

THE EUROPEAN ECONOMIC COMMUNITY
AND LATIN AMERICA

Address

by

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on the occasion of "Latin America Day"

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I am grateful for the invitation to take part in this celebration of "Latin America Day" and to speak on the relations of the European Economic Community with Latin America. My gratitude has both personal and objective reasons.

What I shall say is intended as a contribution to an exchange of ideas between Europe and Latin America. Rarely in the centuries of relations between Europe and Latin America has such a discussion been as necessary as today. The world is going through immense, irresistible and profound changes. Technology, which broke in upon our workaday life for the first time about 200 years ago, has within a few decades acquired extraordinary force, extraordinary significance. Atomic energy and rocket propulsion can threaten our life or enrich it, depending on the way we use them. The importance of distance as an obstacle to human relations is constantly diminishing. Medical science, in its successful combat with disease, has greatly increased the average expectation of life. As a result, the population in a great part of the world has grown more rapidly than has the basis of their livelihood, the food margin, and the masses have sunk further into misery. Man, saved from death by disease, is threatened by death from starvation. All this forces upon us a changed attitude to the problems of individual and collective existence.

And so the shape of things in Europe and of things in Latin America has altered. We must therefore speak frankly and with complete openness, hoping that our partners in this discussion will hear us with confidence and an open mind.

I am therefore glad to be able to point out that as far back as 1958 the Commission over which I have the honour to preside drew up a memorandum on the relations between the European Economic Community and Latin America - a memorandum which has rightly been called an "economic peace offer". Its first result was the establishment of diplomatic relations between the countries of Latin America and the Community. Brazil took the lead and twelve

other States also appointed Ambassadors. On a suggestion from the Commission the heads of these diplomatic missions meet from time to time for talks with the Commission. The first two of these discussions took place in July and September of this year in an agreeably open-minded atmosphere. Over and above this, the Commission will press steadily ahead with its endeavours to set up in Latin America a liaison office comparable to the European Office of the Organization of American States. Finally, our Council of Ministers and the Commission have established periodical working contacts with Latin American community organizations. Our observers attend all meetings of the Inter-American Economic and Social Council and all important sessions of the American Development Bank and the UN Economic Commission for Latin America. Similar relations are being prepared with the Latin American Free Trade Area and the institutions emerging from Central American integration.

All these contacts, soundings, statements and discussions hinge on one central question: what is the new element brought into international relations through European integration and what does this new element signify in the relationship of Europe with Latin America?

Before these questions can be answered, we must first explain what we are not. We are not a projection of 19th century nationalism on a larger scale. In other words we cannot be likened to some over-dimensional national state. Nor are we a coalition of the traditional kind. We are not engaging in power politics when we endeavour to make the voice of Europe heard. Nor is it a sort of colonial policy when we associate ourselves with 18 States in Africa and Madagascar; having attained their sovereignty, these countries renewed their association with us of their own free will. And there is something else that our Latin American friends must not forget in their understandable impatience: we, the Community, have ourselves not yet reached the end of our evolution. We are not yet a federation. We are only just beginning to develop a personality of our own.

What, then, are we in fact? We are a political entity that at present manifests itself in the fields of economic and social policy. We have at times said that we are like a kind of peaceful three-stage rocket. The first stage being customs union, the second economic union, and the third political union. We have already covered more than half the road towards customs union. We are pressing resolutely ahead with the establishment of an economic union, that is to say with the merging of our economic and social policies, for without this the customs union would not be viable. We are becoming increasingly aware that in establishing these two unions we have already gone a considerable way towards establishing political union. The economic effects of all this are patent to see: expansion in the Community is more rapid than in any other part of the free world, within which it is the largest trading unit. It constitutes one of the most important markets for the products which it is so important for Latin America to export.

Openness to ~~the~~ world, a liberal approach and solidarity are the principles which have guided us when making our contributions to the shaping of international relations.

True, the negotiations with Great Britain have been suspended. But all are agreed that negotiations of this kind will be resumed one day. Meanwhile we welcome the arrangement by which there will be regular contacts within Western European Union. Greece and Turkey have become associated with us in a way which will enable them to become full members of our Community at a later stage. Our relations with the associated African States and Madagascar have quite recently been renewed by an exemplary Treaty which has enabled us to make considerable improvements on the previous arrangements and to bring them up to date. Trade agreements with other countries have been initialed or are being prepared.

