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COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

FOR IMMEDIATE RELEASE

September 25, 1962

PRESIDENT HALLSTEIN OUTLINES FUTURE WORLD ROLE OF COMMON MARKET

WASHINGTON, D. C., Sept. 25 -- Walter Hallstein, President of the Commission of the European Economic Community (Common Market), has declared that Atlantic partnership does not require a new international organization but does require new policies in international economic affairs "resting on one American and one European pillar."

The Common Market President made the statement to the joint session of the European Parliament and the Consultative Assembly of the Council of Europe in Strasbourg on September 17 in an address covering all the main issues currently facing the European Community and other countries in relation to the Community.

He described the applications for membership or association with the European Community as the most immediate element in the Community's foreign relations. To relinquish any part of the system of Community action already built up would, he said, jeopardize the achievements of the past and the success expected in the future and thus rob membership or association of its raison d'etre. "The point of expanding the Community," President Hallstein said, "is to make it stronger."

He continued, saying that the main difficulty in dealing with the applications for association springs from the diversity and the peculiarities of the individual cases and the need to take them into account. The same is true of the other possible forms of cooperation sought with the Community, such as links through commercial agreements. One of the aspects which determine the results of such negotiations must be consideration of the needs of the applicants and of their political decisions, which are entirely their own affair. On the other hand there can be no doubt that association or any other lasting relationship must be brought about by a treaty, and this means that it requires the Community's approval, which in turn is determined by the requirements and the political decisions of the Community.

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There clearly must be harmony of content among the various types of link with the Community - membership, association or anything else. The choice between these must rest on objective criteria. It is no more than logical that in defining these criteria the Community must have as much say as the non-member states.

Problems of British Entry

The main problem in the negotiations with Great Britain stems from its links with the Commonwealth - particularly as it is everyone's endeavor to preserve, so far as at all possible, the great value of these links, especially the political ones. The Commonwealth, however, is not only political in character, it is also the largest preference system in the world. British membership therefore means a process by which Great Britain would move out of the Commonwealth preference area and into that of the European Community.

That transition must be made complete in a clearly defined and reasonable period, and the manner in which it is achieved should be as painless for all concerned as is at all possible.

The future relationship between Europe and the Commonwealth must also fit into the existing world economic system, or it should be such that it will close any gaps in the system. That is why the concept of non-discrimination is being adhered to. If we strike an interim balance it will show the following picture.

Agreement has already been reached on the following points:

- a) Economic union does not seem to give rise to any problems (free movement of labor, social security, movement of capital, cartel legislation).
- b) The Community's basic concept of agricultural policy has been accepted. This is important in view of the fact that traditionally British agricultural protection takes the form of state subsidies and not, as on the Continent, of price guarantees for the producer. A compromise has also been reached on the question of "annual reviews" of the farming situation.
- c) The common external tariff will in principle apply equally to the enlarged Community.
- d) For a number of commodities, however, the rate of duty is to be reduced to zero (for tea, and for certain goods, especially sports equipment, from India, Pakistan and Ceylon).
- e) In the task of aligning rates of duty on the common external tariff, a task which must be completed by the end of the transition period, arrangements have been made to ease the pace for a number of commodities (industrial goods from Canada, Australia or New Zealand, cotton textiles from India and Pakistan, certain other imports - especially canned foodstuffs - from India, Pakistan and Ceylon, jute goods and so on).
- f) Various special arrangements have been proposed, e.g.:
 - (i) For the future development policy with regard to India, Pakistan and Ceylon;
 - (ii) For import policy on cotton textiles from India and Pakistan.
- g) A readiness to make special arrangements for the benefit of New Zealand has become manifest, since that country at present depends entirely on its sales of meat and butter to the United Kingdom.
- h) Association on the lines of the already existing association of French-speaking countries in Africa and of Madagascar is being considered:
 - (i) For territories dependent on the United Kingdom (subject to certain reservations concerning the Federation of Malaya, Aden, the African countries which are in a customs union with the Union of South Africa, and Hong Kong),

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- (ii) and, in principle,
for the independent Commonwealth countries in Africa and the
Caribbean, provided they wish to be associated.

