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Address by

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to the

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Once again I feel a sense of pleasure and satisfaction as I address the now traditional joint session of the European Parliament and the Consultative Assembly of the Council of Europe.

These joint sessions have always reflected the links that bind all Europeans together - those who in establishing the European Communities have set forth firmly along a new road, and those who, for reasons we respect, hesitated to move along this same road at the same speed. As I address this assembly once more today, I am conscious that since our last meeting the Europeans gathered together here have gone beyond this general feeling of belonging together and moved substantially closer to each other. I speak to you at a moment when almost all the European countries represented in this House wish for a link with the European Community, either in the closest form of full membership or in some looser manner.

The cordial reception given to the President of the French Republic by the people of Germany reflects their spontaneous and unequivocal acceptance of the idea of integration, and it proves how deeply the spirit of reconciliation, the feeling of belonging together, and the resolve to work in unison towards a common destiny have taken root in the nations themselves.

I

In the four years and more of its existence the European Economic Community has had a powerful impact on Europe, on the Atlantic area, on the world. This means that what we discuss here is also of concern not only to the internal development of the European Community, but equally to the Community's relations with the rest of the world.

In the last year the importance of our Community's foreign relations has grown extraordinarily. In addition to the applications received from European States, there have been important reactions from outside

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Europe. I refer in the first place to President Kennedy's suggestion of establishing a partnership between the United States of America and the European Communities, and I am also thinking of the discussions to which our Community has given rise in the Eastern bloc.

The applications for membership of or association with the Community provide the most immediate element in our foreign relations. They concern the Community most directly. In the negotiations set off by these applications the Community must show that its Treaty is founded upon principles of general applicability which can, without any fundamental changes, be applied equally to new members. At the same time the Community has to press ahead at the same pace as before with the task of working out its own policy. And it must be mindful not only of the overall interests of Europe, but also of the worldwide responsibilities which flow from its own importance.

The main aspect of the applications for membership becomes clear when it is realized that they would never have been made but for the success which the Community has already had and may be expected to have in the future. This success, however, has its ultimate cause in the system of common action which has been instituted. Nothing must be taken away from this system; it is the essential minimum. To relinquish any part of it would jeopardize the achievements of the past and the success expected in the future. This comes out clearly in the excellent report by M. Edoardo Martino, the European Parliament's rapporteur, where it is pointed out that any new membership makes sense only if, apart from temporary adjustments, its purpose is to speed up and to intensify the process of integration. The point of expanding the Community is to make it stronger.

While the central problem in the negotiations for membership is to keep the Community intact, thus providing a single criterion which applies to each and every case - that accession to the Community shall

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always rest on the principle of membership of the Community as it stands - the main difficulty in dealing with the applications for association seems to reside in the diversity and the peculiarities of the individual cases and in the need to take these into account; the same is true of the other possible forms of co-operation sought with the Community, such as links through commercial agreements. Indeed, one of the aspects which determine the results of such negotiations must be consideration of the needs and the political decisions of the applicants. How far must they go, how far can they go, how far do they wish to go in adapting themselves to Community rules and Community discipline? No one can relieve the political leaders of those countries which wish to enter into a lasting relationship with us of the responsibility of giving an answer to these questions. That is why it is too early to say anything about what may be expected to come of these various applications. Two of the Governments concerned (the Swedish and the Austrian) have already put their ideas to us. We expect the Swiss to do so in the course of this month. Not before then will we have the overall picture which we need to work out our own policy on these matters.

For just as the applicants must have the first word, there can be no doubt that association or any other lasting relationship must be brought about by a treaty, and this means that it requires the Community's approval, which in turn is determined by the requirements and the political decisions of the Community. The same applies to the question of membership too. The Community has in fact to make up its mind about the criteria by which it is to judge one form of link or another. Before it can do this, however, it needs a broad picture of the situations to which the solutions are to apply once they are found. For there clearly must be harmony of content among the various types of link with the Community - membership, association or anything else. The choice between these must rest on objective criteria and not depend on chance or an arbitrary decision. It is no more than logical that in

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defining these criteria the Community must have as much say as the non-member States.

