

THE EUROPEAN COMMUNITY
INFORMATION SERVICE
235 Southern Building
Washington 4, D.C.

EMBARGOED; For Release at 2000 hours, EDST
May 22, 1961

ECONOMIC INTEGRATION AND POLITICAL UNITY

An Address by
Professor Walter Hallstein
President of the Commission
of the European Economic Community
at
Dunster House
Harvard University, Cambridge, Mass.
May 22, 1961

I deeply appreciate the honor that you have shown me tonight by inviting me to address your joint meeting. Having had some experience with the difficulties involved in bringing nations together, I do not underestimate the difficulty of bringing together Harvard and M.I.T. - especially in a centenary year.

So may I say at the outset: thank you for giving me this privilege - and this pleasure.

What I should like to discuss tonight is the political response that we in the West are making to the challenges that face us today. That which concerns me most directly is the creation of what is known as the European Economic Community - of whose Commission I have the honor to be President. In name, as you know, it is "economic": but what I want to stress tonight is that it is also political. Note that I say "it is political" - not just that it tends towards a political goal. That goal has been described by none less than Winston Churchill as "a United States of Europe". My aim tonight is to show that the future has already begun.

As you know, it was in 1950 that Germany, France, Italy, and the Benelux countries set up the European Coal and Steel Community. It was in 1957 that they set up Euratom - the Atomic Energy Community - and the so-called Common Market - the European Economic Community. These are economic organizations - but they are also highly political.

The question may arise: Why does the European Economic Community have only six members? Well, it is not because we are some kind of exclusive club. Our number was not decided by those who joined, but by those who did not join. And our Treaty, which is in some sense the Constitution of our Community, holds out two possibilities to those others who would like to join us. The first is full membership: the second is association. Full membership means accession to all the obligations of the Treaty - not just its trade aspects or its economic clauses, but also its institutional structure, its political content and its

existing political commitments - for instance to certain common policies - as well as its essential political dynamism, that is to say its promise and its inherent drive in the direction of political unity. Association, on the other hand, means only partial adherence, accepting some of the commitments of the Rome Treaty, and consequently enjoying some but not all of the privileges of full membership.

The basic economic idea underlying the Common Market is that the resources of modern technology can only be used to the full if the economic area within which they are developed is large enough. In the economic sphere, the modern world is a world of continents, of markets and economies on the grand scale. Divided economies and divided markets means small-scale efforts, which in turn mean waste and relative poverty. In the United States, with its huge common market of some 180 million people, some seventy million men and women - the working population - in 1960 produced the equivalent of more than 503 billion dollars. In the same year in the Community countries, with a combined population of nearly 170 million, a working population even larger than that of the United States produced the equivalent of only some 180 billion dollars - little more than one-third of what a smaller working population in America produced in the same time. You may say, quite rightly: "But American industry is more capital-intensive". But why is this so? Because it can afford to produce for the vast American home market, and can thus afford the massive investments that a large market both requires and makes possible. Only by establishing in Europe a home market of this scale can we hope to play our full part in producing and exploiting the world's wealth.

The idea of a single large home market, therefore, lies at the heart of the movement for economic integration. But this in itself involves political issues. It is not just a movement for free trade between separate economies. It is a movement to fuse markets - and economies - into one, and to establish within that "common market" the conditions and characteristics of any single national market. This means sweeping away the classical barriers to trade, tariffs and quotas. It means removing less obvious barriers - various types of discrimination; legislative barriers; glaring tax differences, and so on. It means ensuring that private barriers do not divide the market - for example, market-sharing agreements and the activities of trusts. It means maintaining the external conditions of a single home market, by making uniform for the whole area the conditions in which imports may enter it. This entails merging the separate national customs tariffs vis-à-vis the rest of the world into one single, common tariff, and applying a single common policy for external trade. All these are matters of political importance.

