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Address

by

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of the European Economic Community

introducing the Eighth General Report
of the Commission of the European Economic Community

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You have before you today our report on the Community's eighth year. At the outset, there were signs of fatigue, but the Community gained fresh momentum - largely due to the Council - from the decisions taken in December. It has been the year of the common cereals price, of the beginnings of a Community economic policy and of the decision to merge the Executives. It has been the year in which the Community has presented itself - in the Kennedy round - as a single entity. The record is impressive and the balance positive. But the nearer we get to the summit, the completion of the Community, the steeper our path becomes. Now, as ever, we need lucidity, steadfastness and stamina.

I

One or two figures may illustrate the development of the Community's economy. From 1958 to 1964 the real gross product of the Community rose by 38%. The comparable figures for the United States and the United Kingdom are 28% and 25% respectively. During the same period industrial production rose by about 51% (compared with 43% in the United States and 28% in the United Kingdom). A measure of the progress of commercial integration between the Member States - even before the completion of customs union - is the growth of intra-Community trade since 1958. This was 168% (with a growth rate of 16% in the last year alone) whilst world trade (excluding intra-Community trade) grew by only about 50% during the same period.

The outside world as well has benefited from the boom in the Community. Between 1958 and 1964 imports from non-member countries grew by 66%, reaching about a fifth of total world imports (the United States takes 13% of world imports). Exports did not grow at the same rate: they increased by only 53%. This means that the Community again had a trade deficit in 1964. It totalled £2 700 million, compared with £3 000 million for 1963. This was a particularly heavy deficit - of £2 900 million - on trade with the developing countries.

These figures are by themselves an indication of the impact of the Common Market on the consumer. More and more goods of constantly improving quality, flowing ever more freely over the frontiers between the States - this more than anything else provides the clearest evidence of the impact of the Common Market on the consumer.

Mass incomes, too, shared in the favourable trend. Wages and salaries per person in paid employment rose between 1958 and 1964 by about 62%. Consumer prices rose over the same period by only about 20%. The difference is a measure of what the Common Market had meant to the man in the street.

II

Five topics have dominated the year's work, though they were important before and remain so.

The first is the completion of the common market: the integration of agricultural markets has reached an advanced stage and a single European cereals price has been established. This was a great achievement. It testifies to the loyalty of the Member States to the Community, for some countries have had to pay for it in hard cash and, what is more, had to sacrifice principles of agricultural policy which seemed part of "inalienable" national sovereignty. No wonder that the call for equilibrium, for balanced progress, became more pressing. What the common agricultural market means to one State the common industrial market means to another. And in fact the two go hand in hand. Together they form the common market of the Rome Treaty. This is why, in its "Initiative 1964", the Commission pressed for the simultaneous consolidation of agricultural and industrial markets. Both are equally near completion. For the agricultural market, Community prices for milk, beef and rice are yet to be fixed and market organizations for sugar, fruit and

vegetables, and fats and oils have yet to be set up. For the industrial market, customs union is still to be completed, tax and administrative frontiers eliminated, and customs legislation aligned. When all this has been done, and not before, we shall have that European home market which is an objective of the Treaty. The Commission believes that this objective can be attained by the middle of 1967.

The second topic of the year in the financing of the Community. The Commission's proposals have been made public and have been discussed in this House. I have nothing to add on this point today.

The third topic is economic policy. The growing unity of the European economy is rendering common machinery a necessity. The means of intervention available to the Member States no longer suffice by themselves to control business trends. In the drive against inflation, everybody now realizes that trade-cycle policy must be made subject to Community discipline. This is the price of economic integration. The same is true of monetary policy. It is easy to recommend experiments with exchange rates in times of difficulty. But that would mean treating only the symptoms. The right prescription is not disintegration but fuller integration. The common cereals price has made fixed exchange rates unavoidable. And this brings monetary union within sight. Similar considerations apply in medium-term economic policy.

The fourth main topic is the Kennedy round. Nowhere does the Community offer the world a more tangible and impressive demonstration of its unity than here: in the dialogue of the continents the immense prospects of Atlantic partnership are now unfolding. Behind these negotiations there lies a firm will to succeed, as the common list of exceptions, the decision on cereal prices and our plan for a world cereals agreement all show.

The fifth topic is the merging of the three specialized European Communities into a single economic and social union. With the decision to merge the institutions a major step on this road has been taken. As our colleagues on the Euratom Commission put it, in a striking image, it should, like the process of nuclear fusion, release vast quantities of energy.

III

As I have said, these are only the more important topics of the past year. We must not forget the work carried out in all the other specialized fields in which the Community is active. What progress, in general, has been made? Where do we stand by reference to the overall programme set for us by the Treaty of Rome? The General Report answers these two questions as well.

