

CHALLENGE AND OPPORTUNITY

Lectures on United Europe

III

THE POLITICS OF EUROPEAN INTEGRATION

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"A new science of politics," said Alexis de Tocqueville, "is indispensable to a new world."^{19/} In my own view, as I have hinted already, the very nature of this world necessitates a re-definition of what we ordinarily mean by words like "politics" and "economics", and a re-drawing - perhaps even the elimination - of the semantic frontier between the two. "Economic integration" is a response to a political challenge - a political response that is also a political process. Moreover, the European Community that is thereby being created forms a part of the "continual revolution" that is transforming our age. As such, it is not only a new economic entity, but also a new political fact which in its turn has political consequences in the wider world.

The essence of politics, however, is choice. For this reason, I should not like to leave the impression that because the logic of economic integration is compelling and inexorable, its consequences can be put into practice without making a political choice and a number of difficult political decisions. Such choice and such decisions were needed for the process of European integration to begin. In order that it may continue, they are needed at every step of the way. And in order that an integrated Europe may make its full contribution towards solving the crucial problems that face us all, further political choice and political decisions will have to be made - not only by the European Community, but also by its friends, allies, and partners in the free world as a whole. That is why I have entitled my general theme "United Europe: Challenge and Opportunity."

^{19/} Tocqueville, op.cit., p. 7.

It was in response to a political challenge, of course, that Europe itself began to unite. Of the technological challenge I have spoken already - the advent of mass production and hence of the need for larger markets; the relative shrinking of distances as means of communication improve; the emergence of new economic giants in the United States and the Soviet Union. Is it necessary to add that these new developments were political challenges too? The need for larger markets is itself a challenge to the narrower frontiers of the nation-state. The shrinking of distances reinforces the need for nation-states to acknowledge their mutual interdependence. The emergence of new giant powers is a constant incentive to the older - and smaller - nation-states to seek to preserve their influence by sinking their ancient rivalries in effective joint action.

All these political challenges are - or may be - peaceful. They would not be removed by banning thermo-nuclear tests, by securing world disarmament, by reaching a permanent pact with the Communist powers, or by channeling the forces of aggressive nationalism into pacific and constructive paths. In this sense, therefore, they are a permanent feature of our world's political landscape. Nation-states in the nineteenth century, indeed, already faced them - but failed to come to terms with them. Partly for this reason, our generation has been obliged to meet further political challenges which by their nature are sharper and very much more formidable.

The most obvious of these is the thermo-nuclear bomb: but this is only the supreme and symbolic example. National frontiers already began to lose much of their military significance, that is, with the invention of tanks and aircraft half a century ago. Artificial satellites and inter-continental missiles have carried the process further. With destructive weapons

so powerful and so indiscriminate as thermo-nuclear devices, war itself ceases to be an instrument of policy. From now on, the aim of diplomacy can no longer be to win the next war, but only to prevent it; and the aim of military policy can only be defensive and deterrent. In this new context, it was necessary in Schuman's phrase to make war between France and Germany "not only unthinkable but materially impossible." "The Watch on the Rhine" no longer has any meaning, indeed, when all Western Europe is surely in the same boat.

This fact in turn is itself a reminder of a second political challenge - and one which takes the form of a political threat. There is no need to recall the various stages of disillusionment whereby that threat became apparent - the rapid establishment of Soviet hegemony in Eastern Europe; the division of Austria and Germany; the abortive attempts at settlement; the Civil War in Greece; the creation of the Cominform; the Zhdanov Manifesto; the Communist coup in Prague; the blockade of Berlin; the crushing of Hungary; the building of the Berlin wall. There is no need to recall the ceaseless war of nerves, the carefully timed concessions and blandishments, the suddenly renewed threats. Suffice it to say that for fifteen years Western Europe has been menaced by political forces whose explicit aim is the negation of democratic life. These forces are very close at hand: the so-called "Iron Curtain" is nearer to Brussels than Washington, D. C., is to Boston. They are very powerful - and their strength is increasing. Moreover, they challenge us in all spheres. Restrained from overt attack by fear of the nuclear deterrent, they continually infiltrate in matters of economics and politics. "Competitive co-existence," in fact, means cut-throat competition; and it is competition in which Communist empire-building is backed by all the resources of ruthless central planning, and all the dynamism of a pseudo-religious sense of mission. To meet it, the West must

prove that a free system based on reason and a respect for human beings can work even better - provided that artificial and anachronistic barriers to it are removed. Economic integration in Europe is a major step in this direction.

It is also a step towards meeting a third new political challenge, and one which future historians may come to see as the central issue of our epoch. This is the challenge and the opportunity represented by the emergence from centuries of domination and poverty of proud new nations in Africa, in Asia, and in Latin America. Some of them look back to civilizations older than that of Western Europe: but they all look forward, with justified impatience, to a material future comparable to that of the world's industrialized countries. That these new nations will avoid the tragic errors that our countries have made in the past is their hope, and ours. We owe it to them to demonstrate that we too have learned from past mistakes, and that a free and democratic society can provide solutions to their problems at least as rapid and effective as those promised by its antithesis.

