

**Where the  
Common Market  
stands today**

**by Walter Hallstein**

**President of the Common Market Commission**

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*text*



**European Community  
Information Service**

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# 1. THE PATTERN OF ACHIEVEMENT

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The first half of the Common Market transition period ends this year, and now, half-way through our endeavours to integrate Europe, we can take stock of the situation. In doing so we cannot fail to note that the European Economic Community has been an overwhelming success. We have met with difficulties and setbacks, but these cannot dim the lustre which radiates from the first six years of our Community. Certainly, our aspirations reach out beyond what has been achieved. This is natural and it is necessary. However, we may allow ourselves a moment of grateful reflection. How would European unity look today if the Treaty of Rome had not stood the test, both as an economic code and as the Community's constitutional charter? If the Institutions had failed? If the drive which animates them had been missing? Many factors – a conscious political will, devoted work, a little luck, and not least the work done by the European Parliament – have combined to enable us to see European unity taking shape in the stern reality of our days.

That integration has become part and parcel of the economic and political life of Europe, that it has come to stay, is the first and most important conclusion which emerges from a general survey of our work.

## **The Community's economic record**

A few figures serve to illustrate the Community's progress: between 1958 and 1963 the Community's real gross product rose by 30 per cent, against 23 per cent in the United States and 16 per cent in the United Kingdom. During the same period industrial production rose about 40 per cent (in the United States 33 per cent, in the United Kingdom 23 per cent). How closely trade between the member countries has become interwoven even before the completion of the customs union can be seen from the 131 per cent increase in internal trade since 1958, with a growth rate of 17 per cent last year alone. The outside world has also profited by this rapid economic development of the Community. Between 1958 and 1963 imports from non-member countries rose by 53 per cent, and amounted last year to \$24,600 million (by way of comparison, United States imports were \$17,000 million).

Exports have not grown at the same pace: they have risen by only 36 per cent. As a result, in 1963 the Community, for the first time, had a trade deficit amounting to more than \$3,000 million. This deficit will probably increase further in 1964.

We are often asked if the consumer in the Community benefits from all this. And when the question is answered in the affirmative, the incorrigible doubters take refuge in another question: is it certain that the European Community is really the cause of this unparalleled prosperity of an economic growth rate, which is already coming up against the limits of what the economy can bear?

The Commission has instituted inquiries into these points and some of the initial results are to be found in our General Report for 1963-1964. There the Commission gives thought to the question of special measures to ensure that the benefits of our policy reach the consumer. Meanwhile, however great our assurance that the upsurge we have experienced would have been impossible without the Common Market, the exact scientific proof of its influence on developments is a matter of equally great difficulty.

Psychological factors play a decisive rôle in the chain of causes. Who can compute how many managerial decisions – and of what importance – are motivated by conscious appreciation of the greater chances of the Common Market, and how many simply by inborn personal optimism or an enterprising temperament?

In addition, it is a basic and elementary truth of every-day life and of the economic system that every consumer is at the same time in receipt of income. Therefore it is not only prices but also the size of his income which determines his well-being. While wages and salaries per person gainfully

employed in the Community rose by 56 per cent between 1958 and 1963, consumer prices rose by only 16 per cent. The difference between these two figures reflects the benefit which the consumer derived from economic development. How else does one explain the fact that between 1960 and 1963 the number of private cars in the Community rose from 78 to 102 per thousand inhabitants?

### **The hard-core problems**

Admittedly all these gratifying experiences do not mean that things will go ahead automatically from now on. On the contrary, the nearer we come to the hard core the more apt is Max Weber's remark that "politics means boring away doggedly through thick planks." We shall have to be as vigilant in the further construction of the Community as we have had to be in the past.

A first source of danger for the future development of the Community lies in the fact that our Treaty has not laid down a hard and fast timetable in every sector. We cannot, however, afford any standstill in carrying out the Treaty and developing common policies, even in those fields where there is no timetable. It is more than ever true that if we stop we slip back. The issues on which this anxiety is strongest are the grain price question and the common external-trade policy.