Customs union, the centre-piece of the European edifice, is within reach. The Commission has taken the final steps required of it. It is now for the Council to decide.

On economic union and the unification of national policies, our answer must be less categorical. I should like to summarize the situation briefly.

1. I will begin with the common agricultural policy, where there have been spectacular successes culminating in the decision on the cereals price. This decision has a political and economic significance going far beyond the agricultural domain. It will furnish an incentive to expedite the unification of industrial markets as well, and it clears the path for further negotiations on farm prices in GATT.

Common cereal prices do not, however, mean that the Community's agricultural policy is already fully in operation but outstanding items are relatively few in number - one or two price decisions, certain market organizations, the finance question. The very fact that there is more talk about the few questions pending than about all the individual successes achieved during the year shows how far the common agricultural policy has progressed.

2. Is there a "common industrial policy"? I have no wish to encumber this introductory address with methodological subtleties. I shall therefore confine my remarks to the traditional framework of economic policy. There is a keen awareness that our society is an industrial society, that our economy is essentially an industrial economy. General economic policy is accordingly geared mainly to the needs of industry. Agricultural policy, policy with regard to crafts and small industry, transport, banking, etc., are therefore not seen as cognate with industrial policy but as special fields outside the main stream of general economic policy, if not as actual exceptions to it. What then is the situation with regard to the common overall economic policy?

(a) The Community's economic policy is first and foremost competition policy. Competition is the economic mainspring of our Community. The play of undistorted competition in an undivided Community area is our leitmotiv. That is what the Treaty of Rome requires, not only for reasons of political philosophy, because competition is an economic framework ensuring freedom and personal responsibility, but also because the free market economy is the most "economic" arrangement.

This concept finds practical expression in customs union. I have already referred to the progress made in this field.

Alongside the free movement of goods, progress has also been made with freedom of establishment and freedom to supply services in the Common Market. In the past year the Council has issued three directives affecting a large section of manufacturing industry, and a number of further proposals have been laid before the Council. But this is only a beginning.

We can have no true internal market, no Europe-wide competition in efficiency, unless we eliminate internal tax frontiers. The Commission has proposed that the current turnover tax systems be replaced by a common added-value tax by 1970 at latest. This tax would be in the nature of a consumer tax.

Here we must not only unify the most important national taxes, but also align their rates. Only in this way can free trade become a reality.

Again, European cartel law has not remained a dead letter, and the important Grundig-Consten decision is not the only evidence of this. The Commission is developing a body of case-law in this field. A new Council regulation has established that the Commission has power to exempt whole groups of exclusive dealing and licensing agreements from the ban in the Treaty. On this legal basis the Commission will be able to settle a large number of the cases notified to it.

Lastly, the Commission has taken further action to give practical effect to its policy on state aids. As was done for the film industry, it is seeking to establish a system of aids to shipbuilding which will be granted by the member countries according to the same principles and at approximately the same rates.

(b) But there is a need for effective and fair competition not only within the Community. The conditions for effective and fair competition between our enterprises and those outside the Community must also be created. In fact the progress of integration can be measured by the extent to which Europe can now withstand the competition of the continents. The aim of the Community's economic policy is therefore to develop the European economy to continental scale. This means that it must deal with the questions of industrial combination, investment and research.

Accordingly, the Commission welcomes the French proposal for the creation of a European form of company. Our enterprises must grow out of the national economies into the European economy: for at least the Common Market has opened up prospects to the European businessman comparable with those of his American counterpart. For this reason the legal as well as the economic conditions must be established for enterprises so that they can adapt themselves to Common Market requirements in terms of scale and efficiency and can reach a position in which they can meet international competition. A new legal form of European company must therefore be created, and here the question whether Community law or uniform municipal law is the appropriate basis remains open. Such a European company would enable companies incorporated in differing Member States to merge or to acquire interests in each other. It would also facilitate the establishment of subsidiaries and the transfer of headquarters from one Community country to another; nor should we forget the incentives which a European company - providing the same assurances everywhere in the Common Market - would offer to the investor. European industry would gain more independence of capital markets outside the Community.

In the complex question of foreign investment the first thing needed is a clear picture of the facts, and this is what the Commission is endeavouring to establish.

Lastly, the growing competition of enterprises within the Common Market and with the outside world has brought to the fore the importance of scientific and technical research. With competition as keen as it is today, only those can survive whose present research is already laying the foundations for efficient business tomorrow. Thinking in the Member States is already along these lines. The structural alterations introduced or speeded up on account of the Common Market have provided the incentive. These multifarious efforts need to be co-ordinated. The only way this can be done is by using the Community framework. The high cost of research is another factor favouring its co-ordination at Community level; we can no longer afford the luxury of dispersed effort in this field. Research and science in the United States (partly because of public contracts) are a long way ahead of us, and the gap seems to be widening. The obvious inference is that the Six should combine their efforts. The starting point exists already in the shape of the Medium-term Economic Policy Committee and of the inter-Executive Committee set up between the Commissions and the High Authority.