All these, then, were political challenges to the West - and to Western Europe - to put its house in order. To meet them adequately required a political decision. As Schuman put it on May 9, 1950, "It is no longer the moment for vain words, but for a bold act - a constructive act." The rest of his Declaration made it clear that its whole purport was political, and politically audacious. Five years after the end of World War II, it proposed political reconciliation - and progressive material integration - between France and Germany, working towards a "European federation." The immediate means appeared to be economic: "Thus will be realized, simply and rapidly, the fusion of interests which is indispensable to the establishment of an economic community." But the goal was clearly political: "Thus will be introduced the germ of a

broader and deeper community between countries long opposed to one another by bloody conflicts."

Thus, right at the beginning of the story, its political nature was made clear. It would be hard to state it more unmistakably; and it was certainly understood by those European countries that for this very reason felt unable to respond to Schuman's appeal. Those that did were equally clear-sighted. They followed the Schuman Plan - the Coal and Steel Community - with two even more explicit and ambitious ventures, the Treaty for a European Defense Community and the draft project for a European Political Community. They failed. More successful were the projects for a European Atomic Energy Community and for a European Economic Community. Present discussion of the possibilities for some form of organized political cooperation among the Member States of the European Community is a further reminder that politics is the continuing theme of all these efforts. What precise shape such organized cooperation will take is as yet uncertain. In these matters it is sensible and necessary to advance pragmatically. What is established, however, is that no one envisages such organized cooperation as in any way a substitute for what is being achieved by the existing institutions of the European Community. Cooperation should assist, not hinder, integration.

Mention of the Community's institutions, indeed, is yet another reminder of the political nature of its work. Living and working within the structure of those institutions, one is sometimes tempted to take them for granted, and to forget how unusual they seemed when they were first established. Three of them - the Executives, the Parliament, and the Court of Justice - are a clear acknowledgment of the unity of that larger entity which is being created; and the fourth - the Council of Ministers - although in some respects resembling a

traditional international body, is also an integral part of the new and larger whole, not only in its legal status but also by virtue of its voting system and, I may add, the atmosphere that normally prevails there. Together, these organs have many of the characteristics of administrative agencies, and they certainly amount to what the League of Nations experts on customs unions called "some political mechanism." Within their limits, indeed, they follow a federal pattern.

I said "within their limits": but lest this qualification should be misunderstood, I should like to qualify it in turn with a further quotation from that distinguished British economist, Professor James Meade, whose study of economic union I have already had occasion to cite. He wrote: "It is altogether too simple-minded to argue.....that we can form a federation or other type of economic union which transfers to some supranational body just one or two precisely defined economic functions and which leaves the national governments thereafter complete freedom in the design of their own domestic economic policies..... The implications of economic union are much more far-reaching than that; and it is no accident that in the federal democratic states which really work in the modern world more and more economic power is passing from the member-states to the central union."^{20/}

These are the words of an economist. I myself should prefer to put it differently. The EEC Treaty, that is, provides in a number of very flexible ways for joint action in the policy field. In a number of places - particularly on social matters - it calls for "collaboration" between the Member States. Elsewhere - and especially on the question of general economic policy, monetary

^{20/} J.E. Meade, Problems of Economic Union (London, 1953), p. 83.

and financial policy, and the balance of payments - it speaks of "co-ordination," partly through the Community's Monetary Committee. Cyclical policy and exchange-rate policy it requires to be considered and treated as "matters of common interest." "Harmonization," on the other hand, is what the Treaty requires in the field of tax policy; while in a number of other cases it calls for the "approximation" of national legislation. In competition policy - including anti-trust questions - the Treaty demands "common rules"; and for agriculture, transportation, and foreign trade it specifically stipulates that "common policies" should be applied.

All these are pragmatic provisions; but they are also, I think, highly significant. In my view, the logic of economic integration not only leads on towards political unity by way of the fusion of interests: it also involves political action in itself. What, in fact, are all the matters that I have just mentioned - if they are not political? What issues could be more burningly political than those of agriculture? The Member States of the European Economic Community have agreed to face them together, and they have already reached unanimity on the beginnings of their common agricultural policy. What economic question is more deeply involved with the political issue of national sovereignty than that of exchange-rate policy? The Community's Member States are pledged to treat it as a matter of common concern. What, finally, could encroach more openly upon national autonomy than the establishment of a common policy for external trade? At the end of the EEC's transition period, this will be subject to majority vote.

Once again, let me stress that I am not suggesting that all this will follow automatically or without snags. In politics, nothing does. Agreement on all these matters will require political courage certainly no less than that which was needed to sign the Community Treaties in the first place. And that courage

was already considerable: for what the Treaties set in motion was a process far more ambitious than the modest words "economic integration" would suggest. What they provide for, indeed, is the integration not of economic activity as such - the actions of employers, workers, producers, merchants, professional men, and consumers - but of the increasing role played by Government in determining the conditions within which such economic activity takes place. We are not integrating economics: we are integrating policies. We are not just sharing out our furniture: we are jointly building a new and bigger house.

