

THE EUROPEAN COMMUNITY'S FUTURE IN THE WORLD

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The future relations between the Common Market and the rest of the world is certainly a subject of the most importance, not only to other countries, but also, of course, to the Common Market countries themselves. First of all, let me say that after the first two years of the existence of the Common Market, we can safely say that it is operating successfully in the field of international affairs, as well as in the field of its own internal affairs.

The problems of the Common Market's relations with the rest of the world assumed great importance from the outset. We had thought at first that our most difficult problems would concern internal affairs. Actually, as it turned out, we soon found it necessary to apply ourselves to many problems in the international field, and to do so as quickly as possible. This we have not regretted. It has given us an opportunity to develop a policy outline for the Common Market in its relations with the rest of the world -- evolving toward a precise liberal policy. From the outset, fears had been expressed that the Common Market might develop into a protectionist group. It was said that it would be inward-looking and could create a deflection of trade. It is about these fears -- that I would like to remark upon.

First, we are a customs union. What exactly does a customs union mean? It means that we will have a common external tariff. But it does not mean that we are going to create a tariff wall against non-member countries. It does mean that certain technical advantages will accrue to the member nations because it is easier to facilitate the free movement of goods inside a customs union than inside other types of regional agreements. It also means that as far as trade arrangements with other countries are concerned, these can be greatly facilitated because we will not face administrative complications inasmuch as all members of the customs union, will have the same tariff for outside countries.

It also means that we will operate in strict conformity with the General Agreement on Tariffs and Trade. The GATT allows for just such a customs union as ours. It is important to remember that with the establishment of our customs union, the common tariff will be no higher than the arithmetical mean between the existing tariffs of our six member countries. This arithmetical mean will lead to some very sensible reduction of tariffs for countries with the highest population and, therefore, for countries with the greatest number of potential consumers. Italy and France, with a total population of about 90 million people, will reduce their tariffs. The German Federal Government will maintain approximately the same tariffs as they have today, and the Benelux countries, representing but 20 million people, will have some tariffs slightly raised in order to meet the common external tariff.

Yes, we are a customs union. But we are not a protectionist bloc. I wish to stress that the Common Market is not an inward-looking Community. This would be impossible for us -- we are much too dependent upon international trade. I would like to give you some facts about that.

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One of the principal characteristics of the Common Market is our great dependence upon imports, especially imports of raw materials. The Common Market is today the greatest importing area in the world. Two years ago, it absorbed no less than 33 per cent of all the world's imports of raw materials. Let me give you some figures on the importance of imports to the member nations: in the Benelux countries, the ratio of imports to total gross national product is about 50 per cent. In the German Federal Republic the figure is about 40 per cent, and in France and Italy about 27 per cent. You can see then our great dependence upon international trade.

The third general comment I would like to make concerns deflection of trade. With a market of about 170 million consumers, our goal is to raise production levels, to increase total output, and to raise the living standards of the people within the member countries. This will mean a greatly increased trade between the six countries, but at the same time a greatly increased trade with non-member countries. The aims of the Common Market are to create a powerful unity for production, to encourage the continuation of economic expansion, and to facilitate stability. To do all this, we hope to stimulate competition -- rationalize the economy by mass production and a better division of work. We will produce more, but to do so, we will import more. This will be reflected in increased trade with non-member countries.

Consider, for example, the gross national product of the European Community today, which stands at about \$203 billion per year. This figure is less than half that of the U. S., although we have approximately the same population. It is our aim to raise the gross national product. It is interesting to note that in the last 10 years, industrial production within the six countries of the Common Market has risen by nearly 100 per cent. The Common Market aims to increase its economic growth and to move forward even more rapidly in the years to come.

But it is not my intention today to be too general. Thus, I would like to raise some specific points regarding the relations of the Common Market with the rest of the world. These relations can be placed within three specific categories. First are the relations between the Common Market and other European countries. You will remember that shortly before the Treaty of Rome was signed on March 25, 1957, the British government proposed to the other members of the Organization for European Economic Cooperation that a free trade area be established between all 17 countries. After two years of intensive negotiations, however, the discussions were suspended. Some explanation might be useful here on why these negotiations were halted.