3. The common short-term economic policy and monetary policy are still in their infancy. However, the Council decisions of 15 April 1964 point to the way ahead.

The measures taken so far have been the response to an emergency situation. We have now managed to bring the economic equilibrium of the Community back under some degree of control. The short-term economic policy recommendation of 29 March bears witness to this. The unity of the European economy now requires us to organize a common procedure for preventing crises before they star

It would be wise, therefore, to consider whether the Council should not lay down principles and rules of short-term economic policy binding on all Member States and on itself. Community rules are required in particular for budgetary policy, credit policy and, if possible, also for incomes policy. A "grammar" of common short-term economic policy is not lacking. All that is needed is to introduce it in everyday speech.

The regular meetings of Governors of Central Banks represent an important step forward. The Governors are already concerting their views, for instruments of monetary policy too should be harmonized.

4. The Community's medium-term economic policy is for the most part still only a blueprint. Its aims are well known: the intention is to rationalize government intervention in the economy. For a modern economic order without the presence of the State is now unthinkable.

This presence finds expression in the legal framework which it provides for the entire economy. It is also reflected in the day-to-day measures by which Governments act upon the factors of economic life. This is why customs union is not viable unless supplemented by the fusion of public economic policies as well. Official intervention in economic matters is therefore an essential feature of our economic order. This economic order is a free market economy and the purpose of government intervention is to preserve it. Intervention must consequently respect the basic choice made of a free economy, must indeed subserve it.

Consequently, the Community's medium-term economic policy will not give industry instructions but guidance. Its task is to work out, for a specific period, concepts which the Member States will abide by in their economic policies.

The Committee for Short-term Economic Policy, which is one of the main instruments of this Community undertaking, has addressed itself to its task with commendable energy. This work will enable the Commission to draft a first programme for the years 1966 to 1970. The main purpose of the Committee's preliminary draft will be to provide a broad outline of the objectives and tasks of medium-term economic policy. In addition, it will study the conditions of growth and structural requirements in the member countries. Labour, employment and vocational training problems will have their place in this document. Public budgets, particularly infrastructure investment, will be an important topic. The Committee has prepared terms of reference for working parties which will study policy on industrial structures, incomes policy and policy in regard to science and research. The answers to the questions thus posed will be decisive for the elaboration of a European economic policy.

5. Regional policy is one of the spheres of Community activity needing to be developed. It can only be implemented, as the Parliament pointed out last year, "on the basis of a common regional approach worked out by the Communities together with the national and regional authorities".

The Commission's proposal, which outlines this common approach, corresponds to this view. The Member States can make an essential contribution to the task in hand by elaborating general programmes, particularly with regard to public investment. Regional centres of development should be formed to take account of the special situation of individual areas. Aid policy needs to be reviewed.

The Commission will continue its studies and it will draft Community programmes for specific regions. It is its task to co-ordinate regional policy measures in the fields of agricultural structure, transport infrastructure, energy, vocational training, etc.

6. As for the common energy policy, what is still lacking is a decisive attack on the problem. True, the Council of the European Coal and Steel Community approved a protocol a year ago. Everyone is agreed on general aims: assured supplies at low prices, competition between the various forms of energy, independent choice for the consumer, etc. But this does not amount to a policy.

We cannot put off the introduction of an energy policy until the merger of the Communities. The price of energy is a decisive factor in economic accounts and a common energy market is one of the pillars of the European edifice.

7. The common transport policy seems to be getting under way at last. The Council has adopted three of the proposals which the Commission laid before it in 1963 in conformity with the Action Programme to establish a common transport system. They concern a survey of infrastructure costs, a standard procedure for the issue of intra-Community licences for goods transport and the harmonization of regulations affecting competition in rail, road and inland waterway transport.

The Council has also settled the question of the Community quota for goods transport, although with one reservation: if agreement is reached on the organization of the transport market this year, a Community quota will be introduced experimentally from the beginning of next year, the bilateral quotas remaining in force.

8. Though we cannot point to any spectacular successes in the field of Community social policy, the results obtained are satisfactory. In its "Initiative 1964" the Commission pointed out to the Member States that the close co-operation in social matters called for in the Treaty needed to be intensified so as to facilitate the levelling upwards of living and working conditions.

The Commission has also proposed a reorganization of the Social Fund. Its role should not only be that of a compensation fund for disbursements by Member States; it should also be able to promote retraining schemes on its own initiative.

9. Lastly, our "enfant terrible": the common commercial policy. Only fragments of it exist at present, in the fields of customs duties, trade in farm products, association with the African States and Madagascar, and certain commercial treaties of the Community. The instruments of Community policy are still totally inadequate and this is being brought home to us in our trade with the East bloc countries, in the Kennedy round, in the World Trade and Development Conference and elsewhere. The reports of your members, M. Hahn and M. Löhr, give an extremely clear picture of the situation.

