

Transcript of Press Conference

of Jean Rey,

President of the Commission of the European Communities

at

National Press Club, Washington, D. C.

February 9, 1968

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REY: Good morning, ladies and gentlemen. I'm afraid I missed some of you after my audience with President Johnson at the White House. I must apologize. I didn't know some of you were waiting.

We are at the end of our three-day visit. I should summarize our impressions by saying that on our side and, I hope, also on the American side, we were fully satisfied with the opportunities we have had to express the views we wanted to express and to get information at all levels, including the highest, on what you are now doing, what you envisage, and what could be the consequences. Of course, on our side, we had no comment to make on decisions which affect your internal affairs. On the other hand, in matters which have some external reactions and which have a common character, we have expressed some views. These I summarized at the (NPC) luncheon two days ago. We have told our American friends that there are two kinds of problems they have to face. There are some in which they have no agreement with, or commitment of any kind towards, foreign countries, especially those in Europe. And in these, they have to decide by themselves what they want to do. In other affairs, we all have engagements, commitments, and treaty agreements (I think of the GATT rules) which we all, both you and ourselves, must observe. Also, regarding the Kennedy Round, which is a world-wide agreement, we must be absolutely careful to leave it absolutely intact in anything that you or we do. You have always been very sensitive about the GATT rules. When we have done something which you thought was against the rules, you have protested at once. It was fully your right -- I am referring to the famous chicken war, which lasted a certain time. On the other side, we should be just as touchy if any measures taken by your authorities should affect the rules of the GATT.

My major concern is the Kennedy Round, because it is the last and most important negotiation we have had. The problem is to know whether you, and subsequently others, are going to adopt protectionist measures. We talked this over very thoroughly with all your officials involved in these affairs, especially with Under Secretary of State Katzenbach at a long meeting with other under secretaries present. We agreed upon the idea that consultations had to be carried on in Brussels with the mission which your government is sending next week to Europe to talk in the different capitals. This will end in Brussels in a general consultation with us and the representatives of our member states. This will be a little before the end of February, so that on our side our ministers should be able to discuss with us the situation. You know that we have a general meeting of the finance ministers of the Six on the 26th and 27th of February, and that on the 29th we have a normal session of our Council of Ministers of the Communities, so we think that by the end of February all of us will be fully aware of the situation facing us and that it will be possible then to make decisions.

I think that we have a better understanding of the reasons why you have to act and that your authorities have a better understanding of the limits of what can be accepted and what could, on the other hand, cause concern. I won't say more until decisions are taken by our ministers themselves. So far as I know, your authorities were also satisfied with the opportunity to have all these talks. We have been struck by two things -- first, the interest in European affairs by your authorities (your large attendance here is another demonstration of this interest) and, secondly, the friendliness with which the Americans have received us as their friends. I think that the Commission, both the one of President Hallstein and the newly merged Commission, is a friendly Commission. I have never felt that there was in our Commission -- either under the ten-year chairmanship of President Hallstein or under me during the past seven or eight months -- any anti-American feeling of any kind. I must say this quite clearly that there is no anti-American feeling in our establishment. More and more the conviction is that we must take joint responsibility on all the problems as they are encountered.

QUESTION: Mr. Rey, you were talking about a U. S. mission coming to Europe, is there going to be a multilateral form for these discussions -- either in the OECD or in Geneva?

REY: So far as I know, your mission is making a tour to several capitals. I think the first visit takes place in Bonn, where your mission intends to discuss the new German tax system which is one of your present concerns. It will conclude with multilateral discussion in Brussels, headed on our side by the Commission with the presence of representatives of all six countries.

QUESTION: Mr. Rey, you had a unique opportunity to meet Mr. Wilson in Washington, who is so very much anxious to join you. Did you meet him?

REY: No, I didn't. I met Mr. Wilson on December 4th. I paid him a visit in Downing Street two weeks after the devaluation of the pound, and for a day we met with him and with Mr. George Brown and Mr. Roy Jenkins. This was before the decision of our Council of Ministers on the 19th of December. We made at that time a quite general survey of our common problems, and it was not foreseen, either by him or by me that we should meet here. We have, I think, more things to discuss with your President.

