

Memorandum of Conversation between the Seven and the United States (Washington, 24 March 1960)

Caption: On 24 March 1960, US Under-Secretary of State, Douglas Dillon, holds talks, in Washington, with a delegation representing the Member States of the European Free Trade Association (EFTA). Discussions focus on relations between the Seven and the Member States of the European Economic Community (EEC).

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Memorandum of Conversation

March 24, 1960.

SUBJECT

Sixes and Sevens — Outer Seven View

PARTICIPANTS

Gunnar Jarring, Swedish Ambassador
Nils Montan, Counselor of Swedish Embassy
Dr. Wilfried Platzer, Austrian Ambassador
Dr. Herbert Kind, Austrian Economic Counselor
Count Yield Gustav Knuth-Winterfeldt, Danish Ambassador
Tyge Dahlgaard, Danish Economic Counselor
Henry de Torrente, Swiss Ambassador
Jean Leonard Stroehlin, Swiss Economic Counselor
Lord Cromer, British Economic Minister
Rolf Hancke, Norwegian Economic Counselor
Albino Cabral Pessoa, Portuguese Financial Counselor
Under Secretary Douglas Dillon
Acting Assistant Secretary Edwin M. Martin
RA — Arthur A. Hartman

The Swedish Ambassador opened the discussion by saying that it had not been his intention in asking for a meeting with Mr. Dillon to convoke such a formal group including representatives of all seven member states of the EFTA. He was pleased however that Mr. Dillon had given him the opportunity to present his views first and to ask several questions. He then read the text of an aide-mémoire which sums up the views of the Swedish Government regarding matters to be discussed at the coming Paris trade talks.

In essence, the Swedish aide-mémoire states the position of the Swedish Government that the EEC Commission proposals for acceleration of the establishment of the common tariff could not be considered an endeavor to facilitate a solution of trade problems existing between the EEC and the EFTA. The Swedish Government is particularly concerned that the immediate interests of third countries will be most adversely affected by the raising of tariff barriers in the Benelux countries and the Federal Republic. The Swedish Government wishes that these tariffs be kept at a "nondiscriminatory level". The note further states that tariff discrimination in the EEC low-tariff areas against Swedish exports might reach a level of between 50 and 100 percent and that 70 percent of EFTA exports go to these low-tariff countries.

The Swedish note continues by referring to the March 15 joint statement issued by President Eisenhower and Chancellor Adenauer, which characterized the EEC Commission's proposals as a major contribution to the lowering of world trade barriers. In the American press, this statement was interpreted as a full-fledged endorsement of the proposals of the Commission and as an evidence that the U.S. was "coming out against EFTA". The Swedish Government is highly concerned by these reports and believes that such a position, if correctly reported, is contrary to the aims and substance of the Paris agreement to examine relations between the EEC and EFTA. In addition, the note concludes that the attitude of the U.S. Government, as understood by the Swedish Government, has been not to take a stand which might be prejudicial to a solution of European trade problems as long as the interests of the U.S. are satisfactorily safeguarded. The Swedish

Government believes that the communiqué issued by the EFTA ministers in Vienna contains proposals designed to safeguard the interests of third parties and at the same time offers a constructive approach toward solutions of short-term problems between the EEC and EFTA.

The Ambassador then asked Mr. Dillon if he would care to comment on this presentation and, more specifically, on the meaning of the Eisenhower–Adenauer communiqué. Mr. Dillon stated that he would give his offhand reactions based on the Swedish views just expressed but without of course a detailed study of the points made by the Ambassador. He said that U.S. support for the idea of the common market has been expressed many times over the past years. It is quite clear that our position on this is not new. It should also be clear that the U.S. has not expressed in the past, nor will it in the future, any opposition to the action of the Seven in forming an EFTA. Our main efforts have been directed toward encouraging the Six to adopt a liberal trade attitude. We have been interested in persuading the EEC to adopt the lowest possible external tariff. It was with this in mind that the Department press officer, sometime prior to the Adenauer visit, had indicated the view of the U.S. Government that the U.S. favored, in principle, the Commission proposal primarily because the proposal involved the lowering of tariffs. The communiqué merely reiterated this stand.

Mr. Dillon went on to explain the rationale for this U.S. position. He said that underlying our entire position is the recognition that there will be a common market and that therefore our efforts should be directed toward influencing the common market to be as liberal as possible. We also recognize that the acceleration idea is an essential part of the EEC proposal. Acceleration is necessary to obtain the agreement of the Six to a reduction in the eventual level of the common external tariff. The proposal of the EEC Commission has not yet however been adopted by the Six. The modalities of the acceleration are not yet fixed but are to be decided in the future. We feel that there is a large area of discussion with regard to the acceleration part of the proposal where the facts are not agreed. For example, we have heard that if the EEC proposal is adopted there may be increases in tariffs of as much as 100%. The EEC people say that this may not be the case. Our efforts and objectives in the Trade Committee will be to promote some understanding before July 1, based on a study of the factual situation with regard to proposals which have been made or may be made to the Committee. You can't argue about these proposals if the facts are completely unknown. We consider that such studies might concentrate on key areas and items rather than an attempt to study all of the tariffs and the effects that various actions might have on them.