The past year has seen no appreciable progress in this field, and time presses. Without a uniform external trade policy, the Community will become a commercial freak when, in 1967, the internal market is complete and the common external tariff is the only one applying. Even today the Community needs weapons of commercial protection matching those of its main trading partners. For the Kennedy round is in full swing. Consequently the Commission has once again proposed counter-measures to provide protection against dumping and bounties or subsidies on the part of non-member countries. Other proposals concern the common liberalization list for imports and the administration of import quotas.

Any customs and economic union must negotiate its commercial agreements in common. Here, as I have said, a beginning, at least, has been made. The agreement with Iran has in the past year been followed by agreements with Israel and Lebanon. Talks with Spain are in progress; the Council has asked the Commission to study problems of mutual economic relations and seek solutions.

A decision is urgently required on the relations of the Community with Japan, so that the Kennedy round tariff cuts can be extended to this country without endangering Community industries. Community discipline is needed in relations with the state-trading countries. Imports from the East bloc are mainly agricultural and are subject to Community rules. Our exports to these countries consist mostly of manufactures and are still governed only by independent national rules. This cannot be allowed to go on indefinitely. The Commission has put forward proposals to remedy the situation.

I should like to sum up the present situation of the Community by using our 1962 Action Programme as a yardstick to assess the progress made.

1. The progress of the Community has kept pace with the Action Programme in the following fields:

- (a) Customs union;
- (b) Common agricultural policy;
- (c) The establishment of a European "medium-term forecast";
- (d) The beginnings of a common short-term economic policy;
- (e) The beginnings of a European cartel policy;
- (f) Work on the harmonization of turnover taxes;
- (g) Freedom of establishment and liberalization of services;
- (h) External relations: the Kennedy round, the agreements with Israel and Lebanon, the opening of negotiations with Austria.

2. Fields in which progress has been slow are:

- (a) Measures complementary to customs union, e.g. the elimination of charges equivalent in effect to customs duties, the reorganization of government monopolies, the alignment of customs law and administration;
- (b) Social policy;
- (c) Regional policy;
- (d) Monetary policy.

3. In the following fields the Commission, despite special efforts, has not made the desired progress:

- (a) Energy policy;
- (b) Transport policy, although here the situation seems to be taking a turn for the better;
- (c) Common commercial policy, including a Community policy vis-à-vis the non-associated developing countries.

4. Lastly, two new topics, not mentioned in the Action Programme for the Second Stage, have been drawn into the field of European co-operation:

- (a) The Commission has laid before the Council a proposal for a directive on the alignment of postal rates for letters and postcards within the Community. We hope that this is the beginning of more comprehensive Community work with regard to postal services;
- (b) The transport ministers of the Member States are holding consultations concerning the establishment of a European airline company. The Commission has pointed out that this involves fields covered by the EEC Treaty. We shall keep a watchful eye on any move to treat the matter separately.

All this represents a stage along the road, not journey's end. Nearly two-thirds of the Community's transition period lie behind us: a good third, and not the easiest, lies ahead of us. What can we say of the Community movement itself? That is our third question. Is it strong? Has it become stronger or weaker?

What forces now drive it forward? What hold us back? How can we strengthen the first and overcome the second?

The factors that impel us forward are:

- (a) Europe's indestructible self-confidence;
- (b) The awareness that without a healthy, vigorous, flourishing Europe participating actively in international affairs neither the European states nor the world can really thrive;
- (c) The realization that the world has become very small, and calls for a different criteria of size from those which applied to the European patchwork of yesterday and still apply today; that our economy and our society can only exploit the opportunities offered by modern techniques and way of life and compete with today's giants only if they are designed on a large scale;
- (d) The conviction that Europe is threatened in its way of life and can only hope to survive by pooling its material, cultural and political forces;
- (e) The knowledge that if the countries of Europe persist in their division and dissension, Europe will become the Balkans of the world, a constant temptation to others - the super-powers - to intervene and organize Europe in the interests of their own security;
- (f) The awareness that Europe can command the attention of friend and foe in affairs of world policy only by speaking with one voice;
- (g) The lesson, borne of endless suffering, that no single European state possesses the economic, military or political potential to meet this need by imposing its hegemony, that is,

- by gaining control over Europe and speaking for Europe;
- (h) The conclusion, drawn from all these considerations by democratic governments in free negotiations and ratified by democratic parliaments, that a lasting community of European states, with a firm constitutional structure, is the only solution offering us what we want: peace in and for Europe, security, freedom, prosperity, independence and a voice in the great international questions on which our existence and happiness also depend;
 - (i) And, consequently, the firm conviction that the internal organization of Europe must no longer be left to the power of the stronger but must be made subject to the precepts of law.