QUESTION: If I may ask you another question -- in the joint statement which you issued with the President -- the statement says that the President reaffirms the support of the U. S. for the Community. Well, was there a quid pro quo? Did you reaffirm to the President your support of the United States?

REY: I don't have the impression that you need support for the unification of the U. S. Am I wrong when I say that that has already been realized for quite a while? We are in this process. As far as I understand, you are already sovereign now for quite a time. Am I wrong?

QUESTION: The U. S. may need your support in other fields.

REY: Well, I'm quite ready to give it. That is exactly the spirit of cooperation which we stressed. That's why we said with the President that we have common efforts to make. You have seen that we speak not only of indirect action, but also common efforts to achieve a better equilibrium in the international balance of payments, and also of things we have in common to do. In fact, we agreed that the achievements of the Kennedy Round must be preserved. The KR is the most recent common affair successfully concluded between the U. S. and the Community. Protectionist measures should be avoided. I think it is a good opportunity now to stress that, and I think it will be heard and not overlooked, not only in your country, but also on our side of the Atlantic. Further progress should be made in the elimination of barriers to trade. You remember that at the end of the KR we had not solved all of the problems. On the contrary, with my friend, Ambassador Roth, we recognized that many things had not been concluded because there was no time. You were at the end of the TEA; we were at the end of the negotiations. We have many things in the field of non-tariff barriers which have yet to be explored. We agreed that talks should start again in February. This month, in Geneva, there are two bodies which are working on these problems, and we expect that more progress will be made.

QUESTION: What are the chances that EURATOM will come up with a five-year program? And if they do, what direction will it take?

REY: We are at the end of the second five-year program. Our governments are in agreement with us that a third multi-year program must be put into effect, but the details of this program are just now being discussed by our member states. I think that we will have to wait perhaps two, three, or four months -- because this should be decided. This new program must be sent to our parliament in Strasbourg by the beginning of September at the latest. So, our general assumption is that between Easter and summer, the agreement will be reached inside of our organization. That's what we told Chairman Seaborg yesterday.

QUESTION: How will nuclear research fare under consolidation?

REY: The fusion of the executives does not imply any diminution of any activity inside our three Communities, but only some simplification of our administration and also common actions. In the special field of EURATOM, all the high officials who have been in contact with the U. S. for many years will remain in the posts that they have. There will be no changes in that field, so I think that the Chairman and his colleagues on the AEC are satisfied with the explanation we have given them on these problems. We shall also have something new to build; that is, the common energy policy. You may remember that previously coal was in the hands of the High Authority in Luxembourg, atomic energy in the Atomic Energy Community, and oil in the Common Market. Now that the three Communities are under a common direction, we think that it will be possible to have a better view on common

policy and energy. That's what we hope to build. In fact, we are now ready in our Commission to propose to our Council three or four general new policies which are not quite so new, but perhaps more intense than what we have done before: one being the common energy policy, and a second, being industrial policy, because in ten years so much work was done in the agricultural field and not enough was done in the field of industry. We now feel that in the field of industry we have to take new steps. The third policy, of course, is research and technology, and the fourth one, regional policy -- town planning, etc. We have worked in certain parts of the Community in this field, but not enough, and we have created a regional policy directorate. We have hired officials to work especially with the problem of regional development.

QUESTION: Mr. Rey, is there any possibility that the Community might speed up the tariff cuts under the KR?

REY: Quicker than it is foreseen in the KR, you mean?

QUESTION: The effective date that cuts should become effective -- is there any chance to speed it up?

REY: It seems to me really not likely. We agreed with the U. S. and the U. K. that we should do that for the underdeveloped countries, as you remember. The decision was made last week in Geneva because we thought we ought to help the underdeveloped countries more quickly. Indeed, the cuts and the results of the KR have not been very great for these countries. Everybody is a little sad about it, but we did not have enough time at the end of our negotiations to do more, so it was decided that the cuts should be accelerated for them. For others, I am afraid that it would be very difficult because it poses very great problems concerning the risks our different industries would have to run, and I don't think that there should be any official proposal of that kind. I've heard rumors, but I don't think that your government is seriously considering such a proposal and neither are we.