With regard to the American press reports of a full-fledged endorsement of the EEC proposal, it is quite true that we have given our support to this proposal. We were primarily attracted to the provision for lowering the common external tariff, recognizing that all of the details on the acceleration aspects are still being studied by governments. Our position on the EEC Commission proposal should in no way be taken as a U.S. Government position against the EFTA. It would only be fair to point out however that, on the longer-term question, we do not agree with proposals for broader free trade areas which might involve abandonment of the common market. We support the common market both because of political and economic benefits we see flowing from it.

The Swedish Ambassador stated that the American press had painted a picture of the U.S. taking sides with the Six against the Seven and that this had been played up in the European press, particularly in Sweden. He said that this was causing great political difficulties for his government and he was sure that this was probably true for the other EFTA governments. Mr. Dillon replied that a major job now was to ease the transition on July 1 without either the Six or the Seven abandoning their long-term positions. He said that — to continue his comment on the Swedish note — the trouble with the proposal tentatively made by the EFTA countries in their Vienna communiqué was that we could see little chance that the Six would accept it. As we understand it, there would be a movement away from the common market implementation because even the reductions in low tariffs of the Six would be generalized to outside countries. In making an analysis of the situation, the U.S. is not taking sides. In the Trade Committee meetings we will do all we can to help achieve understanding and agreement if this is possible. It is not a question of one side being right and the other wrong.

The Swedish Ambassador then stated that the economic position of the EFTA countries was not the same as

that of the U.S. Sweden was bound to suffer from the EEC actions more than the U.S. because of the greater percentage of its trade with the EEC. Mr. Dillon then asked if the Swedish position was that any move toward the common market, i.e., by raising tariffs toward the common external tariff, would be damaging to their interests, or is the Swedish Government concerned about the specifics of the EEC proposal. He said that if it is a question of the specifics of the EEC proposal we are really talking only about changes which will take place in any case in 18 months time. He said that the U.S. had felt that obtaining a reduction of 20 percent in the eventual level of the common external tariff was a worthwhile objective. He said that obtaining this reduction, even with acceleration, would appear to be better than no acceleration, a modest reduction in internal tariffs on July 1 and no 20 percent reduction in the external tariff. In other words, we think that the 20 percent reduction is significant in terms of world trade and that the question of acceleration deals merely with actions which would take place in any case 18 months hence.

The Danish Ambassador then outlined the position of his country and presented a note verbale. He stressed that Denmark had worked continuously since 1948 for European economic integration within the OEEC. He said that Denmark had also supported the common market and had hoped that the common market could be supplemented by a broader trading arrangement including all European countries. Denmark had been concerned when the broader FTA talks had broken down and both an economic and political split had appeared to develop. He said that Denmark had joined the Seven in order to make it easier to bring the two contesting parties together again. He said that he had no instructions from his government on the Eisenhower–Adenauer communiqué but that, with regard to the EEC proposals, his government took the view that they would be bad for Danish trade, particularly in the German and Benelux markets. He felt that it would be better to go slow and reach an agreement on a broader FTA rather than have a precipitous move toward acceleration of the common market.

Mr. Dillon said that we appreciate the position of the Danish Government and how helpful it has been in the work of the OEEC. He said that it was his understanding that the proposal of the EEC, to which the Six have only agreed in principle, provided for some sort of reciprocity. He said that he did not think that the Six have accepted the proposal as a final solution and if there is no agreement for reciprocity from the other side, it may be that the Six will merely go ahead with the implementation of their treaty. The Danish Ambassador then mentioned that he had heard that German Economics Minister Erhard was not in favor of these proposals. Mr. Dillon replied that we had seen an announcement, after the German cabinet met last week, which reaffirmed the strong support of the German Government for the common market and endorsed the EEC Commission proposal in principle but stated that the government continues to reserve its position on the exact details of the proposal.

The Austrian Ambassador said that he had no paper to present but that he did want to emphasize that his government had joined the OEEC in order to be as closely integrated in Western Europe as possible. Austria definitely favors a bridge. He said that the trade effects of the Hallstein proposal would be most serious for a country in Austria's position. Most of Austria's exports go to the low-tariff countries — Germany and the Benelux.

The British Financial Minister said that his government had also taken amiss the communiqué issued after the Adenauer visit. They were particularly concerned that the sentence on the EEC proposals was said in the press to have been included on American initiative. He said that he was considerably reassured by the statements made by Mr. Dillon. He said that the British Government also accepted the common market as a constructive and desirable development. If, however, acceleration is agreed upon, the degree of discrimination would be very high. The British Government would prefer that the common market adhere to the original time schedule in order to give time to seek formation of a broad free trade area desired by most of the European countries. This is the only solution which will prevent a split in Europe.

