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Speech delivered by the Luxembourg Prime Minister, His Excellency Pierre WERNER, at a luncheon given by the Belgian Chamber of Commerce in the United States, New York, on September 30th 1965.

The position of Luxembourg within the European Community

1. Introduction

I have often noticed that leading American newspapers show a regard for their readers which is customarily lacking in the European press.

The great number of existing international organizations and the incomprehensibility of their abbreviations and symbols induce the American journalist to explain at least once in his article the composition of such and such an international institution. For example, a New York newspaper which I read regularly, when it mentions the European Common Market, enumerates each time between brackets, the member countries of this community (France, Germany, Italy, the Netherlands, Belgium and Luxembourg).

The enumeration, side by side, of these six countries must puzzle the American reader for, if he is able to imagine easily what nations like France and Germany represent in the European concert, their commercial importance and their political role, it is not the case with the last one mentioned in that enumeration, the Grand Duchy of Luxembourg.

He is even more puzzled by the figures indicating demographic and geographical dimensions of Luxembourg.

The object of my talk today is precisely to answer the questions which naturally rise in your mind, and to pinpoint the Grand Duchy in the European evolution. In addition, through my reasons and considerations with respect to the

case of Luxembourg, it may occur that some aspects of the general European problem may appear clearer to you.

In fact, each political phenomenon can, I think, be regarded as an example. Since it is impossible, in politics, to repeat experiments like those made in a laboratory, one has, in this field, always to refer to vivid historical substance. In this respect, the documents which Luxembourg can produce for the files of History may not be without value.

2. Historical background.

First of all, it is appropriate to recall very briefly some facts of the history of Luxembourg.

Luxembourg's name derives from the castle built in 963 by a count of the Ardennes, on a rock situated above a loop of the river Alzette, which irrigates the suburbs of the present capital city of the Grand Duchy. Around this castle grew a city, later a fortress and above all a medieval State which finally attained an area four times larger than the present Grand Duchy, and a dynasty which gave emperors, kings and queens to Europe towards the end of the Middle Ages. Between 1443 and 1815, the country underwent a long series of foreign dominations, without ever losing its personality. Luxembourg followed thus the same destiny as Belgium under the suzerainty of Burgundy, Spain, Austria and France.

It revived as an independent State through the Treaty of Vienna in 1815.

Until 1890 the Grand Duchy lived in a personal union with the Netherlands: the King of the Netherlands was at the same time Grand Duke of Luxembourg.

Having been neutralized militarily in 1867 and enriched by the mining of iron-ore which gave birth around 1890 to an important steel industry, the Luxembourg nation affirmed its national personality, especially following the two world wars. Since 1890, Luxembourg has its own national dynasty.

This brief outline does not give an accurate idea of the numerous vicissitudes of the territory and the population of the country during the past centuries.

Luxembourg has suffered from the repercussion of nearly all the European wars since the Middle Ages. Because of its geographical and cultural situation between France and Germany, Luxembourg met the crucifying destiny generally inherent to frontier areas. On the other hand, the feeling of having been involved in the cruel battles as well as in the glorious achievements of Europe, of having a share in two of the most important cultural traditions and of being located at an economic cross-roads, puts on a solid foundation our conviction of being close to the heart of the continent's new aspiration towards integration and union.

3. The Economic Unions.

The need for Luxembourg to be integrated into wider markets has been recognized since the first half of the nineteenth century. From 1852, Luxembourg was member of the Customs Union of the German States, the Zollverein. This Customs Union, however, did not prevent us from keeping political distance towards the rising ascendancy of Prussia.

After World War I, Luxembourg turned to Belgium and formed with its western neighbor in 1921 an economic union which is still alive and working, and which has recently been adjusted to present conditions.

Since 1943, Luxembourg has been a participant in the building of the Benelux Economic Union, linking Belgium and Luxembourg to the Netherlands.

That is to say, that my country has had some experience in the field of economic integration. It therefore contemplates with less reluctance than other European countries new forms of common European venture.

4. The European Communities

When President Robert Schuman proposed on May 9, 1950, to create a Common European Market of Coal and Steel, Luxembourg was immediately aware of the historical scope of this scheme.

Pooling those industries which, until the second World War had been the main instrument of power-policy, Robert Schuman's proposal was based on economic facts and on a reconciliation between France and Germany which could easily have, at that time, failed due to existing feelings.

The Luxembourg Government announced as early as June 3, 1950 its decision to adhere to the new pact. From the national Luxembourg point of view, the new initiative implied nevertheless certain risks and unknown issues.

One of our economists used to say that "Luxembourg is a gift of the steel, as Egypt is a gift of the Nile". As a matter of fact, the steel industry has a central position in our economy.

In 1929, Luxembourg ranked as 7th largest producer among the world steel producing countries, ahead of larger countries such as Italy, Czechoslovakia and even Japan. However, the post-war period saw the development of new and powerful steel producers which now rank before Luxembourg.

