

"THE NEW EUROPE AND THE UNITED STATES"

An Address By

TED VAN DYK

**Assistant Director
European Community Information Service
Washington, D. C.**

**Convention of the Inland Empire Waterways Association
Seattle, Washington
October 22, 1962**

HOLD FOR RELEASE UNTIL 0900 (PACIFIC TIME)

Senator Magnuson, Distinguished Guests.....

It is always a pleasure to return to Seattle and the Northwest, because I regard it as home. I was born and raised in Bellingham, attended the University of Washington, and worked here before moving East several years ago. It's good to be back.

I returned to Seattle last April for the opening of the World's Fair, and again last month during European Community Week at the Fair. I was tremendously impressed with the Fair and with the forward thinking that created it. I took great pride in all this.

But more important to me was the fact that the distinguished European visitors whom I accompanied on those occasions were also tremendously impressed. For all of them, it was their first visit to the Pacific Northwest-- for some of them, their first visit to the United States. I talked to them at length while they were here, and again in Washington, D. C. earlier this month. And every one of these men -- all holding important positions in the European Common Market, in the European Atomic Energy Community, and in the European Coal and Steel Community -- returned to Europe with outspoken praise of the people of the Northwest and a great faith in this area's future.

Joe Gandy, Ewen Dingwall, and the other executives of the Fair can tell you what difficulty they had in getting the European Community to participate in the Fair. The main trouble was confusion. Many people in the Community first thought the Fair was to be in Washington, D. C. Others didn't know where Washington State was, and there was controversy over whether or not the Community should make the great investment necessary to participate in what seemed to be a far-off place.

I can tell you that everyone in the Community now knows where Washington State is and where the Pacific Northwest is, and there is no doubt in anyone's mind that the Pacific Northwest will continue to be heard from.

So, the European Community knows the Pacific Northwest.....but I wonder if the Northwest really knows the European Community.

I'd like to spend just a few minutes tracing the development of the Community and bringing you up to date on what's happening there. Because a great deal more is happening than an increase in economic prosperity, although that's a part of it.

The most important single point to be made about the European Community is that, in a few short years, the basis of a United States of Europe has been established.

Not long ago the Community members -- that is, Belgium, France, Germany, Italy, Luxembourg, and the Netherlands -- were at war with each other.

Today they are uniting economically and are discussing the terms for a political union. Yes, a political union.

The European Community had its beginnings after World War II when the idealists of Western Europe -- yes, and the practical men, too -- came to the conclusion that one more war would be fatal, that Western Europe must unite in peace or cease to exist. You know the names of these men -- Monnet, Schuman, Adenauer, De Gasperi, Spaak.

Through their efforts was first created the European Coal and Steel Community. It began operation in 1952 -- only 10 years ago. Coal and steel was a good place to begin because, for one thing, these were the materials of war. If Western European coal and steel could be controlled supranationally, no single country could arm without the others' knowledge or permission. And, coal and steel had been hampered by high tariffs and by restrictive business practices for so long that these industries had become stagnant.

In 1913, the six Community countries had produced as much steel as the United States and six times as much as Russia. By 1950, their steel production was less than half that of the United States', and about equal to the Soviet Union's. So, coal and steel was the right laboratory for experiments in European unity.

The Coal and Steel Community brought down the tariff walls, brought down the restrictive practices, closed down inefficient operations, and pooled the resources of The Six in a single market without frontiers.

The result has been fantastic. In 1952, the Community's steel industry produced 42 million tons. Last year it produced 75 million tons. But more important than production figures are the benefits the Coal and Steel Community has brought to people. The coal and steel workers in the Community are today paid higher wages, are better housed, and have greater freedom of movement than ever before. And, of course, the same is true in other sectors of the economy affected by coal and steel.

The Coal and Steel Community was such an immediate and great success that the Monnets, the Schumans, and the Adenauers hurried to the next step in European unity -- the establishment of a European Defense Community. And it almost happened. In the European Defense Community, all the national armies would have been abolished and placed under joint command. But at the last minutes, in 1954, the French Parliament refused to ratify the treaty which would have established the Defense Community. And it died, at least for the time being.

But this setback did not deter the men who believed in a United States of Europe. They returned to economics. You can't argue with prosperity, and this is what the Coal and Steel Community had brought to Western Europe.

