

NOT TO BE RELEASED
BEFORE 1400 hrs., MONDAY
FEBRUARY 29, 1960

C H E C K
AGAINST
DELIVERY

S P E E C H

delivered by

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Economic Community

on the occasion of a luncheon given by
the Joint Committee of
the CHAMBERS OF COMMERCE of the COMMON MARKET
in GREAT BRITAIN

at the Café Royal, London, February 29,
1960.

Ladies and Gentlemen,

First, let me say what a pleasure and privilege it is for me to be invited to speak to you in London to-day. It is, in fact, a very special day - February the twenty-ninth, one which occurs in our calendar only once every four years. I need hardly say that for a life-long bachelor like myself there is a very special significance in Leap Year: once every four years a new danger faces us, or should I say a new opportunity faces our friends.

What I should like to talk about to-day is another new challenge and new opportunity which faces us all in this new year, this new decade, this new age in international relations.

Perhaps it is because economics is a rather sober subject that we are sometimes tempted to use somewhat colourful language about it, and to speak in terms of 'tariff walls', 'trade warfare', and even 'Sixes and Sevens'. At the risk of seeming monotonous, I shall try to avoid terms like these, and shall try to talk about our problems in a more practical fashion which I think is better related to the truth.

I do not need to remind you that trade policy is of enormous importance, not only to ourselves and our Community, but also to our partners in Europe, in the North Atlantic area, and in the developing regions of the world. I was very struck, a few weeks ago, by a statement made by the British President of the Board of Trade when he was speaking in New York. Mr. Maudling had occasion to underline the significance of trade policy - and of a liberal trade policy - for the peaceful development of our countries and for their hopes of competitive co-existence with the Communist-dominated nations. "The objective of our trade policies", he said, "must be twofold: first, to strengthen our own economies, and secondly to use this economic strength to help others". I should like to place on record my complete and utter agreement with Mr. Maudling on this point. And I should like to try to show how the trade policy of the European Community measures up to this challenge.

First, a word about the strengthening of our own economy. One of the most striking developments in the past decade has been the extraordinarily rapid recovery of Western Europe. This, in itself, is some indication of how successful have been the efforts of the Organisation for European Economic Co-operation. A friend of mine in OEEC recently remarked that he felt rather like a doctor who had discovered the secret of eternal youth. It was fine, he said, for his patients - but it made a doctor's livelihood rather precarious. Of course, it would be an exaggeration to suggest that OEEC has worked itself out of a job. It has been immensely successful, and in many specialized fields it is still doing extremely valuable work. But its original job, beyond the sharing out of Marshall Aid, was to put Europe on its feet again, and to try to avoid some of the mistakes and conflicts which had helped to bring her to her knees. There is no one, I think, who can doubt that Europe is on her feet again; if I may be permitted to cite an example from our own Community, our statisticians have just informed me that industrial production in the third quarter of 1959 stood nearly 50 per cent higher than in the corresponding period six years ago. At the same time, many of the problems that faced us a decade ago - the liquidity problem, for example - have been transformed, and there is no longer ipso facto justification for many of the provisional devices which were then adopted and which have since acquired the scapegrace sanctity of habit. I am thinking, particularly, of discrimination against the dollar. The recent statements and recent actions of our British friends make it clear that they, too, share this viewpoint.

During recent years, moreover, a new dynamic element has been added: that is, the dynamic element of the European Community. It has taken some little time for the full significance of the Community to be appreciated: sometimes, we are a little surprised by it ourselves. For not only is the Community the world's second-largest industrial power: it is also the world's largest trader - and its trade policy is therefore of vital importance in world affairs. Moreover, the Community, as you know, is

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making very rapid progress. For our journalist friends, of course, conflict is news and harmony is no news. Should a dispute develop within our Community, the world soon learns about it: but if all goes well, there is nothing dramatic to be said. Nevertheless, in the first two years of the Common Market's operation, we have already been able to point to increased production and growing trade within our borders. Our exports have risen, and so have our imports: it is perhaps interesting to note that our imports from other European partners have risen more rapidly than theirs from us.

Within the Community's institutions we have kept well to our timetable, not only in the dismantling of internal trade barriers but also in the formulation of our future common policies. We have recently produced the bulk of our future common tariff. The European Parliament is preparing proposals for its own election by direct universal suffrage. It has even been proposed in certain quarters that in two years' time the three Executives of the Common Market, Euratom, and the Coal and Steel Community, should be replaced by a single European Executive. Finally, the Commission, over which I have the honour to preside, has just prepared its proposals for an acceleration of the transition period. This means, first of all, a more rapid reduction of our internal trade barriers, and in order to prevent diversion of trade within the Community it also implies, of course, the more rapid establishment of our common external tariff. But it is worth considering whether this might not be linked with the idea of a lowering of the external tariff, an idea already taken up by the Community.

One of the most striking developments within the Common Market has been the response to it of the industrialists and businessmen of our six countries - and not of our six countries alone, since United States investments in the Common Market in 1959 has tripled in comparison with 1958. It is, indeed, from businessmen and industrialists in the Community that pressure has developed for a speed-up of the transition period: they not only accept the Common Market as here to stay, but they even want to enjoy

its benefits more rapidly. That is one reason why we want to accelerate the transition period - to give them a run for their money.

