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AN ADDRESS PREPARED FOR DELIVERY BEFORE THE
NATIONAL PRESS CLUB, WASHINGTON, D. C., BY PROFESSOR
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Last year when I visited the Press Club I was impressed by the panel of clocks in your entrance which show the time in various parts of the world. To me it is a symbol of the omnipresence of the American press and obviously, it also indicates that the press never sleeps.

Three months ago, I wondered whether the European Economic Community ever slept: for we had just completed 7 night sessions of our Council of Ministers, making 45 sessions in all, with 137 hours of discussion and 214 hours in sub-committee. We had gone through 582,000 pages of documents; and there had been three cases of heart attack. But we came through. At 5:29 a.m. on the morning of January 14, after a final all-night session, we successfully passed a decisive turning-point in the uniting of Europe. We made the first firm step towards the common agricultural policy of the European Economic Community, and at the same time we moved into Stage Two of the Community's transition period.

Put in these terms, the achievement may not sound spectacular. But it had a double -- and vital -- significance.

The Second Stage: A Political Step

The decisions on agriculture, first of all, were a clear sign that the Community was building its economic union. Earlier, the Community's most obvious features had been those of a customs union -- gradually eliminating trade barriers

between its Member States, and gradually adjusting their existing external tariffs to one single tariff level around the whole area. But the EEC is much more than a customs union: it aims at creating full economic union, with all the political overtones that this implies. The acceptance of a common agricultural policy is a pledge that this further process had already begun.

Its political importance, moreover, was shown by the notorious difficulty of reaching agreement in the agricultural field. In Europe, no such previous efforts had ever encountered such success. Nor do I need to remind you, in the light of American experience, how intractable -- and how burningly political -- such farm issues are. That our Member States were able to tackle them -- in some cases at the cost of considerable self-sacrifice and with great political courage -- was a tribute not only to those whose hard work and perseverance paved the way for agreement, but also to the bold and constructive spirit of our whole undertaking.

Point of No Return

The move into Stage Two of our transition period, likewise, was an historic event in the development of the Community: and this for two reasons. First, it meant that majority voting in the Council of Ministers, already in force on a number of subjects, was extended to a number of others -- thus further removing the possibility of the national veto and reinforcing the real and practical unity that we are seeking to create. And secondly, the move to Stage Two meant that the Community had passed what has been called with some justice the "point of no return." From now on, our progress through the transition period and on to full economic union can only be delayed if the Commission proposes it; and, even then, if any single Member State insists on going forward, the others are legally obliged to do the same. This further underlines the fact that European integration is irreversible: it gives the Community's partners -- including the United States --

a further guarantee that there will be no turning back. They can now make their plans accordingly, and with confidence that they and the Community together can pursue confident and forward-looking policies in the wider world.

The Past 15 Years

Indeed, we in Europe have come a long way. Fifteen years ago, America rescued Europe with Marshall Aid, and the OEEC, by liberalizing European trade and payments, helped to complete the rescue operation and put her on her feet again. Twelve years ago, six European countries -- France, Germany, Italy, and the Benelux countries -- decided that mere cooperation was not enough, and began to build the European Community. Today, the Community is a new and powerful entity in the world.

The Free Trade Area Issue

The growing consolidation of the Community has already begun to make itself felt in the world. In its early days, the most obvious signs of its existence were the mutual tariff cuts which Member States made as the first steps toward abolishing trade barriers within the Community. Then it was perhaps natural for some other countries to think of the Common Market, mistakenly, as a purely economic or commercial phenomenon -- a form of regional preference system. This mistake, I am tempted to think, was what led to the proposal to set up around the Community a wider regional preference system in the form of an industrial free trade area comprising the other member countries of OEEC.

Such a free trade area, loosely linking national economies otherwise jealously separate, and involving neither common policies nor a common external tariff, would have faced countless difficulties of a purely technical nature. In addition, it threatened two political dangers. The first was that it would have made for further commercial discrimination, including discrimination against

the dollar area, without offering the political advantages of unity in Europe. The second was that it might well have dissolved or weakened the European Community itself, reducing it to the status of a mere preference system and thereby making impossible any further progress towards economic and political union. Had a free trade area been established, I myself very much doubt whether the achievements of January 14 this year would have been possible.

Alternative Solutions

The consolidation of the Community as an entity in its own right has shown that it is not merely a commercial arrangement on which other regional arrangements can be grafted. Of course, there is nothing dogmatic about this. Special arrangements can be devised to meet exceptional circumstances, as in the case of the association agreement which the Community concluded last year with Greece -- a NATO member, a developing country, and one exposed to strong economic and political pressure from Eastern Europe. But otherwise, there seems to me to be a great deal to be said in favor of alternative solutions -- either joining the enterprise and sharing in its political efforts, or seeking a non-preferential, open partnership with it -- making, in other words, a worldwide rather than a regional approach.

The U.K. Membership Bid

As you know, Great Britain and other European countries have opted for the former alternative. The British decision to seek membership in the European Community was indeed a striking testimony to its success and to its emergence as a new economic and political entity. For the British Government, it was a bold decision, for it involved the possibility of a far-reaching commitment, and one which ran counter to many cherished habits and traditions. We for our part welcomed that decision, and pledged our earnest desire to find satisfactory solutions

to the problems involved: but we made no secret of the fact that the negotiations would be difficult, because the problems themselves are difficult and very numerous.