And a common market goes even further than this. Within a home market, not only goods, but persons, services, and capital, can circulate freely. The same must apply to a common market composed of numerous states. A home market means a home market for agriculture: therefore it cannot be left out of a common market - or not, at least, without running into the risk of favoring one partner unfairly against another, and thus leaving the whole edifice not only incomplete but lop-sided. Nor, in the delicate matter of agriculture, where so many stubborn traditions and such deep political passions are involved, can things be left to look after themselves. A common market in agriculture inescapably

involves a common agricultural policy to replace the often conflicting policies of the national states. Much the same is true of transport - another field where full and free competition is not yet a practicable goal. Finally, and most difficult of all, if we seek to establish a single home market and a single economy, we must progressively fuse into one our separate national policies and move towards one economic policy for the Community as a whole.

This, in a nutshell, is the philosophy behind the Common Market Treaty. But let me state it more concisely still. The statement is not mine. It comes from one of the last documents produced by the League of Nations, and issued by the United Nations in 1947. Here it is: "For a customs union to exist it is necessary to allow free movement of goods within the union. For a customs union to be a reality it is necessary to allow free movement of persons. For a customs union to be stable it is necessary to maintain free exchangeability of currency and stable exchange rates within the union. This implies, *inter alia*, free movement of capital within the union. When there is free movement of goods, persons, and capital in an area, diverse economic policies concerned with maintaining economic activity cannot be pursued".⁽¹⁾

Economically, therefore, those states that commit themselves to the Common Market commit themselves to a far-reaching process of integration into a single unit. Is this not a far-reaching political commitment? Let me continue the quotation that I cited just now. It goes on: "To assure uniformity of policy some political mechanism is required." Ladies and Gentlemen, I do not need to remind you that our European Community has established an institutional mechanism whose salient features are federal. They are founded upon the principle of democratic control, embodied in the European Parliament, which is really the active beginnings of a Parliament: it has the one great power of overthrowing the executive organ of the Community, i.e. the Commission, and a number of much lesser powers, such as that of constantly putting questions, being legally entitled to an answer, and the right to be consulted on most occasions when the Community proposes to legislate. It is my belief that these powers must be augmented in the future, particularly when the Parliament - which at present is chosen by and from the national Parliaments - becomes the direct expression of democratic opinion by being directly elected by universal suffrage.

The Community institutions, then, are subject to democratic control. They are also subject to the rule of law. This finds its expression in the Community's Court of Justice - the nearest parallel, perhaps, to your own Supreme Court.

The representatives of the Member Governments sit in the Community's Council of Ministers. This too is a federal organ - since unlike those of international organizations, its decisions are taken, as a rule, by majority vote, thus making it often impossible for one Member State to impose its veto. This is a built-in guarantee of progress: it is vital to the success of the whole enterprise.

(1) "Customs Union - a League of Nations contribution to the study of customs union problems", Lake Success, New York, 1947, p. 74.

I have left until last the so-called "Executives" of the Community. These are fully independent of the Member States in that their Members - some of them ex-Ministers even - are no longer national representatives: they are expressly forbidden to take instructions, and are responsible exclusively to the European Parliament. Their discussions are not public, and once a decision has been reached, the Executive concerned has collective responsibility for it: decisions are reached, of course, by simple majority. I said just now "so-called" Executives, because although the analogy with the executive branch of a classical constitution is a close one, it is not complete. The most important role of the Executives - apart from certain domains where they take and apply decisions directly affecting the Community as a whole - is threefold. The Commission is first a motor, to stimulate and initiate Community action. It has the sole right to propose action in a large number of fields, and its proposals can only be modified by a unanimous vote of the national representatives in the Council. Secondly, the Commission is a watchdog, one of the guardians of the Treaty, keeping Governments and others up to the mark. It must take offenders before the Court of Justice: in at least two cases, it has already done so. Thirdly, it plays the part of an honest broker, helping to bring about agreement among the Member States, and to ensure thereby that action is taken. Indeed, the basic secret of the Community's smooth working is the constant collaboration - and division of labor - between the national representatives in the Council and the independent Commission. I need not stress the crucial importance of all these roles.