QUESTION: Mr. Rey, you mentioned just now that in your talks you found that the U. S. now understands the limits -- I suppose you refer to the limits of trade restrictions -- that would be acceptable to the Community. Have you got the impression from your talks that the U. S. intends to stay within those acceptable limits?

REY: I don't think any decisions have been made. They have not been made in Washington; they have not been made in Brussels. We have to talk with our ministers and high officials. The members of your cabinet whom we saw also have to discuss among themselves what they are going to do. As they, in turn, are obliged to consult with Congress, some of these measures will not only not remain entirely in the hands of the Administration, but rest also in the hands of the legislature. I think the situation is a little bit the same on both sides. I have gotten the impression that your authorities want to go to the possible limit without running the risk of

retaliation, because any retaliation is the beginning of a spiral of protectionist measures. And that is exactly what we on both sides have decided to avoid.

QUESTION: Did the American side specify in any way what kind of concessions in the trade area they expect from Europe?

REY: I do not think they were so precise, especially as our discussions are going to continue with the U. S. mission in February in Brussels. Nous n'en sommes pas encore là. Soweit sind wir noch nicht. C'est comme ça qu'on dit en allemand. On dirait: "Soweit sind wir noch nicht." We are not yet so far.

QUESTION: What do you expect the response to be if the U. S. came up with a plan such as that being discussed of rebates in certain state and local taxes that are comparable to your TVA, which the Administration now thinks might run on the order of 3%?

REY: I don't think comment by me is very easy because it is exactly an internal political affair of your government. You know that your fiscal system is very different from the European one. You have placed much more importance on direct taxes and much less on indirect taxes. You have reasons for that, and I suppose that your reasons still exist. A change of your fiscal system is a very great decision, which I am sure could not be taken overnight, and would not be easy to carry out. On our side, you look at the TVA system, the German system which is now giving you some concern. We feel such concern is exaggerated, but of course, you may be concerned and you may look at things with different eyes than we do. It must not be overlooked, that this is the result of five years of work. It is not a decision taken by the Germans suddenly at the beginning of January. For five years, under the chairmanship of my German colleague von der Groeben, we have worked with our six member states to try to come to a common fiscal system by the time our customs union is completed. Our customs union will be completed in five months, on the first of July. At that time, there will no longer be any tariff inside the Common Market. Now only fifteen per cent remains of the tariff existing ten years ago. For products in which the tariff was 20, well, there remain only 3 points of tariffs, and these 3 points will disappear on July 1. As soon as there is no more tariff inside the Common Market, it becomes more evident than before that we must have the same fiscal system, if we are not to have internal fiscal barriers inside the Common Market. We have worked a lot on that. We came to the conclusion that the best system was not the "cascade" system, but the TVA system, the added-value-system. This system has been used by the French now for five years -- more than five years -- without any difficulty in France. They have difficulties now, as you know, but it is only for small business. It has worked for years for big business, for industry and big trade without difficulty, and without any reaction from outside. We are a little surprised. You have never reacted against this French system, and now you are reacting against the German one. Perhaps it is because the time is not so good, perhaps because you

now have problems to face which make you more sensitive to these problems. It's possible. I don't know why; that's not my affair. But, in fact, it is an evolution; we have chosen this system. The Italians and the Belgians are going to apply it next year because it is a normal reform. The effect on foreign trade is very small; we have never heard complaints about the effect of this system, in connection with French trade, and our feeling is that the advantage German exporters could -- and this is not sure -- could have from this system be perhaps one per cent, perhaps two per cent, perhaps less -- it depends a little on the products -- but surely no more. It is a very little matter whose purpose has never been to help trade. It has been to have a normal system inside of our organization. Now, if the U. S. wanted to change its fiscal system, it could certainly do so on the basis of the GATT rules. If you were changing your fiscal system and applying, for instance, TVA, it would conform with GATT. This you could do and we would not protest at all. So far, the central reason why you have not taken such a decision is because it's a very big change which may not be in your interest. It depends. I don't know.

QUESTION: Mr. President, on that point some of our people say that your system is discriminatory to outside competitors by about 2 or 3 per cent. Do you accept that estimate?

