

External Relations of the EC/EU (1957 – 2010): Research perspectives, archival sources. ¹
EU Trade Policy

By Roderic Abbott

Within External Relations our session today is to discuss the Economic and Trade Policies of the EU, and within that I have been assigned 'The role of the European Commission from GATT to WTO'. It is in fact the *international trade* element within external relations which corresponds to my profile, and that is what I will talk about.

From GATT to WTO spans fifty years, from its beginnings as an International Treaty with 23 founding members to a mature body with over 120 members (a recognised international institution, not yet in formal terms an Int. Org.). The EC's participation dates obviously from 1957 when the Treaty of Rome established a Customs Union among its six members, and that was notified to GATT. But this is still too long a period to talk about in 10 minutes and my area of focus today will be a relatively narrow window, between 1973 and 1981. This is the period from first enlargement Six to Nine, through the GATT Tokyo Round, other international agreements, the rebranding of the OCT as the ACP states >> the Lomé Convention, as well as the CSCE negotiations in Helsinki.

By all accounts this was a period of vital transformation in the Community's external relations; and I intend to present the case that the Trade Policy component (DG I activities) was in fact the main dynamic that drove the Commission forward in those years, making a major contribution to growing its profile as the central executive body in the EC institutions. ²

In support of this line of argument I quote a distinguished Historian writing about this period in Vol. 2 of 'The Commission History' (2014) ... with a sub-title "A Difficult Environment":
[prolonged economic crisis – Eurosclerosis]

"By 1973 the EEC had established the customs union and the common agricultural policy, and *there were already plans for developing new policies.*"

"In 1973 [it] had undergone its *first enlargement* and its nine member states had a larger population (256 million) than the USSR or the United States. In addition, it had consolidated its status as *the world's leading trading power* Following the enlargement and the customs union, *the external relations of the Community* (and hence the Commission's role in that field) were transformed."

Quoting V Dujardin, in the 'European Commission', Vol. 2

¹ This is the overall title of the conference and it is clearly focussed on *external policy* rather than other more domestic and internal areas of policy. Other policies will be mentioned only 'en passant'.

² DG I had the title 'External relations' following a fusion of previous DG I and DG XI. Timeline: 'Enlargement - leading trading power- customs union – external relations transformed – USA and Japan – revision of OCT relationship – ACP – development policy'.

In other words, the EC had become a major actor on the global stage (size and trade weight), and since it was the Commission's role to manage the customs union and defend the common tariff, its role as the manager of common Community policies and as the initiator of such policies was significantly enhanced. In the constant dialogue with Member States its voice would now carry greater weight.

To me, this assessment puts the emphasis on the principal elements of external relations at that time: agriculture is in the picture, I would add development and cooperation to the mix, and other elements such as political co-operation and foreign and security policy were still without a clear policy framework. I have to admit however that I may have a bias in this context; my first six years with the Commission from 1973 to 1979 were spent almost exclusively on the Tokyo Round, and largely in Geneva. This narrow focus may have blotted out other areas of policy – a point which I will address in this presentation. But equally, I was a trade negotiator- more than I was a diplomat - and I am at best a very amateur historian – so bias is expected and goes with the 'oral history' from a survivor of events. This is not a fully researched study.

Perhaps a few more words to paint the historical context. The years from 1957 through 1973 were spent progressively implementing the Treaty of Rome – and notably its provisions that remove and reduce trade barriers - moving towards the full Customs Union. Under GATT rules the Treaty had to be presented and defended in Geneva and used as a base line for tariff negotiation during the GATT Kennedy Round. International trade and customs activity were therefore the first examples of EC common policies effectively in action. Agriculture, where a common policy was established by the mid-1960s, also had an important role to play in the external trade area, as well as being a fully functional policy managed by the Commission.

1973 was also a moment of confusion and change in other ways. The early 1970s was a period of economic decline, a crisis of competitiveness, slow growth and the negative impact of the oil shocks. Industrial policy was in a moment of reassessment, national interest was still powerful; competition policy had not yet succeeded in implementing the policy outlined in the Treaty; in regional development the structure existed but as yet no clear policy had been formulated. The goal of some form of monetary union had been agreed, at the Paris Summit in 1972, but was still years away. Agriculture, except for its trade component, was in a phase of consolidation rather than expansion, in policy terms.

A second quote:

"Until the beginning of the 1980s the main focus was on trade policy. This reflected the central position that trade had assumed in the first two decades of the European project because of the exclusive powers vested in the Commission in this field and the growing importance of multilateral negotiations. The geographical scope of COMM activities was expanding because of the priority given to developing economic relations with several groups of countries. These changes gave DG I a much wider field of action.

Quoting A Vinas, S Ramiez Perez and E Bussiere *op. cit.*

To prolong the context, still in external relations, the main points on the agenda were to adjust to the first enlargement (expanding the EC's trade profile), the launch of the Tokyo Round (GATT conference in

September 1973), free trade agreements with the EFTA countries, and bilateral relations with the United States (and Japan). These were areas where the Commission had to react to external pressures and timetables, and fulfil a global role. In the field of development and cooperation activity (DG VIII), which had been focussed on Africa, policy now was adjusting to enlargement and to former British colonies: ACP. Yaoundé II had to be remodelled as Lomé I. These factors affected other policy areas also, but much less immediately.