What are the factors opposing us? It would be both unfair and dangerous to believe that it is only mental laziness, lack of imagination and desire to take things easy which account for a kind of European law of inertia. Unfair, because it would mean disregarding the fact that memories and feelings which are high and noble in themselves are among the obstacles on man's path towards a present and future the understanding and mastery of which make great demands on his imagination and adaptability. And dangerous, since it could lead to underestimation of how deeply rooted some of the forces of resistance are.

What opposes European progress is the memory of deeds and sufferings shared which we call history and which, more than anything else, gives communities of men their identity and sense of their own worth.

Then there are traditions, by which the

past influences the present. Again, the robust structures of the national communities, which have matured and gained strength in past decades and centuries, their constitutions and their administrations.

And in the cultural field - which in other respects undeniably binds Europe together more than any other - the differences of language. Nor should we forget the differing forms of social life and behaviour, with the strong influence they exert on education, to say nothing of the natural peculiarities of land and people, which are the source of many a deep cleavage even within the countries themselves.

Is there any need to add that the objective of European unification is not to destroy mature institutions and replace them by artificial structures? That the goal is not a streamlined Europe, but a Europe of diversity? That the values incarnated in the countries of Europe are to be safeguarded, indeed encouraged as elements promoting that spirit of emulation which forms the richness and inspires the constant self-renewal of this old continent? That the unity of Europe is an organic process, a natural consummation of the conditions and capacities which make up the European personality, a gain not only for the whole, but also for all its parts?

Our drive towards integration has, then, an organic character, and it is not paradoxical to say that therein lies its greatest difficulty.

1. The last five hundred years of history have seen the conflict and alternation of two principles of European order: the balance of power and hegemony. If there had been a third solution it would certainly have been tried: there has been no lack of time or opportunity. Since the last attempt to unify Europe under a hegemony - Hitler's frenzied thrust for power - it may be considered as settled that the principle of equilibrium is the only one that can fit Europe to play a historic role in our time. If the effort to establish such equilibrium fails this time, Europe may long languish in serfdom before succumbing, but she will not rise again to such a role.

Until the Nazis ran amok we had had a European settlement based on the balance of power. This - the last metamorphosis of the "European state system" - consisted of a large number of states separated from one another by strict bounds of sovereignty. Each had sole responsibility for order within its territory and consequently control over its economic, military, political and diplomatic potential. They did not necessarily, nor even usually, act as single states on the international stage. But the alliances in which they worked together were adjusted to changing circumstances. The "Concert of Europe" acted as guide and regulator, as did Great Britain, which had developed into a fine art its policy of countering any move that endangered the balance of the continent, particularly any bid for European hegemony, by throwing its own weight on the weaker side.

This was, then, an unstable equilibrium. Immanuel Kant gave a concise and scathing description of the system when he said it was like a house that was built so much in accordance with all the rules of equilibrium that it would collapse if a sparrow alighted on the roof. But it was more than a sparrow

that alighted on the European roof. With the end of the first World War the system more and more lost its capacity to impose order. With the end of the second World War the need to replace it by a new system became obvious. The muted strings of the "Concert" had finally died out altogether. However, nearly a generation passed before it was realized that the old system had lost its validity because it could not pass the only vital test of the twentieth century: it had proved incapable of ensuring peace.

We owe the new order to the vision of Churchill, the resolution of Robert Schuman, the statesmanlike insight of de Gasperi and Adenauer (who made it the basis of the political reorganization of their own countries), and to the far-sightedness and determination of the Benelux statesmen. This new order replaces the balance of power by an institutional system. The interest of Europe is served in that Europe administers herself. The relations of Europeans among themselves are tending more and more to become questions of European internal politics. Security vis-à-vis the outside world is growing with Europe's growing material and political strength and voice in international affairs. An unstable is now being superseded by a stable equilibrium.

2. Is this an exaggeration? Some may think so but I do not agree. We must be clear what we mean, however, by "stable equilibrium". We do not mean that the question of equilibrium no longer exists. We do mean that more effective machinery to safeguard equilibrium has replaced that tried before. The function of this machinery is to rectify - by reactions which are admittedly not automatic but at least always ready to come into play - the disturbances of equilibrium which must be expected at any time.

It would be a fundamental and dangerous mistake to believe that when the Community is completely established problems of equilibrium will no longer arise. Heinrich Triepel, the great constitutional lawyer who taught in Berlin in the 'twenties, once said that a federal state was not static; it represented an armistice, not lasting peace. Even a glance at the problem of states' rights in the United States of America, at the tensions between the cantons and the Confederal Government in Switzerland, at the constantly shifting relationships between the federal government and the Länder in Germany suffices to show how right this observation is. And it is even more relevant to the European Communities, which are still some distance away from their goal of a real European federation. The effectiveness of a "community order", like that of a true federal order, is therefore not to be gauged by its ability to eliminate the equilibrium problem in a kind of cast-iron European colossus: the right question is, does it provide the means whereby this perennial problem of all political life can be solved afresh each day? "Suum cuique" - "to each his own", despite the constant flux of circumstance: this is another guarantee European order must provide.

