

"1963 - year of trial"

Address

delivered by

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The title which I have selected for this address will surprise some of my friends whom I recognize here, and will surprise even more those who know me less well; they may find that it smacks somewhat of a theological approach. Please therefore believe me when I say that today as always nothing is further from my mind than to strike an attitude - let alone a false attitude, which is one of the greatest dangers in the appreciation of political facts. I merely intended this title as a pointer to a factual situation which must be taken seriously. I mean the situation in which the European Communities - the embodiment of the movement for European unification - at present find themselves. They, and in particular the European Economic Community or Common Market, which is the Community I represent here, have so far been at the teen-age stage and they share with that charming phenomenon the two characteristics of immaturity and precociousness. Immaturity because, as you know, we are approximately half-way through the preparatory stage of the European Economic Community for which the Treaty at least allows a twelve-year period. Precociousness, since we have developed more rapidly than was expected by those who put us into this world - and here I am referring to the way in which we have been able to speed up our programmes, not only in the technical questions relating to our customs union, but also in many aspects of our common policies. In selecting my title I simply meant to indicate that the six months ahead of us - and perhaps a few more after that - represent a period of particular interest, but also an unusually complicated and specially difficult one. I do not say this in order to dramatize or to spread alarm. For I believe that if we show sufficient imagination, intelligence and resolution we can, in this brief period which lies ahead of us, master all that we have to do. I believe that we shall succeed.

My mind's eye, therefore, is fixed on this very near future. I shall say little about the past, but I shall have to bring out the starting position of our Community both internally and externally in order to show you the condition, as to both form and substance, in which we are preparing to tackle the tasks ahead of us.

I

A word, then, about the internal situation of our Community.

1. As you know, we have been incredibly fortunate. We have been helped by the favourable economic situation and we in turn have helped to keep it favourable. By merging the six national economic policies we have made it possible for our combined policy to reinforce the underlying trends of recent years. This has produced a kind of reciprocating action, the result of which is reflected in certain figures.

- a) Since the foundation of our Community, its gross national product has risen by 24%, reflecting an average annual growth rate of 5.5% - considerably higher than anything we find in comparable civilizations or economies, especially those of the United States of America or Great Britain. In the same period industrial production has risen by 37%, which amounts to an annual average growth rate of 8.2%, and internal trade has almost doubled, at an annual average growth rate of 19% - the best known of all these figures.

Since we, the Community organ, do not ourselves engage in business but only collate public intervention in business activities, none of this would have been achieved unless the business world itself had responded to the challenge of the establishment of the Community, unless trade and industry in all six Community countries had made full use of the new openings offered them. They did so in the field of investment; they did so by broadening the structural basis of industries through mergers and by taking over other enterprises; they did so through a high degree of specialization in their production programmes; they did so through a policy of linking enterprises across national frontiers by setting up subsidiaries and sales organizations and by using other firms' marketing networks

and so on. And all this applies not to large enterprises only, but to all levels of trade and industry. No one will ever be able to tell just how far this has been caused by the collation of economic and social policies in our Community.

- b) What are the technical features of this collation? It is, if you will allow me the simile, like a three-stage rocket.

The first stage is a customs union - and you know that a few days ago we brought internal duties down by 60%, that is to say to 40% of the rates with which we started in 1958, and that we have also completed a second alignment on the common external tariff which encircles our customs union. By so doing we have maintained the increased speed with which we are building up the union. That, then, is the innermost core.

This in turn is embedded in something which, in the jargon to which we have become accustomed in these European matters, we call economic union: that is to say, in addition to facilitating trade in this area through the elimination of customs barriers, we are establishing the four further freedoms of which you have all heard - freedom of workers to move where they like, freedom to move capital, freedom of establishment for any entrepreneur in any other member country, and freedom to supply services. In all those areas where the market economy does not apply or does not apply fully, we collate, we pool or, if you like, we merge the policies of the various countries. We now have a common European cartel policy. The business world needed a little time to get used to this, but the number of notifications with which we are now being flooded in Brussels as a result of this European cartel law shows that this facet of the common European policy has fully come to life. As you will remember, the instruments of a common agricultural policy were laboriously forged eighteen months ago. A common transport policy is in gestation.