But there is also another reason. The sooner we have achieved the full consolidation of our unity, the sooner we are recognized as a single economic entity, the sooner it will be possible for us to exert the full influence of our trade policy and to use our economic strength to help others. Just as it has taken us some time to get used to the new idea of a single economic unit where once there were six separate economies, so the process of creating that unit has seemed to some of our friends and neighbours to involve a certain unfairness towards those of our partners who have been unable to join us in this great creative venture. By the time the transition period is over, I think that this feeling is bound to disperse. By then, I think it will seem natural that there should, for instance, be no tariff between France and Germany, while both apply the Community tariff to their imports from outside the Common Market. I think it will seem as natural for Dutch businessmen to set up in Italy as it is for Scottish businessmen to set up in London. I think it will seem as natural for a Luxembourg bank to operate in France as it is for an English bank to operate in Wales. And I think that the presence of Italian workers in Belgium will seem no more strange than that of nurses from Northern Ireland in the hospitals of Liverpool and Manchester.

What is more, the speedier the full consolidation of our economic unity, the easier it will be for us to exert a liberal influence in the world's economic affairs. Our interests in this field are very much the same as those of the other great trading powers of the free world, including Great Britain and the United States. Not only must we continue, and perhaps increase, our present rate of economic growth. Not only must we prove that a free society is competitive. We must also help to stabilize and enlarge the markets we provide for the world's producers of raw materials, and, as the developing countries achieve greater industrial production, so we must develop with them and accept from them increasing quantities of

manufactures. All this means far-reaching adaptation of our trade policies: and since our interests are so similar to those of the other great trading powers of the world, it also means that we can best face these responsibilities together. I am glad to say that the first steps in this direction are already being taken. I am thinking here of the decisions reached in Paris in January of this year.

The trade policy of the European Community, therefore, must be liberal, and it must be creative, in the sense that I have suggested. This is not only a matter of political necessity, however. It is also an obligation imposed upon us - perhaps I should say, gladly accepted - under the Rome Treaty. I will not presume upon your patience by reading you the relevant Articles of the Treaty of Rome. Suffice it to say that we are required, by Treaty, to practise a single joint trade policy by the end of the transition period - that is, in less than ten years from now. The Treaty also stipulates - let me be specific upon this point - that our trade policy must be liberal. How, so far, have we lived up to this obligation, and what are the indications for the future?

I need hardly say that the field of our trade policy which is of the most immediate interest to our British friends is that of our relations with our European neighbours. There is no need for me to delve into past history. But I think that whatever the merits or demerits of the original Free Trade Area proposal - and I should be the last to deny that it had merits - the practical situation to-day calls for solutions at once more pragmatic and more comprehensive. I think it is fair to say that our Commission realized this quite early on.

Let me take the pragmatic aspect first. It seems to me that there is no reason at all why the European Community and the so-called "Outer Seven" should not live peacefully side by side. Our aims in the Community are more ambitious than those of the Outer Seven. We seek to create a full economic unit: our friends are interested chiefly in improved arrangements for trade. To achieve our aims, we are prepared to pay a greater price: we believe, even, that this price must be paid if the full benefits traditionally expected from free trade - greater competition, international

specialization, modernization, and the best use of resources - are to be attained. But this does not mean that we should cast a surly eye upon those of our neighbours who are attempting a more limited experiment. Our own venture is flourishing, and we intend that it shall continue to flourish. But we have no intention that it should harm or endanger our neighbours.

That is why, on the Commission's proposal, the Community has twice been prepared to extend to its partners - and latterly not only its European partners - the major part of the mutual reductions of trade barriers which were made at the beginning of 1959 and again at the beginning of this year, in the gradual process of removing the national economic barriers between our constituent states. This, I think, should be taken as an earnest of our good intentions.

But for the same reason we have proposed the much discussed Contact Committee. If I now say a little more about this proposal, it is because it seems to me of very particular importance, not only as a possible first step towards some more far-reaching solution - if such a solution can be found - but also as a perfectly practical means of improving the real situation as it exists to-day, which, after all, is what interests practical people. There are, in fact, several ways in which such a Contact Committee could help to improve matters. It might, in its most limited function, adopt a kind of complaints procedure to deal with practical cases of hardship. It might, a little more ambitiously, seek to prevent such cases of hardship before they occur. It is interesting to note that various ideas on this subject are in the air. I see that a well-known German economist has recently suggested, for example, the granting of tariff quotas, subject to approval by GATT, particularly to those industries which are in a difficult position, such as certain branches of the textile industry. Another possibility, suggested by the same author, and one which would not necessitate special permission from GATT, might be a mutual reduction of tariffs in certain industrial sectors - such, perhaps, as automobiles - which particularly interest European producers, such tariff reductions to be extended on a most-favoured-nation basis to the other contracting parties of GATT. I do not necessarily associate myself with these

suggestions: but I mention them only to show that there is plenty of room for fresh ideas.