No agreement has yet been reached on the following issues, although
on some of them the points of view have come much closer together:

- a) Fruit and vegetable production in Great Britain.
- b) Zero duties demanded by Great Britain for certain East Indian goods
(heavy jute goods and carpets).
- c) British wishes with regard to the duties on certain raw materials and
semi-finished goods such as aluminum, lead, zinc, paper pulp and
newsprint.
- d) Duty on coffee and some other tropical produce, and on tropical produce
from countries which will not be associated.
- e) The treatment of Malta and Gibraltar.
- f) And, finally, imported foodstuffs from temperate areas, of particular
interest to Canada, Australia and New Zealand.

It was, however, accepted that worldwide agreements on trade in these
commodities should be negotiated at an early date; that, should such agreements
fail to materialize, more limited agreements with those prepared to conclude
them should be considered; that, if difficulties arose during the transition
period, consultation should be envisaged, and that in general the price policy
of the enlarged Community will be of decisive importance in the matter of
imports.

"If we consider this interim balance as a whole, we have no reason
to be dissatisfied with the results of the negotiations so far."

Atlantic Partnership Concept Investigated

"I should now like to say a few words about our Atlantic problems.
The term partnership has been applied to them -- a term used specifically in
antithesis to the idea of an "Atlantic Community." A community signifies one
collective personality with its own institutions, frontiers to delimit the
area in which these institutions operate, and with different treatment for
internal and external affairs. Partnership on the other hand signifies a
relationship of cooperation. -- with competition between our economies and
with the requisite coordination of our economic policies -- the partners being
approximately equal and increasing their strength through vying with one an-
other; it is clear, then, that the full development of our Community is assumed
and that the partnership is not to have any discriminating effect externally.
In other words, while no new organization is to be set up (use will be made
of existing institutions such as GATT, OECD and the IMF), there will be a new
policy, particularly in the customs field but also in international economic
affairs (including monetary policy, development policy and so on), resting on
one American and one European pillar. On July 4, the day on which the United
States commemorate their independence, President Kennedy coined the phrase of
interdependence between Europe and North America. At the same time he pointed
out that the most important step forward in the direction of such interdepend-
ence in partnership can at this stage be taken only in Europe itself, with a
European Community advancing to the stage of full responsibility."

Overseas Aid: East vs. West

President Hallstein commented on the most recent developments in the
Eastern bloc: The Soviet leaders, he said, had obviously considered the EEC
as either a chimaera or a conspiracy. Subsequently, a series of theses pub-
lished in Pravda and the arguments used by the Italian communists at the Moscow
conference heralded a more realistic approach.

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According to Soviet statistics, Soviet trade within Comecon has been marking time since 1959, while trade within the Community has expanded by more than 40 per cent over the same period. The change in the Soviet attitude is probably to some extent due to the refusal of EEC member governments to conclude with Moscow agreements which conflicted with the EEC Treaty. In this context the Franco-Soviet negotiations deserve mention. Recently Mr. Khrushchev has also been speaking of the possibility of cooperation between economic associations in East and West, President Hallstein said.

Moscow is also having some difficulty in regard to the developing countries. While since 1954 the OECD countries had provided development aid totalling some \$40 billion, of which \$30 billion had come from public sources, and of which well over 75 per cent had actually been spent, the Eastern bloc had in the same period promised only one tenth of this amount for development aid and actually provided no more than half of that.

President Hallstein then surveyed the Community's internal development. Speaking of the customs union, he said that it would probably be in full operation at least two and a half years ahead of schedule. The Dillon round had shown that no more progress could be made towards a reduction of customs duties through the product-by-product system. Techniques would have to be applied in which some degree of automatic action was involved.

President Hallstein went on to show that the Community's internal development had to be directed in such a manner that it would not conflict with the European, Atlantic and world-wide responsibilities of the Community. The background of this development is wider than Europe. There are three main groups of problems:

- 1) The economic order within the free world itself; a distinction must be made between trade among industrial countries and trade between industrial countries and development countries;
- 2) Trade between the free world and the Eastern bloc;
- 3) Trade in agricultural products, including tropical products.