"Political integration" is no doubt too bold and too grandiose a term to describe this process; but as I have suggested, its starting-point, its goal, its methods, and its subject-matter all lie within the political domain. The significance of this becomes clearer when one turns to consider not the domestic policies of the European Community's Member States, but the relations of the Community as a whole with its partners in the rest of the world.

A transformation of those relations was of course one of the major aims of building the European Community - a new giant big enough to hold its own in a world of giant powers. Perhaps for this reason, the EEC Treaty is almost surprisingly unspecific in this domain. It contains a number of declarations of principle, stating, for example, that the Community is "desirous of contributing.....to the progressive abolition of restrictions on international trade" and that it wishes "to ensure the development of /the/ prosperity /of overseas countries/, in accordance with the principles of the Charter of the United Nations." To these ends, it calls in particular for a common policy in matters of external trade, and for the association with the Community of overseas countries and territories having "special relations" with the Member States. It likewise affirms the Member States' willingness to enter into "reciprocal and mutually advantageous arrangements directed to the reduction of customs

duties below the general level which they could claim as a result of the establishment of a customs union between themselves" - a clear pledge that the Community's Common external tariff is a starting-point for further tariff reductions. As regards quantitative restrictions, the Treaty similarly declares that "Member States shall aim at securing uniformity between themselves at as high a level as possible of their lists of liberalization in regard to third countries or groups of third countries" - a call for external policies to move in the direction of the most liberal policies then practiced, rather than the reverse. To achieve these general aims, the Treaty provides for some general rules and procedures; it also provides for the possible accession of new Member States, as well as for the negotiation of possible association agreements with other countries or groups of countries, embodying the exchange of rights and obligations between them and the Community as a whole.

All these, I think, may be regarded as liberal provisions and declarations of intent. That this is so, and that there is no separate Part or Title of the Treaty exclusively devoted to foreign economic policy as such, is a reflection of the Treaty-makers' confidence that the very fact of creating the Community would in itself be a major contribution, not only to the world's political and economic stability, but also to the increase of its prosperity and the expansion of its trade. The formation of a customs and economic union in Europe, it was thought, would lead to rapid economic expansion within the Community, which in turn would increase its imports from the rest of the world. The abolition of protective barriers between the Member States, obliging their industries to become competitive with each other, would enable them to pursue more liberal policies vis-à-vis non-member countries. The existence of the growing Common Market, moreover, would act as an incentive for the negotiation

with it of mutual tariff reductions which would benefit - and help unite - the whole of the free world. The resultant re-ordering of international economic relations would enable the Community and its partners to bring new forces to bear upon the world's outstanding problems - such, for example, as those of trade with the Communist bloc, of world agriculture, and of effective and comprehensive aid for countries in course of development. In this wider context, the European Community could be seen not only as a European response to political and economic challenges, but also as a new dynamic in its own right, an important factor in a further political and economic process whose possibilities were boundless. If it was a challenge to established habits of thought and action, it was also a great opportunity.

Something of this the Community itself declared at the time of its creation. It pointed out, first, that it was in full conformity with the rules of the existing international organizations to which its Member States belonged - in particular, the OEEC and the GATT. Both permitted and indeed encouraged the formation of customs unions: the only proviso was that their external tariffs must be no more protective than the previous tariffs of their individual Member States. The Community's tariff, based on the purely arithmetical average of its Members' national tariffs, in practice meant a very substantial lowering of the protection surrounding the French and Italian markets, with some 90 million consumers; the maintenance of roughly the same protection around the German market of some 50 million; and a tariff increase only for the Benelux countries, with a population of little over 20 million. Even arithmetically, the incidence of the common tariff was lower than that of the national tariffs it replaced; and even although some duties - those of the famous "List G" in the EEC Treaty - remained to be fixed by negotiation among the Member States, the outcome here too was a lowering of previous protective barriers.

The association with the Community of overseas countries and territories was a further subject of debate. Under the EEC Treaty, the Community countries were gradually to lower to zero all protective barriers between them and the associates, while the latter were to extend to all Member States the preferences they granted to their former "mother countries." This amounted to the establishment of a free trade area between the Community on the one hand and the associates on the other - the normal disadvantages of such arrangements being largely avoided in this case both by the nature of the products concerned and by the permission granted to the associates to levy both revenue duties and even protective duties for the safeguard of their infant industries. Needless to say, a free trade area - like a customs union - is legally permissible under the rules of GATT, which in both these cases waive the normal requirements of their "most-favored-nation" principle. In this respect also, therefore, the EEC felt itself fully justified from the legal point of view. I am glad to say that this feeling has since been confirmed, not only by the acquiescence of the GATT, but also by the findings of an American scholar who has thoroughly investigated the whole thorny question.^{21/}