- c) All this involves an institutional lesson which I should not like to let pass without comment. I mean the lesson that

European institutions have been made to work. To do what? Well, to bring into line, by a continuous, gradual process of conciliation, the different and at times conflicting interests which must be harmonized in this Community, and to fashion into genuinely effective tools the institutions responsible for this process. They must be no less effective than the national organs which have hitherto been in charge of these matters. As regards their internal structure, too, our institutions have succeeded in developing in such a way as to give the lie to all those who believed it would not be possible to bridge the gaps between the different ways of thinking, traditional approaches and national preferences within this newly established administration. That is indeed a major task, for between Schleswig-Holstein and Sicily we find a host of different ways of tackling the problems of social and economic policy, and even more differences in the purely technical methods used by administrations which aim at efficiency. We have succeeded in this and we can say with a certain measure of pride that our administration in Brussels has mastered the problem. We do not have an army of officials. Our administration is small when compared with the national administrations whose functions it is in part assuming. Nor must we forget that of the 2 000 officials of my own Commission, for instance, one-third are engaged simply in doing the work which arises from the international character of this administration. We have four official languages. All documents must be translated into these languages and duplicated, and although we use the latest available techniques to cope with these things, they nevertheless absorb a great deal of our energy. Of these officials not quite 600 are in our upper or administrative class and of these just under 200 are entrusted with original work on policy matters. When we consider that this staff has to serve a total of eight Directorates-General which deal with the various aspects of economic and social policy, we will realize that there are not many for each individual field. Let me only remind you of cartel policy, a field in which the particular difficulty of the tasks makes it essential to have a staff composed of university

graduates, or of the Directorate-General of Agriculture, whose job it is to get the European market organization moving, or of social policy, transport policy, development policy and general economic and financial policy, all of which must master quite exceptional tasks.

- d) I now come to the third stage of our rocket: let us not forget that this venture of ours is already political in character. I have said it time and again and I will repeat it this morning and as long as there are still some who do not understand: this venture which we call economic integration is not a process to prepare for political integration, it is itself a piece of political integration. Our method is not, after all, to merge our own enterprises, to bring about the fusion of European trade unions, to set up European consumer organizations, but to collate all intervention by a State in economic affairs, all moves by a State which affect the actions of businessmen, workers and consumers in Europe. The key to all this, which of course has economic consequences for the behaviour of economic man, is to be found in the unification of efforts hitherto undertaken separately in the six capitals - unification in one organization, one Community, in which the members recover, through their place and their vote in the organization, all they handed over on becoming members. This needs to be said because it sheds light on the question of what really still remains to be done to complete political union, if I may use a cliché that has become fashionable. Viewed in this light, the question is easy to answer. To the political union which we already have, and which is a political union in the economic and social spheres, must be added a corresponding development in the fields of defence policy and foreign policy proper. When I say foreign policy proper - in fact I could have used the term diplomacy - I mean to make it clear that economic foreign policy is already covered by our Community. Commercial policy is already a Community matter. During the transition period, it is evolving gradually,

but from 1970 onwards there will be only one commercial policy for the whole Community.

This, then, is roughly the internal position of our Community today. This is the condition in which our Community now faces the trial of which I propose to speak. What does this trial consist of, where must we prove our strength, what are the difficulties we must overcome?

2. Internally, the difficulties in which we must face a trial and not be found wanting are of two orders: the one is psychological, the other substantive.

a) The psychological trial we must face internally is caused by the effects of the near-crisis which our Community experienced after the interruption of the negotiations with Great Britain. That event has left in its wake psychological conditions which in recent months have impaired the functioning of the Community organism. From the outset my Commission has endeavoured to remain a centre of stability in this situation. We were beset by a twofold anxiety: in the first place we felt concern at the potential threat to what had already been achieved in connection with European unification, and secondly at the possibility of our venture being brought to a halt. Either of these dangers, had they materialized, could have spelt the end of our Community. They have not materialized - in the Member States no less than in the Community organs the resolve to preserve what had been achieved outweighed the effects of what had occurred. This was reflected in the Council of Ministers of our Community (the organ in which the member Governments speak) and found particular expression in the programme which M. Schroeder, the German Minister for Foreign Affairs, has submitted and which is still under discussion. Part of this programme has already been completed. It is based on the felicitous idea of synchronization, on the idea, first, that