3. Only if its internal balance is ensured can we be certain that the Community will have equal weight - equal to that of the other great powers - in world politics. I make these apparently academic observations because they are in fact of very practical and very topical interest. In the time vouchsafed me here I cannot demonstrate this fully, but I should like, nonetheless, to illustrate my argument with a number of points drawn solely from the experience gained in the life of our Communities.

In the Communities the problem of equilibrium arises:

- (i) Between the various Member States;
- (ii) Between Member States on the one hand and the Community on the other;
- (iii) Between Community institutions;
- (iv) Between the Community's various fields of economic activity and policy, e.g. between industry and agriculture, between internal and external economic policy.

These problems often overlap, in fact usually do so. Certain States represent certain economic interests or views on economic policy; certain Community institutions embody certain values which should assert themselves in the Community order, etc.

That these problems have become more acute in recent years and months is due to the fact that we are drawing near the end of the transition period. I said in my opening remarks that our road was getting steeper, the accumulation of "synchronization" programmes shows this. The transition period is not only designed to accustom the members of the Community to the new order. Its aim is also to permit the Community institutions to complete the building of the Community's constitution. Much of the constitution as provided by the Treaty of Rome consists only of a blueprint to be filled out later, for example the Treaty provides that there must be common commercial policy, common agricultural policy and common transport policy; at the same time it gives some guiding principles. The way the blueprint is filled out

will partly decide the rules of substance and procedure which will obtain in the Community in its definitive form. And the situation at this point of departure will, of course, be of supreme importance for those involved.

The constitutional framework within which the life of the Community will go on, the basic values and the organizational rules for the Community order are, then, provided by the Treaty of Rome and by the Community law for which it serves as a basis. To this must be added an element of order which is not to be underrated, I mean administrative practice, the way in which the authorities ordinarily make use of the opportunities provided by the new order, "constitutional reality" as it is called at national level.

4. A year and a half of admirably concentrated negotiations on the Treaty of Rome and seven and a half years of the life of the Community have made it sufficiently clear what forces are to be brought into equilibrium and how they are distributed geographically, politically and economically within the Community.

The interests of the Member States are in "natural" equilibrium where they are identical, i.e., in practice in all matters which we have found to offer major incentives to European unification. The only problem here has been that of bringing home to the governments the interests they in common and of inducing them to take the appropriate decisions.

But there is also a large number of divergent interests. One country is particularly interested in exporting manufactures, another in exporting farm produce. In agricultural policy, one country favours basic production, another meat and livestock products. One country places all its confidence in a free market economy, the other has leanings towards "dirigisme", e.g. with regard to investment. One country favours free trade, another has a

protectionist tradition. One country looks particularly to trade with Africa, another with South America, a third with Asia. One country is, for reasons of economic geography, seeking closer relations with its neighbours; a second links this rapprochement with certain desiderata of its transport sector; a third counts on a development policy to benefit its backward outlying areas. One country may need manpower, another hardly knows what to do with its surplus labour. These examples are only a few among many.

How does the Community cope with so many differing problems?

The first and relatively the simplest answer is that a number of these clashes of interest can be left to settle themselves. But this may mean two things.

One of the consequences of the founding of the Community is that certain fields in which specific interests had to be taken into account in the course of any operation to restore equilibrium have completely lost their political content. The dismantling of internal customs frontiers is the classic example. Here the States have withdrawn and nothing has taken their place. But the same is true, in general, with regard to the creation of a common market organized according to the principles of a free market economy. The European common market is based on principles which formerly applied to a national free market economy: competition among private persons and corporations engaged in economic activities. It could also be put this way: as long as national economies confront one another, their mutual relations are necessarily expressed in the relationship between national economic policies. For an economy is a unit vis-à-vis the outside world only within the framework of the economic policy of the State. With the conversion of six domestic economies into a common internal market, competition between economic policies applied by States gives way to competition between the various enterprises.

But it may also happen that only Community policy is "uninterested", in which case national policy continues to apply. An example is cartel law, which in principle is the subject of Community policy only in so far as relations between nationals of different Member States are affected.