It ill behoves a lawyer like myself to admit that law is not everything: but it would be less than honest to pretend that for many anxious observers outside the Community, proof of the Community's legal conformity with the GATT was enough to show that it was beneficent. Nor, indeed, were its liberal professions of faith. It is only natural, after all, to be somewhat suspicious of mere words: and the animated discussions in GATT towards the end of 1957, before the EEC Treaty had even entered into force, were only the beginning of a long debate, to which for some time the Community could make only hypothetical

^{21/} James Jay Allen, The European Common Market and the GATT (Washington, D.C., 1960).

contributions, partly because the fears it was expected to meet were themselves hypothetical. The Community's critics, that is, complained that it would harm their exports; and in the absence of any proof either way the Community's spokesmen could only reply that this was neither their intention nor their expectation, and that should any real damage occur as a result of the "discrimination" inherent in any customs union or free trade area, they would be glad to seek remedies for it in consultation with their trading partners.

At the same time, moreover, a similar debate took place within the OEEC. Fearing the consequences of this so-called "discrimination," Great Britain and the other members of the OEEC proposed the formation of an OEEC-wide free trade area for industrial products, negotiations for which continued almost until the end of 1958. The history of those negotiations is too familiar to require retelling: but the reasons for their failure are relevant enough to my present subject to be worth recalling at this point. I have mentioned earlier some of the technical difficulties involved in establishing free trade areas, and some of the conditions which in my view are necessary to secure the benefits of free trade. These difficulties were increased, in the case of the OEEC project, by the fact that it sought to set up a very loose and merely partial free trade area of which the Community would have been one member, but at exactly the same pace as the latter's own process of internal tariff-cutting, and by means of negotiations in which only the individual Community countries - and not the Community as such - were fully represented.

Reinforcing these technical difficulties, of course, there were direct contrasts of material interest such as occur in any negotiation - the fact, for example, that some Community industries feared the immediate impact of new competition from outside the Community at the same time as that from other Member States, and the fact that Great Britain, standing at the crossroads of an

industrial free trade area in Europe and a partly agricultural system of Commonwealth Preferences, looked like getting the best of both worlds without giving comparable advantages to producers - and especially to farm producers - in the Community. But conflicts of interest of this kind, and even perhaps the technical difficulties, might not have sufficed by themselves to make the OEEC free trade area impossible of negotiation had the project not faced in addition two political obstacles, both of them deeply enmeshed in the technical and theoretical problems I have described. The first was the danger that within such a wider, looser, and much more partial scheme the Community itself might have dissolved, ceasing to be what was a then potential political entity, and becoming a mere commercial arrangement indistinguishable from the free trade area, and thus incapable of giving it the continued political impetus necessary to achieve the benefits of free trade. The second was the fact that the proposed free trade area would in turn have constituted an even greater area of "discrimination" without the political guarantees and advantages that were among its main justifications in the case of the European Community. A major victim of this increased "discrimination," moreover, would have been the United States, which had tolerated quota discrimination against the dollar area by the members of the OEEC when their economies were still suffering from postwar weakness, but which would now have been asked to countenance tariff discrimination by them at a time when their currencies had again become almost fully convertible, and when the United States itself was beginning to suffer from balance of payments difficulties.

It was this consideration among others that led many people in the Community to favor what was then called "the worldwide approach." Essentially, this meant accepting the Community for what it was - and for what it would become. "Discrimination," that is, was one thing if it meant merely capricious

differentiation, applying different treatment to the trade of different countries for no other object than immediate commercial gain: it was quite another thing if it meant the gradual elimination of barriers between countries intent upon building a union of which "discrimination" of this kind was an inevitable and necessary feature. Obviously, and especially during its early days, the members of such a union would be under strong pressure to hold back from the pursuit of their appointed course, and to make a whole series of bilateral, regional, or even preferential "deals" with other countries in order to quiet the fears that the Community's emergence aroused. But, one could not help asking, might it not prove wiser and in the long run more beneficial all round for the Community to place a greater emphasis on its own consolidation, securing its own acceptance and that of its common external tariff, rather than perforating it with too many exceptions? Might not the Community then become a more effective lever both to help achieve a greater degree of liberalization in world trade and to help solve some of those other economic problems of which trade liberalization was only one factor and to which freer trade was a scarcely adequate solution?

This was the question that faced the European Community during the negotiations for an OEEC-wide free trade area; and it clearly demanded a political choice of some magnitude and no less courage. That choice, of course, need not be exclusive. A worldwide approach need not preclude a certain number of special arrangements to meet particular cases. These could take the form of the kind of consultation already proposed in the case of any real damage to exports to the Community, either from GATT members in general or from the Members of the OEEC. They could, on the other hand, go as far as the conclusion of association agreements, for instance involving a customs union such as that negotiated with Greece - a NATO member, a developing country, and one exposed to strong economic and political pressure from the countries of Eastern Europe. For this reason,

I myself prefer to speak of a "pragmatic" approach to these problems, of which the main guiding lines are those I have described.