the disappointment which many feel must not be allowed to arrest the progress of our Community and, secondly, that such progress must be harmonious. Both these concepts are in full accord with our own - the Commission's - objectives. By this approach the Community has been enabled to set about the greatest task facing it, a task of which I shall have more to say presently. I refer to the negotiations with the United States to lay the foundations of an Atlantic partnership. At the same time a plan for further progress in the common agricultural policy was drawn up. Other problems are still unsettled and we hope that solutions may be found for them in the near future. That, then, is the working programme of the Council.

- b) As for the Commission, it created last autumn an instrument which enables it to take the measure of its own tasks and to set the timing of its own actions. I speak of the Action Programme of the Commission. We drew up this Action Programme because it provides our Parliament with an excellent means of checking the Commission's work - as you know, the Commission is responsible to the European Parliament only and can be removed from office only by a vote of no confidence adopted in that Parliament. By studying the Action Programme the Parliament can see whether the Commission has done what it has itself described as its duty. At the same time the Action Programme serves as a working instrument for the Governments of the Member States, as we saw when the working programme of the Council was drawn up. But it is also - and I am anxious to make the point clear to this audience - a guide for the general public, a guide with the aid of which the public can gauge whether our Community has been making the progress which the executive organ had stated to be both necessary and feasible.

Turning to the details of the practical problems which the Community has to face internally, I find the difficulty which I always find when speaking on this aspect of our work. I

must ask myself how much I can leave out without distorting the picture. I believe it was Liebermann who said that the art of painting consisted of leaving things out. But to him as to us the problem is what can be left out if the resultant picture is to correspond to a reality which is after all very complex and many-sided. I will just touch upon three or four important and typical chapters which keep us busy.

aa) One is the internal market. After all, the objective of our European Economic Community is to establish amongst the six countries economic and political conditions resembling as closely as possible those of a national market, in other words to establish a common market. Indeed, over and above this it is our aim to merge the economies which existed in the various countries as they came into the Community. As I have said, we have made considerable progress along this road by removing those barriers which have so far been most effective in separating the six national economies - I mean customs duties. The further duties are reduced, the clearer it becomes that customs frontiers are not the only ones to divide national economies; but these other kinds of barrier have not been visible hitherto because the customs frontiers provided a higher degree of protection and the lower barriers behind them did not come into play. The contours of these obstacles are now becoming visible. The various countries have evolved a surprising array of means by which economic protectionism can be kept alive. These include charges resembling customs duties, which can produce effects practically identical - down to the smallest detail - with those of customs duties proper. They include hidden measures of quantitative control such as licences or certificates of origin; veterinary control, with which a great deal can be done to keep out imports which might otherwise get in; food laws, plant health control, and so on. And

above all, of course, there are the tax frontiers. Through tax policy anyone can perpetuate differences in conditions of competition within a unified economic area such as the Community is supposed to establish, is supposed to be, and through these differences can protect his own national economy. All these things must therefore be tackled, and they are being tackled. They are being tackled with increasing vigour - and that is why the point is mentioned here - as the disappearance of customs protection enhances their importance. We have therefore done a great deal of spadework, for instance, in the field of tax harmonization and have quite recently shown considerable activity. This, by the way, has fallen on fertile soil with the Ministers of Finance of the six Member States - much to our satisfaction. Co-operation in this field has been matter-of-fact and close.

- bb) Another point I should like to mention, one that is giving us some headaches, is that of longer-term forecasting. You know that the ideas which the Commission put forward on this subject in its Action Programme have become the subject of discussions which have at times suffered from a touch of dogmatism, of overstatement. On the whole we in Brussels are not dissatisfied with the stage this discussion has reached in the various countries, including Germany. The problem has been raised and there has been useful discussion of it in various bodies. I do not propose to take up the discussion again here, but I should like to add only one aspect which seems to me to have been somewhat neglected in the public discussion of the subject in Germany. When this problem of longer-term forecasting is talked about, it is often treated as one which arises for Germany only. Those who do this mostly forget that the angle from which we in Brussels approach the problem is not identical, and cannot be identical, with