Nevertheless, Luxembourg with its 4,5 million tons of annual production in 1964 still holds an important position and the per-capita production of nearly 14 tons is impressive.

In 1952, when the Coal and Steel Community started, the Luxembourg production amounted to 7,2% of the total steel production of the six member countries. Steel represented 75% of our total industrial output.

The national budget depended for a large amount on this basic industry.

Consequently, Luxembourg's economic contribution to the new community was relatively higher than those of its partners.

Therefore the leading industrial authorities expressed a certain concern for the future liberty of action of the Grand Duchy, due to the central planning inherent new treaties. I should like to stress immediately that these fears have vanished since that time. The result of the new treaty was to provide Luxembourg with new and more stable markets, perhaps less profitable at certain periods, but certainly less hazardous than those offered by the world market, to which Luxembourg exported 60% of its production before 1952.

The Luxembourg steel industry had always favored freely accepted discipline of its producers. May I mention that before World War II, Luxembourg was the seat of the International Steel Cartel to which belonged also steel producers from France, Germany and Belgium.

Besides, Luxembourg realized other advantages in compensation for the risks run by the Luxembourg interests. A conference of ministers decided to establish the headquarters of the new Community in Luxembourg City, at least on a temporary basis. I won't dwell on the hard negotiations and the cordial disagreement of the six partners while discussing the problem of the location of the seat of the new Community. The result was that Luxembourg's capital city was finally chosen and consecrated as a European political center.

The trend towards the unification of Europe required however a general common market. It was not possible to continue on the way of specific and partial integration.

After the failure of the European Defense Community, the European integration achieved a new start by the conference of Messina in 1955. From those negotiations emerged the treaty of Rome, signed in 1957. This treaty organized a general common market, including all the products and economic factors, except coal and steel.

90% of our exports were already integrated in the common market of the coal and steel pool. At the beginning it seemed that the treaty of Rome affected only a minor

proportion of the Luxembourg economy. But this was not the case. The treaty raised very delicate internal problems. The generalized economic integration and the equal chances of competition resulting therefrom brought to the fore the size and the productivity of the small and medium-sized enterprises.

Our agricultural policy had to be given a new direction. Before the treaty, the political tendency was to protect our own production in order to assure the self-sufficiency of the Grand Duchy and to maintain, aside from the absorbing steel industry, an agricultural population which was considered essential from a sociological point of view. On the other hand, the policy consisted in maintaining consumer prices at a moderate level in the general interest of the competitive situation of Luxembourg's economy.

These apparently contradictory aims were only reached by subsidizing the principal consumer goods at the production level.

The agricultural rulings of the Community require a shift of this policy. Price subsidies have to be abolished during the years to come. This will not be accomplished without raising the cost of living index. We are actually at this turning point and have begun to achieve this trend in our policy of agricultural prices. It is the kind of operation in which the United Kingdom would have had to engage with respect to the system of its agricultural prices, if this country had joined the Common Market. Furthermore, we started on a program of agricultural investments improving the productivity of the farms and encouraging common ventures of the farmers towards better processing of their products. Similar problems occurred in certain branches of craftsmanship and trade. This means that Luxembourg is ready to pay the price for the benefits expected from a wider European Market.

Aside from this, the Luxembourg Government has been launched since about 1960, on a program of establishing new industries in order to diversify the economic structure of the Grand Duchy, which had been too one-sided. A Board of

Industrial Development lead a prospection and information campaign especially in the United States. Today, important American companies like Goodyear, Dupont de Nemours, Monsanto and others have branches in the Grand Duchy. This program of industrial diversification implied new investments which amount for the last few years to nearly 100 million dollars.

The cost of the immediate projected agricultural investment program surpasses 20 million dollars. Luxembourg has carried out an important program of public works, particularly in the field of power and communications. With regard to transportation, I should like to mention the canalization of the Moselle river: The achievement of this great work affects mostly the interests of France and Germany, but it also touches Luxembourg, since this river flows along the border of Germany and Luxembourg for a distance of about 25 miles.

From now on, Luxembourg is directly linked to the larger European waterways. This stressed once more its central position between the two outstanding industrial regions of the German Ruhr and the French Lorraine.

My country follows the rhythm of our time and intends to prove its vitality in the European Community. It has to defend the high standard of living which its inhabitants attained since the end of the last war, based not only on a great productivity and a high level of wages, but also on a very comprehensive system of social security.

5. Luxembourg's voice.

The firm determination to survive with our traditions and our heritage, presumes our strong belief in the Nation as well as in the necessity of European unification.

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

The principle of the sovereignty of States gives Luxembourg an honorable place within the institutional structure provided by the treaties. The principle of legal equality of voices is only lessened by a system of qualified majorities of the votes of the different countries in the field of current economic decisions. For other basic questions, more precisely those concerning the extension of the powers of the activity of the Community, an unanimous vote is required.