This approach, like the Community's liberal declarations of intent, was treated somewhat skeptically at the time. Only gradually, in fact, did the realities of it begin to make themselves felt. The first hint, perhaps, came when the Community proposed to extend to its trading partners - first in the OEEC, and then, significantly, in the GATT - a part of the first mutual reduction of trade barriers between its Member States. A second and more telling indication was the Community's immediate acceptance of the proposal made by Mr. C. Douglas Dillon for negotiations with a view to reducing the tariffs of GATT members by some 20%. A third proof that the Community was in earnest was its anticipation of these negotiations by effecting the first, accelerated, moves towards its own external tariff at a level already provisionally reduced by the 20% proposed by Mr. Dillon. Happily, the so-called "Dillon negotiations" are now successfully concluded with most of the participating countries, including the United States, and the bulk of this tariff reduction has thus been confirmed. Moreover, the Dillon negotiations themselves were preceded, as they had to be, by negotiations under Article 24, paragraph 6 of the GATT, whereby the latter's contracting parties accepted the Community's common external tariff - a further vindication of this general approach and a further confirmation that the Community was now recognized as a new economic entity and a new political fact.

After four years' experience, indeed, it is beginning to be possible to draw some tentative conclusions on the subjects which so vexed the early months of the Community's life. The economic expansion which I described earlier has helped to vindicate those who claimed that - far from causing economic disruption - the process of integration would itself provide a new dynamic. The

immense increase in internal trade between the Community's Member States has helped to show that its "common market" is a reality. And that this is in turn a trade-creating process which also benefits the Community's partners in the rest of the world is shown by the fact that the Community's external trade, over the four-year period from 1958 to 1961, has expanded more rapidly than that of any large country in the West.

From 1958 to 1961, the total imports of the United Kingdom increased by 17.5%, and its total exports by 16%. The comparable figures for the United States were 19% and 15%. But over the same period, the European Community's total imports from the rest of the world rose by a full 27%, from just over 16 billion dollars' worth to well over 20 billion, and its exports increased at about the same rate. Much of this extra trade, moreover, was done with the United States, whose imports from the Community increased by some 34%; but these increased imports by the US were more than paid for by her vastly increased exports to the Community, which rose by no less than 44%. Already in 1958, the United States had a trade surplus with the Community countries of more than 1.1 billion dollars: by 1961, this had increased to more than 1.8 billion. This, I need hardly add, has done much to alleviate the United States' balance of payments position; and as the rising standard of living within the Community increases not only demand in general but more specifically the demand for high-quality American products, this encouraging trend promises to continue.

In these ways, then, recent practical experience seems to confirm the confidence which the Community's spokesmen have always expressed in its beneficent effects - the almost automatic corollary of the economic arguments in its favor which I outlined earlier. I am not suggesting, of course, that this process is wholly automatic, or that there may not be individual exceptions to it, or indeed that it would necessarily continue in the face of a world-wide

economic recession. What I think is clear, however, is that many of the fears expressed at the outset both inside and outside the Community were very much exaggerated; and that in so far as "discrimination" poses problems for non-member countries, economic expansion within the Community very much helps to offset and even remove them. Nor, I should add, is this all. It is my belief that the very establishment of this large new economic entity can ipso facto help to bring about a new stability in markets and prices, as well as what the EEC Treaty calls "a continuous and balanced expansion," which in themselves greatly reduce the risk of a general recession. This is partly due to the mere existence of the Community and of the psychological climate that it helps to create: but it can also be greatly furthered by the pursuit of wise and forward-looking policies, not only by the Community itself, but also by its partners in the rest of the world.

A common policy for external trade is, as I have said, one of the requirements of the EEC Treaty. The need for this is so obvious, indeed, that - to adapt the epigram - if that Chapter of the Treaty did not exist it would be necessary to invent it. The establishment of a customs union as such, in fact, implies the application of a common commercial policy: for a union whose external policies were united only in the tariff field would encounter in all other fields many of the problems which beset a free trade area. If each of the Member States, that is, applied a separate policy in its external trade, even the internal aspects of the union might be imperfect, because at the internal frontiers it might be impossible to maintain the principle of free circulation for imported goods. Such technical considerations apply with even greater force to an economic union like that of the EEC. Moreover, just because one reason for creating the European Community is to enable Europe to play its full part in world affairs, it is vital for the Community to be able to speak

with one voice and to act as one in its economic relations with the rest of the world. Only thus can it make its full contribution towards solving the problems that face it and its partners.

