

# Address given by Pierre Werner on Luxembourg and the empty chair crisis (New York, 30 September 1965)


**Caption:** On 30 September 1965, Pierre Werner, Luxembourg Prime Minister and Foreign Minister, gives an address to the Belgian Chamber of Commerce in New York in which he expresses, in particular, his faith in Luxembourg's future in Europe and outlines the principles which form the basis of a solution to the empty chair crisis.

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## Luxembourg's position in the European Community

Address given by His Excellency Mr Pierre Werner, Prime Minister of Luxembourg, Minister of Foreign Affairs, to the Belgian Chamber of Commerce in New York

[...]

### The European Communities

On 9 May 1950, when Robert Schuman, President of the European Parliamentary Assembly, came up with the daring proposal that a common market for coal and steel be established, Luxembourg immediately recognised the historic significance of this gesture. In pooling the industries that had, up to the Second World War, constituted the main instrument of weapons policy, Schuman's proposal was basing Franco-German reconciliation on economic facts, and there was still a risk that feelings could cause it to fail. On 3 June 1950, the Luxembourg Government declared that it, too, wished to support the new pact. Nevertheless, from the perspective of Luxembourg as a nation, the new initiative still involved risks and unknowns.

One of our economists has said that Luxembourg is a product of steel in the same way that Egypt is a product of the Nile. The steel industry holds a key position in our economy.

In 1929, Luxembourg was the world's seventh-largest steel producer, well ahead of larger countries like Italy, Czechoslovakia and even Japan. New steel powers developed in the post-war period, which meant that Luxembourg lost ground. In 1952, when the coal and steel pool was launched, output in Luxembourg accounted for 7.2% of total output in the six countries concerned. Nevertheless, in 1964, with an annual output of 4.5 million tonnes, Luxembourg was a major producer, and its figure of approximately 12 tonnes of steel produced per head of the population remains an impressive record. Steel accounted for 75% of overall industrial output.

A large part of the state budget was funded from the revenue from this core industry.

As a result, Luxembourg's financial input into the new Community was, relatively speaking, more substantial than that of our partners. Industrial circles also expressed some concerns about the Grand Duchy's future freedom of action, given the existence, in particular, of a degree of inherent interventionism in the new Treaties. I should say straight away that these concerns were gradually reduced. The effect of the new market was to provide Luxembourg with more stable outlets for its steel which may have been less remunerative at some stages but were definitely less uncertain than the prospects offered by the world market, towards which Luxembourg was directing 60% of its output prior to 1952. Our manufacturers had always been in favour of voluntary acceptance of discipline on the part of the steel industry. For the record, I should point out that, prior to 1939, Luxembourg had been the headquarters of the International Steel Cartel, which, in addition to Luxembourg, involved steel producers in France, Germany and Belgium.

Luxembourg was also given further reassurance on the subject of the risks which might arise for its interests. It was decided that the new Community would establish its High Authority in the City of Luxembourg, at least on a strictly temporary or even makeshift basis. I shall not go back over the hard-fought discussions and the friendly disagreements among the six partners involved when it came to deciding where to locate the new Community's High Authority. Be that as it may, the result was that the City of Luxembourg ended up established at the heart of European policy-making.

However, the move towards a united Europe necessitated a generalised common market. We could not continue along the path of specific, fragmentary forms of integration.

Following the failure of the European Defence Community, the concept of European integration was revived in Messina on 1 June 1955. Negotiations culminated in the signing of the Treaty of Rome on 25 March 1957, the Treaty which established a general common market involving all goods and all financial services

apart from coal and steel.

The coal and steel pool had already incorporated 70% of our exports into a common market. The Treaty of Rome appeared to affect Luxembourg's economy to a lesser extent, but this was not the case. The Treaty of Rome, to which my country acceded, was to pose particularly delicate internal problems. Generalised integration and the ensuing competition are affecting the scope and productivity of small and medium-sized enterprises.