From the very start our common external tariff was fixed at the lowest level possible when the six customs tariffs of our Member States were merged. It is being gradually implemented by bringing the national tariffs of the Member States into line with it, and in the process we have for the purpose of our calculations twice anticipated a 20% reduction in the common tariff. We have made our contribution to what has become known as the Dillon round in GATT. And finally we have without hesitation agreed to participate in the Kennedy round, which is the greatest venture in tariff reduction so far undertaken in the history of commercial policy - a venture undertaken mainly as a result of the existence and success of the European Economic Community. It is the curtain-raiser to partnership between a united Europe and the United States of America. World-wide development policy is part and parcel of the manifold and comprehensive subjects of this Atlantic co-operation which embraces virtually all aspects of international economic policy.

This brings me to the chapter which is of the greatest practical importance to our relations with Latin America. Development policy, more than any other facet of political life in our time, or any sector of political action, makes us aware of the tempestuous evolution which is characteristic of our age.

On the one hand the factual situation is changing: within our lifetime a number of developing countries have emerged from the stage of dependent colonies into that of sovereign states. Meanwhile development policy itself is in constant evolution. If the Community's development policy in Africa is to be judged fairly, both these aspects must be borne in mind. When we concluded the Treaty of Rome, which is our charter, a number of our Member States had colonies, mostly in Africa. The economic well-being of these colonies was closely bound up with, even dependent on, their mother countries. Understandably enough these countries felt a special responsibility for the economic prosperity of these areas. What was to become of these special

arrangements now that the economies of the six European countries were being merged? The only feasible solution we could find was to make of these African and other countries and the Common Market a sort of modified free trade area in which the African countries would gradually gain free access to the European market - whilst being allowed to maintain their duties and other charges on European products and freedom of action in their commercial policy towards the rest of the world. In addition they were given financial aid. Thus association was an instrument to smooth the passage from colonial status to independence. Meanwhile, our partners in association attained independence one after the other. At the same time, the relevant Implementing Convention attached to the Treaty of Rome expired. The African States and Madagascar decided to continue their association with the Community. This at the same time provided an opportunity to improve the conditions of association in the light of experience. We do in fact regard the new Association Agreement concluded in July of this year as a piece of progressive modern development policy. It is an organic whole comprising the three forms of traditional development policy - commercial help, financial aid and technical assistance.

It has often been said in Latin America that the association arrangements injure the Latin American economy through discrimination. I rather feel that such a reproach does not make due allowance for the difference between the situation in the African developing countries, just emerging from colonial status, and the situation in Latin America. Nor does it take into account the Community's real concern for its relations with Latin America. Latin American exports could never have increased by well over one third in volume since 1958, that is since the European Economic Community came into being, reached a total value exceeding \$ 2 100 million, if that Community had been so heedless of the problems of Latin America as is asserted by those who do not wish us well. In reality we look upon our traditional links with Latin America as part of the relations which Member States

bring into the Community as a kind of dowry and which have the same claim to care and attention as relations with the former colonies. In what way have we given proof of this attitude? Let me first say a word about financial aid to Latin America. Here the share assumed by the Federal Republic deserves particular mention. The flow of private capital from Europe has in the last few years reached more than \$ 300 million. We must also remember the contributions made by Europe to long-term loans for Latin American countries.

As for commercial policy, I have already spoken of the common external tariff. I may add that duties on tropical woods and tea have been abolished - a happy result of our negotiations with Great Britain. The Community's decision to lower the common external tariff for cocoa and coffee by 40% and thereby to reduce by the same extent the protection enjoyed by African products, was specifically designed to benefit Latin America and gives evidence of our desire to conduct our commercial policy in such a way as to balance the interests of associated and third countries. This explains why Latin America's exports contribute largely to the considerable increase in the Community's imports. Trade with the Federal Republic of Germany is the best example of this.

Of course this does not fully answer all the legitimate questions we hear being asked in Latin America. Still more and better planned assistance is needed. Several years ago the UN Economic Commission for Latin America drew up a report on the Latin American Common Market, in which it said that exports must be raised from \$ 8 000 million a year - the average for the period from 1954 to 1956 - to \$ 15 000 million by 1975 if the national product per head was to be raised by only 3% per annum. Can this goal be attained?

Many obstacles stand in the way: the rapid increase in population, inadequate capital formation, extreme dependence on the world market - to mention only a few. The gap between our economy and that of Latin America is constantly widening, although there surely is no lack there of raw materials, labour, energy and ability. To counter all this Latin America must increase its traditional exports, raise and stabilize the return on its exports and open up new markets for industrial products. This requires a policy of investment and technical co-operation in which Europe must share. What should be the Community's approach to these problems?