Thus the next major steps were taken. On January 1, 1958, two new Communities came into being -- the European Atomic Energy Community (known as EURATOM) and the European Economic Community (known as the COMMON MARKET).

In Euratom the aim was to pool the resources of The Six in development of atomic energy for peaceful purposes -- and you in the Northwest

know the promises and long-range potentials of atomic energy as a power source.

The aim of the Common Market was to set up a single, continental market -- a market like the United States -- in which goods, people, services, and money could move freely, and in which economic and social problems could be tackled on a larger and more efficient scale.

Well, you know what has happened. Today, in the Common Market, industrial tariffs are only half what they were four years ago, and agricultural tariffs on many products are only 65 per cent of what they were four years ago. Prosperity within The Six is unprecedented.

The original plan was to abolish all tariffs within The Six by 1970, while creating a single, common, outside tariff at that time. But progress has been so swift that this is likely to happen by 1967 or 1968. So, what the United States will face economically then will be another great market, as large or larger than itself, with a single external tariff and with free trade within.

What is the scope of this market?

Well, today the Community as now constituted -- Belgium, France, Germany, Italy, Luxembourg, and the Netherlands -- has a population of 170 million, as against 180 million in the United States and 214 million in the Soviet Union.

Has a working population of 70 million, as against 66 million in the United States and 97 million in the Soviet Union.

Produces half as many automobiles as the United States, and twice as many as the Soviet Union.

Produces 80 per cent as much steel as the United States, and more than the Soviet Union.

Exports as much as the United States, and four times as much as the Soviet Union.

Imports one-quarter more than the United States, and four times more than the Soviet Union.

Has a growth index greater than that of the United States, and almost equal to that of the Soviet Union -- and the Soviet Union has been under forced-draft industrialization since the Russian Revolution.

These are startling facts. But they will be even more startling if the British application for Community membership is accepted. If the negotiations now going on are successful, Great Britain's addition will create a market and economic force greater than that of either the United States or the Soviet Union in almost all respects.

But Great Britain's entry will not be the end of the story. For other Western European countries also want to join the Community, either as full or associate members. Greece already is an associate member, with an eye to full membership when its economy approximates the level of the present members. Others who want in include Denmark, Ireland, Norway, Austria, Spain, Sweden, Switzerland, Turkey and Portugal. Their applications will be given full consideration when the British negotiations have been completed.

When you consider the possibility that one or more of these other Western European nations may soon gain entry, the size and scope of the Community becomes even more startling. All the more so when you consider that the Common Market isn't yet five years old!

Before we get into the implications of all this for the United States and the Pacific Northwest, I'd like to describe briefly how the Community works.

Each one of the three individual Communities -- Coal and Steel, Euratom, and the Common Market -- is operated by an executive body. In Coal and Steel it's called the High Authority. Euratom and the Common Market call theirs Commissions. These executive bodies -- let's call them all Commissions now to make it simpler -- are each composed of representatives of the six member governments. But the Commission members owe their allegiance to their Community, not to their national governments, and are forbidden to take orders from their government. Walter Hallstein, President of the Common Market Commission, for instance, may well take a position that the West Germany Government does not, even though President Hallstein is German.

It is these Commissions which run the operations of the Communities -- and I cannot emphasize too much that people in the Commissions are first of all Europeans, not Germans, Frenchmen or Dutchmen. And they think and act in the interests of Europe, not of France, Germany, or Holland.

Now, the important decisions made by any one of the Commissions must be approved by another body -- the Council of Ministers. The Council of

Ministers is composed of representatives of the six national governments -- people such as Erhard of Germany, Spaak of Belgium, and Couve de Murville of France. And they do vote in the interests of their national governments. But, since January of this year, there has been an important change in the Council of Ministers voting procedure. Now, on almost all matters, votes are decided by a weighted majority. No single member country of the Community has a veto power.

Thus, you have a Commission of Europeans operating the Communities, with a Council of Ministers approving their actions by a majority vote.

There are two other institutions within the European Community which you should know about:

One is the European Parliament, which sits in Strasbourg. The European Parliament consists of members of the national parliaments who are elected by their respective national parliaments. But in the European Parliament the representatives sit not by nationality, but in one of three political groupings -- left, right and center. Today the European Parliament does not have powers normally given to such legislative bodies..... Its work is mostly as a sounding board and in reviewing the work of the Commissions, although by a two-thirds vote it can throw out any of the Commissions and thereby change policy.

