

Remarks by

Franco Maria Malfatti

President of the Commission of the European Communities

New York City

April 5, 1971



Jean Monnet said in the early fifties that the creation of a Community could not serve as a panacea for European problems -- that it was designed solely to make their solution possible. We find today, after witnessing the primary role the Community has played in the development of the member countries, that we must set for ourselves more ambitious goals. Today the Community has entered a qualitatively different phase and is living a moment of considerable renewal. The difficulties we encounter on our road (and they are many) are not caused by routine, administrative problems, but by the new dimension of the Community on the world scene.

This new thrust forward in the construction of Europe means that our present phase is transitional. We live in an era characterized by the coexistence of the old with the new. The old realities have not yet been superseded. The new are asserting themselves and the results of this conflict of the past with the future is already becoming apparent.

I do not wish to dwell on things of the past. I prefer to deal with what is new in our Community and with its current dynamics.

---

On 9 February of this year, the Council of the Communities, acting on a Commission proposal, and conforming with the objective set by the Conference of Heads of State or Government at The Hague in December, 1969, decided to carry out a plan for transforming the Community into an economic and monetary union. Hard facts have

impelled us in this direction: the need to protect the Common Market from monetary storms and the desirability of optimizing the effects of a single, enlarged market.

Fixed exchange rates between European currencies are the objective. This postulates a gradual integration and harmonization of economic, budgetary, and tax policies and, in parallel, the elimination of the main imbalances between industries and regions. This is our program of work required to achieve complete economic integration in the course of this decade.

Achievement of an economic and monetary union has clear-cut institutional implications. It dictates a re-definition of the powers of the Member States and the Community. It points to the need to give to the Community institutions the necessary powers for effective management of the union. In fact, it is inconceivable that we should fail to ensure democratic control at the Community level because of the far-reaching impact Community decisions will have on peoples of the Member States.

For the first time since 1957, it has been explicitly argued that the Treaty of Rome may be inadequate to maintain the dynamism of the Community. Hence, the second item on the political timetable: by May 1973 the Commission is to submit, in the light of our experiences in the first stage of Community developments, necessary proposals for moving on to subsequent phases - including, if necessary, proposals for reform of the Treaty of Rome. The Council has undertaken to discuss these proposals by the end of 1973 and, if the case arises, to convene an intergovernmental conference for treaty reform.

---

The year that has ended recently saw the adoption of the Community's "own resources" system. Progressively, the Community is becoming less dependent on contributions from member states and is acquiring its own independent financial resources. The political significance of this decision is clear. The budget is the key to sovereignty. It is the ground on which parliamentary democracy has been founded.

A few days ago, in Brussels, after one of the longest marathons in the Community's history, new principles were affirmed in the field of common agricultural policy. The Council endorsed the Commission's proposition that European farmers cannot have a sufficient income merely through a policy for prices and market organization. The Council therefore adopted completely new measures of structural intervention in European agriculture.

In the next four years more than \$1 billion will be spent to reduce the farm population and promote competitive and productive farms. Here again, we are at the beginning of a new important chapter.

In 1970 some progress, though slight, was made in coordinating the foreign policies of the six Community countries. Regular consultations between the Foreign Ministers and the senior officials of the Foreign Ministries will certainly develop and give this Europe of ours a unified international presence, one corresponding to its responsibilities and importance. Within one year we shall have from the Foreign Ministers fresh proposals for further progress in this field too.

---

The Community, which has embarked on the path of its internal reinforcement, is at the same time, engaged in an operation of capital importance: its expansion to include the United Kingdom, Denmark, Norway and Ireland.

There is the political will to make every effort to enable the negotiations to end rapidly and successfully. What is at stake is not only the creation of an economic unit of 250 million inhabitants in ten democratic countries which are among the most advanced in the world, but also the association of the United Kingdom with the plan for the political construction of Europe. This aim has been affirmed on several occasions by British leaders. However difficult the problems under discussion are, I am optimistic about the results. I believe that it is possible to foresee that on 1 January 1973 we shall have a ten-member Community.