This problem recently arose in connection with the discussions to merge the executive bodies of the three existing communities, a problem which is preliminary to the fusion of the communities themselves. The merger automatically raised the problem of the location of the seat of the European institutions, Luxembourg being at the present moment the seat of the European Coal and Steel Community, could we simply give up the European vocation of our capital city after the successful and convincing experience of 12 years? We felt we could not and therefore we have earnestly defended our position. Finally a compromise was reached. It opens new outlooks for our role in Europe. Apart from the stipulation that the Council of Ministers is asked to meet during three months of the year in Luxembourg, our partners have agreed that to compensate for the departure of the High Authority of the Coal and Steel Community, to maintain or to transfer to Luxembourg, new offices specialized in two different fields. Our capital city will be on one hand the seat of the juridical bodies which already exist or which will be formed later (the Court of Justice is already established in Luxembourg) and on the other, of financial institutions. Following these agreements, the European Investment Bank will be transferred to Luxembourg.

The grouping of financial institutions in Luxembourg suits well the development of Luxembourg as an international finance center. As a matter of fact, already in 1929 Luxembourg initiated its policy in this field by creating a special tax system for holding companies. During the last ten years various banks and rather important investment trusts

settled in Luxembourg. Finally, at a more recent date the role of Luxembourg as a center of international bond issues was affirmed. Loans in European units of account and foreign currencies have been issued on our market on a rising scale for the last two years.

But beyond these aspects concerning international institutions and local development, you may ask what is the role of a country like Luxembourg within the community of European countries.

First of all, it contributes a special perspective to the various points of view with which a community of nations is confronted. This particular perspective is one of size and proportion tending to a properly human concern and appealing mainly to common political sense; the same perspective is inspiring the vivid consideration to be given to the notion of interdependence among the nations and groups of peoples.

The safeguard of the essential rights and the proper character of a country like mine is moreover a test for the respect paid to the rule of law in international intercourse.

It happens occasionally that Luxembourg raises its voice with care and moderation. In this context we deeply appreciate the statement by Secretary of State Dean Rusk two months ago when he told the new Ambassador of the United States, Mrs. Patricia Roberts Harris: "Luxembourg has a clear, honest and highly respected voice in international affairs".

We are rather awed by this appreciation and anxiously ask ourselves if we will be able to live up to, in all circumstances, this high standard of moderation.

In matters which concern us and on which our opinion is sought, our voice will always be one of sympathetic understanding of diverging view-points, as well as one of conciliation. We defend in all circumstances the inviolability of treaties and on the European level, the principles of solidarity and of cooperation in a communitarian mind.

6. The future of the Community.

In order to ensure the future development of the Community, it is our duty to keep alive the idealism and the doctrine which inspired the promoters of a united Europe, among whom Robert Schuman, the father of the Coal and Steel Pool, had close family ties with my country. On the other hand, it is also our conviction that we must patiently pursue a policy based on reality.

From our own history we have learned that all economic unions suffer certain drawbacks, periods of lack of interest and misunderstanding, adjustment of diverse opinions on given economic and political facts. But we also know that in those circumstances one has to hold fast to the results already attained, to consolidate the progress made, to carry out the solemn engagements, to defend the substance of the concluded treaties- and finally to carry on!

That is the attitude adopted by my government in the recent crisis of the European Common Market, attitude which it intends to adhere to in the future.

The integration of the Common Market has reached a stage of achievement which can suffer no setback without causing painful wounds to the economic body of our members, to whom their cooperation has brought wealth. I do not believe therefore that the recent events will start a disintegration of the Common Market.

But we must recognize that a standstill is the more dangerous since in several fields the process of harmonization and coordination has not kept pace with the achievements in others. Besides, fundamental and prolonged disagreements in foreign policy matters might ruin the cooperative spirit of the Community. This spirit is of primary importance in establishing a common policy for foreign trade, in fiscal matters and, on an increasing scale, in a monetary policy which has to emerge among the Six.

Therefore, we cannot simply let things drift. Recent events and declarations have stirred up much emotion among the political leaders of the world. The so-called European crisis ought to be overcome by a common effort to attain mutual understanding based on a few very simple ideas:

1. The rule of conduct, in all circumstances among the partners of the Common Market is provided for in the existing treaties.
2. Absolute fairness should prevail in the equilibrated and well-balanced execution of obligations incurred through the treaties and the accepted rulings.
3. A political consultation and cooperation in matters not covered by the treaties should be organized according to procedures to be agreed upon.
4. A serious study ought to be made on how best to associate the parliamentary institution with the democratic control of the communities, taking into account the real balance of power and responsibilities among the communitarian bodies and their working together with national institutions having similar duties. It is our view that the failure of the Common Market would entail new turmoils for the whole world and not only for the Six. It would be against the historic trend of universal cooperation for the betterment of man's condition.

Gentlemen, I wish to thank the Belgian Chamber of Commerce for this opportunity to expound the position of my country within the European Community. You have certainly realized how well the Belgo-Luxembourg Economic Union and also Benelux have prepared my country to join with confidence larger economic systems.