But the really interesting group is formed by those conflicts of interest which must be constantly kept in balance in the political life of the Community. Here there is no universal recipe, no cut-and-dried solution. All that can be said in general - and this is a commonplace - is that the specific interest must according to case be so maintained or whittled down as to be consonant with the interests of the Community. Often the balancing operation consists in simultaneous concessions on two fronts: trade with Africa and with America are both encouraged; in tariff negotiations trade in both industrial and agricultural products is taken into consideration. Or again a quantitative compromise is found, e.g. for the computation of a duty or of a quota. Where interests conflict, they may be composed by a synthesis of new factors: the cereals price had to be fixed lower than the old German price to avoid over-production and the obstruction of farm imports. Community payments were therefore granted to German farmers.

Much more important than a catalogue of compromise devices - which in any case must be incomplete - is a lesson that the Community institutions have learned from experience: every time the need to accommodate conflicting interests has arisen, the necessary balance has in fact been achieved. This is the result of the way the Community is organized and operates in practice and demonstrates its suitability for the task in hand.

The organization of the Community follows well-tried principles borrowed from federal experience. The Member States confer in the Council of Ministers, each member of which is subject to the control of his parliament at home. This, then, is the forum in which fractional interests are represented. But the Council is also the real law-giving body of the Community and therefore watches over the Community interest from this key position. The rules of voting ensure that there is no dominant power in the Council, no "diktat". Even a majority can only carry the day if it has the Commission's backing. The Commission is purely the embodiment of the Community interest. Consequently it is independent of instructions from outside and responsible only to the European Parliament. That it exists and that it carries out its duties for the Community conscientiously and reliably is an absolutely vital factor in the prosperity of the Community. The role of the European Parliament in the organizational structure of the Community throws into relief more sharply than anything else the transitional character of this organization: it is not a legislative assembly and has no budgetary powers, but only a right to be consulted. But it does have supervisory powers over the Commission. The arrangement whereby its members are not elected directly but delegated from the national parliaments has, certainly in the transition period, advantages as well as disadvantages: it is a means whereby the parliaments are influenced. There is no doubt that the parliamentary aspect of our Community organization poses the greatest problem of institutional equilibrium. Finally, the European Court of Justice preserves the Community legal system from disintegration in a welter of divergent systems.

This whole system is dominated by two guiding principles: every conceivable interest is represented and the representing bodies are encouraged, even compelled, to co-operate - to engage in a "dialogue", as we put it. The guiding principles have been further refined and strengthened through the unwritten practice of the Community: in its most concrete form the practical give-and-take between interests is conducted by the administrations and interest groupings - the administration of the Commission, the administrations of the member countries, with the national and supranational business federations, trade unions, etc. as the third factor. These unions and the federations, too, represent forces which have to be brought into equilibrium. The Commission has developed a method of very close co-operation between its administration, the national government departments and the interest groups. This is applied from the outset, i.e., from the moment any new business arises. Not only has this method the advantage of ensuring that no interest important for equilibrium in the Community is overlooked; it also brings to light, well in time, all conceivable factors relevant to the assessment of such interests. In this way the formation of a technocracy remote from the realities of life is prevented.

Lastly, it must not be forgotten that the enforcement of Community law and Community policy is in the hands of the Member Governments and their departments. In theory there are two ways of ensuring the execution of the Community's will vis-à-vis the citizen. The first is the system in the United States of America. There, federal affairs are normally enforced by federal authorities; this requires the organization of federal legal authorities down to local level. The other is the system adopted in the Federal Republic of Germany, where federal decisions are normally executed by the Länder. This second system is the one chosen for our Community, which has, properly speaking, no executive bodies of its own. When a Community measure has to be brought to the notice of the European citizen affected, it is filtered back, translated into his own language and manner of thought, and into the administrative and governmental style familiar to him.

VII

I am afraid I have gone into more detail than I intended, but what I have sought to bring out is:

Firstly, that it would be a mistake to imagine that the completion of the Community structure will mean the automatic end of all divergences and clashes of interest and consequently of any need to strive for equilibrium. No, they will continue. The only change will be that they will be confronted and composed - in so far as the Treaties provide sufficient guidance now and in the future - in the context of European internal politics governed by a constitution. The tight-rope of foreign policy will yield place to the balancing machinery of internal politics. The quest for equilibrium is not, then, a temporary problem confined to the transition period. Nor is it any mere peculiarity of the state of partial integration represented by the European Communities. For when we have reached the definitive stage of the unification of Europe, the European federation, we shall still have to go on striving for equilibrium.

Secondly therefore, nothing could be more inappropriate than to dramatize those occasions when the emphasis is on the balancing of interests or when this process has to be effected in several fields simultaneously. Our "marathons" themselves have been evidence of vitality rather than symptoms of a serious malaise. Their still somewhat unruly external manifestations are probably due to the youthfulness of the Communities, whose conduct is bound to become more sedate as they mature. The essentials will remain unaltered. The unification of Europe is a political process. All politics, however, is a struggle. Hence, even clashes of interest help to build up the Community. The basic strength of any human community

resides in the diversity of its members. In an organization like ours, as in others, there can be no deployment and development of power without resistance. Every victory of the general over the particular interest toughens the fibre of our Community.