Under the Treaty, a common policy in this field need not be fully applied until the end of the transition period; but in practice, negotiations in the GATT and elsewhere have already obliged the Community to develop certain practical features of its external trade policy, if only to make good its liberal declarations of intent. By the same token, it already began last year to take the first formal steps in the same direction, by establishing a procedure for prior consultation between the Member States whenever one of them begins negotiations for bilateral trade agreements or plans to change its liberalization system, and by stipulating both that any future bilateral agreements shall not last longer than the EEC transition period and that they shall contain a "Community clause" providing for their transfer to a Community basis. These first steps, agreed by the Council of Ministers in July 1961, may soon be followed by others if the Council accepts a further series of proposals recently made by the Commission. These in particular envisage the progressive alignment and increase of liberalization; the alignment of quota policies vis-à-vis non-members of the GATT; the alignment of anti-dumping measures; and the alignment of export ~~measures~~ including export aids. The aim of all these measures is that set out in the Treaty - namely, the harmonious development of world ~~trade~~ and the removal ~~of~~ restrictions upon it.

The beginnings of the mechanism for a Community foreign trade policy are thus being set in place. What ~~its~~ tasks will be I shall return to in a moment; but before ~~going~~ so I should like to set the scene for it by recalling two major political developments which help determine the conditions of its application. Both are interlinked, and both form a part of that "continual revolution" which

I mentioned earlier and which the creation of the Community has helped to trigger off. The first is Great Britain's application for full membership of all three European Communities - the EEC, the ECSC, and Euratom. The second, following on from the first, is the proposed Trade Expansion Act submitted to Congress by President Kennedy at the beginning of this year.

Great Britain's application for membership of the European Community was in some respects the most striking testimonial to its success - and to its political character - that could have been imagined. It was also, in my opinion, a vindication of the "pragmatic" approach which the Community adopted after the failure of the negotiations for an OEEC-wide free trade area - an approach which had never excluded, and indeed had always recalled, the principle of the "open door." For the British Government, it was an act of political courage: for it represented not only the recognition of those hard political and economic realities which had already encouraged the Community's existing members to seek greater strength in unity, but also the deliberate reversal of Britain's age-old policy of seeking to maintain, and to help determine, a balance of power in continental Europe.

The Community for its part welcomed the British request for membership; and I should like to add that all the contacts that we have had with the leaders and members of the British negotiating team have confirmed this feeling, and confirmed too our regard and our respect for them. The atmosphere, as official communiqués put it, is excellent. I say this because the length and difficulty of the present negotiations may sometimes, perhaps, give rise to false impressions. If the negotiations are lengthy, it is because the ground to be covered is immense: if they are difficult, it is because the problems themselves are difficult.

One of the main complications arises from the fact that the Community itself, despite its success, is still comparatively young. While this gives any new adherent a greater opportunity to influence the common policies in their formative years, it nevertheless means that the Community's existing members have to accelerate the co-ordination of their own individual policies in order to arrive at a common basis on which to negotiate. This, in a sense, means that they have to start tackling all their problems at once, and under considerable pressure.

This would be true of any application for membership coming at this stage: but it is particularly so in the case of Great Britain - partly on account of her Commonwealth ties, and partly on account of her more recent commitments to her fellow-members in the European Free Trade Association (EFTA). The Commonwealth's importance as a political factor is certainly recognized by the Community: but its existing commercial arrangements with Great Britain involve the present negotiations in a whole series of world problems - aid to developing countries, outlets for tropical products, the treatment of low-wage manufactures, the stabilization of raw material markets, the organization of temperate agriculture and the avoidance or the disposal of farm surpluses. In the further connection of the Sterling Area, it also involves economic policy and world monetary problems; and even this list is incomplete.

The European problem, likewise, raises further issues both economic and political. Denmark is now negotiating for membership of the Community, and Austria, Sweden, and Switzerland have applied for what would seem to be association with it. Portugal and Norway are so far undecided. In addition, Ireland has applied for full membership of the EEC, and Spain has applied for association with a view to eventual membership. I need not remind you that some of these countries, for various reasons, are neutral, and that several of them, economically, are still in course of development. Nor need I add that they face the

Community with a series of very difficult decisions, involving among other things some of the considerations that I mentioned earlier in connection with the formerly proposed free trade area.

It would be out of place to try to predict here what those decisions will ultimately be - or, indeed, to report in any detail upon the current progress of the negotiations. Nevertheless, I think it may be said that to all the problems involved there are both bad solutions and good solutions. Within the Community, bad solutions would be those that weakened, disrupted, or divided the enlarged common market, that made national exceptions to its common policies, or that prejudiced its chances of further political development towards unity. In external policy, likewise, bad solutions would be those that crystallized or increased commercial preference systems, that discriminated among the Community's friends and allies, or that halted the "continual revolution" that is leading to greater unity in the free world. Good solutions, on the other hand, would strengthen and further unite the Community, and at the same time enable it and its partners to apply effective worldwide solutions to some of the major economic and political problems of our day, many of which are deeply involved in the present negotiations themselves. Shall we succeed? It is against the rules in any negotiation to say so; but for my part I am confident that satisfactory solutions are possible.