REY: First of all, we don't accept the figure of 2 or 3 per cent. We don't at all think that it will be that. Our German experts, who have more knowledge of this system than anybody for the Federal Republic, will be discussing just this with your experts next week. I don't think that the conclusion will be that it will be 2 or 3 per cent. But, you will notice at once that the system is not at all discriminatory; it is general. That means that inside the Common Market the effects of the German system will also be the same as the effect outside. The Belgians, the French, and the Italians will have exactly the same consequences. You know that our internal trade, inside the Community is number one, more important in volume and value than anything with the outside. Well, we all have to accept the consequences. We have accepted the consequences of the French system without complaining. We, the other five, now have to accept the German system without complaining. In 12 months, the others will accept the consequences of the Dutch, Italian, and Belgian system in the same way. Really, the difference -- c'est la poussière -- is so minimal that we find it hard to think that it is this which creates a new problem. This being said, our impression is that what you are considering is much less this fiscal system, which is a normal thing, and that your basic problem is the balance of payments, which is something much more serious, of course. In this field, we have told and repeated to our American friends: "The source of your difficulties is not in trade." And so it is difficult for us to understand that it is in trade that you should look for solutions. The surplus of your trade in the direction of the Common Market has been maintained during these ten years without diminishing, on the contrary, with an increase every year. So, we don't think that it is in the field

of trade that you ought to look for a solution to your present difficulties. But, of course, that is a discussion which we are not deciding.

QUESTION: Mr. Rey, what are the actual chances for the entry of Great Britain into the Common Market? Are there any means of pressure? We know that the Treaty of Rome does not provide for any means of pressure, but it has been shown in one of the last crises that one state can employ some means of pressure, such as a walk out, paralyzing the Treaty and the functioning of the Community. Why can't five members use similar moves against one member? Or is there one member which is more equal than the other ones?

REY: (chuckling) More equal, I like the expression, more equal. Yes, I've heard already something about that. At least there is something which can be said about that. I have stated publicly, just after December 19: "We as the Commission don't like vetoes, even when vetoes conform with the Treaty." The French had a right to vote 'no' on December 19. And so, we have nothing to say when we read the Treaty. However, we said that's not a good way to live together because the Community is something like a ménage -- a household. If you were explaining to your wife that you are right, that your reasons are good, that they are better than hers, and that things are going to be in your way only and only your way, I don't think your household will last very long. And so, inside our organization the situation is the same. It is very difficult when one country says to another, "our reasons are better, therefore, we apply our reasons and not yours." It has provoked a certain tension, and I don't know if the word "pressure" should be used. I should say that everybody is interested in the normal progress of the Common Market; that means concessions for everybody. And when we look at the situation in 1963 where we had the same situation -- the French stopped the negotiations with Great Britain in January 1963 -- well, there were several months, three or four months of discussion, and they ended with a compromise. The French had to do something to restore a peaceful way of living inside the Common Market, and the other ones also had to do something. It seems likely to me that we are going to relive in the next weeks or months a similar situation. When you look at the Benelux memorandum, which has been quoted by you several times, it is an attempt to build a compromise solution which could be acceptable to the French, on one side, and to the other five on the other side. The French have not yet committed themselves to accept such a settlement, but I think they are quite prepared to do something because they have the same interest, as we do, to restore a peaceful way of life.

As to London, I think you ought to ask M. Harold Wilson if he is still here today. If you are going to meet him, I think he would be most interested if you asked what sympathy he has for the Benelux memorandum and such a compromise solution. So far as we know in Brussels, there has been a move of sympathy in London in the direction of this idea. It is not at all hopeless to build an "honorable compromise" during the next months.

QUESTION: Mr. Rey, you said that the U. S. balance of payments difficulties are not in trade, where do they lie then?

REY: Oh, I think you have to ask Mr. Fowler. (laughter) You have so great a statesman in these affairs, and the Treasury has yesterday or in the last days published a little book, a very interesting little blue book. I don't know whether it is already published. Is it already in your hands? I don't know. It was given to us yesterday during our talks and is most interesting, covering the whole problem which we have to face. The question, I think you have to put to your authorities rather than to your visitor.

QUESTION: Are you saying that you tend to agree with Mr. Fowler's analysis of the balance of payments problems?