But the important thing is that the European Parliament does exist, that it seats its members by politics and not by nationality, and that it could well provide the framework for a parliament in the true sense when political unity progresses.

The second institution worth knowing about is the Court of Justice. The Court of Justice meets in Luxembourg. It consists of seven judges who have the sole power to decide whether the acts of the Community are within the legal bounds established by the treaties which created it. Its judgments, which supplant those of the national courts of The Six, are final and binding on people, firms, governments, and the Community's executives. It is then the Supreme Court of the Community, much the same as the Supreme Court of the United States.

This is how the Community works.....through operating Commissions, through a Council of Ministers which oversees them, through a Parliament, and through a Court of Justice.

These institutions may change as any final United States of Europe is created, but they will be the starting point.

I talk about a United States of Europe. This is to emphasize the true nature of the European Community. For, from the beginning, the founders of the Community have had political unity in mind, but have attempted to reach it by economic means. For, really, how do you separate economics from politics? When you create, as the Community is creating, common policies among six nations regarding trade, social policy, energy policy, transport policy, financial policy, antitrust policy.... When you talk about a common currency, aren't you creating political policy? When you make it possible for people to move freely from one country to another, to own property, to work how and where they please -- as the Community is making possible -- aren't you creating political policy?

The answer is that of course you are creating political policy.

It's significant that Jean Monnet, the Father of the Community, if there is a single father, is today a private citizen heading what is known as "The Action Committee for the United States of Europe." This has been the dream, we are now in the midst of the evolution, and the product is nearer than we might think.

Today we see a Western Europe which has learned the lesson of the great continental economic market -- the lesson of the United States. We see a Western Europe which owes a great deal of its revival to the Marshall Plan and knows it and is grateful for it. We see a Western Europe firmly committed to Western ideals. The next step is to political unity on the order of the United States.

Great Britain is now negotiating with the six members of the Community for membership. This is the single greatest preoccupation at the moment. But, when Britain enters -- or even if for some reason she should not -- you will see the next great political steps being taken. Some of the Community members have called for a political treaty even before the British negotiations are ended. But others say better for the British to enter first, then take part in the talks on political union. But either way, the political step will come.

What will evolve will not necessarily be in the exact image of the United States of America. Because, after all, the original 13 American colonies did not have hundreds of years of history and tradition behind

them when they united. The individual national characteristics and traditions will be and should be preserved. The new Europe will not necessarily have two houses of Congress, a president in the American sense, or a world series every October.

But it will be democratic and it will be firmly committed to the West.

It will be -- and already is -- carrying an ever larger burden of Western defense and of aiding the developing nations.

It will be -- and already is -- a more liberal Europe than we have known before.

It will be -- and already is -- the great trading partner of the United States.

It will be -- and already is -- a champion of freer and less restrictive world trade.

It will be -- and already is -- a community which will take into account the interests of all the free world countries, not just those of itself and the United States.

It will be -- and already is -- a creative, progressive force in the world which is turning the tide of the cold war in the West's favor. You have only to read Soviet attacks on the Community in your daily newspaper to know the impact it has had on the Communist bloc.

For the economic impact of the Community on the Soviets has been this: It means that the Soviet bloc will either have to come to terms with the West in some degree to protect its economic interests or will have to achieve economic self-sufficiency. And either course will place a great strain on Communism as we know it.

The political and psychological impact is perhaps even greater. For the very existence of the growing, thriving Community is what the Communists have said could never happen. Western Europe is not tearing itself apart, but is joining together and prospering in a system of free enterprise.

Now.....what about the economic impact of all this on the United States? I've already talked about the impacts in general and in the area of world politics.

You all know that President Kennedy on July 4th made an historic "Declaration of Interdependence" speech in which he announced his readiness to join in an "Atlantic Partnership" with the Community -- and that speech, by the way, may turn out to be a milestone in history. And you know about the new trade expansion act which gives President Kennedy unprecedented tariff-cutting and bargaining powers aimed directly at American-Community negotiations.

What does all this mean for your pocketbooks and mine, for the United States and for the Pacific Northwest?