the angle from which it is seen in any particular capital in our Community. What I mean is this: our Community has a federal structure. Not even the most enthusiastic Europeans ever aimed at a centralist European State. The concept which has already to a large degree been translated into reality in the economic and social sphere - the sphere in which our Community lives - has always been that of a federal state. But this of course means that we must respect those differences amongst the Member States whose abolition is not absolutely essential to our overall success. Well, in our Community there are Member States which have already instituted forecasts of this type, and which even link them in one way or another with the idea of planning. France and Holland are examples. In this as in other contexts our aim must be to reconcile this kind of national economic policy, which is a matter for decision by the Member States, with that other method which for good reasons has been evolved in the Federal Republic of Germany. This is our objective, and I think we will find that it is an objective which can be attained. Nobody is thinking of using these longer-term forecasts to introduce a kind of planned economy or centrally administered economy such as Eucken had in mind, or an economy on the eastern model. To put it in other words: nobody intends to let "dirigisme" triumph in the Community. Nobody is thinking of making such programmes binding upon the individual entrepreneur. Where such programmes are elaborated they bind only those who draw them up, in the same way as a Government declaration of policy or a party programme binds that Government or that party. It is an announcement of what we propose to do, so that everyone should know, everyone should be able to make his arrangements accordingly, to criticize and - if he can - show good reason why the programme should be changed. We shall always have an open mind in that respect.

cc) A third and very important point on which we have taken action recently is a common monetary policy. It is a point

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of particular importance, although the Treaty of Rome only touches upon it without going into any detail. Altogether, the Treaty of Rome has something in common with certain works of classical art which were not quite completed, in which some parts were finished down to the smallest detail whereas others were hinted at or sketched in; one of these is monetary policy. We have now proposed a joint organization of the heads of Central Banks, consultation before any changes in the rate of exchange, the inclusion of external monetary questions in the terms of reference of the existing Monetary Committee, and the establishment of a committee for the confrontation of budget policies in the Member States. This last idea already takes us into the field of cyclical policy. I do not say this to be technical, in order to blind you with science, but to show you the profound effect which the emergence of our Community has had in all these fields. It is in fact a transformation which goes far deeper than the superficial observer will notice. It is not merely a change in the rates of duty or the removal of thousands of miles of customs frontiers, but a genuine coalescence of Government functions in the economic and social fields and therefore a political coalescence.

dd) And finally the hardest nut of all: agricultural policy. It is important not only because it affects one-quarter of the total population of the Community - which evidently is a matter of political significance - it is important also because, in all our countries, we find highly developed protectionist farm policies, and because to certain countries in our Community farm policy is a matter of life and death, so that for them the inclusion of an agricultural programme was decisive for their acceptance of the Treaty of Rome. A beginning has been made with this policy. We have laid down its basic principles, and have laboured hard to forge the tools, the machinery with which to put through this common agricultural policy. It now remains for us in the immediate future to round off our work by establishing a common

organization of the market in fields where they do not yet exist; and spelling out the policies which these tools are to serve.

And so we come to the cardinal issue of our agricultural policy - an issue which we cannot evade and which we therefore shall not evade. It is the problem of grain prices. We all know how great that problem is. It is of major internal importance because grain prices have a direct effect on the incomes of our farmers. But we also know that they have a direct effect on the volume of agricultural production and here the spectre of over-production immediately raises its head. In addition, there is the external aspect, the international angle of agricultural policy, especially trade in agricultural produce and the influence which can be brought to bear on agriculture in the various economies throughout the world by individual production policies and general agricultural policy. At the moment there is only one word to describe the general situation in this sector, and that is: chaos. Whilst international industrial relations have been put into reasonable order, much of which is due to such splendid institutions as GATT, this is not the case in the agricultural field. It is a vital problem for all agricultural economies to clear up this chaos, to probe these problems in a constructive frame of mind and to work out solutions.