Mr. Dillon commented that one of the difficulties with maintaining the present schedule is that the discrimination among the Seven toward outsiders on July 1 will be 100 percent greater than among the Six toward others (since the first EEC 10 percent reduction was generalized). He said that it would thus appear to him that the situation on July 1 might even be more serious than the 60 or 70 percent that the British Minister had mentioned as being the discriminatory effect of the EEC Commission proposals. He said he did

not know whether this kind of consideration was involved but that this might be one of the reasons the Six had made their proposal.

The British Minister then handed Mr. Dillon a note on the effect of the common market tariff proposals on U.S. and UK trade. Mr. Dillon said, after scanning the note, that he thought it was very useful to begin to talk in terms of figures. Mr. Dillon commented that one of the reasons why we liked the 20 percent reduction is that, if we wait for the GATT negotiations, we might not get as advantageous a reduction. He said that this view was apparently not shared by the Seven. The British Minister replied that it was not the 20 percent reduction that disturbed the Seven but rather the quid pro quo demanded by the Six — namely the acceleration part of the EEC plan. Mr. Dillon said that our interest was in the 20 percent, which after all would affect tariffs indefinitely, and not so much in the question of an 18-month acceleration.

The Danish Ambassador then mentioned the importance of the German tariffs being actually lower than the EEC base rates and that therefore raising them would do particularly grievous harm to Germany's trading partners. Mr. Dillon said that he thought this was one area where the EEC proposals could be examined in detail perhaps to make them more acceptable with regard to German tariff movements.

The Swiss Ambassador recalled that his government had presented a note to the Department of State and had received a reply. He wished now to read a memorandum stating the Swiss view of the Eisenhower–Adenauer communiqué. The Swiss memorandum concluded that it was the hope of the Swiss Government that the American delegation in Paris will take into account the fact that the proposal of the Seven EFTA countries is designed to heal a dangerous economic split in Europe whereas the Hallstein proposal aggravates further the discrimination and is therefore a factor of disunity among OEEC members.

The Norwegian Economic Counselor recalled that his government had sent an aide-mémoire which the Department received last Monday. He merely wished to emphasize one point; 75 percent of Norwegian exports go to the Benelux and German markets. He felt therefore that any increases in tariffs in those areas were bound to have serious effects on Norwegian trade.

The Portuguese Financial Counselor stated the position of his government that the proposals of the Seven were more in line with GATT principles and U.S. trade policies than the proposals of the EEC. Portugal wishes to see the integration of all of Europe. They therefore favor a broad European free trade area.

The British Economic Minister said that since all those present were reassured about the intentions of the U.S. Government, it might be useful for the erroneous press stories to be corrected.

Mr. Dillon replied that it would be difficult to deny something that the U.S. had never said. He added that newspapers are usually loathe to say that they have printed something that is wrong. The British Minister asked whether it wouldn't be possible to issue some sort of statement saying that the U.S. hoped that there would be a good atmosphere for the Paris talks and that the U.S. Government was entering these talks with an open mind. Mr. Dillon replied that it would be very difficult for us to correct an impression created by erroneous press reports. We could however state that the U.S. has at no time taken a position against the EFTA. He reiterated that the U.S. was not going to the Paris talks with a piece of paper indicating exactly how problems should be settled. Our objective was to do the best we can to see if it is possible to reach understanding rather than to create discord and at an appropriate time we could make this clear. The British Minister then said that it would be helpful if the U.S. could re-create the impression of enthusiastic neutrality which it had maintained over the past year. Mr. Dillon stated that the public will soon see the position the U.S. intends to take in the meetings in Paris. Assistant Secretary Mann is arriving in Paris today and he will be seeing all of the various delegates and make clear what our views are.

Mr. Dillon came back again to the fact that it is the idea of the 20 percent reduction in the common external tariff that we find most attractive. We do not wish to miss this opportunity to get that reduction. One can only see the disadvantages of this proposal if one assumes that the common market is never going to come into existence. We assume, on the contrary, that the common market will come into existence and that therefore a 20 percent reduction in the common external tariff is a good thing.

Mr. Dillon concluded that he thought at the Trade Committee meetings next week the Seven would present their views. The Six had no prepared views but the proposal of the EEC might come up for discussion. After a general exchange of views, we hope that there will be a willingness to study the factual situation with regard to the various proposals under discussion. He hopes that people will keep talking and that meetings will continue prior to the July 1 tariff actions.

The Swedish Ambassador concluded the meeting by thanking Mr. Dillon for the opportunity to present views and once again reiterated that it would be useful to emphasize to the public that the U.S. has not taken a position against the EFTA.