

HUBERT DE BESCHE
AMBASSADOR OF SWEDEN

EUROPE'S CONTRIBUTION TO AMERICAN CIVILIZATION

First of all, I want to thank Suffolk University for having initiated this lecture program on European contributions to American civilization. I am sure it stems from an awareness of the interdependence of the nations of the world and of the need for everyone to understand that other peoples have been, are, and will be important in the development of any nation. It's an honor and a pleasure for me to be part of this program.

I suppose that most comments on European contributions to American civilization would tend to be of an historical nature. That early American civilization was largely built upon European foundations -- by Europeans for that matter -- is historical fact. It is likewise evident that the part of Europe I come from contributed in many ways in this country's historical development. The direct contribution began as early as the 1630's when Swedes and Finns settled in the Delaware Valley, and it was revitalized on a larger scale and in a different way when hundreds of thousands of immigrants from Sweden and the other Scandinavian countries came to live here in the 19th century. One heritage left to the Americans by the Early Swedish settlers was the log cabin, certainly a significant element in American civilization for a long and critical period. To enumerate other direct contributions we might also remember many individuals from Sweden or of Swedish descent who had an impact upon United States civilization. This would be a long list of people. It would include -- just to mention two of them -- John Hanson, who in 1781 was elected the first President of the United States in Congress assembled, and Carl Milles, the great contemporary sculptor who moved to the United States and whose art became a highly influential factor here.

I could easily fill the rest of this lecture with further examples of historical contributors and contributions. However interesting it might be to elaborate on this theme, I feel that maybe it has been sufficiently taken care of by writers and by previous speakers. Instead, I wish to draw your attention to an area which is more of a contemporary concern -- perhaps also one which is not always remembered when the topic is "civilization". What I am thinking of is trade -- world trade as well as domestic trade. I don't think anyone would deny that trade and trade organization is a significant element in the civilization of the United States. So now I would like to ask: In what ways does -- and in what ways can -- Europe contribute in this sphere of American civilization?

My intention is to try to give you an idea of how the current international economic problems are being viewed through the eyes of a national of my country, Sweden. Contrary to what was the case some years ago we read in our newspapers more and more each day about these problems. During the next few months two major international conferences will be held in Geneva during which these problems will be very thoroughly discussed.

It sounds like a commonplace, but I think it is no understatement to say that we are living through a period, when the established norms in this field are being challenged and when we all feel that we need to take a hard look at the basic principles in order to assure the maximum efficiency of the international economic system. I am happy that in many respects our two countries share the same ideals and objectives in this field. Nevertheless it might be of interest to you to hear a little bit about how we in Sweden and within the EFTA group of countries in Europe view these problems on the threshold to these important conferences.

First, let me put you into the perspective of my country. Sweden is a country which is very much dependent on international trade. It is traditionally one of the low tariff countries, and for quite some time we have had one of the lowest tariffs in the world. For a country with a very limited home market, but at the same time trying to sustain a very specialized and industrialized economy, this position is very natural. It is also quite obvious that it is necessary to seek close cooperation in the economic field with other countries. The Swedish manufacturers have to go out onto the world market in order to compensate themselves for the smallness of the home market. All this makes for a highly outward looking economic philosophy. The average Swede consumes and produces a much larger quantity of products which move in international trade, than does the average American. The figures speak for themselves. Thus, while the Swedes per capita share of the country's gross national product is in round figures about 2,000 dollars, his share in imports amounts to about 400 dollars. For the United States the per capita gross national product is well above 2,500 dollars. The imports into the United States do however not amount to more than about 90 dollars for each American. It is thus obvious that the average Swede must feel more closely knit economically to the world around him, than does the average American. What I just said for Sweden also goes to a greater or lesser extent for most other countries in Europe. If the international trade problems are considered to be of the utmost importance -- and very rightly so -- in a country like the United States, it seems more than natural that a small country like Sweden, which is already far more economically integrated with above all its neighbours in Europe, should feel that these problems are entirely vital to the national interest.

I shall make one more comparison in order to help you get the perspective from which a Swede looks at these programs. Sweden has a small population in comparison with many other national states. As I have already mentioned earlier, it is in fact far too small for many industries to serve as a basis for economical production. Its economy is therefore sensitive to all kinds of barriers, which tend to fence it in. If we take the two states of Massachusetts and Connecticut in this country, you will get an aggregate population which is slightly larger than that of Sweden.