Fortunately there is more clarity, and even a considerable measure of clarity, due to progress in the negotiations, with regard to the question raised by the membership of Great Britain. These negotiations hold a central position in the problem of extending the Community; not only because of the weightiness of the membership under discussion, but also because many other applications were at least tacitly based on the assumption that these negotiations would be successful.

Of all the major difficulties the greatest is that which flows from the links between Britain and the Commonwealth - in particular as it is everyone's endeavour to preserve, so far as at all possible, the great value of these links, especially the political ones. The reason for the problem is that the Commonwealth has not only a legal, a political and a cultural aspect, but that at the same time it is the largest preference area in the world. British membership therefore means a process by which Great Britain would move out of the Commonwealth preference area and into that of the European Community. That transition must be made complete in a clearly defined and reasonable period, and the manner in which it is achieved should be as painless for all concerned as is at all possible. The future relationship between Europe and the Commonwealth must also fit into the existing world economic system, or it should be such that it will close any gaps in the system. That is why the concept of non-discrimination is being adhered to. If we strike an interim balance it will show the following picture.

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Agreement has already been reached on the following points:

a) Economic union does not seem to give rise to any problems (free movement of labour, social security, movement of capital, cartel legislation).

b) The Community's basic concept of agricultural policy has been accepted. This is important in view of the fact that traditionally British agricultural protection takes the form of State subsidies and not, as on the Continent, of price guarantees for the producer. A compromise has also been reached on the question of "annual reviews" of the farming situation.

c) The common external tariff will in principle apply equally to the enlarged Community.

d) For a number of commodities, however, the rate of duty is to be reduced to zero (for tea, and for certain goods, especially sports equipment, from India, Pakistan and Ceylon).

e) In the task of aligning rates of duty on the common external tariff, a task which must be completed by the end of the transition period, arrangements have been made to ease the pace for a number of commodities (industrial goods from Canada, Australia or New Zealand, cotton textiles from India and Pakistan, certain other imports - especially canned foodstuffs - from India, Pakistan and Ceylon, jute goods and so on).

f) Various special arrangements have been proposed, e.g.:

   (i) For the future development policy with regard to India, Pakistan and Ceylon,

   (ii) For import policy on cotton textiles from India and Pakistan.

g) A readiness to make special arrangements for the benefit of New Zealand has become manifest, since that country at present depends entirely on its sales of meat and butter to the United Kingdom.

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h) Association on the lines of the already existing association of French-speaking countries in Africa and of Madagascar is being considered:

(i) For territories dependent on the United Kingdom (subject to certain reservations concerning the Federation of Malaya, Aden, the African countries which are in a customs union with the Union of South Africa, and Hong Kong),

(ii) and, in principle, for the independent Commonwealth countries in Africa and the Caribbean, provided they wish to be associated.

No agreement has yet been reached on the following issues, although on some of them the points of view have come much closer together:

a) Fruit and vegetable production in Great Britain.

b) Zero duties demanded by Great Britain for certain East Indian goods (heavy jute goods and carpets).

c) British wishes with regard to the duties on certain raw materials and semi-finished goods such as aluminium, lead, zinc, paper pulp and newsprint.

d) Duty on coffee and some other tropical produce, and on tropical produce from countries which will not be associated.

e) The treatment of Malta and Gibraltar.

f) And, finally, imported foodstuffs from temperate areas, of particular interest to Canada, Australia and New Zealand.

It was, however, accepted that worldwide agreements on trade in these commodities should be negotiated at an early date; that, should such agreements fail to materialize, more limited agreements with those prepared to conclude them should be considered; that, if difficulties arose during the transition period, consultation

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should be envisaged, and that in general the price policy of the enlarged Community will be of decisive importance in the matter of imports.