Strengthened by this thought, we move on into another year of Community work, during which we will enter the last stage of the transition period.

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STRASBOURG, JUNE 17, 1965

TELEX AU GROUPE DU PORTE-PAROLE A BRUXELLES (ATTENTION MLE SCHAFFAR) ET AU BUREAU DE WASHINGTON (AVEC PRIERE DE TRANSMETTRE A NEW YORK)

ADDENDUM AU DISCOURS DU PRESIDENT HALLSTEIN DU 17 JUIN DEVANT LE PARLEMENT EUROPEEN (POUR DIFFUSION IMMEDIATE):

I HAVE TODAY NOTHING TO ADD EXCEPT AN INFORMATION I WOULD LIKE TO GIVE TO THE PARLIAMENT IN CONNEXION WITH ITS RESOLUTION OF 12 MAY 1965. THE PARLIAMENT IS WAITING FOR SUCH AN INFORMATION, PARTICULARLY WITH REFERENCE TO ITS PROPOSALS FOR AMENDMENTS AND ADDITIONS TO THAT PART OF OUR PROPOSALS WHICH DEALS WITH THE QUESTION OF STRENGTHENING THE BUDGETARY POWERS OF THE PARLIAMENT.

THE COMMISSION CONFIRMS THE VIEW IT HAS CONSISTENTLY TAKEN BEFORE THE PARLIAMENT AND THE COUNCIL, AND ALSO IN OFFICIAL STATEMENTS, NAMELY THAT THE POWERS OF THE PARLIAMENT, WHICH IS THE REPRESENTATIVE ORGAN OF THE PEOPLES OF OUR COMMUNITY, MUST BE STRENGTHENED, NOW AND EVEN MORE SO IN THE FUTURE IN VIEW OF THE GROWING RESPONSIBILITY IN THE COMMUNITY. IT HAS THEREFORE EXAMINED THE PARLIAMENT'S RESOLUTION IN A MOST POSITIVE SPIRIT.

THE COMMISSION HAS ALSO FOLLOWED WITH CONSIDERABLE ATTENTION THE DISCUSSION THAT HAS TAKEN PLACE IN THE VARIOUS PARLIAMENTS OF THE MEMBER STATES AND THE ATTITUDES TO WHICH THEY HAVE LED.

ALL THE PROPOSALS OF THE COMMISSION ARE NOW UNDER CLOSE EXAMINATION IN THE COUNCIL. THE COMMISSION HAS EXPLICITLY STATED THAT THEIR ADOPTION WOULD CONSTITUTE A SIGNIFICANT ADVANCE IN THE CONSTRUCTION OF OUR COMMUNITY. THE COMMISSION HAS ALSO URGED THAT THE PARLIAMENT'S POINT OF VIEW SHOULD BE FULLY TAKEN INTO ACCOUNT IN THE COUNCIL'S DELIBERATIONS.

THE COMMISSION'S PROPOSALS ARE THE BASIS OF THE COUNCIL'S WORK. THE COMMISSION IS EMPOWERED TO CHANGE THEM AND SUCH AMENDMENTS ARE A FACTOR OF GREAT IMPORTANCE FOR THE PROGRESS OF THE NEGOTIATIONS. IN THE COURSE OF THE CONSULTATIONS, THE CHOICE OF THE PARTICULAR TIMING AND CONTENTS OF THESE AMENDMENTS ARE A MATTER FOR WHICH THE COMMISSION IS POLITICALLY RESPONSIBLE.

THE COMMISSION HAS NOT YET REACHED A DECISION WITH REGARD TO THE QUESTION WHETHER THE EEC COMMISSION PROPOSALS SHOULD BE AMENDED IN THE SENSE OF THE PARLIAMENT'S RESOLUTION. THIS QUESTION REMAINS ON THE COMMISSION'S AGENDA AND THE COMMISSION WILL CONSTANTLY BEAR IT IN MIND DURING THE COURSE OF THE NEGOTIATIONS. THESE HAVE ACTUALLY ONLY BEGUN THIS WEEK AND, AS WAS TO BE EXPECTED, ARE RATHER DIFFICULT. THE COMMISSION'S STANDPOINT WILL TAKE INTO CONSIDERATION ALL THE SUGGESTIONS PUT FORWARD WITH A VIEW TO FINDING THE MOST FAVOURABLE SOLUTION FOR THE INSTITUTIONAL, POLITICAL AND ECONOMIC DEVELOPMENT OF THE COMMUNITY.

THE COMMISSION WILL INFORM THE PARLIAMENT WITHOUT DELAY OF THE POSITION IT MAY HAVE ARRIVED AT.

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