

"THE NEW EUROPE AND THE UNITED STATES"

An Address by

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Working for the European Community in the United States is a bit like working for Brand "X." Everyone talks about it, everyone is interested, but not too many people are really sure what the package contains or what the product is used for.

Most people in this country know the Common Market as a strong and economically healthy partner of the United States. But beyond that, there's a great deal of confusion---particularly when distractions such as the recent Chicken War tend to obscure the main issues.

Today I'll do my best to clear away the heaviest cobwebs, and, perhaps, to put in perspective the major currents---both political and economic currents---in Atlantic relations.

To begin with, I'd like to spend 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.

I.

The most important single point to be made about the new Europe 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 discussing the terms for a political union.

The European Community had its beginning after World War II when the idealists of Western Europe---and there were some practical men among them too---came to the conclusion that one more European "civil war" would be fatal, that Western Europe had to unite or cease to exist. You know the names of these idealistic and practical men---Monnet, Schuman, Adenauer, deGasperi, Spaak, among others.

Through their efforts was first created the European Coal and Steel Community. It began operation in 1952---only 11 years ago. Coal and steel was a logical place to begin because, for one thing, these were the basic materials of war. And Western European coal and steel had been hampered by high tariffs and 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 metric tons. Last year it produced 73 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 better housed, paid higher wages, and have greater freedom of movement than ever before.

II.

The Coal and Steel Community was such an immediate and great success that the Europe-builders hurried---perhaps too soon---to the next step in European unity: the establishment of a European Defense Community. In the European Defense Community, all national armies would have been abolished and placed under joint command. But at the last minute, 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. This was the time, you remember, that John Foster Dulles made his famous declaration calling for an "agonizing reappraisal" of American policy toward Western Europe.

But this setback only temporarily deterred the men who believed in a United States of Europe. They returned to economics as the means to their political end.

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. 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 large and efficient scale.

III.

You know what has happened. Today, in the Common Market, industrial tariffs are less than half what they were five years ago, and agricultural tariffs have also been greatly reduced. Trade among the six member countries has increased since 1958 by 97 per cent, while imports from the outside world have increased by 38 per cent. Imports from the United States alone have increased by 58 per cent. In 1962 the United States had a favorable trade balance of \$1.2 billion with the Community.

Prosperity within the Community is unprecedented.

The original plan was to abolish all barriers to trade among the Six Community members by 1970, while creating at the same time

a single, common outside tariff. But progress has been so swift that this is likely to happen by 1967 or 1968. So, what the United States will face at that time will be another great economic power---equal to itself---with a single external tariff and with free trade within.

What is the scope of this new market?

Today the Community has a population of some 172 million, as compared with 190 million in the United States and 225 million in the Soviet Union.

Has a working population of about 74 million, as against 72 million in the United States and 99 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 as much as 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 Soviets have been under forced-draft industrialization since the Russian Revolution.

Thus we see a new world power created in the space of a few years.

IV.

I have made the point several times that the European Community is a political undertaking using economic means. I repeat this again. In any case, 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, financial policy, antitrust policy... when you talk about a common currency, you are indeed 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---you are creating political policy.

Thus we see a free Western Europe moving quickly toward both economic and political unity. But now we come to the Big Question: What kind of political unity?

It is no secret that today there is disagreement inside Europe about the nature of this unity. It is inevitable that there would be disagreement about an undertaking of such magnitude.

What kind of new Europe will it be?

General de Gaulle has often outlined his idea of the new Europe. He proposes that a "Europe of states" be created---a confederation of European countries allied in cooperation, but not giving up their national sovereignty. He sees this "Europe of states" becoming a third, independent force in the world.

The most powerful opposing view within Europe is the view of Monnet and the men who first launched the venture of a United Europe. They propose a federal Europe---a United States of Europe---on the order of this country. They see this United States of Europe allied in equal partnership with the United States of America---not standing alone as an independent force.

This is the conflict of ideas which is now taking place within the European Community. It was made most clear in January of this year when General de Gaulle exercised his veto power in suspending Great Britain's negotiations for entry into the Common Market, over the objection of France's five Community partners.

The next great test of the Community's future character will come next year in the worldwide Kennedy Round of trade negotiations in the framework of the General Agreement on Tariffs and Trade, which I'll hereafter call GATT.

Before the end of this year the six members of the European Community must agree on a common position in this Kennedy Round, which is scheduled to begin in May 1964. There are political and economic forces at work on the Six which will make agreement on this negotiating position very difficult. Foremost among these forces is the controversy over the future character of Europe--- the controversy which I have just described.