If we consider this interim balance as a whole, we have no reason to be dissatisfied with the results of the negotiations so far.

The negotiations with the associated overseas States for a new association convention constitute a further important element in the external relations of our Community. This convention is not only to replace the Implementing Convention on overseas association which will expire at the end of this year, but is at the same time to take into due account the fact that meanwhile most of these associated territories have attained full independence. A free trade area is to be set up, but the African countries will in fact retain considerable freedom of action to protect their young industries and to ensure the budget revenues they need. This will be backed up by financial and technical aid from the Community. The necessary institutions will be set up jointly by the Community and the associated States. A further step of importance is acceptance of the principle, always advocated by the Commission, that preferences should be reduced by cutting the common external tariff's duties on important tropical products when the new convention is put into effect; at the same time financial aid will be increased. The Community believes that in taking such action it is making an important contribution to the harmonious development of world trade in the commodities concerned.

I should now like to say a few words about our Atlantic problems. The term partnership has been applied to them - a term used specifically in antithesis to the idea of an "Atlantic Community". A community signifies one collective personality with its own institutions, frontiers to delimit the area in which these institutions operate, and with different treatment for internal and external affairs. Partnership on the other hand

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signifies a relationship of co-operation - with competition between our economies and with the requisite co-ordination of our economic policies - the partners being approximately equal and increasing their strength through vying with one another; it is clear, then, that the full development of our Community is assumed and that the partnership is not to have any discriminating effect externally. In other words, while no new organization is to be set up (use will be made of existing institutions such as GATT, OECD and the IMF), there will be a new policy, particularly in the customs field but also in international economic affairs (including monetary policy, development policy and so on), resting on one American and one European pillar. On 4 July, the day on which the United States commemorate their independence, President Kennedy coined the phrase of interdependence between Europe and North America. At the same time he pointed out that the most important step forward in the direction of such interdependence in partnership can at this stage be taken only in Europe itself, with a European Community advancing to the stage of full responsibility.

This sketch of the most important developments in the Community's external relations would be incomplete if I were not to end with a reference to one of the most important outside reactions to the success of our Community: the reaction of the Soviet Union and the Eastern bloc. Two weeks ago there ended in Moscow a secret conference of communist economic experts from 23 countries, at which the main subject of discussion was the Common Market. It seems that Soviet leaders have they been surprised by the success of our Community and now find great difficulty in squeezing the phenomenon of European unification into the procrustean bed of their ideology. Obviously the EEC appears to them as one of two things: chimaera or conspiracy.

If they consider the EEC as a chimaera, the successes of the European link-up would seem just not to exist. According to Lenin any link-up between capitalist States is either impossible

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or it is some reactionary enterprise doomed to an early end.

On the other hand Moscow is sufficiently realistic to appreciate that an inconvenient development cannot be simply talked out of existence. Since, therefore, the Common Market cannot be dismissed as chimerical, it is regarded as an "imperialist" conspiracy to continue the cold war. The Common Market is treated from this angle in the 32 theses published by Pravda on 26 August under the title "On imperialist integration in Western Europe (Common Market)", where it appears as "an economic and political reality" whose achievements are described with remarkable objectivity though in Marxist terminology. I can do no better than quote the following excerpt: "The implementation of the Treaty of Rome which is occurring under conditions of increasingly sharp competitive struggles in the Common Market has promoted an expansion of capital investment, quickened the modernization of factories and brought about a certain degree of economic and organizational change in monopolies. The reduction of customs barriers has encouraged a changeover to mass production. The Common Market is more than the arithmetical sum of the national markets covered by the European Economic Community. Even in its distorted capitalist form economic integration can lead to an expansion of production and of internal and external trade."

Khrushchev himself sparked off this attitude in an article in "The Communist", in which he said that it would be imprudent and shortsighted to disregard the intentions and actions of the leaders of European integration. It seems that the Italian communists were most active to take up this line during the Moscow conference.