Imagine for a moment that the manufacturers in these two states would find one day that they encounter high tariff walls as against the rest of this country; tariff walls which their competitors in New York and Pennsylvania do not have to surmount. They would then find themselves excluded from their traditional market which, by the way, has about the same population as the EEC. The parallelism between the two cases is in no way complete, but I have chosen this example as an illustration for you of the kind of problems that economic integration in Europe has put us in front of.

I shall only make one more point in order to illustrate Sweden's position. As we all know from statistics and many studies, the trade between the highly industrialized countries tends to grow at a considerably faster rate than world trade in general. This is a problem which has many aspects and to which I will come back a little bit later on. At the same time it is clear to everybody that for a number of reasons a country's trade with its neighbours is more important than its trade with the rest of the world. You have a very good illustration of this here in your enormous exchange of goods with Canada. Thus, in the case of Sweden, trade with Western Europe exceeds by far in importance its trade with any other part of the world. It seems likely that this will also be the case for the foreseeable future. In fact more than 70% of Sweden's exports goes to Western Europe. It is thus of vital interest to us to be allowed to compete in these markets on equal terms, and we are also interested in continuing European cooperation in other economic matters than tariffs and quotas. Today the United States represents the single market covering a whole continent. Europe is split in two major trade groups -- The European Economic Community and The European Free Trade Association -- and several countries which have not thought it possible as yet to join either of these two groups. To these countries -- as in my mind to the others also -- the solution to the present dilemma is to be found in the creation of a large European market.

I think that practically all Europeans agree upon this point, though there is a certain amount of disagreement on how this is to be brought about. My opinion in the matter coincides entirely with the concept worked out by the United States in connection with the magnificent assistance programme for Europe, known under the name of the Marshall plan.

European post-war integration can be said to have as its starting point this American initiative by which Europe, then in shambles after the devastating second world war, was to be aided in rebuilding its industries and production capacity, raising the living standard, and thereby creating political stability in the nations of Europe. Everyone agrees that this American initiative was a resplendent success.

There were in the charter of the OEEC also laid down many long-term objectives aiming at a far deeper integration than is generally recognized as the aim of the OEEC. The aim which the Marshall aid

and the OEEC set out to achieve and which so nearly was realized, can simply be defined as an effort to create a single, large market in Europe, with no barriers to trade between the various countries. It was reasoned in this country, and I think quite rightly so, that -- apart from the industriousness and inventive genius of the American people -- the prosperity here is due to this enormous single market which knows no artificial obstacles. The same should now be emulated by Europe. However, the group of Six had been creating the European Coal and Steel Community. This cooperation between the countries of "Little Europe" was later extended into the European Economic Community, in which the participating countries, in the form of a Customs Union, pledged themselves to remove all obstacles to trade and to attain a wider and fuller economic and political integration between each other.

In this situation an attempt was made to fulfill the original objectives by the establishment of a Free Trade Area, including all the European countries. This failed, however, at the end of 1958.

Faced then -- as the United States -- with the threat of higher tariffs on their exports to the Six, with tariff discrimination and a reluctance on the part of the six countries to discuss possibilities for putting an end to this state of affairs, the Seven countries -- Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom -- felt forced to seek measures by which the harmful effects on their exports could be counteracted. They found the solution in the establishment of the European Free Trade Association in 1959.

According to the Stockholm Convention of 1960, the purpose of this association -- EFTA -- is two-fold: To strengthen the economies of the member countries and to concentrate their efforts to come to an agreement establishing a single European market.

To fulfill this task the EFTA tried in vain to open economic negotiations for a general European market in 1960. In 1961, the United Kingdom started negotiations for membership of the EEC with the idea of achieving settlements for all the EFTA countries. The breakdown for political reasons of these talks following General de Gaulle's press conference in January, 1963, is still fresh in our minds.

In retrospect it is rather obvious that the breakdown of these negotiations was a greater blow to the Six than to the rest of the world. To several of the members of the EEC the breakdown meant a definite confirmation of a political trend within the Community which was introduced by the de Gaulle Government. Particularly to the Benelux countries and Italy the creation of the EEC had meant a step towards a European federation, the idea of a United States of Europe so much cherished also in this country. With de Gaulle emerged the image of a confederation of national states, which would closely cooperate with each other but which would each follow a national policy. The leading nation would be France.

