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AT A LUNCHEON OF THE EEC CHAMBERS OF COMMERCE IN THE UNITED STATES,

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Europe after The Hague Summit

Among the lessons I have learned in the course of my many trips to the United States, one is to keep it short. So I shall try to do just that in raising two questions and bringing up two other points.

First, should we Europeans be pleased or disappointed with our overall economic and political situation?

Second, Europe and Associates, a trade distorting factor?

Third, enlargement of the European Community, now really in the cards at last?

Fourth, a few remarks in conclusion: we in Europe are seeking our way.

In dealing with the first two questions, I shall try to answer the most widely voiced criticisms of us in the United States, which may be summed up as follows:

1. The Community is a disappointment. There is no real evidence that it is developing into a political union with a common foreign policy.

2. The Community is turning more and more into a distorting factor in world trade.

I

Should we Europeans be pleased or disappointed with our overall economic and political situation ?

During the past decade, the economic growth of the European Community has been highly satisfactory. The gross national product per capita (in constant prices) has increased at the exceptional average rate of 5,2 per cent per year during the period of 1958-1968. The increase in intra-Community trade, which is the primary effect of a customs union, has been enormous. I do not think anyone would have dared to hope in 1957 that the volume of that trade would quintuple over the coming twelve years. But this has not taken place at the expense of trade with non-member countries, which itself increased :

The index going up from 100 in 1958 to 242 in 1969. Trade between the United States and the Community is now running at something like $13 billion, three times the 1958 figure. So much for the trade background - a pretty satisfactory one. I now turn to the latest state of affairs as regards our situation generally.

The Community at the beginning of 1970 has achieved,

a) a customs union, now receiving the finished touches and equipped with pretty well the whole armory needed for a common commercial policy ;

b) a common agricultural policy with machinery for common financing in this field (the European agricultural Guidance and Guarantee Fund).

These two points need to be viewed in the context of the program drawn by The Hague Summit Conference of the Six last December, parts of which have already materialized - such as the rapid progress in the political sphere, which opens up the possibility of going on fron a customs union to a full economic union, and for strenghtening and broadening our Community.

As for the tasks ahead let me mention :

1- Economic and Monetary union.

Many of us supposed in 1957 that in the process of working towards our highly complex goal of integration, the monetary aspect would not have to come into the picture so soon. We built up an agricultural policy on that assumption, and we were wrong. In August 1969 the French Government decided

to devalue the franc; shortly afterwards the mark was allowed to fluctuate and then revalued. On both occasions, the Community was obliged to take emergency action to avert the collapse of the whole structure of European agricultural policy established to date. This served to alert the governments. Indeed, a proposal for automatic financial assistance arrangements, on IMF lines, which had been submitted some month previously by the Commission, was felt to be already outdated by the time the Council of Ministers adopted it in December.

There are now several European financial schemes going a good deal further: all I will do here is mention briefly the one the Commission has just laid before the Council. It provides for all economic and monetary union by 1978. This year was chosen for a purpose: it is the same year in which the final arrangements will come into force whereby the Community's budget will be financed entirely from Community ressources. The plan is that the system will be introduced in three stages, each involving the simultaneous establishement of harmonized economic, fiscal, financial and monetary policies.

2- Technological cooperation.

For some years now, public opinion has been very much alive to Europe's technological lag. Jean-Jacques Servan-Schreiber with his book Défi Americain had an immense impact on the public in this connection. But ironically enough the European research budget (Euratom) was still only around fifty or sixty million dollars. This was a trifle compared with the annual budget of the agricultural fund, particularly when we remember that, as M. Marjolin used to say, Europe is the biggest exporter of brains - and the biggest importer of licenses.

Here too, The Hague Conference produced results, not only in the field of nuclear research areas. At The Hague the Heads of State or Government agreed on the necessity of making fresh efforts to work out, in the near future, a new research program for the European Atomic Energy Community, designed in accordance with the exigencies of modern industrial management.

3- Sef-financing

Fron 1978 onwards, the Community's expenditure will be covered entirely from its own ressources. Customs revenues will be increasingly paid into a common fund; and, from 1975, European citizens will be liable to a Community tax. (This was decided at the end of 1969). Furthermore, from 1975, the European Parliament will have a voice in fixing the Community budget.

4- Are we ready now to take the plunge of political union ?

