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OUTLINE OF AN ADDRESS

by

GUY VANHAEVERBEKE

at an International Business Seminar in Fort Smith, Arkansas, on November 30, 1971.

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I am grateful to the organizers of this business seminar for their invitation to come to Fort Smith. I find it particularly stimulating to have a discussion with a large representation of your state's business community, including such distinguished guests as the Vice President of the Export-Import Bank.

Only a few days ago, I was in Brussels, the capital of an economic and political entity which is taking shape on the other side of the Atlantic: the European Community. This group of six nations -- France, Germany, Italy, Belgium, the Netherlands, Luxembourg -- better known under the label of "Common Market," should soon include Great-Britain, Ireland, Norway and Denmark, and will then increasingly form a single trading unit of ten European nations. As such, it will be the biggest customer of the United States and a full-size partner of this country in world trade. Together, we will account for more than 55% of the international trade.

There are a number of similarities that strike me regarding the situation I just left in Europe and the one I find here: in Fort Smith, on the Arkansas river, with its fabulous access to the Mississipi, to New Orleans, the Gulf and the Atlantic Ocean, I find a reflection of European inland ports such as Strasbourg or Basle on the Rhine river, with their direct access to Rotterdam or Antwerp and the North Sea. Your Ozark hills remind me of those of the

BlackForest; your river barges whistle the same way ours do; your wines remind me of those of Alsace and Rhineland. Also, on both sides, I find the dynamic spirit to overcome technical difficulties. I am particularly impressed by the techniques you have developed here: floating containers and the "lighter aboard ship" system allowing to move a cargo from the heart of this continent to the heart of Europe under one bill of lading.

I experience, here as well as in Europe, a comparable mix of optimism and preoccupations regarding the future developments of the economy and of world trade. It is encouraging to notice that the most frequently used words pronounced in your circles were "international trade," "international banking," "export-import." These words have an agreeable flavor for a European who has been warned extensively that the United States is turning its back on foreign trade, that protectionism and isolationism are now the dominating mood of this country, and that the only place where free-trade oriented Americans exist is the East Coast. However, this morning "Southwest Times Record" indicated that the fear of isolationisn is not totally unfounded: I have in mind the full-page ad stressing the virtues of economic competition and coming to the paradoxical conclusion "Buy American."

Especially if they are situated in a certain political context, conventional wisdom and sheer ignorance of facts can become psychological barriers which form the real obstacles to trade. A year ago you could wade across the Arkansas river which is now part of this remarkable waterway system. This proves how technical obstacles to trade can be overcome. Responsible decision-makers must now see that political and psychological barriers should not take the place of previously existing technical difficulties.

Let us take a look at the present trade situation between the United States and the European Community: since the founding of the European Community in 1958, U.S. exports to the six member countries have grown from $2.8 billion to more than $9 billion. The corresponding European export figures are $1.6 and $6.6 billion. The 1970 trade surplus in favor of the United States economy was about $2.5 billion. 1971 figures show that the U.S. surplus with the European Community has reached $1.1 billion in the first six months, which is particularly significant in a period when the overall U.S. trade balance is showing a deficit.

U.S. exports to Europe have developed favorably in most fields of the economy, both industrial and agricultural. Arkansas is a clear case in point with a 90% increase in soybeans exports to Europe over the past few years. This has resulted in a total figure of more than $500 million in U.S. exports of soybean cakes, oils and fats alone.

Among the factors that have considerably helped the growth of U.S. exports to the European Community is the rapid rise in the standard of living which accompanied the creation of a large single market in the Community. Indeed we share the belief of the United States that the key to economic progress lies in competition. The establishment of the European Community has considerably enhanced competition within the Common Market area, which in turn has boosted the economic growth and the inherent demand for investment and consumption goods. This situation doubtlessly has encouraged the liberal orientation of trade policy in the European Community.

Another factor behind the growth of U.S. exports to the European Community has been the establishment of the Community's common customs tariffs and the reductions made in this tariff as a result of major trade negotiations. The Community is now surrounded by the lowest tariff average among the leading industrialized nations (January 1, 1972: 6.9% against 9.3% for Great-Britain, 10.1% for Japan, 10.9% for the United States, not including the recent 10% surcharge.)

One of the obvious results of British entry into the European Community would be the reduction of Britain's tariff to the low level of the Community's protection.

The economic relations between the United States and the Community not only include the flow of commodities. The rising activity of American firms within the Community must also be taken into account. These investments progressed from $1.9 billion in 1958 to an estimated book-value of $13 billion in 1970. The sales of American subsidiaries located in the Community are more than twice the value of total American exports to the Community. About 1 billion dollars in profits from those direct investments in the Community were repatriated last year. Thus the U.S. economy benefits doubly from European integration: from a considerable increase in U.S.-European Community trade and from the impressive income growth through investments in Europe. Both make a major contribution to the credit side of the U.S. balance of payments.

The Community is one of the most open trade areas in the world - necessarily so because of its heavy dependence on trade for the development of its GNP (trade accounts for 20% of the GNP of the European Community and only for 7% of the U.S.'s GNP.) The economic structures of the United Kingdom and of the other applicant countries are, in this respect, similar to the structures of the Community countries. Consequently, their policies towards direct U.S. investments have also been extremely liberal.

When countries with open trade and investment policies decide to merge into a vast economic union, there are good reasons to believe that free trade will continue. Logically, the U.S. business world should contemplate the enlarged European Community as a more prosperous client and - as every salesman knows very well - the more prosperous a customer, the better chance there is of selling to him. (Incidentally, it is for this very reason that the rich American market is an important factor in world trade.)

Such basic facts must be reemphasized in a period when all of us tend to think mainly of how good we have been to our neighbors, instead of thinking of how good they have been to us.

I have noticed, for example, how little Europeans know about the immense benefits their own economies draw from U.S. investments in Europe; how Europeans and Americans tend to stress the mutual contribution to development aid (1.2% of the European GNP as compared to a 0.6% share of GNP in the United States;) how we underestimate each other's share of the common defense burden in the Atlantic Alliance within the conventional forces of NATO (90% of the ground forces, 75% of the air forces and 80% of the naval forces are provided by Europeans but the "nuclear umbrella" is ~~entirely~~ mainly provided by the United States.)

Outlining the priorities for the Common Market during the next twelve months, Franco Maria Malfatti, President of the Commission of the European Communities, has assigned major importance to improving the relationship between the European Communities and the United States. Speaking to the European Parliament only a few days ago, Mr. Malfatti stressed the need for the Community to begin negotiations with the United States on a global solution for assuring free trade.

The world's two major trading powers have a special responsibility for maintaining stability in the international monetary and trade situation. At stake is the prosperity of citizens of both regions and the structure of the entire international economy.

I am confident that our leaders who are now meeting in Rome under the chairmanship of Secretary Connally within the "Group of Ten" are aware of these basic facts and that they will spare no effort to find the solutions to the perils that the world's economy faces today.

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