In their view integration has favoured a considerable expansion of production and thereby reduced the frequency and effect of partial structural crises. The Common Market, they said in Moscow, had shown a remarkable vitality and had created a new situation which could not be remedied without serious consequences. Moreover it had come about as a result of a real need created by the expansion of productive forces.

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These arguments made a great impression and led to the discussion of a number of measures with which the Communists propose to meet European integration.

Moscow is striving to put life into the integration of the Eastern bloc within Comecon, the activities of which, as Khrushchev admits himself, have been disappointing. The latest Soviet statistics show that trade between the Soviet Union and the other Eastern bloc States has been marking time since 1959. When we compare this with the expansion of trade within the Community - I shall revert to this later - we can see why the Soviet leaders have had to revise their earlier attitude.

Not the least important of the reasons for this change in attitude towards the EEC has probably been the realization by the Soviet Government that it is impossible to induce the governments of Member States to conclude bilateral agreements in conflict with the Treaty of Rome. In this context I should like to point to the Franco-Soviet trade negotiations in the summer of this year. In the article which I have mentioned Khrushchev therefore says that economic co-operation is possible not only between individual states in East and West but also between economic associations of states.

A second line of Soviet tactics vis-à-vis the European Community runs via the developing countries. The development policy of the EEC must be seen in the historical context of our age if it is to be understood. Future historians will find that the free world of our age has been going through a rapid and far-reaching change. Whereas yesterday we became conscious of the solidarity of individual nations, we are today becoming conscious of the solidarity of the family of nations. And here, too, we find that this new understanding leads first of all to charity, in our case to the early form of development aid by financial grants, and that this is followed by a phase of planned social organizations,

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in our case the establishment of a commercial and economic organization throughout the world which will enable us to put this solidarity into practice in an efficient manner. It is quite obvious what all this must mean to a Soviet leadership imbued with the hope that the developing countries would fall within their sphere of political influence.

Allow me to illustrate this with a few figures. Since 1954 the OECD countries have made available some $40,000 million for development aid, of which $30,000 million came from public and $10,000 million from private sources. This is exactly ten times as much as the aid promised by the Eastern bloc for the same period, which amounted to $4,000 million. Incidentally, only half of that Soviet aid has so far been provided in fact, whilst the overwhelmingly greater part, certainly far more than 75%, of the OECD amount has been actually spent. So far as the countries of our Community are concerned, they have provided some $10,000 million worth of development aid since 1958 alone. Let me recall that the Development Fund of the Community alone is providing no less than $581 million for the associated overseas States in the first five years under the Treaty.

But what is more important is that this association is a completely free one. The reproach that the EEC was hindering the industrialization of these States is quite absurd: 65% of the Community's aid has gone into infrastructure and the promotion of trade and industry, and this will remain so under the new and probably even larger Development Fund. In addition, while the Community has undertaken that for its part it will import the produce of the associated States free of duty - that is both their raw materials and their manufactured goods - it has recognized their right to take autonomous action to protect their own growing industries against imports from the Community. All this seems to have very little in common with the charge of colonialism levelled

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against us in Moscow. We can go even further and say that ours is a system which by its content of freedom and real aid differs as night does from day from the system Moscow is operating for its satellites in Comecon.

You see, the premises on which Moscow bases its reproaches are quite artificial. As long as anyone holding different views is perforce regarded as an enemy, only what is negative in the world outside appears to be positive, and what is positive merely appears to be negative. And really all that is needed is to look at the world through a different pair of glasses for it to appear in an entirely different light and in order to recognize the chance of co-operation. For there is nothing more stupid than to allege that our venture is directed against the Eastern bloc. We are doing what we do for ourselves and for the free world as a whole. We are doing it by the most peaceful means conceivable and, finally, we are doing it in the hope that one day even those who at present still feel that they must oppose us will be convinced of the value of co-operation.

