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## Common market—no closed society

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# INTERVIEW

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## Common Market—No Closed Society

On March 25, 1957, the EEC Treaty was signed in Rome. After a period of worldwide protectionism and autarchic thinking the idea of a free world economy has thus been restored for a part of Europe. By a gradual reduction of trade obstacles, the introduction of complete factor mobility and finally a common trade policy international cooperation was to be made possible and total wealth increased.

To obtain these objectives is facilitated by the following inter-related effects: the size of the national product is decisively depending on the degree of specialisation or international division of labour, respectively. Division of labour for its part is a function of an economic region's size and population number. By the foundation of EEC an important area of industrial concentration that in contrast to similar regions in North America and the Soviet Union was intersected by numerous State and economic borders has been united to an economic area with an improved economic efficiency in the long run. Besides the reduction of trade impediments in this region will lead to an elimination of existing distortions in the structure of production.

### **World Economic Disadvantages of Integration**

These theoretical advantages are opposed by some disadvantages mainly caused by the hitherto existing form of a regionally limited integration. For firstly the EEC does not comprise all industrially important European nations. Since so important States as Britain, Austria, Switzerland and the Scandinavian countries—linked with the EEC by strong traditional trade relations—are not yet mem-

bers of the Common Market, the present solution can only be a provisional one.

Secondly parallel to the internal reduction of trade impediments there is the establishment of an external tariff vis-à-vis outside countries. The external tariff is the arithmetical mean of all member countries' tariff rates as of January 1, 1957. Countries with low tariff rates may this way become more protectionist than they had been before the "EEC-liberalisation-phase". Former supplying countries either would have to reduce the prices of their supplies or look for other markets. So far, however, the effects for the Common Market are still negligible as the approach of national tariff rates to the common external customs tariff provided for 1968 hitherto amounts to 60 % only and the EEC has carried through unilateral tariff reductions for several groups of goods. Thirdly, also the Common Market pursues a policy of strongly protecting certain trades and industries. By special regulations imports affecting these branches are reduced to a minimum. This protectionist policy should gain an ever growing importance when structural difficulties increase.

### **Association a Way Out**

With Article 238 of the EEC Treaty the Community has provided for an association of European countries in order to let those States participate in the Common Market which do not want to become members. Hitherto Greece and Turkey have made use of this possibility. The association of the African countries is made possible

by Article 131 seqq. Today 18 African States and Madagascar are associated members of the EEC. The Association Agreement of Yaoundé has been signed on July 20, 1963, which is to make allowance for the development requirements of the African States not yet sufficiently developed. The relations between EEC and the associated members are regulated in form of a free trade area. Moreover the African countries may establish free trade zones or customs unions among themselves or with third countries.

An extension of trade preferences, which the EEC members grant each other, to developing countries is the essential part of the Agreement. This purpose has been achieved without any frictions. However, there are difficulties as far as the role of the associated members in granting preferences is concerned. Although direct reciprocity is not required, Article 238 of the EEC Treaty stipulates expressly "mutual rights and duties". Therefore the Agreement of Yaoundé demands tariff reductions and the removal of import quotas by the end of May, 1968, at the latest.

But in spite of this Association Agreement the Common Market's trade with these partners remained unsatisfactory. The stagnation during the last two years did not fulfil the hopes both parties had placed on this Agreement.

However, the already mentioned separative effects do not only involve the developing countries but in a special way are also effective within Europe. The separate integration efforts within the framework of EEC and EFTA created an unfortunate division. As long as

important industrial concentration areas within Europe remain separated this way, integration, too, must always remain fragmentary.

The impairment of traditionally intensive trade interdependences with the EEC has caused several States to insist even more on joining the Common Market. Membership or association with the EEC will, on the one hand, intensify competition within the home markets of nations wishing to associate and will thus reduce the share of

their own economy in their domestic markets, but simultaneously they will promote specialisation, rationalisation and concentration and strongly influence the shape of production. Moreover the reduction of the EEC's trade obstructions opens up the Community's market and thus secures an increase of the associating countries' share in it.

Such a joining will, however, cause a multitude of difficulties. For, on the one hand, to both sides it is a matter of making allowance

for political obligations and constellations, and, on the other hand, structural changes connected with membership or association will impair the internal objectives of full employment and price stability at least in the short run. Therefore it must be the main target of negotiations with the EEC to avoid losses due to friction and to secure chances for a quick adaptation. On these problems INTERECONOMICS has interviewed the Austrian Vice-Chancellor Dr Fritz Bock. ke.

# Austria Wants to Join the EEC

## Interview with the Vice Chancellor of Austria, Dr Fritz Bock, Vienna

**QUESTION:** Austria is a member of EFTA, but would like to become a member of the Common Market. Can you give us a few more details about this ambition, Dr Bock? Is Austria moved by commercial interest alone or has it also changed its political views based on the altered situation since—let us say—1956/57?

**ANSWER:** Austria does not want to become a member of EEC since it is not possible for a perpetually neutral State to join an international organisation which is in a position to exercise supranational functions. Austria's membership of the United Nations is the one exception to this principle. Therefore Austria is aiming at a particular type of trade agreement which does not prejudice State sovereignty. The reason for Austria's wish is both because of trade interests and because Austria recognises that every minor economy must endeavour to play a proper part in a major economic area, if it wishes to keep pace with future world economic developments. Or to express it differently: for this purpose every small economy needs to participate in the dynamic of larger economic areas.

**QUESTION:** What form does the Austrian Government envisage such an agreement with the Common Market taking? Does it

wish, initially, to become merely an associate member, like Greece and Turkey?

**ANSWER:** The special type of trade agreement at which Austria is aiming is intended to serve the purposes stated above. There is no question of Austria becoming an associated member of EEC, like Greece and Turkey, because both these agreements of associate membership were concluded as a transitional step towards full membership.

**QUESTION:** This month, negotiations between EEC and Austria will reach a decisive phase. The EEC Commission has submitted to its Ministers a second detailed report on the current status

of negotiations. Many problems have already been solved, some remain open. Could you tell us briefly, Dr Bock, what has really been achieved so far in these talks, which have been going on for a good five years?

**ANSWER:** Austria applied for negotiations to be initiated five years ago. Since at that time Britain, as well as other countries, also made their applications, it was agreed that negotiations with Britain should take precedence because it was obvious that negotiations with other States would be strongly influenced by their results. When negotiations with Britain broke down in January 1963, Austria was the only EFTA country to maintain its application and as a result

### FRITZ BOCK

was born in Vienna on February 26, 1911. He studied at Vienna University and graduated in 1935. During the war Dr Bock was in private business and in 1945 joined the Austrian People's Party. He is a co-founder of the Federation of Austrian Workers and Employees whose head he was from 1947 to 1952. Dr Bock who in 1949 became Member of Parliament, from 1952 to 1955 was Under-Secretary in the Federal Ministry of Commerce and Reconstruction, from 1955 to 1966 held the same position in the Ministry of Finance and in 1956 as responsible Minister took charge of the Ministry of Commerce and Reconstruction. Fritz Bock who simultaneously is Vice-Chancellor in the Austrian Government, has received Austrian and foreign distinctions.