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"The Development of European economic relations following the Helsinki Declaration"

Mr. Chairman,

May I begin by saying what a great pleasure it is for me to be here in Romania. I hope that your invitation to me to come and speak to this audience here today is not only something of a sign of the close ties that have always in the past joined the people of Romania with the other peoples of Europe, but that it will also be a portent of a future time in which these ties will become yet stronger and more intimate.

I should like today to discuss principally the question of the future of the economic relations between the European Community and its Eastern neighbours. In my view this is a particularly opportune time for us to consider this matter - for last summer the European Community and its member states put its name to the Helsinki Declaration, along with the other countries of Europe.

That declaration is important not as a symbol but for what it may contribute towards more open and constructive relations between the countries of the East and the West in Europe. And in no field are such relations more necessary and desirable than in the economic field.

Helsinki's place in history depends upon the concrete and specific achievements which stem from it. Certainly, this is how we in the European Community view the matter. At Helsinki the Community as such assumed certain obligations towards all the other participants in the European Security Conference - including Romania. Only the Community can fulfil these obligations, and we are ready and willing to do so.

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The starting point of any analysis of the way ahead must surely be the Helsinki Declaration's recognition that for the present and for the foreseeable future there will continue to be many differences between the economic and social systems within which the various peoples of Europe live. The basis of our cooperation must therefore lie in our mutual recognition of the differences between our various systems, and in our willingness to accept this as one of the facts of life.

To be sure, the world economy is going through a pronounced and protracted recession which has endured longer than any other since the 1930s. Of course a series of profound shifts and mutations is now going on in the structure and pattern of the relationships between the various elements which make up the Western economic system as a whole.

But it is now clear that the world economy is moving out of the present recession - indeed, we are already beginning to look beyond it. Within our societies the essential feature of the strains we are experiencing is the constructive character of the processes from which they stem: the progressive and now critical

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adaptation of our attitudes and institutions to the mixed economy systems that we have been evolving over the past thirty years. And similarly in the international economy there are now signs - as we saw at the Seventh Special Assembly of the United Nations and at the "North-South" dialogue in Paris last month - that past tensions are now beginning to give way to constructive cooperation between the industrialised countries and the developing world.

In short, the many changes which mark the Western world today are the signs of adaptation and development, not of a crisis of the system itself.

Your recognition of this fact, and our similar recognition of the distinctive character of the systems that the Eastern European countries have built up over the years, must surely be the basis of our future relations. But we in the Community have always maintained - and the implementation of Helsinki should confirm - that the recognition of our differences does not preclude the growth of a cooperative and constructive relationship between us. And so I do not see any reason why we should not be able to work together in ways which will not compromise our essential principles and aspirations.

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The central principle and aspiration of Western Europe today is that which is carrying it towards closer union within the framework of the European Community - a union which is based on equality between our member states and which we see as one of the great historical forward movements of our time.

It is not my purpose today to talk of the Community's internal development - rather to seek to explain it in its relations with the socialist countries. But it is impossible to avoid remarking upon the fact that ever since the founding of the Community in the 1950s there has been - with notable recent exceptions - a tendency among the representatives of the socialist countries either to ignore and seek to by-pass this development, or to condemn it.

The charges which have thus been levelled against the Community are many and various. One objection has been that the Community contains the germs of a future political union - as if this were an unworthy purpose, or indeed one which need cause our neighbours concern. The Community has also been denounced as an instrument of American domination, and yet at the same time - and indeed sometimes by the same people - it has been held to mark a split in world capitalism. Another of the charges that is most frequently made against the Community is to the effect that it is a monopolistic, closed and discriminatory organisation.

If we are to understand one another better we must all learn to penetrate through the veil of jargon and ideology to the realities that lie beneath. Let me try and contribute to this.

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A monopolistic Community? If this means that the Community is based upon a mixed economy with a large element of private enterprise and free competition, then we must of course agree. But if it means that the larger multi-national companies dominate the policies of the Community, then I must assure you that this is not the case. For in dealing with the problems of accountability and control posed by the large multinational companies the Community is better placed than its member states acting separately.

A closed Community? I would not be here today, a Britisher representing the Community, if this were indeed the character of the union we are building in Western Europe. The Community has already been enlarged once: it will in all probability be enlarged again in the future. But its enlargement and development is not taking place at the expense of other countries. On the contrary, all the facts show that the expansion of the Community's internal market has made it a more attractive trading partner for these outside countries. It is significant that the Community's common external tariff is one of the lowest in the world - which benefits each and every signatory of the GATT, including its members in Eastern Europe. Through our Generalised Preference Scheme and through the Lomé Convention we have opened our markets even further to the products of the developing world. Through our agreements with the EFTA countries and those bordering on the Mediterranean we have brought into being throughout Western Europe a virtual state of free trade. And in our policies towards the countries of Eastern Europe the Community has made very clear our willingness to develop closer economic and trading relations.

