AND THE UNITED STATES.

I should first of all like to thank you, Mr. Chairman, for your kind words of welcome, and to say what a privilege it is to have been given this opportunity to speak at the Annual Meeting of the American Importers Association here in New York today. I must say that the date and subject are very much appropriate.

I will dwell on two particular themes which I think are of great interest to us all, namely: the current developments in the European Economic Community, the EEC, in its relations with the United States and the prospects for future developments.

Links between the U.S. and Europe have always been and must continue to be of vital importance to both our peoples. The fact that the past year has been a difficult one for relations between the European Community and the United States should not allow us to forget how much we share in our common heritage and way of life.

We, in Europe, cannot forget the staunch support given by the United States to the creation and development of the European idea after the last world war. The result of the practical enthusiasm on both sides of the Atlantic to build a strong Europe led in the mid 1950's to establishment of the original European Economic Community. As it grew, the original community of the six continental countries became an entity of considerably economic consequence. With the entry of Britain, Denmark and Ireland in January 1973, the Community has now become a very big business indeed, as even a brief look at the relevant figures for the years will show.

The enlarged Community accounts for roughly 40 per cent of the world trade and 40 per cent of world monetary reserves. It is responsible for over a quarter of the free world's merchant fleet and virtually a third of the free world's development aid to the poor countries. It produces nearly a quarter of the world's steel, its population is larger than that of either the United States or the Soviet Union.

The opportunity and chance of our European Market is such that nearly a quarter of U.S. exports come to the Community, and there has been a continuous flow of direct American investment. On the other side, the importance of the U.S.

to the EEC is a matter of observable economic fact. The U.S. is by far the leading community trade partner with goods exchange in 1973 to the value of over 32 billion dollars. This represents approximately one fifth of the Community's total foreign trade.

Two sectors are particularly important. First, the U.S. agriculture, principally cereals, which meet a wider community need. Second, the Community is dependent on numerous U.S. high technology products. The United States' direct investment in the Community now exceed 25 billion dollars of book value, over one quarter of total estimated U.S. foreign investments. A number of crucial European high technology sectors are predominantly controlled by U.S. capital. The story of our trade relationship has so far been a success.

In the agricultural sector which is a sector where no country in the world is without a certain protection, the common agricultural policy of the Common Market has not - contrary to common belief - been a hindrance to the trade. American agricultural exports to the Community have consistently increased since the introduction of the common agricultural policy, and there is no reason to believe that this should not continue, although it is a question whether

the U.S. exports can keep up with the demand. 1972-1973 showed a record export of 2.9 billion dollars.

With the enlargement of the Common Market, new negotiations were opened in conformity with the rules of international trade that is in conformity with the GATT rules to see if the enlargement raised a need for regulating tariffs. These negotiations - called XXIV:6 - are just before termination. We expect that within a few weeks a result will be obtained and this rather small difficulty in our relationship will be ironed out.

In this connection, I would like to point out which would be of interest to you as importers that the Community presents a good example of how a common tariff should be made, since the average of the Community tariff is very low. It is, as a matter of fact, the lowest average tariff of all the principal trading powers. It does not have the peaks which is one of the negative features of the U.S. tariffs. Only 1.4 per cent of the Community tariffs - compared to 13.6 per cent of U.S. tariffs - are higher than 20 per cent.

It would be very helpful, if we could get across some of the non-tariff barriers too, for instance if we could agree with the United States that they should use the Brussels' tariffs nomenclature, and if we could work out some kind of a system on which both parties would base their duties on the same value of goods. We are, of course, following the passage in Congress of the Trade Reform Bill with close attention, since it is our hope that it will give the United States the basis for the coming multilateral negotiations.

As you can see, I feel that I have just demonstrated that in the field of trade and commerce in which the EEC through

the creation of the Customs Union which has been largely a success, we have created the best relations with the United States, and that the differences or discussions, we have now, only represent what I should call routine consultations.

I will revert to the more difficult part of the relationships. The political relationship between the EEC countries and the United States and the question of what the future will be of Europe.

The original thought of the Treaty authors was the creation of a European union. With the enlargement with three more countries, and the completion of a customs union, and the common agricultural policy, the step or the stage is now reached at which much more difficult decisions have to be taken. Anyone will understand that so far the Common Market's member countries have been able to agree on lowering of their tariffs and other barriers which were hindrances to the inter-community trade. What, with the enlargement now became the next step, would be a Monetary Union. As you will understand, a Monetary Union touches the life blood of any of the individual member states' governments.

At present, we have seen that Italy has decided to limit

imports from other countries including members of the Community. This might be seen as just a latest of a series of disappointments. In March, the British demanded re-negotiations of the terms of entering the Market. In January, there was a French decision to float the franc. In December, there was the stalemate over the regional development fund. At the same time, Western Europe is now being shaken by a menacing inflation which has even a higher rate than the inflation in this country. Further, the pressure on Western European governments is much higher, since Europe's energy is supplied to a very large extent from outside the Market.

In economic terms, the Common Market has been successful, mainly as a customs union, and helped by an unprecedented general upward trend in the industrialized world.

I must at the same time point out that the governments in the individual member countries all seem to have some difficulties.

This being said, the only way out is that member governments must live up to some of the big challenges. This is maybe too much to hope for. At the same time, I would like to express that the best hope is that the United States may

view present world economic circumstances more or less in the same light as they saw Europe right after the war, and I am tempted to make the appeal for a new sort of a master plan, although I am not specifically advocating it should take the form of a Marshall Aid. I feel that right now it is time to take a generous initiative and that the only country who has the economic power to take such an initiative is the United States. I feel that we are at a cross-road in man's development. I feel further that it will take great political courage to put a stop to the present world inflation, and maybe introduce such notions as non-growth and fair sharing of goods with the developing countries on a real basis instead of on the bogus basis we have done it so far. I could imagine an initiative along the lines of British Minister Harold Lever's plans. I just read about these last Wednesday. He wants six leading Western nations to take over the responsibility for buying oil from producers at guaranteed prices, regulated against inflation, and re-selling to other countries developed and L.D.C.'s at reasonable prices and at the same time finance deficits of balances of payments according to need etc. His plans could be enlarged to other areas of free world economy and be the key to a solution.

If an initiative is not taken, if something is not being done, I right now feel very pessimistic about the economic development of Western Europe and the Western world as a whole. Of course, I have no doubt that this country will have no problems in economic survival since you have the energy you need and also have the energy potential you will need for economic growth. I am afraid that in less strong economic units such as the individual countries in Western Europe, the economic recession or the fast inflation combined with high energy costs and the following decline in real income and thereby in living standard will be followed by political unrest which might lead to very undesirable developments in Western Europe. I am again, before I am finishing, reverting to the note I touched before, I am hoping we can agree upon some kind of an initiative which will lead us over the present difficulties and get us into a path which will carry us well into the next century and into a world, where we can recirculate and keep our resources and continue our present standard of living at the same time as we develop the poor nations of this world to our standards.

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