This summary of the expanding powers of the external relations/trade is reinforced by a series of secondary factors which testify to the growing reach of DG I in these years:

- DG I in 1973 was a fusion of two former departments, for external relations and external trade. In this aggregation the trade policy staff were more experienced and influential, and over the next ten years staff numbers grew more rapidly in DG I than other relex units.

- the DG remained a single unit until 1981 when it was divided in two parts, each with its own Commissioner, one responsible for external relations, including relations with Asia and Latin America, and the other for general development issues (UNCTAD) and North-south matters. This illustrates well how the scope of the issues faced by DG I had grown.³

- Other events were part of the same expansion. In GATT the main agreement regulating trade in textiles (the MFA) was renegotiated by the Commission in 1973-74. An international debate about development took place in Paris in 1975-76 – the New International Economic Order; and the CSCE organised a conference in Helsinki on relations with Eastern Europe in 1975.

- In 1973-74 free trade agreements were signed with the seven remaining EFTA countries .

- A year or so later trade agreements were signed between the EC and the Maghreb countries, and later with the Mashraq, in 1976-77; and the accession negotiations with Greece, followed by Spain and Portugal, were also started in the late 1970s.

As a postscript, the number of external delegations also grew from three in 1973 (Washington, Geneva (GATT) and Paris (OECD)) to around 20 with diplomatic functions in the early 1980s including a number in Mediterranean countries, and in addition a large number of offices in support of EC relations with the ACP states.

Summing up

My basic argument is that Trade Policy was in those years the most dynamic external economic policy with an expanding role on the global stage. The completion of the customs union (in 1971), together with international trade negotiations, enhanced the profile of the Commission as a manager of common policies; and this enabled it to reinforce its role as the central executive institution of the EC. This effectively was the force that progressively drove the Commission's external actions and enabled it to

³ DG VIII's title in 1973 was 'Development and Co-operation' and it was focused on the EDF (development fund) and thus ACP relations, rather than building relations with non-ACP parts of the world. In the Med the focus was on enlargements first. (VIII became 'Development' from 1977 onwards when the first Mediterranean agreements were signed) DG I was responsible for the rest of the developing world.

acquire the authority to extend its activities into other areas of policy – some external (wider bilateral relations), some internal.⁴

Two subsidiary points can be folded in to this argument. From 1973 the principal bilateral relationships with third countries were trade oriented: the United States and, due to UK accession, important trade linkages with Canada, Australia and New Zealand. Later Japan and Canada also. New relationships – differently motivated but still with strong trade elements - were being built with ACP states and with the Mediterranean. In the early 1980s more than 40 diplomatic missions had been set up.⁵

Second, the EC had established a solid connection through multilateral trade negotiations from 1960 onwards GATT, and had become a significant player in the world of international trade. The Tokyo Round was launched in the middle of (and despite) major economic uncertainties: the US had abandoned the gold standard, currencies were floating and massive price increases occurred with the first 'oil shock'. Yet trade continued on its track: a new Multi-fibre Textiles agreement was signed.⁶

One final quote:

The period between 1973 and 1986 began with the first enlargement and ended with the third. The Community's external relations ... changed radically. The Community's influence grew considerably. There were some negative factors also: the reluctance of Member States to see the role of the Commission grow in external policy areas [such as foreign and security policy]. The Commission managed nevertheless to create new approaches, and the Community's distinctive personality became recognised on the international scene. Increasing recognition allowed it to participate in international agreements.

'The end'. Quoted from V, RP and B. op. cit.

I realise that it can be argued that it was the whole range of external relations policy that was a more important influence than international trade alone. There was indeed important progress in East-West relations, in extending bilateral relationships more widely and in the trade/development debate; but when I look at specific events and ask myself what was the decisive factor which turned the sleeper EC with problems of cohesion into a more dynamic entity with a growth agenda and new policies, I suspect that the liberalising, pro-free trade approach pursued in those years will be found to have made a major contribution.

⁴ Other external policies followed: first Lomé convention(1975), Maghreb and Mashraq agreements (1976/1977), and three accessions from 1976/1977. Attention to Latin America and Asia came more slowly.

⁵ The relations with Asia (via ASEAN) and with Latin America came in the 1980s.

⁶ PM: the USA had abandoned the gold standard which tied convertibility of the dollar to gold in August 1971

EXTERNAL RELATIONS breaks down into segments:

- economic and trade policies
- POCO and security/defense
- int. organisations and Parly diplomacy
- development policies and N-South relations
- relations E Europe cold war and EU-Russia relations

Tokyo Rd, MFA, Meds **

GATT/OECD/UN family **

NIEO/Lomé **

CSCF Helsinki **