Should the six Community members fail to agree on a common negotiating position---or, worse yet, should they be pushed into a protectionist or "inward" position---it would mark a crisis in the development of the new Europe at least equal to the crisis marked by the suspension of the British entry negotiations last January. Despite all these stresses, however, there is good reason to believe that the Community will reach a common negotiating position and will be fully prepared for the beginning of the Kennedy Round next May.

Thus, it is worth remembering that next year's trade negotiation is more than just commercial bargaining. It may also determine the future shape and character of the Atlantic Alliance.

V.

What is this Kennedy Round and what are the prospects in it? The Kennedy Round, as you probably know, is so-named because the

U.S. Trade Expansion Act of 1962---proposed by President Kennedy--- made possible American participation in this worldwide trade negotiation. The Trade Expansion Act authorizes the President to reduce tariffs by 50 per cent over a five-year period. It authorizes him to cut tariffs to zero on any item on which the current tariff is 5 per cent or less. It authorizes him to cut tariffs to zero, under certain circumstances, on agricultural commodities and on tropical agricultural and forestry products.

It authorizes him to eliminate tariffs completely on items for which the United States and the Common Market account for more than 80 per cent of world trade---although without Britain these include only aircraft, margarine and perfume.

Other countries have in the past had authority to undertake such broad trade liberalization. But the United States has not. Now, thanks to the Trade Expansion Act, the greatest trade liberalization in history is possible. All 53 GATT member countries will participate.

In the Kennedy Round, more than tariffs will be reduced. Other, non-tariff barriers to trade will also be attacked. And for the first time the major agricultural producing and consuming countries have agreed in principle to work toward world commodity agreements. These agreements would attempt to rationalize agricultural production and consumption throughout the world---avoiding

surpluses in some countries while others go hungry. Without a doubt agriculture will be the greatest economic problem and opportunity in the Kennedy Round, since every country in the World has strongly protectionist devices favoring its own farmers.

VI.

Most of you here today will have a first-hand interest, however, in another aspect of the Kennedy Round. This is the bargaining which promises to open Europe even more than at present to American consumer goods.

The market for consumer goods is at the take-off point in Europe. The prosperity of the Common Market has put money in the pockets of millions of people who never before dreamed of supermarkets or TV sets or a summer house.

You remember the pent-up demand which existed in this country after World War II and the tremendous consumer goods explosion which followed. Well, the same explosion is about to happen in Europe. The U.S. Department of Commerce 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. 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, shaving lotion, vacuum cleaners, and vacations abroad.

And American business has a tremendous advantage in this market because of experience in producing and selling these things. Western European business, for the most part, hasn't yet accumulated American know-how, capacity and sales technique in these fields.

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 and people moved Westward. 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---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. Those consumers will probably buy a few things coming in packages.

You have a very special interest in the Kennedy Round.

VII.

In closing, let me speak quite frankly for a few moments about the present state of relations between the United States and the European Community.

You are all aware of the lightning and thunder on both sides of the Atlantic in the past few months over the so-called Chicken War. There is no doubt that poultry farmers both here and in Europe are important. There is no doubt that people in any segment of our economies are important---whether they produce steel, ball bearings, or baby diapers.

But I hope in the months ahead that we in the United States will be able to exercise the patience and statesmanship that will be necessary as we focus on our long-range goals.

It has been the objective of American foreign policy since World War II to encourage and assist the rebuilding and unification of a free Western Europe.

Now the rebuilding part of the task has been largely accomplished. As a result, Europe's new economic strength

is without a doubt changing the previous patterns of world trade. Some of these new patterns have not pleased and will not please some of us here in this country, even though we expand our overall trade to Western Europe.

Now we are at the critical point in Europe's political unification. The members of the European Community are now having a most difficult time on agreeing on the many important political decisions which are necessary to this unity. During this time of decision in Europe, there is often an impulse here toward impatience---an impulse to say Europe can't rule its own house, that Europe does not speak with the one voice we'd prefer.

Particularly at this time I think it's valuable to remember our original objective. Now, just as in 1946, it is in this country's interest to have a stable, united friend in Western Europe rather than many unstable, disunited problem children.

Europe will neither fragment itself nor turn inward on itself if we in the United States keep our sense of perspective. For if the new Europe succeeds, it will be the great force toward world peace and stability that we have hoped for.