The first step toward planning matters on a sounder basis is a better ordering of agricultural markets within the individual national economies. The question for the Community now is to handle these new instruments in such a way that a proper ordering of the situation results. This means especially finding the right price policy to counter the piling up of surpluses.

World-wide Agreements

The second step would be the ordering of world agricultural markets:

"The Commission believes -- and its opinion is shared by the member states -- that world-wide agreements on agricultural products are the very best instrument for this purpose," President Hallstein said. "Agreements laying down specific rules for agricultural trade must be concluded between the chief supplying and the chief importing countries..."

"The Community's new responsibility for agricultural policy [the common agricultural policy which went into effect July 30, 1962] obliges it to re-organize its relations with the outside world in this field also: The national policies on external trade in agricultural products hitherto followed will no longer exist in future. It is not to be wondered at that the Community's trading partners are waiting for our answer to this problem..."

"The second factor leading us to attempt a new, world-wide solution is... the British application to join the Community. The dissolution of Commonwealth agricultural preferences would in fact facilitate the conclusion of world-wide agreements [which] would in its turn facilitate the dissolution of the agricultural preferences..."

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"The third force pressing for world-wide solutions is the Community's oft-emphasized readiness to make its contribution to development policy. In the present context this means helping to fit these countries into the pattern of trade of the free world. In the framework of world-wide agreements, by means of which the aim of fitting the developing countries into world-wide trade can be translated into practice, their interests must therefore be adequately taken care of. For these countries world-wide agreements not only offer the possibility of help in feeding their rapidly growing populations; such agreements, especially those which cover the markets for tropical raw materials, can also be a great help in stabilizing the incomes which these countries obtain from exports."

The Common Market's Role

"Once all this has been said," President Hallstein continued, "the question suggests itself whether the European Economic Community is really in a position to cope with such tasks. The Community can only be equal to these burdens if it fulfills certain conditions." He enumerated as follows:

The first condition is that the Community must be a success economically. Its success has been proved by the first four years of its existence, which yielded the following results:

Industrial production has risen by	29 per cent
The national product has risen by	24 per cent
Internal trade has risen by	73 per cent

While the Community's external trade has risen by 27.4 per cent, world trade as a whole has increased by only 19.4 per cent. In 1962 expansion is continuing at the same pace.

The second condition for the Community is a political one. The Community must be politically and administratively capable of action. This capacity already exists, and nothing must be allowed to impair it; it would be strengthened as the implementation of the Treaty advanced and through such reforms as a merger of the Executives.

Political Union Discussed

"If we seek means of improving the Community's efficacy and vigor," said Professor Hallstein, "this question also includes, in the last analysis, what is generally known as 'political union' -- a name which can easily mislead." The existing Communities -- the Common Market, the Coal and Steel Community, and Euratom -- are already functioning in the political sphere:

"The chief motive for what we have called economic integration was always political...Thus the political union is not something which is new in essence or a transition from the economic to the political sphere. It is rather a question of backing up integration in essential areas of domestic policy in the member states -- i.e. of economic and social policy -- by unifying other aspects of their policy: external policy on matters outside the economic field...defense policy and cultural policy.

"The Community's attitude to these plans is based on this and is entirely one of approval. The plans in question must naturally not undo or diminish the successes already achieved by the policy of working for a united Europe, and for this reason they must not injure the existing Communities. The decisive criterion for judgment of the plan in general and of its details -- i.e. the instruments to be used and the methods to be adopted -- is how far the cause of Europe as a whole is advanced.

"Quite generally, the power to master the tasks with which the world situation and our destiny confront us is the yardstick by which we must measure all new plans to extend our Treaties, whether geographically or in their subject-matter. This is the only essential yardstick, since we find ourselves face to face with a historical necessity which is becoming more and more imperative. With all new plans we must ask ourselves whether they provide something which will promote unity in the most vital spheres of Europe's life or whether they will lead to diversion and dissipation of our energies, thus impairing what already exists and has proved its political usefulness. The answer to this question is the touchstone for all schemes intended to shape European policy, and it naturally sets limits to the consideration which can be accorded to special wishes, vested interests or the desire to conserve what already exists."