In its most tangible form this problem will arise in the GATT negotiations to which I alluded just now. You know that the agricultural problems are part of the overall issue in the great GATT round which has come to be called the Kennedy Round. Here again policy on grain prices plays a central role, because the negotiations will be much facilitated, I would almost say will only be possible, once we all know what grain price policy our Community is to pursue. And since, as I have said, the level of grain prices also determines the volume of production, purely factual economic

data for these negotiations will not be available until the grain price of the Community is settled and known. This is a very considerable demand which, as you know, is directed mainly to the agricultural policy of Germany. The German dilemma is well known: the maintenance of farm incomes must be assured while at the same time both the exigencies of Germany's European policy are respected - that European integration policy of which our common agricultural policy is a cornerstone - and the needs of Germany's commercial policy taken into account. Quite clearly, Germany, which for good reasons puts a major emphasis on the Community's export chances, must also bear in mind that its customers will only be able to buy if they are enabled to sell.

II

This brings me to the external relations of our Community, which are profoundly affected by the agricultural problem.

1. Here again I propose to proceed as I did when describing our internal situation, that is to say I will first describe the position from which we start. What is our situation today? Let me once again quote a few figures. Export trade between our Community and third countries - that is to say excluding intra-Community trade - has increased by 32% in volume and imports have increased by 49%. These figures are considerably higher than those for world trade as a whole. Therefore no one can say that after 5 1/2 years of existence the European Economic Community is proving to be an inward-looking Community, as many of our friends outside the Community feared it would. Of course external trade has not mounted as much as intra-Community trade. If it had, it would have shown that there was no point in setting up the European Economic Community, since the very purpose of this Community is to bring about a considerable increase in its internal trade.

a) Amongst the countries with whom we have external trade relations the EFTA countries are of most immediate interest to us. As

you know, the fear is often expressed that we and they might drift apart because the negotiations for British membership did not produce the results that were being sought after; that is to say, membership or association. How far is this fear justified, especially with regard to trade? In the first place, the exports of the Federal Republic to non-member countries generally have risen in the period since the founding of the Community by 35%, whereas those to the EFTA countries have mounted in the same time by 54%. The establishment of the Community has not, therefore, had any lethal effects on trade with the EFTA countries. That intra-Community trade has grown more rapidly than trade with the EFTA countries is, as I have already pointed out, only natural.

- b) Let me then, before I leave the description of our initial position, glance at our relations with the United States of America. Here we cannot but note that there has been a spectacular change, a change which however covers approximately a decade. It is reflected first in a complete inversion of the relationship between the pace of development in the United States and the pace in our countries. Ten years ago the American economy, starting from a high level, was experiencing an uninterrupted period of expansion, while development in Europe lagged far behind. Today we find that expansion on the continent of Europe is very much faster than in America. We further remember the dollar gap, caused by the balance-of-payments surplus in favour of the United States, which placed the European countries in a most difficult situation. Today the position is reversed. The European countries have not merely achieved equilibrium in their balance-of-payments situations, they have even accumulated considerable surpluses from which they have built up very large reserves. True, when we single out the merchandise and services accounts between the Americans and ourselves, there is still a considerable surplus in their favour. But this is not sufficient to cover the whole of the great American deficit on other accounts, due in part to foreign investment, in part to foreign aid - military as well as economic - and partly to expenditure on American forces abroad.

In short, Europe was at that time a recipient of foreign aid, most generously given by the United States of America, whilst today our Community and its members can be counted amongst the most important givers of development aid. According to the 1961 figures, the official aid given amounted to no less than \$1 770 000 000, and to this must be added \$850 or \$900 million of private aid. These are figures of which no one need be ashamed.

This, then, is the initial position.

2. What external trials will we have to face in the immediate future? I cannot at this moment outline the entire external situation of our Community. If I were to make the attempt I should have to say something about the case of Austria, which is still in the initial stages of consideration and which the Commission is approaching in a constructive spirit. I should have to say something about association with Turkey, the essence of which has just been agreed. As you know this agreement has recently been initialled. I should have to speak of our second Convention of Association with the seventeen African States and Madagascar, of negotiations with Israel and Iran and of the initial talks with our Latin-American friends, which are due to begin the week after next in Brussels. I should, however, like to say something about two issues which rightly hold the foreground of public interest and which are characteristic of the Community's foreign policy situation. The first concerns the situation in Europe.