For one thing, it is considerably more difficult to reach total agreement between 17 countries than it is to reach an agreement between six. Furthermore, there are many more differences between the 17 countries than there are between the six countries of the Common Market. Some of these nations are neutral, some are not neutral, some a bit in between, some countries share a very important stake in the Common Market and in the trade between the countries of the Common Market, and other countries -- for example Great Britain -- have outside interests greater than their interests within the Common Market. For instance, exports from Great Britain to the six nations of the Common Market account for less than 25 per cent of Great Britain's total international trade.

In addition, various technical difficulties arose because of the general principles of a free trade association, which allows the member countries to keep their external tariffs at different levels. For example, it is necessary to study and to establish some kind of mechanism inside a free trade association to certify the origin of goods and to prevent a deflection of trade among member countries. The most important difference was perhaps the approach to the problem of integration in Europe. On the one side you have a strictly commercial approach, and on the other side -- this is the Common Market -- you have a different approach, one which concerns not only the commercial aspects of a trading association, but also the political future of the group.

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It is not very difficult to start reducing tariffs. Continuing their reduction within the framework of a mutual agreement is more difficult. And, the most difficult is to go all the way to the end. The Common Market is obliged by the GATT to go all the way. It is forbidden to reduce tariffs on a regional basis without the final obligation to do away with all tariffs for all products. This we plan to do, and this we will do. If it is difficult to carry tariff reductions to their final abolition, it is even more difficult to do so if you concern yourself only with the commercial aspects of trade and not with all the other ramifications of trade liberalization. That is why we have, in our Treaty, not just for theoretical reasons, but for very practical trade reasons, commitments on non-trade questions. I refer here to the free movement of capital, the free movement of workers, common investment policies, regulations on the right of establishment, and the harmonization of other economic policies. It is necessary to employ these positive means of liberalization in addition to applying simple commercial policies on trade and tariff liberalization.

The Common Market cannot compromise its goals and aspirations. We do not want to stop halfway. It is our belief that good results can come only from going all the way to the end of the program. We feel that such action is necessary not only on economic grounds but on political grounds as well.

Now, on the European question, where do we stand today? The 17-nation free trade association negotiations are suspended. But the Commission of the European Economic Community and the Council of Ministers of the Community have proposed two main lines of action for the future. The first concerns the liberal policy of the Common Market on a world basis. This liberal policy is not simply a declaration of intent. We have taken very important decisions in that line. For example, the first two increases in quotas, last January 1st and January 1st, 1959, were extended to other non-member countries. We gave to these other countries the same increases in quotas as we allowed between ourselves. The second specific example concerns tariffs. We not only cut tariffs by 10 per cent within the six nations of the Community, but we extended these tariff reductions on a world basis to all members of the GATT. We did that without any requirement of reciprocity. And now I come to an even more important point.

When the Government of the United States proposed negotiations on tariff reductions within the GATT, the Commission of the European Community and the Council of Ministers of the European Community accepted it readily, and pointed out that the Community is prepared to support these negotiations to the fullest. We also offered to discuss with other European countries beforehand issues to be taken up during the negotiations in order to coordinate our position with the aim of granting the maximum possible reduction of tariffs.

After that, we made another proposal -- and this is not simply a statement of intent, but an official proposal -- that following the GATT negotiations which are scheduled to get under way next September, further negotiations be initiated by our Commission which would reduce the common external tariff of the European Economic Community as much as 20 per cent. So, from the point of view of the relations of the Common Market with other European countries, it seems quite clear that the Community has taken the most positive liberal attitude and is willing to negotiate to mutual advantage wherever possible.

So what is the problem in the relations of the Common Market to other countries of Western Europe? I say that there is no problem. It is interesting to note that the non-member countries of Europe have increased their exports to the Common Market by a greater degree than we have increased our exports to them. This has taken place during the last two years. In other words, before the Common Market came into existence, third countries' exports to the Community were less than they are today and, as a matter of fact, have grown at a considerably greater rate than exports of the Common Market countries to other nations of Western Europe.