The prospect of British membership of the European Community, then, is a further stage in the "continual revolution" of which the Community's creation was an early factor. A still further stage, and one that was surely prompted by that prospect, was opened earlier this year by President Kennedy's request for additional negotiating authority under the Trade Expansion Bill. Hitherto, the President's authority has of course been limited by the Reciprocal Trade Agreements Program of 1934 and more specifically by the Trade Agreements Extension Act

of 1951. These limitations, as the Dillon negotiations showed, could form a serious hindrance to liberal policies: in those negotiations, "peril point" provisions at one time threatened to remove 220 million dollars' worth of trade from the bargaining process, and might even have caused the talks to break down. The Trade Expansion Bill, on the other hand, would give the President power to negotiate for tariff cuts of up to 100% on items where the United States and the European Community together account for at least 80% of world trade, as well as on tropical agricultural and forestry products, and of up to 50% on other commodities.

It is certainly not for me to comment in detail upon proposals which at present are the subject of debate by Congress: but there is no doubt in my mind that these proposals potentially mark a revolutionary step forward. They seem to me to prove, first, that the United States Administration is more than ever determined never again to revive the long-dead policies of protectionism and isolationism which are now no longer appropriate - if indeed they ever were - to the world in which we live. Secondly, President Kennedy's proposals, like the actions of both President Truman and President Eisenhower, clearly recognize the existence and the importance of the European Community as an opportunity for American exporters as well as a challenge to their dynamism and skill. Finally, it seems to me, the Trade Expansion Program is itself both a challenge and an opportunity for us all, and one which if handled rightly could lead to a new and creative approach to many of the economic and political problems that face the free world.

Let me expand a little upon this last point. We in the European Community noted with great satisfaction, as I am sure did our friends in other countries, the particular stress that President Kennedy laid upon the non-discriminatory character of the Trade Expansion Bill. Clearly, it is incumbent

upon us all to ensure that in liberalizing world trade we do not pursue merely sectional or national interests - or indeed those of the industrialized countries alone. We must respect both the letter and the spirit of the most-favored-nation principle enshrined in the GATT; and we must perform our mutual tariff-cutting in such a way that it neither in principle nor in practice discriminates against our other friends in the free world. That is why we for our part were particularly encouraged when President Kennedy described his proposals as the way towards an "Open Partnership," with emphasis on the word "Open."

But tariff-cutting as such is only a part of the "continual revolution" to which I have referred. President Kennedy's trade proposals include, indeed, the possibility of "trade adjustment" measures which are designed to help industry adapt to the new situation, and which thus implicitly acknowledge that economic change, not merely commercial bargaining, is here in question. In this context I should like to quote the Report prepared for Congress this January by the Subcommittee on Foreign Economic Policy, entitled "Foreign Economic Policy for the 1960's." It declared: "A commitment to freer trade is not just a commitment to lower tariffs. It is also an implied commitment to a rate of growth which approximates that of our partners; an implied commitment to a farm policy which encourages competitive trade and discourages burdensome surpluses; an implied commitment to a monetary policy which encourages growth while preserving the purchasing power of the dollar; and an implied commitment to a fiscal policy which stimulates high levels of employment and economic productivity."^{22/}

^{22/} Foreign Economic Policy for the 1960's: Report of the Joint Economic Committee to the Congress of the United States (U.S. Government Printing Office, Washington, D. C., 1962), p. 8.

Indeed, to carry the Report's argument into foreign economic policy, I myself am not at all sure that even a partial reduction of tariffs, if it is to be effective, may not necessitate something of the co-ordination of policies that I earlier suggested was necessary in the case of full free trade. Hence, once more, the need for "open partnership" as a recognition of growing economic interdependence; and this time the emphasis falls on the word "partnership."

Many people, it is true, have chosen to call this partnership the formation of an "Atlantic Community": but for myself I prefer the formulation proposed by President Kennedy. In fact, when I hear the words "Atlantic Community," I am sometimes reminded of Voltaire's remark about the Holy Roman Empire - that it was neither holy, nor Roman, nor an Empire. The so-called "Atlantic Community," that is, cannot be confined to the Atlantic area, for it must embrace our other friends and partners in the Pacific and elsewhere. Nor, on the other hand, is it a "Community" in the same sense that this word applies to the European Community - that is, a full economic union with strong political implications: whatever the degree of our interdependence, it would be unrealistic to expect our American and other friends outside Europe to assume all the obligations of the European Community Treaties, with all their political overtones. What seems much more likely to emerge, in fact, is a close partnership between the Community and the United States, open to the participation of other countries in the free world as and when their own interests are more particularly involved.

Already, we have at our disposal the instruments of such a partnership, in the GATT and the OECD. The GATT is working well, both as a code of good conduct and as a broad negotiating forum: its efforts, already stimulated by the creation of the European Community, will certainly be facilitated if the Trade Expansion Bill becomes law. But modern economic conditions, as I have already

suggested, require more positive policies and institutions to apply them. Such a role may well be played by the OECD, the Organization for Economic Co-operation and Development, which the United States and Canada helped the European countries to establish as the successor body to the OEEC, and in which both are represented as full members. The change of name from OEEC to OECD - dropping the word "European" and taking up the word "Development" - is highly significant: for the creation of the OECD marks both the completion of European recovery and the recognition that what is now needed is economic co-operation and development on a much wider scale.