a) Here I should like to say two things about our relations with the United Kingdom. One is that we are all agreed on the need for close co-operation with the United Kingdom, in order to prevent any psychological alienation between the continent and Great Britain and to avoid our economic policies developing on divergent lines. Secondly, the interruption of the negotiations in no way means that the results obtained in them have been rendered nugatory. On the contrary, despite the fact that the negotiations have been interrupted, we are trying to pluck from them

certain fragmentary results and to breathe into these fragments a life of their own where they are capable of sustaining it and where they were not intended to be inextricably bound up with British membership. We are trying to use these partial results as the basis on which we attempt to solve certain difficulties. I myself have repeatedly advocated such a course with regard to the problems of India, Pakistan and Ceylon, and in fact work has already begun on these lines. An example of this which typifies what we mean by putting the results of the negotiations to good use, is to be found in the fact that we propose to discuss with Great Britain the complete suspension by both sides of duties on tea and tropical woods.

- b) On the subject of the EFTA countries in general I should like to say something which may be worth adding to all that is usually said when the EFTA problem is considered. It is feared that the granting by EFTA countries of reciprocal customs preferences in which German trade does not share may cause us to draw apart commercially. Taking an overall view of these matters, such an observation is not complete. Of course, in competing with EFTA economies in an EFTA country, the German economy is at a disadvantage because it has to negotiate the customs barrier that has been retained. But in our overall view we must not forget that conversely the EFTA countries are in the same position in their relations with the EEC countries. In fact their position is less favourable, because the duties which German competitors have to surmount in EFTA countries are lower - because the duty rates of the EFTA countries are lower in general - than the barrier which competing EFTA countries have to clear in the EEC. I do not claim that a complete judgement could be based on this point alone, but it should be added to the other point I have mentioned. It is entirely compatible with the usual way of looking at the matter. If we follow it through to its logical conclusion, we will find that none of these overall considerations gives a full grasp of the problem, because they are all too general. The problem is really one of regions and of branches.

There are certain areas which depend more on EFTA trade than others, and the same is true of certain branches.

- c) Now in conclusion I come to the most important test our Community is facing: the test through which we have to go in our relations with the United States of America. This trial will take its tangible form in customs negotiations and related talks carried out under the aegis of GATT. But we all realize that the importance of these negotiations is far greater than that of any which the Community has so far conducted in GATT and that they are probably the most important thing that has ever occurred in the foreign relations of our Community.

Let me make one initial comment. Like everything of importance that has been taking place in international economic policy, and more particularly in commercial policy, the entire process which I am about to sketch for you springs from the establishment and the success of the European Economic Community. America's foreign trade policy as we know it today stems from the need to come to terms with the new development represented by the Community. What does the problem turn out to consist of in practice when we consider the interests of the two parties? America wishes to maintain its exports and if possible to increase them, so as to do away with, or reduce, the balance-of-payments deficit of which I have spoken and which is very considerable, since it amounts to no less than \$2 200 million. If the Americans do not achieve their purpose by these means, they must try to reduce their balance of payments deficit in some other way and this leads them into dilemmas of which some are fraught with considerable danger for us Europeans. May they, for instance, not have to reduce expenditure in the maintenance of which we in Europe have a vital interest? On our side we have a vital interest in the soundness of the American economy and in its rapid expansion, in its return to conditions of rapid expansion. I have already said that our import policy must be such that it enables our customers to buy from us. Experience

has moreover shown the export industries to be the most productive and dynamic branch of any economy, and they are therefore - even from the domestic angle - the largest contributors to the dynamic development of an economy.

What then is the aim? It is not, as some believe, to extend our Common Market to America. The Americans have no thought of entering the Common Market as a member. Congress is far from accepting the degree of Community discipline which our six Governments and six Parliaments have conceded. Nor is it intended to establish an Atlantic Community - and this is really more than a matter of terminology - in the strict and technical sense of the word, where "community" means roughly what it means to us, namely a federal or quasi federal structure. No, the purpose is to establish an Atlantic partnership, if I may use a term which we, Americans and Europeans alike, have agreed to use. It means a relationship of co-operation which respects the individuality of the two great units involved. One is the United States of America and the other is the nascent Community whose individuality is in process of formation, is taking firmer shape with every day, every hour. That is our aim.