II

After this survey of the problems with which the Community is faced in its external relations, I should like to say a few words about the course it must follow in its internal development.

The core of the European Economic Community, which is the customs union, has made great progress in recent months. As a result of a second speed-up of the lowering of tariffs, the reduction of internal customs reached 50% in the middle of this year. It is now probable that the customs union will have been fully established at least two and a half years ahead of schedule. A further important development in the customs field was the conclusion of the negotiations within GATT, to the success of which the European Community has made a major contribution.

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I should also like to recall that several years ago the Community declared its readiness to let a further round of tariff negotiations, involving equally large reductions, follow immediately upon the Dillon round. In the same way the Community's response to President Kennedy's suggestion that joint measures be taken for worldwide tariff reductions in the Atlantic partnership was positive from the beginning.

The second important fact is that at the beginning of this year we entered into the second stage of our Community life in circumstances which bordered on the dramatic. This second chapter stands under the motto of what we call the economic union, that is to say the establishment of common policies. Transition to this second phase was bound up with simultaneous decisions on two important elements of this economic union, namely the common agricultural policy and a common policy on competition.

The regulation implementing Articles 85 and 86 of the Treaty on competition is based on the principle that cartels or the abuse of a dominant position in the market are prohibited per se and require no previous decision. National cartels which do not affect trade between the Member States, vertical price agreements, restrictions of competition in licence agreements, and agreements for standardization of types or specifications are for the time being exempt from registration under Community law. Where there is infringement of the provisions, the Commission can address to the firms or

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associations of firms concerned recommendations or decisions intended to put an end to the infringement. At the same time this regulation establishes permanent co-operation between the Commission and the authorities in the various Member States. In the field of cartels and dominant positions the Commission will have jurisdiction in all spheres of trade and industry; it will be able to establish direct contact with any firm involved.

Other moves affecting the system of competition in the Community will be made shortly: distortions of competition such as those arising from the existence of a variety of turnover tax systems within the Community, which means that there is a difference in turnover tax compensation in trade between Member States, are not compatible with a Common Market. Inevitably, therefore, the national turnover tax systems must be harmonized. The Commission will shortly submit to the Council proposals showing the principles on which the relevant measures should be based.

The agricultural decisions which were also adopted by the Council of Ministers at the beginning of this year constitute the first decisive step towards the implementation of a common agricultural policy. In building up a market organization for a number of important products, in introducing common methods of financing through the establishment of a Guidance and Guarantee Fund, and in applying the rules of competition to all products, we are creating the conditions by which agriculture can be incorporated into the process of integrating the economies of the Member States. The decisions taken on 14 January left further hard work to be done by the Council and the Commission - more than 100 implementing regulations and decisions have been issued - but it was always possible to find agreement on the basis that had been established.

The entry into effect of the common organization of the market is therefore symbolic of the growing strength of the Community will. On 30 July 1962 responsibility for important spheres of agricultural policy passed from the national to the Community authorities. The

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development set in motion now will end at latest on 1 January 1970, when trade between the Member States, including agricultural trade, will be free of all restrictions. If this is to be achieved it is essential that a uniform price level be established for the Community. As progress is made towards this goal it will be possible to reduce the levies at present charged in trade between Member States in order to offset existing differences between price levels in the various countries. Alignment and standardization of the methods by which these equalization charges are calculated were laid down in the agricultural decisions adopted early this year, and they provide one of the most important conditions for their gradual disappearance in the process of price harmonization. The Council will probably before the end of this year lay down the criteria to be used in harmonizing grain prices. For livestock products, too, a common price level will be established, in part through the creation of a common grain price and in part automatically.

To attain practical and legal uniformity the powers of the Community institutions, especially of the Commission, had to be extended. For this reason the Commission now bears final responsibility for numerous administrative decisions. The first weeks in the existence of the European agricultural policy which saw the light of day on 30 July this year have already shown that this new Community venture is also functioning well. The Community institutions are exercising their authority and the Member States have - I can say this without any reservation - respected this reorganization of responsibility.