A second source of danger is to be found in extreme economic developments in individual member countries. We must always be prepared for the danger that very grave economic difficulties in a member country may tempt people to act on the motto of "every man for himself". Although in the past year certain member countries had to cope with greater economic difficulties than before, this cause for anxiety has not generally been borne out in practice. The Community spirit and loyalty to the Treaty have always proved stronger than misguided reflexes of self-preservation. The Commission will exercise the constant vigilance which the Treaty imposes on it. It will insist on strict implementation of the Treaty, and at the same time allow full play to the precept of solidarity, which impels us to find Community solutions for the difficulties of individual countries.

A third danger for the development of the Community is grave disturbances whose cause is beyond the Community's control. In the past year we have been spared such perils. We are confident that this will also be the case in the period ahead of us. We must, of course, realize clearly that such dangers threatening the Community from outside need not always be in the blatant form of a dramatic crisis. They can also steal upon us silently, for instance in the form of a specious political union, an ill-conceived merger of the Executives or a systematic frustration of majority decisions.

### **The balance sheet for 1963**

To measure the progress made in 1963, the Commission's Action Program of October 1962 for the development of the Community provides a handy yardstick. Taking this as our criterion, it is clear that in certain fields the Community has not come up to our expectations, while in others it has fulfilled its program.

**In the following fields progress was slower than expected:**

- The additional measures needed to complete the customs union, such as abolition of charges having the same effect as customs duties, adjustment of government monopolies, and harmonization of customs legislation and regulations;
- Harmonization of company law;
- Unification of laws governing the exercise of particular professions or trades;
- Regional development policy;
- The right of establishment and freedom to supply services. In this field, however, the concentrated action begun by the Commission is beginning to bear fruit. Three directives have come into force, eight have been passed by the Council of Ministers and proposals for a further seven have been tabled.

**In the following fields the Commission, despite special efforts, has not been able to make as much progress as it would have liked:**

- Energy policy;

- Transport policy, where we are still waiting for the Council of Ministers to deal with the Commission's proposals of May 1963;
- Social policy;
- Anti-cartel policy;
- The common external trade policy, including a true Community policy towards developing countries.

In the following fields progress has kept pace with the Action Program :

- The customs union;
- The common agricultural policy, with the important exception of grain-price policy;
- The Community financing of the common agricultural policy;
- Preparatory work on harmonizing turnover taxes – a particularly important project since it means an attack on "tax frontiers". Lack of success in this field would mean that instead of a true Common Market, with the characteristics of a domestic market, a mere ill-defined preference area had been set up;
- The establishment of a European "medium-term economic forecast";
- The beginning of common economic and monetary policies;
- External relations : the new Association Convention with 18 African countries which is now in force, the association agreement with Turkey and the preparatory work for the Kennedy Round.

### **The rate of progress and the rôle of self-interest**

The fact that integration has gone smoothly in certain sectors while there has been some hesitation in others is not, of course, entirely fortuitous. There are three main reasons for it.

The first reason is the Treaty itself. It is almost always untrue to say that in individual fields the terms of reference laid down in the Treaty are too narrow for its aims to be achieved. Proper interpretation shows us that the economic union set in motion by the Treaty covers the whole of economic policy. But these terms of reference in the Treaty are, however, often rather vague. This is particularly true of energy policy, regional policy and the adjustment of government monopolies, where the Commission – with the power to make recommendations as its only weapon – is expected to storm the strong and well-armed fortresses of government tobacco, oil, and alcohol monopolies. All these problems raise issues which must be kept in mind on the occasion of the merger of the Communities.

A second factor is the strength of the interests involved in the progress of the Community. This can be an individual interest. Such self-interest on the part of a member Government is in itself neither immoral nor un-European. The more the Community serves individual member's interests as well as its own, the stronger it is.