Nor, I think, do I need to point out that all this panoply of institutions is itself highly political. It is certainly, in the words of the League of Nations report I quoted earlier, "some political mechanism". Not only this, but the subject-matter of its actions is itself political. Let me make one final quotation from the League of Nations text: "The greater the interference of the state in economic life, the greater must be the political integration." For what we are doing, ladies and gentlemen, is not just integrating the action of employers, workers, merchants, or consumers. What is being integrated is the part played by the national states in creating the conditions within which economic activity takes place. I need not remind you how greatly the role of the state in this field has increased since, say, half a century ago, even in the freest and most liberal economies. Indeed, in some respects I think it may be true to say that the effect of economic integration is to make those economies more free, and certainly more liberal, than under a purely national economic regime. When one thinks of agriculture, for instance, it becomes clear that integration means a degree of liberation from innumerable national protective measures. It is also clear that this task is long, difficult, and delicate - precisely because its subject-matter is so highly political - and, indeed, politically explosive.

Let me repeat: highly political. If we have learned anything in the years of experience which we have had since the European Coal and Steel Community first opened the common market for coal in 1953, it is this: that these apparently humdrum economic tasks are in reality very much more. And that "very much more", which is political, is of the very greatest importance, not only to the Community, but also - and most particularly - to our friends in the rest of the world.

This is especially so, I think, in the case of the United States. It is important because it guarantees that we are serious - that we are in earnest. We are not in business to promote tariff preferences, to establish a discriminatory club, to form a larger market to make us richer, or a trading bloc to further our commercial interests. We are not in business at all: we are in politics. Our aim is to help ourselves, and so help others: to rid Europe of the crippling anomalies of the past, and enable her to pull her full weight in building tomorrow's world.

This task is urgent; and it is a task that does not concern us alone, or our economies alone. It is a political task, and a political task for us all.

Do I need to remind you, indeed, of how fast our world is changing? It is this single fact, I think, that distinguishes our age from the Nineteenth Century.

Only a few years ago, children's books were full of the wonders of the new Twentieth Century: automobiles, aircraft, telephones, radio. We all knew, we all said, that these inventions were going to transform our world, reducing distances, bringing peoples closetogether. All this has happened. So rapidly have new wonders replaced the old that now, in the age of television, atomic energy, and space travel, we look back with affectionate nostalgia to the age of the early automobile, the biplane with fixed undercarriage, the Bell telephone, and the old crystal radio. Yet when we look at our political life, at our international relations, how far have we really accepted the political consequences of even those far-off inventions? And how much less have we applied to our whole way of thinking the consequences of more recent advance! We are running a race with destiny, we cannot afford to run it in period costume.

As I have suggested, there are signs of progress. After the first World War, a great President of the United States, Woodrow Wilson, outlined the famous "Fourteen Points". As a step forward at the time, this program was remarkable. It sought to outlaw what were then seen as the causes of war: secret treaties, naval jealousies, the arms race, colonial rivalries. But seen from a distance of over forty years, the Fourteen Points look most remarkable as a symptom of their own age and a consecration of nationalism. In the words of a recent historian, their aim was to achieve justice "by making states more perfect nation-states."⁽¹⁾

After World War Two, attitudes had changed. The old League of Nations was replaced by the United Nations - and the change of name was significant. A new network of international organizations came into being, expressing the general recognition that even "perfect" nation-states must acknowledge some degree of organized interdependence. But even this was only a belated attempt to face the political consequences of changes that had already occurred in the early years of this century. It was the first conscious effort to draw the logical conclusions from technical inventions now long past.

(1) Thomson: "Europe Since Napoleon", London, 1957, p. 534.

It was not until 1950, in fact, that the process went one stage further, and the concept of the nation-state itself began to be modified in practice. Hitherto, the attempt to create a new order in the world had been limited to intensifying international cooperation between separate states. Now, for the first time, it began to take the form of integrating those states together, to reflect in their political life and political organization, the radical changes brought about in the first instance by technological advance. This, in fact, was the beginning of the European Community: it is yet another reason for stressing its political nature. For, if cooperation was the political response to the invention of automobiles, aircraft, telephones, and radio, then economic integration is the political response to those even more spectacular innovations of the jet age, of the atomic age, of which the latest instance is space travel by human beings.