While the political discussion caused by this situation still remains, the Six have been able economically to carry on the application of the Rome treaty and present today a common attitude in matters of trade policy, such as the Kennedy negotiations in the GATT.

On the other hand, the rebuff in Brussels has led to a greater cohesion within the EFTA. The members of this group are all world-trading countries, to whom the European trade is a very important element but which would never give up their outwardlooking free-trade attitude for the sake of creating a closed European trade bloc. The external trade at 38,000 million dollars represents no less than 15.4 per cent of the world trade volume. It is as great as that of the United States of America and very nearly equals the foreign trade of the European Economic Community. Per head of population, EFTA'S external trade is in fact roughly double that of either the United States or the EEC.

As distinguished from EEC, which exports more than it imports, EFTA has an import surplus, evidence of its liberal trade policy -- which I dare to say is a permanent feature -- and its possibilities as a market. EFTA is thus maintaining its position as one of the great trading groups in the world.

The bulk of EFTA trade is within Europe. EFTA exports to the EEC in 1962 were about 6 billion dollars; and EEC exports to EFTA were no less than about 8 billion dollars, yielding a surplus to EEC of about 2 billion dollars. By comparison, total EEC exports to the United States in 1962 were only about 2.5 billion dollars or less than one third of those to EFTA. EEC is in fact paying for its import surplus from the United States by the export surplus it earns in relation to EFTA. This is no doubt important from the United States' point of view also. -- I think it is interesting to note that the Federal Republic of Germany, for instance, makes up for its big trade deficit with USA by its surplus with the neutral countries -- Sweden, Switzerland and Austria.

But there is another feature in this connection of perhaps still greater interest to the United States: EFTA has an import surplus also in its trade with the United States. The exports from EFTA, including Finland, to the United States amounted last year to 1,765 million dollars whilst the Association imported goods worth 2,454 million dollars from the United States.

Trade between EFTA and the United States is mainly in machinery, transport equipment and manufactures. But there has been a notable change in the composition of American exports to EFTA. The sales of food have gone up by 46 per cent, and this group now takes second place after machinery and equipment.

Looking at the world trade picture of today you will therefore find three entities of almost equal importance, the EEC, the EFTA and the U.S.

I shall now turn from the more limited perspective of the economic relations within Western Europe to the global scene. In other words, a perspective which is more natural for a country like yours with its worldwide responsibilities and interests. It is also very much this global outlook which lies behind the initiative that the late President Kennedy took when he proposed the Trade Expansion Act of 1962. This is another far-sighted American initiative towards liberalizing world trade and thereby providing a broader and more efficient basis for a general improvement of the world's economy.

This indeed is an interest which we in Sweden as well as our partners in the European Free Trade Association share very strongly with the United States. This has been stressed by a spokesman for these countries many times; as late as barely a month ago a declaration to this effect was the highlight of the communique which the council of EFTA Ministers issued after their latest meeting in Geneva. It may be well worth quoting the text:

"Ministers agreed that the most important immediate question was the preparation for the forthcoming Kennedy round in the GATT. They look forward to it as a major opportunity to open world markets and to stimulate the export earnings of the developing as well as the industrialized countries.

The member countries of EFTA have from the start welcomed and supported the initiative for a linear 50 per cent reduction of tariffs, with a bare minimum of exceptions, in the forthcoming trade negotiations of the GATT. Such a reduction would have great value for all EFTA countries, both in the general interest of promoting world trade and in particular for the contribution it would make to the maintenance of intra-European trade. Exports of the EFTA countries to the members of the EEC are running at about 6 billion dollars and those of EEC at about 8 billion dollars. The EFTA Countries reaffirm their determination to do all in their power to attain the above objective of a linear tariff cut of 50 per cent."