The energetic assertion of individual interests is welcome to us if it favours the progress of the Community. When these interests are present, Community activity is strong, even if also often shot through with controversy. Where they are lacking, Community life is often also faint and undeveloped and progress meagre and arduous. Each member country brings with it into the Community a number of individual interests which have to be defined precisely and which its membership of the Community serves. For example, the importance which one country attaches to the common agricultural policy, another may attach to the common trade policy. Naturally, the advance towards the full implementation of the Treaty is uneven, because more energy is expended in some sectors than in others. In order to avoid this piecemeal advance, the method known as synchronization – the amalgamation of various Community decisions in a single comprehensive decision – was tried out in 1963. Largely because of special circumstances, the results were reasonably good. The various Community decisions are indeed related, and to this extent it is legitimate that member countries should make use of such relationships in the Council of Ministers in a spirit of give and take. The danger with this method of *prior conditions* is, of course, that its negative effect – its restrictive effect – may predominate. For this reason the procedure adopted last year should remain an exception, and in principle the Treaty should be implemented without the reciprocal posing of conditions. The necessary overall balance will be achieved when the Treaty is fully implemented.

It can also happen that the self-interest of all member countries coincides with the Community interest. This is the ideal case. The most recent example, in an urgent and vital matter, is the struggle against inflation.

A third factor controlling the pace of integration is the number of staff which the Commission is able to employ. The right of establishment, the harmonization of laws governing the exercise of particular trades and professions, the completion of the customs union, and indeed the common trade policy, would have advanced further if the Commission had had the necessary staff. There is no question here of an imaginary shortage, or of bureaucratic "empire building", but of requirements based on the actual state of affairs and, indeed, on the Treaty, and which have already been reduced to a minimum. The fact that it is not possible to provide the Commission with this necessary staff, or even to discuss the matter factually in the Council of Ministers, leads to the conclusion that the present budget machinery does not work. The Commission will therefore continue to press for an improvement in the budgetary system.

I also blame the Statute of Service in its present form for the inadequate staffing of the Commission. Certain parts of this Statute, in particular the arrangements for recruitment, are unworkable and need overhauling. Unfortunately, the Commission's proposals for improvements have so far been bogged down in inter-Executive procedures.

### **The Commission's three tasks**

Whatever the rate of progress in the various sectors, however, the Commission last year fulfilled the threefold task which the Treaty lays upon it as guardian of the Treaty, arbitrator between the interests of the member States and of the Community, and initiator of the Community's development.

As guardian of the Treaty, the Commission instituted proceedings in 21 cases against member Governments which, in its opinion, had infringed Community law. It has brought three cases before the European Court of Justice. In one of these it was able to withdraw its plea because the member Government concerned had meanwhile rectified the position; the others are still pending. For last year, too, I am able to draw the same gratifying conclusion as in earlier years - that the member Governments, despite occasional irregularities, are abiding by the Treaty in the letter and in the spirit, and that differences of opinion are fairly evenly spread over all the member countries.

The Commission's activity in its rôle as an arbitrator between member countries is difficult to express in figures. Of the 113 regulations, directives and decisions which the Council of Ministers adopted in the year under review, a great number would doubtless never have seen the light of day if the Commission had not striven constantly for compromise. The arbitrator's rôle naturally does not mean agreeing at any price. Where the responsibility for the Community interest and practical requirements have made us consider it necessary, the Commission has continued to press for the acceptance of its proposals even after the Council of Ministers, or a part of it, has arrived at other opinions. I am thinking, particularly, of the debate on grain prices of June 2, 1964.

In its rôle as the prime mover in the Community, the Commission has submitted to the Council 125 formal proposals and 53 other communications during the year under review. The Commission itself has also issued 77 regulations, 2 directives, 98 decisions and 17 recommendations.

### **The supremacy of Community law**

I conclude these general remarks with a glance at the highly important legal aspect of our situation. With the progressive establishment of the Common Market, Community law is assuming an ever greater and more conscious rôle. The increasing number of cases in which national courts have to apply Community rules and in which they find themselves obliged to seek an interlocutory judgment from the Community Court of Justice as to the validity and interpretation of Community law is an obvious illustration of this development. For the Commission, too, which was entrusted by the Rome Treaty with the task of watching over the observance of Community law, this again brings up the basic question of the proper relationship between Community law on the one hand and the national law of the member countries on the other.