We not only have been following this liberal policy regarding quantitative restrictions and tariffs, but we have also supplemented it by a more specific approach. We have proposed to create, with other European countries, a liaison committee which would discuss concrete problems. Our position is that with a liberal policy and with an active, positive approach toward creating better economic conditions and toward stimulating trade, there will be increasingly less difficulty in discussing problems of European trade. We are ready to discuss them on a concrete basis and in conformity with the rules of the GATT.

Now, the third point that I would like to take up is the fact that the Community is open, and remains open. The Greeks and the Turks, for instance, who are not members of the seven-nation Free Trade Association grouping, have been discussing with us means of entering the Community and establishing an agreement of association with us. I can say that we are quite optimistic about the future of these negotiations.

If it is possible to do anything more than we have done already -- and many people have been speaking about the necessity of building a bridge between the Six and the Seven -- we are perfectly ready to discuss at any time and at any place how this bridge might be built, or how we might achieve better solutions than those already proposed by the Common Market. But I would like to make two remarks in this regard. If we set about making a bridge, it must be in conformity with the GATT. Technically speaking, it must be in conformity with the objective of European integration. That is to say, as I pointed out before, we do not want to stop halfway. We do not want to find ourselves involved in simply a standstill agreement leading to a preferential system only. And the second point is, if we are building a bridge with the Outer Seven, that bridge must not circumvent the position of the United States with Europe.

After discussing the relations of the Common Market with the other countries of Western Europe, the next point to consider concerns the relations of the Common Market with America -- with the United States and Canada. We believe that it is quite impossible to consider the European question alone, without taking cognizance of the position of the United States. Our stand on that problem is that there will be no discrimination effected toward the United States, and that we will cooperate within the principles of the GATT with the United States as well as with the nations of Europe.

Last year, when we increased our quantitative restrictions among ourselves, we also increased these quotas with other European countries, but with other European countries only. The first of this year, when we did the same thing, it appeared to us wise to extend these quota increases to all non-member countries -- American as well as European.

As you know, we are in a very good position economically in Europe today. With the great help of the United States, we have recovered from the ravages of the war. We have organized better international trade relations and expanded our productivity. The main job we face now is to move toward reciprocal concessions on tariffs and to insure the absolute elimination of quotas. This we are determined to do.

No country in the world can find any reason, either on the grounds of logic or of past experience to consider that the establishment of the Community is a vehicle for steering six nations of Western Europe down a more protectionist path. I think that without a doubt the expansion of Western Europe economically will strengthen other nations and will strengthen the position of the dollar by improving the United States balance of trade both with Western Europe and with other countries of the world. However, this will be conditional on a continued, liberal trade policy on the part of the two most powerful economic entities -- the European Community and the United States of America -- and we are ready and prepared to assume our full share in that project.

I would now like to say a few words about the third category of our external relations -- that is our relations with the less-developed countries of the world. These are, of course, directly related to our relationship with the United States.

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As I pointed out at the beginning of my talk, the European Community is a great importer of raw materials. It is a highly industrialized entity with very few raw materials of its own, and therefore, it has a considerable responsibility vis-a-vis the less-developed areas. The liberal trade policy which I have described does not exclude a most active policy with regard to the less-developed areas of the world because we aim to help them achieve greater development, better revenues, and a larger share in the increased international trade. What have we done along these lines? We have already done something in the Treaty of Rome for approximately 20 countries which are associated with the Common Market. They are the overseas countries and territories related to the member countries of the Common Market. In addition to that, within the framework of GATT, we have expressed our willingness to negotiate and to discuss the problems of the less-developed areas of the world in order to find solutions which can reduce these difficulties. Right now we are studying means to increase assistance to less-developed countries because we consider this one of the greatest challenges and one of the most important problems facing the Free World today. Inside the Community, we have established a working party which is studying the problem from three sides: 1, trade questions -- that is the possibility of increasing trade with less-developed countries, the means of establishing more liberal quantitative and tariff arrangements and of allowing more liberal imports of goods; 2, technical assistance for these countries; and 3, financial assistance. As we do this work, we are preparing for further discussions and greater cooperation within the GATT with the United States and also with Great Britain, which has a particularly large responsibility in this field. We recognize this as a real problem, this problem of the less-developed countries, and we recognize also our responsibilities. We are perfectly ready to do something important with any other countries who are ready to share with us the responsibility and to work with us toward these ends.