Let us begin with the question of trade in primary products, which is still vital to Latin America since coffee, grain, oil, copper, iron-ore, feeding stuffs, wool, cotton, and meat are the most important of the few goods it exports. Endeavours to increase Latin America's earnings from the sale of these primary products are running into three difficulties: commercial obstacles, fluctuations in the level of economic activity, which inevitably affect prices, and a deterioration in the terms of trade to the detriment of the developing countries.

First, obstacles of trade: no one can say that the Community's customs barriers are unduly high. Industrial raw materials enter the Common Market duty free or at a very low rate of duty. In the case of tropical produce it is true that in the interest of our African associates, whose economy is much more susceptible to shock than that of Latin America, we cannot yet dispense with moderate protective duties. But, in the interests of Latin America as well as of other parts of the world, the Community is doing all in its power to bring about world-wide agreements which would settle satisfactorily the marketing and price problems of tropical produce. We hope that the coming GATT round and the UN Conference on trade will bring us closer to a solution of this kind. A great deal could however still be done to free certain tropical produce - coffee in particular - from the excise duties which adversely affect sales. So far as temperate zone farm

produce is concerned, we are still facing the task of first re-organizing the domestic and then the world markets in order to master that chaotic situation in which we have on the one hand starvation and shortage of means of payment and on the other farm surpluses and over-saturated markets. The Community can do much more to solve this problem than could six individual states acting on their own.

But more important even than the problem of obstacles to trade is the issue of making sure that the Latin American developing countries receive adequate prices for their basic commodities on the world market. We will have to do more than just stabilizing price fluctuations by means of world-wide trade agreements and, perhaps, equalization payments; we will have to get to grips with the fact that the terms of trade are deteriorating for the developing countries because world market prices for raw materials are declining, whereas prices for industrial goods are mounting. The economic upsurge in the Community, which is benefiting from integration, and the Community's immense import requirements are themselves exerting a steadying influence on the world market, but we must do still more towards finding a constructive solution to this problem.

Even if we were to succeed in improving the position of Latin America where its trade in raw materials and farm produce is concerned, this would not be sufficient for a lasting improvement in its economic situation. Latin America must outgrow its role as supplier of raw materials; it needs an industry of its own which would provide work for its unemployed, save foreign exchange, and earn money. What, then, can we do to boost the growth of industry?

There will have to be more investment, greater efficiency and increased sales. The capital invested in building up industry since the war is beginning to bear fruit, but it is far from enough. Latin America expects us to invest. So far as possible we should co-ordinate such investment in order to avoid wasting capital.

But our investment aid would be badly placed in the long run if no care were taken to ensure outlets for the industrial products of Latin America. This is why we welcome the decision of the major Latin American States to establish their own common market, which is to put a stop to the paradoxical situation that their reciprocal trade amounts to hardly more than 7 or 8% of their foreign trade and is limited to a few bilateral arrangements. Though this scheme holds out promise for the future, it does not dispense with the need for our commercial aid. There are in fact already a number of Latin American industrial products which are competitive with our own. Brazil supplies electric motors, Chile copper goods and Uruguay woollen textiles. In my view the Community should use its influence to ensure that the industrial countries agree as far as possible to accept these goods duty free without necessarily demanding equivalent counter-concessions. It will however not be easy to apply this principle in practice because agreement will have to be reached on which developing country is to benefit from such commercial aid and what products are to be affected by it.

And that brings me to the end of my brief sketch. My purpose has been to give this audience, which is not only interested in the matter but also exceptionally competent to deal with it, an idea of the spirit in which the institutions of the European Community are tackling the task before them. We will do better and better as we go forward, because only our progress enables us to absorb a greater amount of imports, including industrial products, to increase our financial aid and to help in reorganizing world markets. Such a policy must, moreover, be based on a clear concept. That is why at the beginning of this year the Commission submitted to the Council an Action Programme for Latin America. This is designed as a whole and takes account of the fact that the passing on of European technical know-how and of our way of running an economy must not be separated from

a carefully conceived investment policy and a new concept of foreign trade if the build-up in Latin America is not to be jeopardized.

It was in the great trading centres of Europe that the tradition of purposeful courage and political far-sightedness developed, a tradition which has made possible the historic mission of Europe overseas. Today, when in the same Hanseatic spirit we must evolve new forms of generous co-operation with Latin America, I salute Bremen as one of the points from which Europe set forth to accomplish this mission.