The European Court of Justice, which has the last say in legal questions concerning the Community, has called the Community a "new legal system". In fact it can be defined as a system of legal principles complete in itself and exercising independent and final authority in its allotted sphere. I hardly need to point out that such a system of law is as little at home within the confines of traditional international law as in the national legal systems. This new system, with its field of application extending beyond the individual national territories and the potential impact of the acts within its competence affecting citizens of all the member countries, can be understood neither as an appendix to the national legal order nor as merely a bundle of inter-state arrangements. All this has been said before, but ideas on what this Community legal order means in detail have found less complete and uniform acceptance. The Commission's opinion on this point can be summed up as follows :

First : the legal acts of the Community bodies can be defined, examined as to their validity and interpreted only in terms of Community law. Trying to fit them into national legal systems involves the danger of misunderstandings and wrong conclusions. Thus it is obviously misleading to describe Community regulations as derived rules of law applied on the strength of authority delegated from the real lawmaker.

Secondly, the Community's legal system is, on the other hand, dove-tailed into the law of the member countries in a great variety of ways. Official bodies, administrative authorities and courts in the member countries are increasingly applying rules of Community law. This interplay of two legal systems is not without precedent. Federal associations of various types and degrees offer examples of it. Here the rule that each part can lay down valid law only in the sphere of competence allotted to it, or which it has retained - a rule which also applies to our Community - avoids constant conflict between different legal systems. If, however, an overlap of competence should sometimes arise and there should be a clash of valid rules apparently requiring equal respect, it necessarily follows from the character of the merger that the law of the superior association takes precedence - but, I repeat, only in its sphere of competence.

Thirdly, this order of precedence means two things above all : that the rules of Community law come first, irrespective of the level at which the conflict occurs; and that Community law not only invalidates previous conflicting, national law but also debars subsequent national law. Both these rules of conflict are part of that solidly entrenched body of law applied in comparable cases. Without them, to acknowledge the supremacy of Community law would be no more than a courteous gesture, carrying no obligations. In practice, member countries could do with it what they liked.

Fourthly, and in support of the above, the order of precedence we are discussing must be a single comprehensive one, valid for the whole of the Community. Any attempt to define the order of precedence severally, to take account of the idiosyncrasies of individual member countries, their constitutions and political structures, runs counter to the whole process of European integration, and thus to the fundamental principles of our Community. The Commission regards this question as crucial.

## **2. SPECIFIC PROBLEMS**

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### **Completing the customs union**

After these general comments, let me now turn to some of the specific problems of the Community – to the customs union, general economic policy, agricultural policy and commercial policy.

In 1963, the Community took another major step towards the customs union, which is the real basis of economic integration; this was done as a result of the provisions of the Treaty and of the political will of each of the Governments. The first of the three cuts in intra-Community customs duties required during the second stage of the Common Market brought member countries' duties down to 40 per cent of their old levels, except for a number of agricultural products, where tariffs are now at 55 per cent of their old levels. The reductions required by the Treaty over the next 18 months will bring internal duties down to 20 per cent of the starting figure. This raises the question (now under discussion in the Commission) whether the remaining 20 per cent should not also be removed during this period in order to eliminate customs duties completely. If this were done, the common external tariff would have to be put into effect at the same date, which would mean carrying out the third alignment of member countries' national tariffs on the profound common level. This would keep up the pace of the alignments made to date. The customs union would then be completed by the *beginning* of the third stage of the transition period.

Such an operation would affect the member countries in different ways. For one the main concern would be increased imports, for another, changes in protection in relation to non-member countries or repercussions on the balance of payments.

The common benefits are obvious. Not only would this be further proof of the Community's vitality: it would also put an end to uncertainties about the European economy. Our friends outside the Community would be sure of the form of the European customs union confronting them. Most of all, the establishment of the common external tariff would be of inestimable value in the Kennedy Round. Our negotiating partners could then be certain that all tariff cuts agreed with the Community would indeed be fully applied as negotiated, and not partially applied in accordance with some complicated system of alignments.

Lastly, the completion of the customs union would give a decisive stimulus to economic union. A situation would be created in which progress in this field would become essential. The political need would be obvious (I am thinking of the questions of agricultural policy still outstanding), and so would the economic need: the final integration of the member countries' economies would be a strong incentive not to put off other measures, particularly measures of common foreign-trade policy, monetary policy or economic policy.