The Community, as I have said, is undergoing a period of transition precisely because in the last few months we have been laying the bases for its transformation into an economic and monetary union and for its enlargement. That is why the true historic moment in the development of the Community will be situated between 1973 and 1974. Then the Community will have achieved its enlargement and at that moment the Community must decide on the transition to the second phase of economic and monetary union with all the political and institutional implications that this transition entails. At this time the discussion on the political future of Europe will take a more concrete form.

In this context it is significant that the theme of European

unification has recently been renewed at the highest level. The objective of a European Government has in the last few months been repeated by President Pompidou, Chancellor Brandt, Prime Minister Heath and Mr. Harmel.

I now would like to speak about relations between the United States and the European Community.

The Europe of today is no longer that of yesterday. With your help Europe undertook its economic and political reconstruction after the destruction of war and embarked on the road toward growth and stability. Today it is engaged in an effort to achieve its own unity. Only in this unity will it have the right dimensions to assume in many fields its responsibilities. This is the goal American policy towards Europe has constantly pursued and it is the one which we Europeans seek.

The problem before us today is to act to give our relations a new equilibrium corresponding to the intensity of the processes occurring in Europe and the world.

We cannot hide the fact that the present quality of United States-Community relations do not always satisfy us. Our dialogue, on occasion, tends to become a petty quarrel. What is worse, we often seem to lose the capacity to listen to and understand each other, having given way to sterile polemics. Minor problems seem to overshadow the permanent validity of the general design.

On the practical plane the fact remains that the Community and the United States are each other's best customer. Our trade totalled

\$16 billions last year; this is the equivalent of 38.5% of world trade. Last year your exports of industrial and agricultural products to the Community increased respectively by 21 and 23.6%. In 1970 your trade surplus with the Community was \$2.4 billions.

Indeed, since 1958 you have had a trade surplus which has averaged some \$2 billions a year. Since 1958 your investments in the Community area have multiplied five times and now total \$10.2 billions. The bulk of the funds for this investment comes today from the European capital market.

In 1968 sales of American firms located in the Community reached about \$14 billions, which represents 2.5 times the value of total American exports to the Community and 10 times the value of American farm exports to the Community.

The Community, after the Kennedy Round, has the lowest average tariff of all the principle trading partners in the world. What is more, the Community's tariff structure does not have the "peaks", some of over 50%, which are still to be found in the United States tariff, thus affording certain products very considerable protection.

Despite these facts, opinion has become widespread among you that the Community is protectionist and hence the conclusion that the United States can no longer tolerate economic disadvantages for the sake of European unity.

The structure of our economies is such that it depends to a large extent on freedom of trade. Receipts from exports represent about 20% of our gross national product, while they account for only 7% of yours.



The acceleration in the economic development of the Community has become an important factor in the expansion of other nations' economies. The growth of the Community's gross product at constant prices from 1958 to 1969 averaged 5.5%. This growth represents an "advantage" for the American economy in direct and indirect terms. In direct terms, as has been shown by the advance of American investment in the Community, by the fact that American farm exports increased last year to some \$1.6 billion and, further, by the point that from 1958 to 1970 United States exports to the EEC increased by 195%, against 180% to the EFTA countries and 126% to the rest of the world. In indirect terms, as is demonstrated by the fact that United States exports to the countries linked to the Community by association agreements increased from 1958 to 1969 by 9.5% per annum.

This advantage is bound to increase if the Community is enlarged. Such an effect would be produced both by the acceleration in the growth of the British economy as a consequence of membership of the Community and by the alignment of that country's tariff on the Community's common external tariff, which is lower than its present one.

The Community having become a leading trade power in the world, has consequently taken on specific responsibilities towards the developing countries. 1.24 per cent of its gross national product in 1970 was injected into those countries. Further, it has supported world agreements for agricultural products designed to sustain the prices of products from developing nations -- to solve a basic problem for countries with single-product economies.

The Community's recent action on generalized preferences is another indication of our concern for development. From July first, manufactures and semi-manufactures from the developing countries will be admitted to the Community market free of customs duties. This step is potentially an important instrument for promoting their industrial development.