REY: Well, I think yes. We are largely in agreement on the analysis. The problem is to know if we agree on the methods to solve it -- that's something different. But in the analysis, I don't think there is great difference of view between Washington and the European countries.

QUESTION: In connection with this British thing again -- is the development of integration among the six countries going to continue in such a way that in two or three years, objectively, it will be very difficult for Britain to join even if there were no political objections. I mean, in the sense that the Community would then be so tied together that it would be hard for other countries to fit themselves into that pattern?

REY: It's a very good question. I think the answer ought to be looked at in the past; because it's not a prophecy, it's the experience of the last four years. When our negotiations were interrupted in '63, the same concern was expressed: what are we going to do? We are going to go on with the building of our Community, and perhaps it will be more and more difficult for third countries to join. Well, we have been quickly building our Community and it hasn't prevented third countries from joining. On the contrary, the British were much more fond of accepting our agricultural common policy now, as it is now, than in '63 when we were discussing with them on the basis of policy which was only in the making and not yet quite decided, when no one knew exactly what the rules would be. In '63, we had not yet had the general rules that were decided in '65 and in '66, the rules about European prices and the rules about the financial system. All this was still in the making. That made our discussions very difficult between Mr. Soames, on the one side -- he was Minister of Agriculture at that time -- and my colleague Mansholt, speaking on behalf of the Six. We were discussing about ghosts, about the future, about threats, about fears. Now after four years, the British, knowing very precisely what our policies are, have decided to accept them, and only to negotiate with us on small exceptions and not on big ones. The principles, however, have been accepted. My impressions are that more and more the Community is strongly uniting the countries, while more and more it is easy

for third countries to join because they know exactly where they stand, what are the problems, what are the policies. The evolution of four years doesn't give us at all the impression that we are going the other way on both sides, that is, that it will be more difficult to come into a common organization.

QUESTION: Mr. President, to return to the value added tax. At present, a foreigner shopping in France receives a rebate of 20% on consumer goods purchased in France. Is this a reflection of the value added tax, and can we look forward to its becoming the general practice in the Common Market?

REY: Well, it's a little difficult for me to make a comment on the evolution of price in France because . . .

QUESTION: Is it in effect an export rebate of 20% granted by the French government -- for tourists by the foreigners?

REY: Tourism has nothing to do with the system of taxes. The tourist rules have nothing to do with that.

QUESTION: No, no, if you buy something in a shop as a foreigner in France, you will get a 20% rebate.

REY: Yes, the system has been abolished, I think two or three months ago, and I heard great complaints from my wife because she was buying things in Paris sometimes. She's very sorry it's abolished. I shouldn't say it's quite abolished, but the complications of the formalities are such that it is almost impossible to go through them. The administration of this system has been so complicated that you have now to make a demonstration, you must make accounts, you must show the bills at the frontier, and it is so complicated that it is an awful brake on the affair. You remember protests have been made in France on the whole matter of luxury items, protesting about the measure to Mr. Michel Debré.

QUESTION: It's true that the procedure has been changed so that the practice has not been abolished. My question was, is it an effect of the value added tax?

REY: I don't know. Perhaps M. Wellenstein can say. Is it an effect of the French system of value tax? I don't know.

WELLENSTEIN: Not the normal TVA. It's a special bracket for luxury items.

QUESTION: I want to ask the question whether there were any talks regarding the European capital markets during your discussions here in the last couple of days -- the liberalization, possibly, of European capital markets?

REY: Well, not in detail, but the matter has been raised, of course, by your financial authorities, and we were a little surprised because, in fact, the emission on the European markets by your companies since January 1 have amounted to so much that we don't exactly see what could be done better than what has been taking place since the first of January. As soon as your measures were known, there was a rush of all of the American firms in Europe on the European market, that in four weeks it was as much as the whole last year of '67. We do not think that in this field much more can be done than is now being done. We have, so far as I know, no precise request at the present time.

QUESTION: One of the big causes of our balance of payments problems are our overseas military expenditures. Would you prefer to see the American troops withdrawn from Germany rather than put on border taxes?

REY: I think that's a very good question, but I am not sure that the president of a commercial common market (end of tape)

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