The greatest single fact to be recognized by American business and industry is that there is a great, waiting market in Western Europe which is at the take-off point. The Community's prosperity has put money in the pockets of millions of people who never before dreamed of supermarkets or TV sets or a summer house on the beach or in the mountains.

You remember the great pent-up demand which existed in this country after World War II and the tremendous consumer goods explosion which followed.

Well, it's waiting now in Europe. The Commerce Department has estimated that, to reach the level of consumption tomorrow we enjoy in the United States today, Western Europeans would have to buy 50 million more automobiles than they now own.....would have to buy 50 million more television sets than they now own. The same holds true for all the classic consumer items which have given the United States its standard of living and prosperity. Today the people of the Community can afford and want to buy automobiles, washing machines, and vacations in the United States.

And American business is experienced in producing and selling these items. Remember that Western European business hasn't yet accumulated American know-how, capacity, and sales technique in these fields.

If President Kennedy's trade bargaining with the Community is successful -- and it will be -- it will open this market even more fully to American business.

Let me draw a parallel. A hundred years ago the Boston manufacturer had a good market in New England. Then manufacturing developed in the Midwest. What was the Boston man to do? Should he stay in New England or take the risks in expanding his market? Some stayed in New England. A few prospered, but more failed. Those who struck out for the new markets became the great American corporations of today.

Today we can reach the European Community more easily than we could cross the Mississippi a hundred years ago. Arthur Watson -- the President of IBM World Trade Corporation -- estimates that by 1970 the Community market and U. S. market combined will be a trillion dollar market with five hundred million consumers.

Already the six Community countries are this country's biggest customers. Last year Americans sold 3.6 billion dollars worth of products to them. They bought 25 per cent of U. S. cotton and a fourth of U. S. tobacco. They are good customers for our raw materials and farm products. In industry, they are good customers for heavy industrial equipment, specialized automotive equipment, and electronic equipment. To date, they've been poor customers for our consumer goods. But, as I just pointed out, the consumer-goods demand in the Community is pent up and just now about to burst loose as buying power increases.

I said Americans sold 3.6 billion dollars worth of products to the Community countries -- they in turn sold 2.2 billion dollars worth of products to us. Quite a balance in this country's advantage.

We've heard a lot about lower wages giving the European countries a competitive edge. In some cases this is true. But in most, it just doesn't make that much difference. Don't forget that the typical European manufacturing plant is still small by our U. S. standards. And despite increasing automation, productivity per worker is still much lower than in the United States. And as European productivity increases, so do wages. Last year, for example, American hourly labor costs -- wages plus benefits -- increased 3.4 per cent, while Community country labor costs increased an average 10 per cent.

Today there are some temporary price differences and wage differences, but as the world shrinks even more in an atmosphere of freer trade, these things will level out.

Right now there are two things Americans should especially take into consideration when selling to the Community. And they are things taken for granted when selling in this country.

First, finding out exactly when the market is ready for the product and knowing what the potential market is.

Then, designing the product for its market -- particularly in consumer items. Europeans don't necessarily want the same attachments on their vacuum cleaners, for instance, that we do. Many American exporters have made the mistake of exporting without thinking about this. The same companies wouldn't think of making the same mistake in the U. S. Design is important.

With these things in mind, the American businessman has a real opportunity in selling to Europe because -- I make the point again -- of his existing know-how in mass production, marketing and distribution.

I won't outline the product categories of Pacific Northwest export and import with the Community. You already know most of them. Our friends at Boeing -- big exporters indeed -- are right now in the midst of some tough competition with Community products.

In closing, I will only mention two things which seem to me particularly important for the Pacific Northwest in trading with the Community, and with the rest of the world, for that matter.

First, of course, is the need for greater diversification. It is no news to anyone here that a great part of the Pacific Northwest's prosperity depends on Boeing, and that many eggs are in one basket. I know that everyone

concerned is making an all-out effort to develop new and diversified industry in the Northwest and I'm sure this effort will succeed. It will succeed because of the second thing I'm going to mention.

That is the tremendous energy and vitality and productivity of the people of the Northwest. I told you about the reactions of the European Community visitors here, and how much they were impressed by these qualities. The Pacific Northwest will grow and prosper beyond any short-range factors of competition or distance. Because the most important asset of all -- people -- is contained here and that fact is being increasingly recognized. For if the European Community has a bright future, so does the Pacific Northwest. And for the same reason. There are people who will make it work.