And yet the charge of discrimination in our relations with the state-trading countries continues to be made. Here we are brought to the heart of the question of the trade relations between the Community and the countries of Eastern Europe, and to the heart of what I should like to say to you today.

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The member countries of the European Economic Community have much in common - but from the point of view of their relations with the outside world perhaps the most important of these shared features is their heavy dependence on external trade. Our trade with the rest of the world is of fundamental importance to our economy. But of the Community's trade with third countries, that with the state-trading countries - while it has been growing in recent years - still accounts for less than ten per cent. From the economic point of view, and in view of our geographical proximity and our close cultural ties it would be natural to expect a much larger volume of commercial exchanges. Why then does this not occur?

Of course it is impossible to generalise. Different circumstances apply with different countries. But one important reason why the volume of trade between the Community and the countries of Eastern Europe is not larger is because trade outside their economic grouping plays a less important part in the economy of the socialist countries than it does in that of the

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countries of the Community-who, it is worth recalling, are responsible for 20 per cent of world trade outside their borders. Although this is not true of Romania, the state-trading countries have generally tended to regard the development of external commerce as a sort of by-product of other economic activities rather than as an objective in itself.

But in all this the simple fact that we must face is that the most fundamental difficulties are those that arise from the differences between our economic systems and structures.

Those who reproach the Community with a discriminatory attitude in East-West trade must surely take account of the reality of these differences. The basis of the Community's trade philosophy is that discrimination is in principle wrong, although we accept the need for positive discrimination in certain situations - for example, in favour of the exports of the developing countries, including in this respect Romania as a beneficiary under our Generalised Preference Scheme.

But we cannot accept that discrimination occurs when different cases are treated differently. As between economies based on market principles it is a relatively simple task to compare like with like and to establish when cases are different and when they are identical. The transparency of the open market and the existence of agreed multilateral disciplines in international trade makes it relatively simple to determine when discrimination is taking place and by how much.

In socialist countries the state controls most economic functions, including international trade. The chief instrument for the management of foreign trade is the plan - whether a plan at the level of the enterprise, or of a whole industry, or of a foreign trade organisation, or indeed at the national level. The details vary: but in a socialist economy it is basically the government which decides what raw materials and production resources shall be devoted to producing exports, what foreign currency resources shall be allotted to imports, and what priorities shall be allocated to particular markets abroad, both in respect of imports and in respect of exports. All this - including the crucial matter of price formation - is decided centrally.

Upon what principles, then, are we to find a satisfactory basis for commerce with the state-trading countries comparable with that which exists between the Western economies? And upon what principles are we in the Community to receive satisfactory treatment on the part of the Eastern European state agencies which decide about foreign trade? Until we can achieve greater clarity in these matters there will inevitably continue to be constraints on the development of trade between the Community and the Eastern European countries - and this is the nub of the difficulties which state-trading export strategy and price policies in particular sometimes cause us and which have led us to retain a number of quantitative restrictions.

The Community readily accepts the objective of reducing the limits which quantitative restrictions impose upon the exports of the state-trading countries. It is indeed a matter of record that the proportion of imports from the socialist countries

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affected by these restrictions has been steadily reduced over recent years. In respect of the pricing policies of Eastern state-trading agencies, where these give rise to pressure on already sensitive sectors of industry in the Community we have to take appropriate measures of self defence - measures which are at present our only recourse. But the Community will always be ready to consider the solution of these problems by way of arrangements with the countries concerned - arrangements which would allow us to avoid such measures.

Then there are the rather special problems of agriculture and textiles. On agriculture we accept that - without prejudice to the principles or mechanisms of our agricultural policy - we should do what we can to see that its operation does not damage traditional East European agricultural exports. And where textiles are concerned it is surely an advance that the GATT "Multi-Fibre Arrangement" has made it possible to agree upon a framework for international trade which embraces some of the East European exporting countries, including Romania, and which will, I trust, help us to resolve the difficult problems that arise in this sector.

In sum the Community will always be ready to negotiate solutions to the problems that arise between us. And this is what underlies the decision of the Council of the Community to make a formal offer of negotiations to each state-trading country in November 1974. The outline of a trade agreement which we then proposed was our idea of the kind of agreement that the Community would be ready to conclude with any socialist country that wished to negotiate with us after the expiry at the end of 1974 of the existing trade agreements between the Community's member states and the state trading countries. We emphasised at the time that it would need to be filled out and completed to take account of the specific needs and interests of each country. It was designed to be no more than a framework for negotiation and it was in no sense a take-it-or-leave-it offer.

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I turn now to the question of the relationship between the Community and the Council for Mutual Economic Aid. As a result of Mr Faddeev's initiative, the first direct contacts between the Secretariat of COMECON and Commission officials took place in Moscow in February. We found these first contacts useful, and we hope they will lead to more. We have invited the COMECON Secretariat to visit Brussels for further discussions, and we await their reply. We see no reason why the development of bilateral relations between the Community and any member of COMECON should hinder or be hindered by the development of good working relations with COMECON as such.