Well, those of you who have followed the course of events in Europe in recent years will know that from the outset the founding fathers of united Europe- Schuman and Monnet, Adenauer and De Gasperi - thought in terms of a political "spill over" process leading us on, from the original partial integration of the coal and steel markets, first to a customs union, then to economic union, and finally to political union. Were they right ? Up to now, yes, they were. It is clear that the bonds between our Six economies are now so strong that for any country to pull out is practically impossible.

Here is now how public opinion feels about it, according to the main findings of a recent survey organized simultaneously in the six EEC countries and in Great Britain.

Asked the question :

-" Are you in favor of or against the development of the European Community into a political unity to form the United States of Europe " ?- The replies showed that 69 per cent in Germany, 64 per cent in the Netherlands, 67 per cent in France, 65 per cent of the EEC as a whole and 30 per cent in Great Britain was in favor of a United States of Europe. It is interesting, and more or less surprising, that the French are slightly more in favor of this political development than the Dutch. The British are more reluctant than the EEC countries, that after all is understandable.

It is true that we have been hesitant for a long time. It is true too that political integration has been the most contested ; but all the facts indicate that there is now a very serious progress, not only in the minds of the European public but also in the decisions of the six governments.

II

Europe and Associates: A Trade-Distorting Factor?

1. The Community says it is in favour of free trade. Now, are these just fancy words? Let us take a look, for example, at our trade relations with the United States.

As I said before, trade between the United States and the Community now works out at around $13 billion, three times as much as in 1958. The increase comes both from agriculture and industry.

From 1960 to 1969, the United States' balance of trade with the Community almost regularly showed a substantial surplus averaging more than $1 billion a year.

In 1969 American exports to the EEC were 14 per cent above the 1968 level, as against 4 per cent for exports to EFTA and 9.5 per cent for exports elsewhere; American imports from the Community were down 1.4 per cent while imports from the rest of the world were up 10.6 per cent.

When the last two Kennedy Round cuts have taken effect, by 1972, the average Community duties on industrial products will be well below those levied by either the United States, Britain, or Japan.

2. Agriculture is a more difficult case, as I am sure our American friends will be the last to deny. Although the Community's share in American agricultural exports has hardly varied at all for quite some years, certainly there is a problem, and we know it. In its efforts to ensure parity of incomes for European farmers, the Community has had to step up the level of agricultural support considerably.

Even though the proportion of the EEC working population engaged in agriculture has been scaled down from 20 per cent in 1960 to something like 14 per cent in 1970, we are well aware that 14 per cent is still too high. The Commission, in its proposal for the remodelling of agriculture, has been concerned with making farming pay its way again, while avoiding any serious social and regional hardships. This would be calculated to have European agriculture back on its feet by around 1980, but not before. We have no intention of letting the retreat on the agricultural front develop into a rout; what we want is an orderly withdrawal, enabling the great human values of our farmers, so necessary to the survival of our European way of life, to to be duly preserved.

3. The extension--sometimes called the "proliferation"--of the tariff preferences granted by the Community through association agreements with developing countries and with other states is a subject of

discontent both in the highly industrialized and in the less developed areas like Latin America. These countries consider they are being discriminated against by the bilateral preferences granted to some of their competitors.

This is a matter which requires a clear and frank explanation. We consider for our part that we cannot reasonably be blamed. In the first place, history explains some of these special relationships, and in the second place the Community is fully committed to confine this preference policy to one particular geographical area. The term "proliferation" is therefore completely inappropriate.

We shall leave aside discussion of the preferential arrangements with European countries, which will ultimately bring them to full membership in the Common Market, as in the case of Greece and Turkey. GATT clearly provides for such situations.

More debatable, I know, is the case of our associations with the non-European countries of the Mediterranean area. For the Maghreb countries--Morocco, Algeria, and Tunisia--and for Libya, historical reasons justify preferential treatment. Before the European Treaties were signed in 1957, these countries had privileged trade relations with France and Italy. What would upset existing trade would be to refuse them preferential treatment. So here, too, I hope that we shall have little difficulty defending our record before GATT. But the Community has either recently signed or is engaged in negotiating agreements with other Mediterranean countries (Israel, Egypt, Lebanon), where no considerations of past history can be invoked. Here the European Community's choice has been guided by the concern of preventing disturbances in trade in the same area. The agreements in question are shortly to be put before GATT, so that the other contracting parties will be able to examine them.