Furthermore, the programme for a common commercial policy which was recently adopted by the Council on a proposal of the Commission constitutes the first important step towards establishing the single personality which in future must characterize the Community in this field. This programme covers the entire field of commercial policy, that is to say both imports and exports, and it not only seeks to forge a common set of instruments to be used in commercial policy but

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contains a number of practical aims to be pursued - aims which in conformity with the Treaty and the convictions of the Member States involve a further liberalization of trade in the free world. These include measures to bring into line the liberalization lists of the various Member States, both geographically and by product; the gradual introduction of uniform principles and - by the end of the transition period at latest - Community quotas in relations with Eastern state trading; action to harmonize the protection of trade by the application of uniform principles and the establishment of uniform export rules, especially for subsidies on exports to non-member countries.

The first decisions in the transport field have also been taken by the Council of Ministers. These concern prior consultation on important measures in this sphere and various arrangements to facilitate traffic across frontiers between Member States. Furthermore, the Commission has prepared two memoranda in which it explains at length its views on the future common transport policy of the Community and proposes a time-table for its implementation. In the Commission's opinion, measures in this field must include common quantitative arrangements for traffic between the Member States and greater liberalization within the sector. To make this possible technical standardization is in many instances necessary. The Commission has been concerned to weigh up pros and cons of measures for the extension and organization of transport markets so as to prevent discrimination and make smooth adaptation possible. Here too a time-table has been laid down for the execution of the programme.

Meanwhile, the development of a common economic and monetary policy has also progressed beyond the stage of preliminary studies. The Monetary Committee and the Economic Policy Committee advise the Commission in working out its proposals in this field.

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Further examples of the way economic union is progressing are provided by the right of establishment and the free movement of workers and by the freedom achieved in the supply of services. In all three spheres the Council has adopted complete programmes on proposals made by the Commission. These consist of synchronized time-tables specifying when and in what particular spheres all discrimination against nationals of other Member States must be abolished.

The movement of capital is already practically unrestricted within the Community. This essentially de facto state of affairs has been given legal backing by Council decisions. The organs of the Community have laid down directives for the abolition of the minor obstacles still remaining.

The beginnings of a European policy on structural and regional problems have been worked out. In conjunction with the two other Communities, the Commission has also drawn up precise proposals for the future European energy policy.

Mention must finally be made of the solution of a great number of urgent social questions connected with integration.

All the above are cited merely as important examples of our work which, now that the second stage of the Common Market is beginning, is more actively concerned than before with the achievement of economic union.

III

The view taken of our Community will depend in very large part on the success with which the internal development of this great structure is kept in line, as indeed it must, with its European, Atlantic and worldwide responsibilities. The background of our development is then not only wider than the Europe of the Community,

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it is wider than Europe itself. This means that the task before us today in this vast setting is essentially to tackle and find answers to three sets of problems involving questions which are not only exceptionally difficult but are sometimes so novel that the methods and instruments for solving them have still to be devised.

The first set of problems concerns the economic order within the free world itself: on the one hand the relationship between the developed countries of the free world, and on the other the relationship between the developed and the still undeveloped countries. The second set concerns trade between the free world, where the economic order is essentially based on free individual initiative and competition, and that part of the world whose economy is directed on totalitarian lines, i.e. the Eastern bloc. The third big problem of the day, which is particularly closely bound up with the first, is the question of trade in agricultural products, including tropical products.

To begin with one part of the first set of problems, trade between the industrialized countries of the free world means, if we leave Japan out of account, the trade of the States bordering the Atlantic - the Mediterranean of today. This area comprises the greatest industrial potential in the world and its welding together is thus an event of immeasurable importance. Problems connected with this trade fall mainly within the province of GATT and of OECD. They concern the breaking down of trade barriers and, beyond this but related to it, some harmonization of economic policies and the maintenance of monetary stability.