The growing responsibilities of the Community touch upon the issue of special relations established in limited geographical areas -- areas where European attention should necessarily be concentrated. For example, Europe's economic presence in Africa is a force for equilibrium and development. Of the total bilateral public aid of the Community member countries, Africa received 47.5% between 1967 and 1969, while the share going to Africa of total United States aid was 9.1%. This indicates the Community's political will and its acceptance of responsibilities in that continent. However, the Commission does not aspire towards a trade monopoly. The Community's exports to the associated countries from 1958 to 1969 increased annually by 5.6%, as against the 9.5% already quoted for United States exports.

It is difficult to understand why there is so much criticism here of the Community's policy in the Mediterranean area. Recently the Tunisian Foreign Minister lamented Europe's absence from this world hot spot. Indeed, if a legitimate criticism can be made, it is that Europe has had too modest a presence in the Mediterranean area despite its possibilities and interests. It would be an error to assess the little which has been done solely in the light of GATT rules, rules which in any case, as the Community sees it, have been fully observed. It is clear that such agreements are a first step towards an increased European presence in the Mediterranean area as a factor for equilibrium

and peace. I do not believe that anyone can contest the constructive role that can be played by Europe in relieving the strains and pressures felt by the countries bordering the Mediterranean.

It is true that such a role cannot find full expression merely in giving some tariff advantage for a product such as citrus fruit. For the moment, the Community does not have other instruments for assistance. The Commission is aware of this lack. We are and will continue to try to find better and more efficient means to realize our aims.

What I wish to stress is a progressive awareness of our responsibilities and consequently the need to give our action an overall sense of order and purpose, instead of merely criticizing it on the basis of a narrow view of the problems under discussion.

---

It has become customary in your country to criticize our common agricultural policy. I do not wish to convince you regarding its principles. I only wish to remind you of some facts in the light of which a constructive dialogue can be continued. The first fact is that in the European Community the farm population still accounts for 15% of the total economically-active population (and in southern Italy for 40%). The second point is that 80% of farms are less than 37 acres in size, the average in Italy being some 12 acres. In a system of uniform prices it is unrealistic to ignore this glaring fact.

If we next compare our respective price support systems we are led to conclusions which cast a different light on the image of the Community as being protectionist for its agriculture. Your support system provides a subsidy of some \$1,300 annually to every American farmer as compared to \$860 to each European farmer. These subsidies comprise 44 per cent of the U.S. farmer's income and 50 per cent of the European's. Despite the recent increase in farm prices agreed upon in Brussels, they have not been sufficient to offset the erosion of farm incomes in the last few years caused by inflation.

I have already mentioned the recent decision by the Community Council of Ministers to embark on a policy of structural measures in agriculture. This is a very important political option. Its purpose is to promote the productive efficiency of our agriculture and it will therefore mean that the problem of price levels will be posed in different terms, terms more suited to our long-term interests as well as yours.

Partnership is no longer an aim. It is an emergent fact in the international order. It is not surprising that the transition from the aim to the reality is not free of friction and disagreement; these are the unavoidable components of partnership. Europeans and Americans must accustom themselves to this fact, avoiding dangerous dramatization of small issues, so that they will thwart the relationship of alliance and friendship between the United States and united Europe.

This does not mean that we must not try to make reciprocal efforts to understand each other better and to improve what can be improved. It is our firm intention to strive in this direction and it is with

this objective that I shall be discussing matters with President Nixon and other American officials.

What is important today is to avoid actions that can seriously damage our relations of tomorrow. We hold that the protectionist solution is the wrong answer to our common problems and does harm to our common interests of today and tomorrow.

To be realistically attached to the facts does not mean to be dominated by them. The path I have suggested is the only one we can take to avoid serious dangers and strains. It is the high road we must take in order to "grow up together" as an irreplaceable factor of world equilibrium and peace.

De Tocqueville wrote in his magnificent work on democracy in America:

"The world which is growing up is still half covered by dust and rubble caused by the collapse of the old world it is bringing down; and in the immense confusion nobody can guess which of the old institutions, which of the old customs will survive and which, on the contrary, will disappear forever. And although the revolution which is taking place in the bases of society, in laws, in ideas, and in the feelings of men is far from over, it is however quite evident that it cannot be compared to anything seen before in the world."

I believe that it would not be committing the sin of abstract idealism to use these words to represent the present phase of the construction of Europe: a period destined to remain a fundamental chapter in the history of this enterprise.

---