What, in practice, does this mean? Many of the problems that have to be faced I have mentioned already: some of them are highlighted by the creation of the European Community, some are thrown into sharper relief by the current negotiations with Great Britain. All of them, however, are likely to prove easier to solve now that the Community is a growing reality, and all of them demand political decisions within the "open partnership" which is now proposed. There is the problem of economic growth. Already the member countries of the OECD have set as their joint target a 50% increase in their gross national product for the decade 1960 to 1970. There is the problem of the business cycle: here too concerted efforts will be needed to ensure that expansion is steady. There is the problem of world currencies and world liquidity: here, various solutions have been mooted, and influential voices in Europe - among them the Action Committee presided over by Jean Monnet - have called for the creation of a European Reserve Fund which could greatly strengthen the currencies of the Community's Member States and help bring greater stability to others. There is the problem of world agriculture. Here, the Community's common policy may prove to be a lever capable of setting in motion more effective concerted actions; and the Commonwealth problems posed by the prospect of British entry

into the EEC could provide a real incentive for the establishment of worldwide arrangements similar, perhaps, to those recently proposed in the GATT. There is the vast and pressing problem of the developing countries. Here, the OECD is already active in an attempt to co-ordinate and increase the volume of aid. Meanwhile, the Community is engaged in re-negotiating the arrangements for association between it and the overseas countries, mostly in Africa, that have become independent since the EEC Treaty was signed. This, and the British negotiation, may provide an opportunity for diversifying the various forms of aid already granted, and in particular for reducing the preferential aspect of the association by cutting the Community's external tariff on a number of tropical products. There is the further problem of the low-wage countries: here again, some steps have been taken in the GATT to widen their market outlets without disrupting industry within the Community; and here again, the British negotiation provides a further stimulus for reviewing the whole problem. These are only some of the problems; but I should not omit to mention the crucial question of trade with the Communist bloc. Here, too, the application of a common commercial policy by the European Community should prove greatly to the free world's advantage, and all the more so if it can be co-ordinated with those of the Community's partners.

All these problems, of course, are much more than a matter of commercial policy - or even of foreign economic policy. For the Community, for the United States, for the whole free world, they are a matter of the utmost political importance. If we do not succeed in solving them, we shall risk exposing ourselves to that familiar reproach with which Communist ideology has always taunted free economic society - that it is weakened and may be destroyed by its own "internal contradictions." We may be sure that there is nothing that the Communist world would like better than to see the free world split asunder by its economic problems: to see both the European Community and the United States

retreat once more into shortsighted policies of protectionism and isolationism at once inefficient and divisive; to see the economic growth of free nations dwarfed by Communist expansion or crippled by economic crises; to see their currencies shaken and their reserves depleted; to see farm surpluses endlessly accumulate while growing populations starve; to see low-wage manufacturers either rot in the factories or ruin the industries of more developed countries; to see state-trading countries disrupt the free market; to see, in a word, the breakdown of our economic and political systems because we lack the wit, the courage, and the political will to face the challenges and opportunities that our age so abundantly provides.

I have painted a black picture: but I have done so only to suggest the penalties of failure. For myself, I cannot believe that we shall fail. We are already proving - and we must prove - that together we can control our destinies and build a better, happier, and more just world: one in which, through strength and not through weakness, it may one day be possible to replace so-called "peaceful co-existence" with genuine and lasting peace.

At various points in these remarks I have had occasion to quote Alexis de Tocqueville. I should like to conclude as he himself concluded his study of Democracy in America: for his words are now more than ever relevant to my theme:

"For myself," he said, "who now look back from this extreme limit of my task, and discover from afar, but at once, the various objects which have attracted my more attentive investigation upon my way, I am full of apprehensions and of hopes. I perceive mighty dangers which it is possible to ward off - mighty evils which may be avoided or alleviated; and I cling with a firmer hold to the belief, that for democratic nations to be virtuous and prosperous they require but to will it. I am aware that many of my contemporaries maintain

that nations are never their own masters here below, and that they necessarily obey some insurmountable and unintelligent power, arising from anterior events, from their race, or from the soil and climate of their country. Such principles are false and cowardly; such principles can never produce aught but feeble men and pusillanimous nations. Providence has not created mankind entirely independent or entirely free. It is true that around every man a fatal circle is traced, beyond which he cannot pass; but within the wide verge of that circle he is powerful and free: as it is with man, so with communities. The nations of our time cannot prevent the conditions of men from becoming equal; but it depends upon themselves whether the principle of equality is to lead them to servitude or freedom, to knowledge or barbarism, to prosperity or to wretchedness." ^{23/}

^{23/} Tocqueville, op. cit., pp. 598-9.