One of the main problems which has to be solved in the tariff cutting operation is the relation between high tariffs and low tariffs. We have had drawn out discussions in Geneva on this so called tariff disparities problem now for a long time. It has proved to be a highly involved and technical problem. For a country like Sweden it offers something of a quandary and necessitates important decisions of policy. On the one hand, as we are traditionally one of the low tariff countries, it is of course desirable from our point of view that the high tariffs in the world should be reduced proportionately more than the lower ones. Sweden and other low tariff countries in Europe have also taken up the special problems of these countries time and again, both in GATT and in the OECD. The low tariff problem is of course very much a real problem in this context. A very low tariff of say 5 per cent of course does not actually offer very much protection against foreign competition. For most products the industrialist can in fact do almost as well without such a low tariff. This internationally accepted view manifests itself in the Trade Expansion Act for example, in which the President has been empowered to do away entirely with all tariffs below 5 per cent. This authority was not one of the controversial points in the Act, when it was debated. It follows from the above that the removal of such a low

tariff does not in many cases have the same value in the bargaining with other countries. If the low tariff countries reduce their tariffs sizeably, they risk being in a position of not having anything of real importance to offer their negotiating partners next time. The short term self-interest would therefore seem to dictate that a country like Sweden should insist very strongly on the application of a far-reaching disparities rule. In fact, however, we have arrived at a different conclusion. We have found that the interests of a general and sizeable reduction in tariff barriers in the world is an overriding one and that therefore the low tariff problem has to yield. We are thus, in principle, in favor of the linear approach for which the United States stands today. First priority should be given to efforts to secure the deepest possible cut in the widest possible field.

Our conviction in EFTA is that we must do all in our power to match this imaginative United States move. We do not believe in the item-by-item approach, which has achieved only insignificant reductions. We are anxious to see a reduction, which is not made illusory by too many exceptions to the rule. At the same time, it is obvious that the existing differences in tariff levels present problems to a number of participants in the negotiations. Even though it is only fair to recognize the divergencies of opinion, these must not be allowed to jeopardize progress.

Briefly, what we in Sweden and in the EFTA countries are now trying to obtain in the drawn out discussions in Geneva is that the number of disparity cases is reduced as far as possible. The 50 per cent cut should be the rule and the exceptions to that rule should be kept at an absolute minimum. This of course is subject to adequate reciprocity for the exports of the EFTA countries themselves. In certain respects, the problems for some of the EFTA countries are strongly similar to those of the United States. Some of them are, for example, heavily dependent on agriculture exports, and it is obvious that their participation in the tariff cutting in other fields must turn to a large extent upon whatever arrangements can ultimately be agreed upon for trade in the agricultural field.

I intend to avoid by all means going into the sometimes hopelessly intricate problems in the disparities field, but I would also like to mention in brief outline one aspect which is of the utmost importance to some of the EFTA Countries. At an earlier stage in these discussions attention was very much focused on the disparities problem as between the EEC on the one hand and the United States on the other. In fact, it was the EEC which insisted on some kind of an arrangement which would take care of the fact that a considerable number of the tariff rates in the U.S. tariff is very high, while the tariff structure in the EEC tariff is more even. This led the EEC to suggest that while the United States tariff for these products be cut by 50 percent, the EEC tariff reduction should be held at only 25 percent.

This point of view - in itself certainly not without certain theoretical merits - failed to take one important point into consideration. The reasoning behind it had a serious flaw in so far as trade between the EEC and the rest of Europe is so much larger than the trade between the Community and the United States. When this disparities formula was translated into trade statistics, it was thus found that, in an important number of cases, other countries in Europe - for example Sweden and Switzerland - were more important suppliers to the EEC of the product in question than was the United States. In other words they would be the principal victims if the EEC were allowed to limit its reductions as a compensation for the high tariffs in the United States. This would of course have created a serious imbalance in regard to the reciprocity situation in the whole negotiation. I think it is also increasingly being admitted that some means has to be sought in order to rectify this.

I do not intend to venture as a soothsayer and try to predict the outcome of these negotiations. There is no doubt that they will be difficult and drawn out. It is of course important to try to maintain as favorable an atmosphere as possible for the negotiations. From this point of view it does give cause for concern that certain steps were taken by the EEC before the negotiations, steps of a clearly protectionist character. One instance is for example the decision of the High Authority of the Coal and Steel Community to increase the duties on certain steel products being imported into the Six. This is considered by my government, and, I am convinced, by your government also, as a very serious matter.