Apart from the countries I have mentioned, we would like you and everyone else to know that the EEC has no intention of extending the field of application of this policy of association beyond the Mediterranean seaboard.

As regards "black Africa," our operations stem from a development policy which is not subject to the same criticisms. These African countries are former dependent territories which had special relationships, and no opposition was raised to the Treaty provision in GATT. Since then, these territories have become independent, and the Yaoundé Association has in effect just replaced the former special relationships. Here, too, any other policy would have destroyed an existing trade equilibrium, with consequences all the more regrettable since the countries concerned are generally among the poorest of the developing countries with which we have had and still have special responsibilities.

III

Enlargement now really in the cards at last

First, in the interests of fairness, a little bit of history. It is too often forgotten that between Britain and the Six " No" has been said not twice by France in 1963 and 1967, but four times. To put the whole thing in a nutshell Britain said "No" in 1950 at the time of the very first Schuman Plan negociations, and "No" again in 1957, at the time of the move from partial integration of coal and steel to the EEC. Then came the two French "No's", in 1963 and 1967. So honors if you can call them that, are even, and the bystanders can hope to call it a day.

In two months time we shall probably be sitting down for negociations with Great Britain and the three other applicants (Ireland, Norway and Denmark). If all goes well, the applicant countries might be admitted early in 1973. Both sides have had time to take a good look at the pros and cons for such a momentous move. The British Government's White Paper puts the matter in clear terms: the short and medium-term cost will be high, but the overall advantage to be derived justifies the risk. This is the only possible approach. If we had not been able to see the one from the other, we would not ourselves have started the integration process in 1952. As a matter of fact, my experience in the Coal and Steel Community has taught me to be wary of forecasting developments in connection with integration. Most of the dangers we feared did not actually come up, and most of the obstacles we did encounter had not been foreseen. One thing is certain: that the general economic and other circumstances must be propitious. From that point of view, things have never been better than they are now. Britain, after a long period of planning and tranformation in depth, seems ready for a big economic comeback. Taking advantage of this opportunity this might allow for a shorter transition period than might otherwise be possible.

IV

In conclusion, we in Europe are seeking our way.

When we began our partial economic integration in two sectors, those of coal and steel, Robert Schuman, once replied to journalists plying him with questions that it was a leap into the unknown. To be sure these words cannot be taken litterally. But, at that moment we saw before our eyes only the general lines of the European policy on which we were about to embark.

Since then, and more particularly since The Hague Summit Conference at the end of 1969, there is no doubt that we are now seeing our economic objectives and our geographical boundaries much more clearly. But we are still trying to find our way and our precise position with respect to the ultimate objective. Shall we one day be a federation with the Commission becoming the executive body and the Council of Ministers becoming the senate, in which the aspirations of our nations express themselves, with a congress elected by universal suffrage ?

I am in favor of this, but I would not dare to claim that there is already a consensus on this point, or more especially on the road to be followed, or the speed at which we should advance. If you consult two Europeans, they will give you divergent opinions on this matter.

Unlike those who consider that the enlargement of the Community must necessarily entail some sacrifices in the matter of political union, I think they are good grounds for taking a hopeful view. The Dutch Prime Minister said a few days ago: " The European idea is still young and vital." and his Belgian and Luxembourg equivalents have echoed him: " The Luxembourg Prime Minister expressed the view that "the time has come to make a start on political cooperation," and all of the six governemts agreed on preparing a first plan for political cooperation by the 1st of July.

We have finally reached an understanding on British accession. But how far does Europe extend ? Will Spain, Portugal, Switzerland, and Austria one day form part of the European federation?

What will our relations be one days with those Europeans who are at present behing the Iron Curtain ?

We are an evolving reality which still has to find practical solutions to many a problem. In the meantime, the world, too, is changing. Fundamentally, what we have to do is decide that whatever happens, we shall together build a future towards which Europe is for the first time working as a unit, bearing in mind that replacing bilateral discussions by a Community presence we are creating problems, the fact of our very size. But we are not alone, nor will be the last no doubt, to create new problems in this age of continentalizationof the world, in which the United States of America, and the USSR and China have preceded us. Despite certain inevitable difficulties, Atlantic cooperation has worked too well over the last 20 years for us to assume the responsability of jecpardizing it. We are perhaps advancing too slowly for certain outsiders, but this is how many Europeans see things too. Let this be an incentive for us to speed up our progress towards European customs, economic, monetary, and political union, in a Atlantic alliance saved for the future.