Agricultural policy needs to be reoriented. Previously, there was a tendency to protect domestic production in order to ensure that the Grand Duchy was self-sufficient and to retain a farming population that was indispensable in sociological terms compared with large-scale industry that was carrying all before it. On the other hand, there was a tendency to keep the prices and consumption of agricultural products at a moderate level, in the interests of keeping Luxembourg's economy generally competitive. At first sight, these objectives seem contradictory, and they were achieved only by subsidising production of our main food products.

The agricultural policy of the Six calls for this policy to be restructured. Price subsidies will have to be abolished during the next few years, and this will inevitably lead to a rise in the cost of living. We have begun implementing this about-turn. We are in the process of restructuring our policy on agricultural prices, a restructuring that is similar to what the United Kingdom would have been obliged to carry out *vis-à-vis* its agricultural prices if it had joined the Common Market. On the other hand, we have launched an agricultural investment policy designed to make holdings more profitable and to promote joint action by farmers to market and process their products. Similar problems had arisen in certain parts of the craft and business sectors. In other words, Luxembourg is prepared to pay the price required if it is to enjoy the benefits expected from an expanded European market.

At the same time, since 1960 the Government has been carrying out a programme involving the introduction of new industries in order to diversify the Grand Duchy's economic structure, which has been too one-sided. A Board of Industrial Development has been carrying out exploratory work in the United States in particular. Now major American companies such as Goodyear, DuPont de Nemours, Monsanto and others have branches in the Grand Duchy.

This programme of industrial diversification has involved new investment amounting to a total of around 100 million dollars over the past few years.

The cost of the agricultural investment programme planned for the immediate future exceeds 20 million dollars.

Moreover, Luxembourg has also pursued a major programme of public investment, particularly in energy and communications. And in the field of transport, I would also refer to the canalisation of the Moselle. Naturally, this primarily affects France and Germany, but it also affects Luxembourg, since a 35-km stretch of this river constitutes the border between Germany and Luxembourg.

Now Luxembourg is directly linked to the major European waterways. This underlines its central position between the two major industrial regions of the Ruhr (Germany) and Lorraine (France).

Accordingly, my country intends to fit in with the rhythm of our times and to be an energetic factor in an evolving Europe. It needs to defend the high quality of life achieved by its citizens since the war, on the basis not only of high productivity and wages but also of a very comprehensive social welfare system.

### **Luxembourg's voice**

The determination to survive with our traditions and our cultural heritage intact calls for an act of faith in our country and in European developments that we regard as irreversible.

So what significance can Luxembourg's voice have in a community of states, some of which are infinitely more powerful than the Grand Duchy?

The principle of Member States' sovereignty gives us an honourable position in the institutional structure of the Treaties. The equality of the Member States before the law is attenuated only by a system of weighting of votes in respect of current economic decisions. For other fundamental issues, in particular those which would extend the Community's power or activities, unanimity is still required.

The problem arose recently in connection with the draft Treaty designed to merge the executive bodies of the three existing Communities as a prelude to merging the Communities themselves. This merger inevitably raises the problem of the seats of the European institutions. Luxembourg is currently the seat of the European Coal and Steel Community. Could we possibly renounce our capital's European credentials after 12 years of experience? We thought not, and grimly defended our position. Finally, an arrangement has been made that opens up new prospects for our role in Europe. Leaving aside a stipulation that calls for the Council of Ministers to meet in Luxembourg for three months, in compensation for the departure of the High Authority of the ECSC, our partners have accepted the retention or establishment of services in Luxembourg in accordance with a dual specialisation. Our capital will house not only the jurisdictional institutions already in existence or to be created (the Court of Justice is already in Luxembourg), but also financial institutions. Under these agreements, the seat of the European Investment Bank will be transferred to Luxembourg.

This second aspect fits in very well with the development of our position as an international financial centre. The Grand Duchy's policy in this field goes right back to 1929 when a special tax regime was created for the benefit holding companies. During the past ten years, some major banks and investment trusts have established themselves in Luxembourg. Finally, more recently, Luxembourg has confirmed its position as a centre of international banking issues. European Currency Unit and currency bonds were issued here in 1964 on a scale that has grown steadily over the past two years.