During the period under review, advances were made in other spheres as well as in removing restrictions on the movement of goods. Freedom of movement for workers has already been largely achieved – a highly significant fact in view of the considerable movements of labour within the Community. Now that the free movement of capital within the Community has also been largely achieved, the need for a unified capital market among the six member countries is making itself felt. The European economy is destined to take its place as an entity of world stature, and this means that its financing capabilities must be commensurate with its importance, particularly once the Kennedy Round is over, when it will have to meet American competition. Our foreign trade figures show that our competitors are not idle.

### **A common economic policy**

We come now to economic policy. Our society tolerates neither complete uncertainty, nor excessive preferment of one person to the detriment of another, nor direct state control over private economic activity. But all free modern Governments exercise indirect control over the economy through monetary and economic policy, and their intervention has become a cardinal feature of our society. As a single economic body is rapidly taking the place of the six economies of the Community countries, this control must also be affected at Community level. The Common Market Treaty recognized this need.



The first elementary steps towards this goal were taken in the year under review. The Council decided, on the basis of proposals put up by the Commission, to improve monetary and economic cooperation among the member countries, by legislating for consultation on changes in exchange rates, by setting up a committee of Central Bank Governors and – most important of all – by adopting a medium-term economic policy, thus giving the Community an instrument, new to some of the member countries, with which to master the difficult economic problems of the day. The Commission, acting on a resolution of the European Parliament, also worked out recommendations at the beginning of April, 1964, aimed at re-establishing the internal and external equilibrium of the Community; these recommendations were accepted by the Council soon afterwards. The main points of this program are the restriction of total demand (particularly government spending), credit curbs, an incomes policy to maintain a balance between productivity and the rise in incomes, and a liberal import policy. The member Governments have already begun to carry out these recommendations.

However positive this first step may have been, recent months have nevertheless shown clearly once again the dangers of any delay in attaining full economic union. In some member countries marked inflationary tendencies have appeared, while in others prices have remained relatively stable. As protection between the member countries has been greatly reduced, these differences have given rise to extensive movements of goods, which entail great difficulties both for countries with a balance-of-payments deficit and for those with a surplus. If the degree of integration already attained is not to be sacrificed, these difficulties can only be resolved by taking a determined step forward – by introducing a common economic policy for the Community. This is widely recognized.

A hard job remains to be done. Admittedly, the member countries all have a fundamental interest in this common policy. But we must be prepared for the possibility that the member states may attempt, as far as they can, to circumvent or postpone a Community solution. We do not doubt that the right course will eventually be followed. The close links between the movements of internal tariffs and the external tariff on the one hand, and changes in balances of payments, foreign-exchange reserves, the amount of money in circulation and government fiscal policy on the other, are already clearly evident. Necessary changes in some spheres for which there are already Community arrangements – tariffs, for instance – may have entirely different effects in the different member countries; they may be welcome in one and most unwelcome in another. Community action in one of these fields demands Community action in the others, and the willingness to make such action possible.

## **Grain prices and the Kennedy Round**

Agricultural policy, too, has claimed much attention during the twelve months covered by the report. Thanks to excellent teamwork between Community institutions – a Commission initiative followed by a decision of the Council of Ministers – market organizations for three more basic farm products were approved in December 1963. This brings by far the greater part of farm output under Community control.

The agricultural market organizations which already existed previously have also proved their worth in the year under review.

There is no denying that they are highly complicated. But the process of European unification has no special claim to perfection, and it is unquestionably wiser to mobilize the ingenuity of experts for a peaceful Community farm policy than for wars and bloodshed. Moreover, the market organizations will become a great deal simpler once the prices of the basic products, particularly grains, have been harmonized. When this happens, a whole stack of regulations and hundreds of levies will become superfluous.

As the Commission announced in its Action Program, work on common policies for the farm products not yet subject to Community control is continuing.