I don't want to speak too long, but I would like to make some final remarks about our external relations. I have said that there were three categories of problems concerning the external relations of the Common Market: the European question, the American question, and the question of the less-developed countries. But it is impossible to separate these questions from each other. They have to be considered as a whole, and we must plan our policy as a whole policy -- a world-wide policy. For example, an agreement between European countries, that is between members of the Common Market and non-member countries in Europe, must take into account the position of the United States and the position of Canada as well. And at the same time, it must take into account the problems of the less-developed countries of the world. These problems must be resolved by one single over-all policy.

Concerning close Western cooperation in all of these problems, we are striving for the most liberal possible trade relations with the rest of the world. I have tried to explain to you what we have done so far in order to achieve a liberal trade relationship with third countries. By establishing a customs union between ourselves, the six countries of the Common Market intend to contribute to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges, and the general lowering of customs barriers throughout the world. From the very beginning of the Common Market -- if you consider the elimination of quotas which is now taking place on a world basis, if you consider the creation of the Free Trade Association with liberal goals, if you consider the drive toward new GATT reductions and further negotiations following the GATT meetings -- then you must admit we have achieved quite a lot already. We have moved further toward our goals. And we are continuing to move in that direction in the most liberal possible way. It is in this spirit we created the Common Market in 1957, and it is also in this spirit that we are determined not to stop halfway in our drive toward increasing unity, in our progress toward a durable and lasting achievement in international relations. Perhaps this is the best contribution we can give to Europe and to all the free world.

Thank you.

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SUMMARY OF THE SPEECH

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In regard to the relations of the European Common Market with the rest of the world, there are three principal areas to be considered:

1) the relations of the six member nations with other European countries of the free world; 2) the Atlantic relations of the Common Market, particularly with regard to the U.S. and Canada; and 3) the Common Market relations with the less-developed countries of the free world.

But these areas cannot be considered individually. The Common Market must have one policy for its relations with the rest of the world. It must avoid entering into preferential trade agreements that discriminate against certain areas of the free world.

We certainly intend no such discrimination toward the U.S. We are taking into account the balance of payments situation, and we reiterate that the development of the Common Market does not mean and will not result in a deflection of trade, but rather it will stimulate more trade for the U.S. and for all three areas.

The Common Market is functioning according to the rules and regulations of the GATT, and it intends to conform to these regulations. It will not tolerate one external policy for one area and a different one for another area.

The Common Market is based on a solid foundation and strong institutions. It has been following and will continue to follow a liberal policy toward the rest of the world. This has been illustrated by the extension of the tariff reductions of last year to outside countries as long as the new, lowered tariffs still conform to the proposed external tariff. It has extended quota enlargements to other nations unilaterally, without requirement for reciprocity. These are policy decisions - not simply statements of intentions.

The Common Market external tariff, arrived at on the basis of the arithmetical average of the tariffs of the member nations, will result in lower tariffs for most of the 170 million population. For the 20 million people in the Benelux countries, there will be a certain adjustment upward in order to conform to the common external tariff. For the 50 million in the German Federal Republic, most of the tariffs will remain approximately the same, and for the countries with the largest populations, France and Italy, the common external tariff will make imported goods much less expensive for almost 100 million consumers. And we are ready to reduce our tariff further by reciprocal agreement on a GATT basis. So we said yes to the American (Dillon) proposal to reduce tariffs by 20 per cent within the GATT.

I can say with all conviction that the Common Market intends to be a driving force in the world. It will not stop half-way.