We believe that it is appropriate and sensible that the Community should be able to establish and develop relations with COMECON in those fields where the two organisations have more or less comparable functions and where there are matters of mutual interest to discuss and work on together. But there are other areas where the responsibilities and terms of reference of COMECON and the Community are not comparable. This is why we wish, as well as working together with COMECON, to establish and develop relations between the Community and COMECON's member states in those areas,

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such as trade policy, for which we, the Community, and they, the COMECON member states, are responsible. A normalisation of the whole of our relations with the member countries of COMECON as well as with that organisation itself would seem to us the most logical and lasting outcome for all concerned.

I think we have made it abundantly clear in this way that what the Community desires is that its relations with the socialist countries should be established on a normal basis and conducted as naturally as they are with all the other countries of the world. It is our hope that this will find a response.

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So much for the development of the Community's policies towards the state-trading countries in general. I should like now to turn to the question of our relations with Romania and how we see these developing in the future.

Over the years we have had good informal working relations and contacts on technical issues with a number of socialist countries. At the same time for a number of years we have had formal dealings with state-trading countries in such multilateral organisations as the GATT, and in various United Nations forums like UNCTAD and ECE, and of course in the Conference on Security and Cooperation in Europe. In the case of Romania our relations have gone further.

As a result of a Romanian request in 1972, the Community agreed that Romania should benefit from some of the advantages of the Community's generalised preference scheme - which has as its purpose the encouragement of trade between the Community and the developing countries. This application of our preference scheme to a country outside the Group of 77 is indeed quite exceptional, and it is an earnest of the Community's special consideration for the particular situation of Romania.

The Community has made known its readiness to negotiate with Romania and with the other state-trading countries both on a textiles agreement and on a general trade agreement. But you may legitimately ask what purpose such an agreement would serve and what its character would be.

First, there is the matter of a framework for our trade relations. Important as they are, the economic cooperation agreements which exist between Romania and various member states of the Community do not cover trade policy questions. At present there is therefore no trade agreement between the Community and your country - and this is a situation which hinders the solution of the problems that inevitably arise in the course of our growing trade.

In the negotiation of such an agreement the Community and Romania would no doubt wish to consider together and try to solve the problems of particular sectors. At the same time an agreement would seek to come to grips with the problems arising from differences of structure in our economies - here the Security Conference has given some useful pointers. Starting out from the final document of the Conference we could discuss such problems as the difficulties caused by our different systems in the field of business contacts and facilities, economic and commercial information, marketing, and so on.

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I am convinced that - without prejudice to our different systems - it should be possible to improve access to markets on a basis of reciprocity, while paying due regard to our different levels of economic development.

One of the most important ways of overcoming the problems which arise from the structural differences between our economies lies in the development of industrial cooperation. There already exists a valuable network of such agreements between Romania and the member states of the Community. But we must recognise that, because industrial cooperation straddles the borderline between trade policy and economic cooperation, a trade agreement would constitute an important aspect of the general development of the economic cooperation between the countries of Eastern Europe and the Community.

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Let us now lift our eyes from the immediate questions of our mutual relations. The world economy as a whole is passing through a period of rapid change and reconstruction. It is surely striking that the socialist countries have so far played little part in the debate which has been taking place over the past two years about the principles and structure of the world economy and the proper relationship between the developed countries of the so-called North and the developing countries of the South.

The state-trading countries represent a very large and important section of the economy of mankind. That is why it is surely right, in their own interests and in the interests of the world economy as a whole, that they should play a greater part in the wider system of international economic cooperation that is now being built - both sharing in its construction and accepting the disciplines and responsibilities it entails.

Mr. Chairman; the world economy is nowadays increasingly characterised by the progressive interdependence of its various components. This is a fact about the present international scene from whose implications no-one can escape. A criss-cross network of interdependencies is establishing itself between markets and sources of supply, between industrial manufacturers and suppliers of raw materials, between sources of finance and technology and their users. No-one should be under any illusion that they can exclude themselves - or that they will be excluded - from this growth of interdependence. The actions of the state-trading countries - for instance in the sphere of agricultural trade, or in respect of their trade balance with the developing countries - can have a wide-ranging impact upon the economy of the rest of the world. Similarly, let there be no doubt that the prospects for stability and growth in their markets abroad - especially in the Community - have a very important bearing upon their own economic prospects at home.

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The management of our growing interdependence requires an equivalent growth in our cooperation. This is the thesis that we are seeking to put into effect in the Paris dialogue. It is a thesis that must apply equally in the relations between the Community and the countries of Eastern Europe. The basis of this cooperation can only be mutual respect, and the will to distinguish between real differences and purely artificial barriers. If my words to you today have made some small contribution to furthering this mutual respect and to overcoming these barriers then indeed I shall be pleased.