The Commission has often had occasion to stress that this major activity is, however, only part of its task. The second part of agricultural policy consists of fixing prices. Agreement on Community prices would achieve a twofold objective: the single Community market for agricultural produce envisaged in the Treaty would be brought into being, and the future course of Community policy,

as applied by the agricultural market organizations, would be known. In November, 1963, the Commission made a proposal, backed by the European Parliament, for the most important of these prices – for grain – which offered an efficient way of settling the whole issue quickly and in one operation. This proposal embodied a fair compromise for all concerned: purchase of agricultural surpluses out of a Community fund and payments to farmers by the Community to offset fully any loss of income caused by rapid price harmonization.

The Commission had to conclude, however, that there is no general readiness in the Council of Ministers to align prices in 1964. All that has been agreed is that the Ministers will consider the question once again before the end of the year, and this, in the opinion of the Commission, is the very least that must be done. If no common grain price is agreed soon, we can expect progress in the common agricultural policy and in the Kennedy Round to come to a halt.

This second consequence – the blocking of the GATT negotiations – is disputed in some quarters. It is implied that the Commission sees a causal relationship where none actually exists. A common grain price, it is asserted, is not demanded by the Americans. My answer is this: it is true that our American partners in the negotiations say that a common grain price, while it would be helpful for the Kennedy Round, is not a decisive factor. On the basis of this argument they defend their negotiating position, as they are perfectly entitled to do. It is no secret that their aim in the Kennedy Round is quantitative control of access to the Community market. Even as part of such an arrangement, the grain price will of course be one among several important factors. What is more important, however, is that the quantitative solution is not acceptable to the Community: it would run counter to the basic principles of the Community agricultural policy long since agreed by the Six at the cost of so much effort. Essential to these principles is the control of farm output by prices and the dismantling of all other previously-employed *dirigiste* methods (government trading, quotas, compulsory mixing regulations, for example). And the Council of Ministers on December 23, 1963, unanimously adopted terms of reference for the Commission in the Kennedy Round negotiations based on this fundamental conception. Since we also feel that, in order to preclude discrimination by the importing countries against the exporting countries, all agricultural protection devices – and not only import policies – must be laid on the negotiating table, the keystone of our proposals is the ascertainment and immediate binding of the “support levels” which are the criteria for respective protection arrangements. For the Community, this means the difference between the world price and the Community price.

The fundamental significance of Community grain prices for the Kennedy Round as a whole is thus clear. At the request of the Americans, both industrial and agricultural tariffs are being negotiated. If grain prices are not fixed, the negotiations could only succeed if the Americans were to abandon their position on linking industrial and agricultural trade, or if the Community rejected the fundamental tenets – so laboriously hammered out – of its agricultural policy, and replaced the negotiating instructions of December 23 by a new unanimous Council decision. We see no prospect of either alternative. These factors have made it impossible for us to be satisfied with the Council decisions of June 2.

### **Foreign relations: a successful year**

Lastly, in the field of commercial policy, progress has been more satisfactory. The association agreement with Greece has come into operation. A similar agreement with Turkey was signed in September, 1963, in Ankara and is now being ratified. The first phase of preliminary conversations with Austria has been completed, and the Commission has reported its views to the Council. The Community has agreed on regular contacts with the United Kingdom within the Council of Western European Union. These meetings have now taken place on several occasions with the Commission participating in the discussion of economic questions.

Trade agreements were signed in October 1963 with Iran and in June 1964 with Israel. Exploratory talks on relations with the Community have been held with the Lebanon, Tunisia, Algeria and Morocco. The Commission also holds regular meetings with the diplomatic representatives of Latin-American countries. Finally, it is studying the possibility of a trade agreement with Japan, and, at the Council's request, it is drafting proposals for a Community policy on trade with that country.

The United Nations World Trade Conference has shown that, although there is a certain consensus of opinion among the Six on the broad lines of a solution to the problems of the developing countries, the Community is still not finding it easy to work as a single body in these matters. The Community will not be able to translate its positive and understanding attitude into action until it decides to adopt a common policy in this field also.

The Kennedy Round also formally opened in May, 1964, after somewhat protracted preliminary talks. On December 23, 1963, the Council of Ministers – in accordance with the Treaty rules – gave the Commission a mandate to conduct the negotiations on behalf of the Community. Progress has been made on the disparity question, where the Community has been particularly watchful to see that harmful repercussions to European trade are avoided as far as possible. Work has begun on the list of exceptions to the proposed customs reductions – a crucial topic for the outcome of the negotiations. Naturally, the success of the Commission's efforts to keep this list short and reasonable will depend on whether satisfactory results are obtained in the other fields of the negotiations – on disparities and non-tariff obstacles to trade.