Mention of this fact, I think, recalls that what we face, in this changing world, is more than a purely technological challenge. That challenge is political too. Indeed, one may well ask whether the efforts which the countries of the European Community are making would have taken shape had there not been a direct political stimulus - I may even say a direct political threat. Certainly, the process of uniting Western Europe has been greatly accelerated by the fact that Europe as a whole is divided by the Iron Curtain. Paul-Henri Spaak, in his brilliant little book on NATO, takes as his starting point the thirteenth of March 1948, when the Czech Foreign Minister, Jan Mazaryk, committed suicide - or was murdered: but he rightly points out that this was only the culminating point in a whole series of events. Since the War, indeed, Europe has been menaced by political forces whose aim it is to destroy the Western way of life. Those forces are very close to us. They are very strong. They are constantly growing stronger. Driven by a pseudo-religious sense of mission, organized with great efficiency, and backed by ever-growing resources, they challenge us in all spheres - military, political, and economic. Locked in the military balance of power, we may yet find ourselves attacked in our political and economic life: all over the world, indeed, the struggle is on. Call it, if you will, "competitive co-existence": what is clear is that this kind of competition is no mere friendly rivalry, but a political and economic challenge that must be met by economic and political means. Faced on the one hand by Communist empire-building and on the other by Communist economic planning, we have to prove that our free system not only is better, but works better.

In this context, can we regard the integration of Europe as a purely economic phenomenon? Is it, indeed, has it ever been, a purely economic affair?

As a matter of recent experience, the answer is "no". There was the plan - unhappily it came to nothing - for a European army, the European Defense Community. What more strikingly political proposal could be imagined? With it went the proposal for a European Political Community. Both failed - not so much because of a general lack of the will to achieve them, as because of particular political circumstances, among others a virulent and largely Communist inspired propaganda campaign against them.

But this failure was not the signal for retreat. Less than a year later came the Messina Conference and the proposals for the Common Market and Euratom. And their goal is not only, as I have said, the economic integration of Europe,

with all the political overtones that this implies. It is also to carry one stage further an essentially political movement. It is no accident, for example, that the Euratom Treaty should contain the germ of a "European University". It is no paradox that the Community countries should now be feeling their way towards a unity of political action, partly under the stimulus of the suggestions made last year by President de Gaulle.

All this, moreover, falls in line with the natural evolution of Europe itself. In that sense, in seeking political unity, we have history on our side. Even a generation ago, we used to speak of "the concert of the Powers". Traditionally, the structure of Europe consisted of a multiplicity of separate states with their own separate structures, which although they did not always act in total isolation from each other, came together only in temporary and ad hoc groupings. Basically, the system rested upon the balance of power between France and Germany, with - often - Great Britain in the role of moderator between them. It was a contrapuntal concert of Europe with conductors - sometimes - from outside the European continent.

That concert is silenced. It reached its finale in 1939 - a bitter and tragic finale that continued for six years. Then, if not before, it became obvious that the 19th Century system so masterfully employed by Bismarck could no longer endure in the Twentieth Century. It gave place to the system of Schuman, of Adenauer, of Sforza, of De Gasperi, of Spaak, and a whole new generation of statesmen. In place of the balance of power, they created the fusion of interests. In place of the ad hoc groupings of separate states, they proposed the pooling of problems and resources. In place of cooperation, they worked for integration. In place of the concert of the Powers, they set as their goal an ever closer union, shaped by common institutions, and built upon deeds, not words.

These things did not happen automatically: in politics, nothing does. They demanded a clear choice, and a political choice. Need I add that this fundamental political decision has already borne unmistakably political fruit? In 1946, just a year after the War, Winston Churchill called for a reconciliation of France and Germany "within a kind of United States of Europe". Ladies and Gentlemen, those words were prophetic. There has been a transformation of Germany's relations with France. Fifty years ago, my teacher in Mainz on the Rhine used to tell us that France was Germany's "natural enemy", ordained by providence as such for all time. A few miles away, no doubt, little French boys were being taught the same pernicious nonsense - from the opposite point of view. Today, it would be laughable - if its past consequences had not been so tragic.

Those consequences themselves are a further political factor in the story. You in the United States are commemorating this year the hundredth anniversary of the Civil War. The War of 1939 to 1945 was, I sincerely hope, the last civil war in Western Europe. From your Civil War you emerged as a nation: from ours we emerged as a nascent Community. Nor is it by chance that the geographical area of the six founder States of the European Community is almost identical with that which was brought to the brink of destruction, both materially, and psychologically, by the Nazi-Fascist monster and by the second World War.