It is true, pragmatic solutions do not meet all the hopes that were raised by the original Free Trade Area proposal: but, on the other hand, they in no sense block the way for such hopes. At this stage, it is my personal feeling that such a wider settlement, particularly in its original form, has something in common with the magnificent boat that Robinson Crusoe built for himself on the desert island: a fine vessel, if it could once be launched, but very difficult to get down to the water.

But there is yet a further way in which the difficulties between the European Community and its neighbours - difficulties at present more apparent than real - could be avoided. I said just now that our trade policy in Europe called for a comprehensive as well as a pragmatic approach; and by this I mean that it cannot be divorced from its wider world context.

Not long ago, an Indian student, writing a thesis on the Common Market, wrote to me to ask, among other things: "Why does the European Community have to have a common tariff against the rest of the world?" In other places, I have heard some reference to the "tariff wall" surrounding or about to surround the Common Market. But nobody, so far as I am aware, has ever asked quite the same question of the United States, or even of Great Britain. Similarly, the word "wall" is less often used in connexion with the British tariff, although a recent study, made in Great Britain itself, has shown that this tariff is somewhat higher than the future common tariff of the Community. We too, in the process of calculating the future common tariff, have made some comparisons. These show, among other things, that the arithmetical average on which the tariff is based has an incidence of some 7.5 per cent on imports into the Community, whereas the present national tariffs of our member states have an average incidence of nine per cent. The average incidence of the present British tariff, I might add, is also in the region of nine per cent.

In other words, in many fields the future common tariff of the Community represents a considerable sacrifice for some of its major participants. French and Italian tariffs will undergo some very substantial cuts, in some cases reaching 50 per cent or more. Even the German consolidated GATT tariff will be reduced in the field of manufactured goods. This, I think, should do something to calm the apprehensions of our trading partners in Europe and elsewhere.

But this is only the point of departure. In a world which is rapidly shrinking, it seems to me vital that while we are striving to avoid in Europe the mistakes which were made by past generations, we must above all not repeat those same mistakes on the wider scale of our Atlantic trade relations. During the past 30 years, American trade policy has undergone a remarkable evolution in the direction of liberalization and multilateralism; and it is in the interest of us all that this evolution should continue. Our own policy must be liberal, and it must be such as to enable others to continue in liberal policies. It is very important, at this stage, when America is recovering still from a short but sharp recession, and when many people are worried about the state of her reserves situation, that we in Europe give no encouragement to those who demand more protection for her industries and her currency. I am very glad to say that both the European Community and the United Kingdom have accepted the famous proposals made by Mr. Dillon for a substantial reduction of tariff barriers to be negotiated in GATT. This in itself will have the effect of further reducing the external tariff of the European Community; and we have even proposed that this round of negotiations be followed by a further round, to make a real and continuing attack upon trade barriers in the free world as a whole.

This then is a part of what I meant when I spoke of comprehensive solutions to the problems of our trade policy in Europe: for, if we succeed in reducing trade barriers in the free world as a whole, those barriers will bulk much less largely for our friends in Europe. If we can achieve this, the problems of the Six and the Seven, such as they are, will be reduced to their true proportions - and the more so if these world-wide measures are supplemented by pragmatic solutions.

But, finally, there is one other aspect to this problem of our trade policy in its Atlantic context; and that is one of which I can only speak briefly to-day. In the modern world, the reduction of trade barriers is only part of the responsibility of those concerned with trade policy: it must, in fact, go hand in hand with more creative measures to co-ordinate and harmonize economic policy as a whole. In January, there took place a series of meetings in Paris between the OEEC countries, the United States and Canadian Governments, and our Commission. These meetings were, in my view, an historic event. They marked the end of one phase in post-war economic history - the end of the Marshall era and the beginning of what may one day come to be known as the Dillon era. They marked the decision of the United States and Canada that they can no longer act merely as observers of the European economic scene, but that they wish to be full participants in the new economic organization that is now being planned. We have known for some time that the economic problems of the free world are indissoluble one from another: we are now beginning to act upon that knowledge, and to seek means of working out and implementing our future trade policies in full and equal partnership. Only in this way can we face the twin challenge of the nineteen-sixties: the challenge from the East, and what Sir Oliver Franks has called the challenge of North and South - the duties of our northern industrialized nations towards their less developed partners in the world's southern hemisphere. Of the first challenge, there is little need to speak. It is as easy for a totalitarian society to produce Sputniks as it was for the Pharaohs to build pyramids: both are gigantic achievements realized at the expense of human suffering. For a free society to compete is less easy: but, if it is to survive, it must achieve even greater things, combining technical accomplishments with the basic values that make life worth living.

The same applies to the second challenge - that of the developing areas. This has been said so often that it has become a platitude, but truths are no less true for being often repeated; and what may seem a platitude here is a very grim story of human misery elsewhere. In this field, too, it is easy for a totalitarian society to offer

glittering technological prizes to those who need bread before they can know the meaning of freedom. It is much harder for a free society to offer the same inducements. But our own safety and our own humanity demand that we face these responsibilities. If we are to meet such a challenge we can surely no longer afford to limit our gaze. We have world responsibilities: we must think in world terms.