### **Slow progress on trade policy**

Alongside this impressive list of countries, of negotiations and of Community treaties, less striking progress has been made in the task of establishing a Community external-trade policy.

The Community has now entered the second half of the transition period, but, despite the perfectly adequate foundations provided by the Treaty, the greater part of the work in this field is still to be done. The Commission, like the European Parliament, makes no secret of its anxiety on this score. In the program for a Community trade policy approved by the Council in September 1962, the Community possesses firm guide lines for action in this sphere. But the Commission's subsequent proposals did not elicit any Council decisions in 1963. Early in March 1964, therefore, the Commission again submitted to the Council its suggestions on how trade policy could be gradually put on a Community basis and emphasized the urgency of the question.

The practical difficulties which have brought progress in this field to a halt are not insuperable. The material problems are considerable, but perfectly capable of solution. What has struck the member Governments as a new and radical development is rather the emergence, in response to the Treaty, of a measure of common European foreign policy. In this context, member countries feel the effect of integration on their national domains with particular force. Objections and reservations are therefore stubborn and numerous. However, in the sixth year of the Community's life, this hesitation over integration and interdependence, which in many other fields are already realities, is an anachronism. Failure to establish a common trade policy also runs counter to Community interests, and will pose serious problems in the long run for the member countries which have particularly substantial interests in external trade.

### **3. THE COMMUNITY'S CONSTITUTION AND POLITICAL UNION**

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#### **Political union will grow out of economic union**

Finally, I want to turn to the Community's constitutional problems and the more general problem of "political union", to use the expression that has now become a slogan. On this point discussion during the year under review has been unmistakably more lively. This is mainly because with the further progress of what is known as economic integration, it is now generally realized that we are concerned in practice with an eminently political phenomenon. The deep interest taken by the Federal German Chancellor in this question has certainly done much to keep the topic to the fore.

It is common knowledge that "political union" involves two differing but interrelated sets of problems. The first is the extension of the partial political union – economic and social union – already attained within the European Communities, to other fields: defence policy, foreign policy (the economic aspects of which are already unified in the European Economic Community) and cultural policy. The institutions of the European Economic Community have, it is true, no direct formal right to a say on these matters, but they do have a well-founded interest and also a share of the responsibility. Precisely because we are incontestably a part, the first embodiment, of European unification – which must be regarded as an indivisible process – we must insist that the next steps follow systematically and that no cracks, buckling or warpings develop to impede progress in building the rest of the edifice. The Commission has therefore always said that it favours the extensions of integration to the other fields as soon as humanly possible; however, as we extend integration in this way, the European heritage enshrined in our present Communities must in no circumstances be impaired – we want to go forward and not back. Experience has taught us that real success can only be expected in extending integration if the new plans represent a genuine, independent embodiment of the Community's interests. Only in this way can the danger of compromises at the level of the lowest common denominator be avoided. Of secondary importance is the question whether the extension of integration to other fields should be undertaken by entrusting additional responsibilities to the existing Community institutions or whether the procedure followed for the original Treaties of Rome should be adopted and new structures set up whose merger with the old institutions would depend on subsequent developments. The choice between these two courses can be postponed until the moment when the problem is tackled, and it can then be made in the light of the prevailing political situation.

As for the chances of plans for extending integration being taken up again, only one thing is certain: there is no better way of improving the prospects for such a "*relance*" than by the success of the existing Communities. Economic and social integration may not automatically prompt its own extension to other fields, but it does engender an inner propensity to such extension. You cannot place trade policy – which is such an important part and instrument of foreign policy – on a Community basis without this having consequences for foreign policy as a whole. You cannot put together piece by piece an economic and social policy – the most important area of domestic policy – without creating lasting arguments in favour of more and more joint action.

The result is to create a strong and constantly growing psychological causality.