The former debased the concept of national sovereignty: the latter emptied it of substance. Frontiers seem less real when they can be flattened by tanks or ignored by intercontinental missiles.

But these brutal political facts - facts that we have had to face most clearly in Europe itself - are themselves only part of the immense political changes which have been transforming the whole world during this century. I said just now that in the economic sphere the world map is no longer made up of countries: it is made up of continents. This is true also in the political sphere. We are familiar with the idea of two great world powers - the United States and the Soviet Union. We are becoming familiar with the emergence of Communist China, with the rapid changes on the continent of Africa, with new prospects and new dangers on Latin America. Here, too, is a political challenge, but of a different kind. It is a challenge of scale, a challenge of size. In a world of giants, we cannot afford to be midgets. Here, then, is a further political motive of seeking real unity - political unity - in Europe.

This does not mean, of course, that we are seeking to create some kind of "third force" in Europe, some kind of divisive factor within the Atlantic Alliance. Indeed, the same political challenge that is leading us to unite in Europe makes it all the more necessary for us to cement our European Community within the larger and perforce looser community that is the Atlantic Community. If we are seeking to create what has been called "a second America in the West", it is because we wish to become a strong and valid partner for the "first" America - to be one of the pillars upon which the Alliance itself is built. Not only do we believe in "interdependence": we owe to it whatever progress we have achieved since the War. We shall never forget the foresight, the imagination, and the sheer generosity with which the United States helped to restore Europe after World War Two. Today, that phase is over. Europe is on her feet again, and charity can be replaced by cooperation. And we need to cooperate - to defend ourselves, to help others, to fight poverty, to make a real attack on all those problems which not even the European Community as a whole, not even the United States as a whole, can tackle effectively alone. Can a so-called "third force" maintain the NATO shield by itself? Can it meet by itself the needs of the developing countries? Can it alone solve the problem of booms and slumps, of currency reserves, of agricultural surpluses? Of course not. Ladies and gentlemen, we must rally the forces of the Atlantic Community to tackle these problems together, and to create a new economic order in the free world. What better way to begin than by uniting the European partners in this great venture? Already, indeed, the creation of the European Community is beginning to exert a cohesive effect. Without it, would Great Britain now be rethinking her whole relationship to continental Europe? Without it, should we have seen those other steps forward that have culminated in the formation of the O.E.C.D.? The stone once cast into the pool, the rings broaden out into ever-widening circles.

I do not wish to claim too much for the European Community. But I do believe, and tonight I hope to have shown you why I believe - that the movement for European integration, far from being a mere movement for technocrats, for economists, is one that is essentially political, and therefore one that concerns all of us. It is a movement that is still in progress. Not all the

problems are solved as yet - nor are all the dangers overcome: but we are determined, and we are hopeful.

Moreover, if there is one conclusion that emerges inescapably from what I have been saying here tonight it is that the political integration of Europe can only make its full contribution to the strength and safety of us all if it goes hand in hand with ever closer links across the Atlantic. It now takes less time to cross the Atlantic than it once took to cross the Mediterranean; and as the ocean that both divides and joins us, the Atlantic is indeed the Mediterranean of our own day.

I do not need to remind you of the many problems that we share, the many tasks that we must face together. Let me mention only three of them. There is the problem of our international monetary system, and the repercussions that even minor changes may have on the safety of all our currencies, the fruits of our thrift and industry, and even the stability of our political life. There is the problem of agricultural production in the age of modern technology - the problem of surpluses, and the problem of adaptation on the land. And finally there is the pressing need to work together to help the world's developing countries - what Dean Rusk has rightly called "a matter of life and death for freedom". These are some of the problems that the new Organization for Economic Cooperation and Development will be tackling in the years to come - with the full participation of both the European Community and the United States, as well as of our other friends and partners in the free world. How important that partnership is I do not need to stress.

We for our part believe that the even closer partnership we are establishing in the European Community is one of the very few new political inventions that we in the West have made since World War Two. We are determined to use it, in collaboration with the United States and with the West as a whole, to make a new and creative approach to the many other political and economic problems that face us all throughout the globe. With the help of our friends, with your help, we shall succeed.