This aim is a little overshadowed by the immediate problems stemming from the tariff negotiations. Naturally, we must first master these immediate problems. They raise a mass of issues which must and will be solved. In fact, however, very much more is at stake, as I have already indicated. I have already mentioned a number of factors in support of my assertion. I have already said that trade in agricultural products cannot be left aside when we discuss the economic relations between complexes as large as the EEC and the United States. And again, it is, as I have already said, impossible to discuss agricultural trade without bringing in the whole maze of agricultural policies. Development policy cannot be left aside; it is involved if for no other reason than that these negotiations in GATT are not

intended to produce a new Atlantic preference area for the benefit of the Atlantic partners, but embody the most-favoured-nation principle and will therefore benefit even those countries which do not belong to either of the two great complexes.

It should in conclusion be added that we immediately find ourselves involved in monetary policy when we attempt to ensure our overall economic progress.

III

To sum up, I would say that the first achievement of our European Economic Community was to provide at home the appropriate political form for an unparalleled upsurge of the European economy. This it did by creating a major economic and political area which reinforced the upward swing at a time when it could absorb any fresh impetus, any further acceleration. What we have done was enormously to intensify a trend which was admittedly already present in our economy. It must be said that this did not just happen, but that it was the fruit of carefully considered policy and a steadfast political will.

And now America has reacted with a remarkably rapid appreciation of the position, with imagination and resolution, to the challenge inherent in this new development - if I may adopt Toynbee's mode of expression. It is only a little more than a week ago that we were given the latest proof of the United States' reaction, when the President of the United States made his impressive and vigorous speech in this very town. In this address the President confirmed the offer of partnership which he had already made in his Philadelphia speech in 1962. It is an outstanding offer, for it is based on the willingness of the United States to share the position of world power that has fallen to its lot with a Europe which is becoming more and more comparable in scale with the United States - and because the United States is also ready to accept the principle of equality in this partnership and prepared forthwith to co-operate with us in mastering the great problems of the world, especially its economic problems.

Europe's only response to America's reaction must be one of unreserved acceptance. Such acceptance will be confirmed and strengthened if we fit it in to what we are wont to call world affairs. Unless all signs are misleading, these are today in a state of flux. The direction in which they are moving is interpreted in the West as being in line with a strategy of peace, and we must keep them moving on this course. The free world can accept nothing less - it is the only way in which we can escape disaster. In this, Europe must make its contribution. In the last resort all Europe's endeavours to bring about unification spring from the desire to make Europe once again play a part commensurate with its traditions, its abilities and its self-respect. It is, however, not enough to be united in this aim alone. It is an axiom of politics that he who wills the end must will the means. As things are, Atlantic partnership is a necessity if we are to pursue this policy; and I have already said that Atlantic partnership implies comparable, and at a later stage equal, partners. We must therefore work our way up to that equality - and the road to equality passes through unity.

Is this an illusion? Let us compare economic relations between Europe and the United States, a world power, with the situation in defence policy. You will immediately see that in the economic sphere we are already negotiating on an equal footing. And that is the result of European integration. Integration, and integration alone, has enabled this continent to throw its entire negotiating potential into the scales and has allowed its many parts to speak with one voice. We must therefore continue to build on this integration, and to add to it; no step which may spell progress along this road is too small to be worth the effort. Even if we were to be mistaken and if the future were not to hold any great historic gain in store for us - and this is improbable - integration will remain a thing of value, it will always be that much ground gained, and provide a handle by which many things can be set in motion. We must not relinquish our hold on what has been gained; the individuality of Europe must not be allowed to succumb to the dangers of technocracy or degenerate into an amorphous trade liberalism, no matter how

comprehensive. If we make mistakes in this, we shall be found powerless at the great hour when the world powers meet to talk, for we shall then indeed be as of naught. No protector, however generous or powerful, can assume responsibility for our existence. To preserve this is our business.

Let me then close with this appeal: our path has become more difficult this year, rougher and steeper, but we must continue steadfastly on it with unshakeable courage. We must all do this, those of us who have a particular responsibility in the building of Europe, and all others too. For the building of Europe is a task for the free.