But, over and above these institutional or local development aspects, what function does a country like Luxembourg have in the community of European peoples?

Firstly, it consists in adding a dimension, an order of magnitude, a particular perspective, to the very many points of view that are bound to confront one another in a community of nations. This dimension and this viewpoint are necessarily close to the human angle, to common sense; they feed on the acute feeling of interdependence between nations and groups.

Safeguarding of fundamental rights and of the special character of a country like mine also constitutes a test of respect for the rule of law in international relations.

And Luxembourg succeeds in making its voice heard, carefully and cautiously. We are grateful to Secretary of State Dean Rusk for an opinion that he expressed two months ago on Luxembourg when he said to Mrs Patricia Roberts Harris, the new ambassador, that 'Luxembourg has a clear, honest and highly respected voice in international affairs.'

We are a little embarrassed about being so highly respected and are anxiously asking ourselves if we can keep up this high standard of wisdom and deliberation in all circumstances.

In matters that concern us and on which our opinion is consulted, we shall always speak out for an understanding of different points of view, for reconciliation, for the defence of law and the Treaties and, at European level, for solidarity and cooperation in a spirit of community.

### **The future of the Community**

As for the European Community's prospects for further progress, it is up to us to keep the flame of idealism burning, the flame that inspired Europe's founding fathers, one of whom, Robert Schuman, the father of the

coal and steel pool, had close links with my country. But we also believe that we need patiently to pursue a policy that is realistic as regards the obstacles that may arise.

Our own history has taught us that any economic union involves periods of flagging, of disaffection, of misunderstandings, of adjustment of divergent opinions on the given economic facts and policies. But we are also aware that, in these situations, we need to hold on to the progress made, to consolidate what has been achieved, to concentrate firmly on the formal commitments already entered into and to defend the substance of the treaties concluded — in other words, to persevere.

This is the attitude that my Government adopted in the recent Common Market crisis and which it intends to maintain.

Integration of markets has progressed to a point where any retrograde step would inflict grievous wounds on the economic body of our nations, so rewarding is this cooperation. This is why I do not believe that recent events will lead to the disintegration of the Common Market.

But we have to acknowledge that any standstill is all the more dangerous in that there are various areas in which the harmonisation and coordination process has not kept pace with what has been achieved in other areas. And, secondly, fundamental and prolonged disagreements on foreign policy could shatter the Community's spirit of cooperation. This spirit is crucially important if we are to establish a common policy in the areas of foreign trade and taxation and, increasingly, if we are to establish a common monetary policy for the Six. That is why we cannot simply let things take their course. Recent declarations and events have caused feelings to run high in the world's political arenas. The 'European crisis' needs to be overcome by means of a joint effort designed to achieve an understanding based on some very simple ideas:

1. The existing Treaties provide for rules of conduct to be applied in all circumstances among the partners in the Common Market.
2. Absolute loyalty should prevail in harmonious and balanced fulfilment of the obligations deriving from the Treaties and regulations that have been adopted.
3. Policy consultations and cooperation on issues not covered by the Treaty should be organised in accordance with procedures to be approved in advance.
4. Serious research should be carried out into the best way of involving the parliamentary institution in the democratic scrutiny of the Communities, taking account of the real balance of power and responsibilities among the Community bodies and their cooperation with the national institutions that bear the same responsibilities.

We believe that, if the Common Market were to fail, this could have negative repercussions throughout the world and not just in the Community of the Six. This would go against the historical trend towards universal cooperation in improving the human condition.

Gentlemen,

I should like to thank the Belgian Chamber of Commerce in New York for giving me this opportunity to set out my country's position in the European Community. You will already be aware of the extent to which the Belgo-Luxembourg Economic Union and, since the last war, the Benelux have paved the way for my country to accede with confidence to much larger economic systems.

The fact that I find myself here in your midst outlining Luxembourg's position within the Six demonstrates to our American friends the high level of friendly interest and mutual respect between our two nations, united as we are by so many links. As the facts show, unions based on economic interest can also develop into human success stories.