

Address given by Gunnar Lange on EFTA–EEC relations (24 April 1961)

Caption: On 24 April 1961, Gunnar Lange, Swedish Minister for Trade, warns against the economic division of Europe into two blocs and calls for close cooperation at economic level between the European Economic Community (EEC) and the European Free Trade Association (EFTA).

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Speech by the Minister of Commerce at the meeting of the Ministerial Committee of the Council of Europe (24 April 1961)

We have before us Recommendation No. 266 by the Consultative Assembly. This recommendation expresses the anxiety of the Assembly over the present economic division in Europe and urges the creation of an association between the European Economic Community and EFTA.

I wish to state that the Swedish Government shares the feeling which has inspired the Consultative Assembly to take this initiative and warmly welcomes the recommendation. It is indeed encouraging that the Assembly shows such great interest in the economic unity of all Western Europe and such great awareness of the need, in achieving it, to strengthen and not to weaken the cohesion established inside the two groups which already exist.

Both the Community and EFTA, as well as Dr. Luns, Chairman of the Committee of 21, have been given an opportunity to comment in a preliminary way on the Assembly's recommendation. As for the Community and EFTA I am sure that my colleagues in this Committee have all studied the letters addressed to the Secretary-General by Dr. Hallstein and Mr. Figgures respectively. I shall, in consequence, refrain from going into the detail of the matter. Let me say only that both letters show an interest in bringing the two groups together. Too far-reaching conclusions should not be drawn from the differing ways in which this interest has been expressed. But it is impossible not to notice the difference with regard to action. For the question is not only *if* but *when* the Community and EFTA should be linked together. The reply of the Community is: yes but not yet; and of EFTA: yes and as soon as possible.

It has frequently been said, and it certainly remains as true as ever, that the EEC and EFTA are both important steps on the way towards greater European unity. It has also been said, and remains equally true, that the integrity of the two groups must be respected. Why, then, is there this sense of urgency on the EFTA side when it comes to linking the two together? It is because all the EFTA countries are thoroughly convinced that the mere coexistence of the two groups is not enough, however important both of them may be in themselves. And it is for two reasons that mere coexistence is insufficient. Firstly, if it is allowed to continue, traditional channels of trade in Europe will start disintegrating very soon — a development by which all, and I repeat, all European countries are bound greatly to suffer. And secondly: mere coexistence means failing to take the opportunity of creating one large European market of 300 million people which cannot but be of immense benefit both to Europe and to the rest of the world.

The necessity of maintaining and expanding traditional channels of trade in Europe is becoming more and more apparent to everybody. When the free trade area negotiations broke down in 1958, this came as a shock to the governments and the experts involved in the negotiations, but the general public was, at the time, hardly aware of the dangerous consequences. Today, on the other hand, when the Seven face a 30 per cent tariff cut between the members of the Common Market and the Six soon face the same tariff reduction between the members of EFTA, public opinion in Europe is becoming increasingly alive to the magnitude of the issues involved and to the imminence of the consequences of continued and increasing division. It is true that European trade as a whole has increased during 1960. But trade within the two groups has increased more than trade between them. We must of course welcome that trade should increase in response to the widening of markets; that is the very objective of closer integration. But the fact that this increase is slower between the groups than inside them must at the same time be regarded as the symptom of a process of disruption. It gives a renewed and serious reminder to all concerned of the need for action to safeguard European prosperity. Investments are already being directly influenced by the uneconomic and unstable tariff position on our continent. They are tending to take a course which, from the point of view of Europe as a whole, does not represent the most advantageous use of productive resources.

Continued division in Europe may, furthermore, well mean a serious reduction of our ability to fulfill one of the main tasks of our time, to help the countries engaged in economic development in Africa, Asia, and Latin America and, for that matter, on our own continent. I am convinced that unless a united market is created, the European countries will have to devote an increasing part of their efforts, and indeed of their economic resources, to the readjustment of their economies and to otherwise unwarranted investments on

the other side of the tariff wall cutting across Europe. This will greatly limit their ability to join a substantial European effort to contribute to rapid progress on other continents and thereby to promote peace and stability in the world.

The six countries of the European Economic Community have chosen the way of a political as well as an economic integration. The Swedish people and Government have every understanding for this decision. At the same time we feel that the reasons of some countries for taking a different line should also meet with understanding. Experience has shown, for instance, that relations with the emerging new nations can benefit if some industrial democracies of the West remain outside the political blocs. Anyhow, like the other neutral countries in Europe, Sweden is not in a position to join an organisation with clear political objectives and commitments. This attitude is due, on the one hand, to obvious political factors. Moreover, it is supported by a unanimous political opinion in Sweden.

While it is important to us, therefore, not to join an organisation with political objectives, we are prepared and anxious to seek continued and closer economic cooperation in Europe in the form of a united European market. We are willing to enter into an agreement on such reciprocal rights and obligations as are required in this context. And we would loyally cooperate in such institutional arrangements as are necessary in order to guarantee that such a market functions without detriment to any one of its members.

We strongly feel that a united market is the only way out of the dilemma of separation now facing Europe and, as such, certainly not without great political significance. I am sure, furthermore, that a united European market would offer such great possibilities of economic expansion to all participants, that the Six countries of the Community would be in an even better position to promote their own common objectives than they are in their present and more limited market. A united European market would thus, I am convinced, also strengthen the European Economic Community as such and facilitate and consolidate cooperation between its members. In addition, the ultimate aim of the Six to promote all-European unity would seem to be better reached within the framework of a joint economic organism including all the European countries. It would at any rate be difficult to achieve in a situation fraught with inter-European discrimination and disruption of traditional trade channels.

Several suggestions have recently been advanced with regard to the structure of a European agreement. Underlining that the EFTA is not at all dogmatic with regard to form, I should like to stress a few points of substance which I feel are essential.

First of all: any agreement must be trade-creating and not merely trade-diverting. It must not lead to the formation of a huge protectionist trade block. Europe should not be allowed to isolate itself in this way from the rest of the world. A European agreement must, on the contrary, be conducive to an expansion of trade with North America and other industrialized countries as well as with the underdeveloped countries of the world. The solution of the European integration problem must therefore to a large extent be of a kind which lays the foundation for further economic cooperation on a world-wide basis. Given this approach on the European side it would be only natural to think in terms of some reciprocal effort also on the part of non-European countries. There is an opportunity here to give an impetus to a general reduction of tariffs in all important industrialized countries in the world.

The agreement must also allow the European Economic Community and EFTA to maintain their integrity. The Six should be able to continue their close cooperation in all fields — both economic and political. What we need might be to start with some sort of tariff agreement, containing also arrangements covering related matters such as rules of competition. The solution could obviously not be limited to the industrial sector only. There would have to be some arrangements with regard to agriculture and fisheries as well.

We do not believe that an agreement has necessarily to be based on the orthodox free trade area principles. That is past history. As has recently been pointed out by the United Kingdom Government, we can, I believe all of us, to some extent accept a harmonization of tariffs, although we must not lose sight of the desirability of maintaining a low tariff level so as not to damage the interests of countries outside the European market.

I started out, Mr. Chairman, by welcoming the Consultative Assembly's Recommendation 266. I have explained why my Government, like those of the other EFTA countries, consider it important to link the European Economic Community and EFTA together. And I have indicated some features of a move in that direction. I wish to end by moving that the letters of Dr. Luns, Dr. Hallstein and Mr. Figgures be published so as to become available to the Assembly.