Open Partnership

What those problems are -- tariff problems, Commonwealth problems, European problems, problems of economic union -- I have no need to state here. Nor, because it is against the rules in any negotiation, can I go into detail about them, or indicate whether and how they are likely to be resolved. But what I can say is that to all such problems there are good and bad solutions. Bad solutions would be those that weakened or divided the Community, crystallized or enlarged commercial preference systems, or discriminated among the Community's friends and allies. Good solutions would be those that strengthened the Community and enabled it to make a further contribution to "open partnership" with other countries of the free world, and in particular with the United States.

Such partnership, indeed, is a further step in the very logic that prompted the creation of the European Community. The Community countries, that is, faced the challenge of scale in a world of giants; they faced growing responsibilities towards developing nations; they faced the economic and political threat of world Communism. European unity was their response. But similar challenges face the free world as a whole; and its further response, surely, should be "open partnership."

Trade and Tariffs

The promise of partnership is something that only the existence of the European Community has made possible. I am not suggesting that this was because the Community put the United States at a disadvantage. On the contrary, it has always sought to diminish any such disadvantages, not only by adopting a moderate

external tariff, but also by pursuing a markedly liberal policy, willingly negotiating the so-called "Dillon round" of tariff cuts, and even anticipating them with a provisional tariff cut of its own. An official study of the U.S. Administration shows that the common external tariff of the European Community as modified by the negotiations in GATT has an average level of 5.7%. The comparable figure for the U.S. tariff averages 7.1%.

Moreover, quite apart from the strictly political advantages of greater unity in Europe, the creation of a vast home market on the American scale has meant not only greater stability in the free world's economy, but also -- through rising living standards in Europe -- a greater demand for high-quality American goods. From 1958 to 1961, while United States imports from the rest of the world rose by 19%, and those of the United Kingdom by 17.5%, the Community imports increased by a full 27%, and her imports from the United States by 44%. In 1961, the U.S. trade surplus with the Community stood at more than 1.8 billion dollars. Lower wages in Europe have always reflected lower productivity, and lower productivity has also meant lower demand. Today, with Europe booming, a new vast market is beginning to be tapped.

The opportunity for trade, however, is also an opportunity for partnership: for partnership can only survive between equals, and until the European Community was created America had no such equal. It is in this context that President Kennedy's Trade Expansion Program takes on its full significance.

It is not for me, of course, to comment upon matters which now lie before Congress -- nor upon matters which are still the subject of lively debate and study in Europe. All that I can do here is to indicate some of the ways in which Europeans have suggested that the Trade Expansion Program may affect the Community, and to report on those aspects of the Community's experience which may be relevant.

Carrying Out The Partnership

I think that the European Community has made it clear that it believes in free and fair competition as a spur to growth and efficiency and as a cornerstone of free economies. This belief is one facet of the EEC Treaty. It also inspires the liberal approach which the Community has made to the problems of world commerce. We have fully endorsed the principles of the GATT, and in particular, its principle of non-discrimination. For this reason, the word "open" in the phrase "open partnership" has seemed to many Europeans particularly encouraging, as an indication that the new program is not designed to be regional or preferential, but non-discriminatory both in its letter and spirit.

Such a program, of course, cannot be implemented without effort; and some observers in Europe have already pointed out that that effort may be difficult. Leaving aside the obvious stipulation that it must not weaken the economic ties which help unite the European Community, they have pointed to the fact that some branches of European industry may be somewhat affected by the further lowering of tariffs. I cannot pretend to evaluate these comments; but I think they suggest that in some fields, at least, adaptation will be necessary.

Tariff Cuts Plus Other Measures

The trade expansion program, indeed, calls for "trade adjustment measures" within the United States; and these somewhat recall to Europeans the various provisions for economic and social adjustment which are written into the EEC Treaty. In the EEC, adjustment is made easier by the fact that tariff reductions between the Member States follow a fairly automatic but flexible timetable, and that they are made by the linear, across-the-board method with only limited exceptions for special cases. Here, it has been suggested, European experience might prove useful on a wider scale.

A further conclusion which might be drawn from European experience is that for the benefits of tariff reduction to be fully enjoyed, something more is necessary. It would seem logical to proceed to an examination of certain rules of fair play found essential even within our Community where so many measures for economic harmonization exist. The EEC Treaty is fairly specific in calling for the abolition of what it calls "measures of equivalent effect" to those of tariffs. It has also been suggested -- this time by a Congressional Committee -- that some measures of economic coordination may be necessary if "open partnership" is to succeed. Here, the word "partnership" is the operative word; and it is one which the experience of the European Community clearly underlines.

The Challenge Ahead

Already, in the GATT and the OECD, we have the potential instruments of partnership. We now can begin to discern some of its implications. But if some of them seem far-reaching, their political importance to the free world becomes clear if we consider the cost of failure. Faced with an ever more urgent challenge from the Communist bloc, with the growing needs of hungry millions, with continued difficulties in the world's agricultural markets, and with the problems of emerging nations for whom the achievements of the West will determine future political decisions, we cannot afford to retreat into policies of protection of isolation; we cannot afford trade wars, endless booms and slumps or gluts and shortages, technological unemployment, monetary instability, inefficiency, poverty, and stagnation. We cannot allow the free world to be torn apart by what its enemies would call its "internal contradictions."

But if the costs of failure are immense, so are the prizes of victory. The economic might of the free world is three times as great as that of the Soviet Union: already, the European Community alone outstrips the Communist bloc. Together with the United States in open partnership with our friends and allies, we can win the economic battle of competitive co-existence; in strength and not through weakness we can transform the balance of terror into a genuine and lasting world-wide peace. Have we the courage to face our responsibilities? What greater incentive do we need?