#### **The merger: strengthening the Community**

We are directly affected by the second aspect of political union – the improvement and strengthening of the Community's constitutional machinery. The past year has seen a new development in this field and it looks as if others will follow.

The Council of Ministers has held consultations on a merger of the Executives of the European Communities. This represents belated action on a proposal made by the Dutch Government as long ago as 1961, and on the repeated suggestions of the three Executives themselves (the Common Market and Euratom Commission and the ECSC High Authority), made with the overwhelming approval of the European Parliament. Our suggestion has already been accepted that initially only the merging of the still separate institutions should be considered – the Parliament and the Court of Justice are, of course, already common institutions – and that the harmonization of the Treaties themselves, that is to say of the functions of the institutions as they derive from the Treaties, should follow shortly after. We expect that the experience which the single Executive will gain from administering the three separate Treaties will be the most important guide to the actual amalgamation of the Treaties – the “merger of the Communities”.

Talks on details have made good progress: the concept is simple, the more so since the administrative consequences of the procedure adopted (the “merging of the Administrations”) must be worked out by the single Executive itself. Basically, only three questions remain to be settled: the seat of the institutions and of the administrations, the number of members of the single Executive (9, 14 or 15), and the rôle which the European Parliament will play in the new, single Community.

On the question of where the Community’s headquarters should be, we can only stress that the teamwork of the institutions and administrations must not be impaired.

As to the size of the new Executive, the Common Market Commission has come down emphatically in favour of a 9-member body, and in this it has been supported by the European Parliament’s resolution of October 20, 1961. Since for several reasons the question is still controversial, I will briefly outline once again the reasons for our view. In our opinion there is only one criterion, and it must be determinant: that is, the highest possible degree of efficiency in the operation of the institution. The essential task of the Commission, on the successful fulfilment of which Community stands or falls, is to present the Community interest in its fullest and purest form. Experience has shown us that – within human limits – this is possible with nine members, though it does not come easily: it costs each one of us unremitting effort. We are very much afraid that a 14-member body might prove more cumbersome; that the actual day-to-day application of the collegiate principle – mutual responsibility in all matters – would be hampered, if not made virtually impracticable. Moreover, the members might develop independent responsibilities in specific fields; internal groupings, political or regional, might develop and the body might become more of a senate than an executive. This would lead to technical compromises between groups, whereas the real need is for concrete decisions based on the Community interest. We are told to look to the example of national governments. But a national government, whose psychological integration is self-evident, is precisely what we are not. It is simply too early to imitate the organizational structure of a national government. Finally, we are confident that the burden of work awaiting the single Executive can be borne by nine members.

On the future status of the European Parliament, the main question is what must be achieved when the Executives are merged and what should be postponed until the Communities themselves are merged. The Commission has always supported the aspirations of the Parliament for greater powers. This applies particularly to the demands made by the Chairman of its Budget and Administration Committee for strengthening the Parliament’s budgetary powers. This is a question of vital importance, which is unquestionably bound up with the merging of the Executives.

The relationship between the Communities and the problems which are embraced by the notion of “political union” can be summed up successively: there is no road to political union – or rather, if we may now be more precise, to European federation – which can circumvent the “economic” Communities; they are essential stages on the journey. This means that, if the Economic Community fails, the political community will be a lost cause for our generation. It also means, and this is no less important, that as long as the European Community lives – lives as what it is, a dynamic force constantly renewing itself – so long will there be real prospects of European federation.

That is the significance of the European Communities for the political future of Europe. But it

would be a disastrous inversion of political logic to deduce from the obvious relationship between economic and political integration that the achievement of political integration is a pre-condition for the survival of economic integration. That would be an argument savouring of Baron Münchhausen, who claimed to have pulled himself out of a bog by his own forelock. Economic integration is the source of political integration, but political integration is not the pre-condition of economic integration.

We owe our achievements in great measure to the youthfulness of our Institution. I cannot resist the temptation to apply to ourselves the moral of a story told recently by the Rector of Strasbourg University at the Jubilee of my own University, the Johann Wolfgang Goethe University in Frankfurt: Descartes was asked by a friend to which University he should send his son, to X, Y or Z. He answered: "Send him to Z. It is the youngest of the three: it hasn't had time to go bad."