It still remains to be seen what the full implications of this step will be. A third problem, so far dealt with only rather superficially in the preparatory negotiations in Geneva is the problem of agriculture. As you very well know, this problem is of such a complexity that it defies any attempt at analysis within the framework of a speech of this kind. Here a whole range of considerations enters the picture; considerations of a social character; of national defense, etc., etc. We can only say that this will certainly be one of the thorniest problems during the negotiations and one about which we will hear a lot in the coming months and perhaps years.

No one can really foretell the outcome of the Kennedy-round; it is not even possible to exclude a total failure. In spite of this, I venture to believe, however, that an increasing number of people feel that their responsibility in this field is greater and greater, and that more and more of the leaders are aware of the necessity of preventing a return to bilateralism and protectionism, tendencies of which, I am happy to say, so far are only ripples on the surface. It would also be surprising if any one would be prepared to assume sole responsibility for having put the brakes on the development towards increased free trade, which has been the hall-mark of the postwar period so far.

One special reason for optimism is the manifest desire in all the developed countries to contribute to the solution of the economic problems for the less developed countries. The Kennedy-round will no doubt be a test case for the industrialized nations in regard to their sincere desire to give substantial assistance to the underdeveloped countries through the means of freer trade.

This observation brings me to the third and final part of my speech to you here today, in which I would like to say a few words about the forthcoming United Nations Conference on Trade and Development, the UNCTAD.

It is against a background of great difficulties that we now approach the U.N. Conference on Trade and Development. It is urgently necessary that at least a good start towards the solution of the trade problems for the underdeveloped countries be made at this conference. As for my own country, and also the other EFTA-countries, there exists a very firm desire to do our utmost to contribute to such a success. The attitude of the EFTA-countries toward this conference was in fact the other main point on the agenda of the recent meeting of the EFTA Ministerial Council in Geneva. As a result, the Ministers made it a point to stress particularly in the communique "the great political as well as economic significance of a constructive approach to this problem". They expressed their determination to make every effort to promote the success of the Conference".

The language used in official diplomatic communique can hardly do full justice to the extreme gravity of this vast problem, affecting the majority of humanity, but I think I can say that behind them lies a very sincere desire, which is also deeply felt by the man in the street in Sweden and in the other EFTA countries, to explore all possible avenues in order to improve the situation of the less developed countries.

It has been argued that the concept lying behind the creation of the General Agreements of Tariffs and Trade - the GATT - no longer accurately reflects the enormous need for taking active and positive steps in order to assist the less developed countries. It is maintained that GATT has not served these last mentioned countries as well as it has served the developed ones. I think that this may be true in so far as it is obvious that not enough has been done so far in order to alleviate the plight of these countries. On the other hand, I would like to stress particularly the vital interest we have in keeping the existing machinery in GATT intact. The GATT has no doubt made an extremely valued contribution to the development of international trade. It is therefore important that this international organization, which in its field functions well - something that it is unfortunately not possible to say about all international organizations - be preserved and strengthened. Far-reaching studies are being made of how it would be possible to intensify and make more efficient the work within the organization. There is no doubt that wider membership would contribute to making the organization better equipped for taking up the urgent problems in this field.

Sweden for its part is prepared to consider the reduction on a multilateral basis of its tariffs on products of special interest to the less developed countries, without necessarily asking for corresponding compensation. There have also been suggestions made for creating a special preferential arrangement of one kind or another in favor of the less developed countries. Whatever the possibilities for this will prove to be in the final analysis, it is obvious that there will be a need for the developed countries to provide the less developed countries with advice and assistance in regard to the efficient marketing of their products in other countries. It seems to me that there are a number of important points here on which the developed world could render its assistance in the form of, for example, market analysis and studies of various steps to facilitate the export efforts. They would also make a contribution by arranging for economists to study in what fields the various developing countries are best suited to concentrate their production efforts, etc.

Hopes have been expressed that the results of the U. N. Conference will make it possible for the developed countries to scale down their direct aid to the less developed world. In other words, increased trade would to a certain extent be a substitute for the direct aid.

Personally I must say that I feel slightly skeptical on this point, I would rather like to say that the results in the trade field would make it possible for the developed countries to limit the increases in direct foreign aid, which otherwise would prove indispensable. If this goal could be reached, I am sure that this could be regarded as a great success. I am sure, however, that the less developed countries are not inclined to be misled by generalities or empty promises. What is needed at this time is constructive and practical steps in order to alleviate the plight.

- - - - -