The economic relationship between developing countries and industrialized countries in the free world is fraught with a much greater number of problems. In recent years our endeavours in this field have been greatly intensified, but there are still many completely unsolved problems. I am thinking of the differing trend of prices for industrial equipment and for the raw materials produced by the

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developing countries, which, combined with the very sharp increase in the number of births, constantly aggravates the difficulties facing these countries. Within the field of its competence, i.e. particularly in relation to the overseas countries associated with it, the Community is striving to master the tasks here outlined.

The second set of problems is the relationship of the free world to the totalitarian Eastern bloc. The trade of this bloc is political trade, and as a result all the factors which maintain the economic order found in the free world cease to have their effect. In response to this state of affairs we must begin by applying a common discipline to our business dealings with the Eastern bloc. To resort to the rules of GATT would be simply beating the air. The chief means at our disposal are quantitative restrictions and these, as already pointed out, are being reduced to one quota instead of six. Finally we must be careful that this trade, which the Eastern bloc turns to political ends, does not give rise to a pattern of trade which makes us too dependent on supplies from the East.

The third problem which faces the Atlantic Community and the world, and which the integration of Europe throws into clearer relief, is that of agriculture. Today there is no effective order in the world's agricultural trade. This is the first point to note. Because of various special clauses the rules of GATT, which theoretically should hold good in this field too, find in practice only limited application to trade in agricultural products.

The difficulties militating against a workable organization of world agricultural markets are of twofold origin. First, agriculture in our day cannot simply be left to those forces of competition and of the market which in other sectors serve as mainspring of our Western economic system. It has special economic features which necessitate particular rules and a specific organization for agricultural markets. The second reason for the difficulties of world agriculture lies in the discovery of chemistry by farmers: scientific advances have made

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possible increases of production such as could hardly have been imagined at any previous period.

If things are allowed to take their own course, the European Economic Community is now fairly quickly reaching the point where it will be producing more of many items than it consumes. Other States reached this point in the more or less distant past. The most convenient and, therefore, the traditional way out of such a situation is to subsidise the surplus and to offer it on the so-called world market at artificially reduced prices. Since everybody follows this principle the result is a sort of competition in which the financially strongest partner comes out on top - but to everybody's detriment, even his own. What is therefore to be done?

The first step towards placing matters on a sounder basis is a better ordering of agricultural markets within the individual national economies. With its new agricultural policy the Community, which in this connection can already be considered as a single economic area, has provided itself with instruments for attaining a sounder basis. The question for the Community now is to handle these new instruments in such a way that a proper ordering of the situation results. This means especially the use of rational methods to counter the piling up of surpluses, which will be a matter chiefly of price policy.

This building of a healthy order in domestic agricultural markets must be accompanied by a second step - the ordering of world agricultural markets. The Commission believes - and its opinion is shared by the Member States - that the worldwide agreements on agricultural products already referred to are the very best instrument for this purpose. Agreements laying down specific rules for agricultural trade must be concluded between the chief supplying and the chief importing countries.

There are consequently three different lines of development which now impel us to tackle in earnest this mighty task of ordering the

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world market in agricultural products - for that is the issue in those worldwide agreements.

First, the Community's new responsibility for agricultural policy obliges it to re-organize its relations with the outside world in this field also: the national policies on external trade in agricultural products hitherto followed will no longer exist in future. It is not to be wondered at that the Community's trading partners are waiting for our answer to this problem.

The second factor leading us to attempt a new, worldwide solution is linked with the first: it is the British application to join the Community. The dissolution of Commonwealth agricultural preferences would in fact facilitate the conclusion of worldwide agreements and the conclusion of such agreements would in its turn facilitate the dissolution of the agricultural preferences. Thus the political aim of bringing England into the European Community lends urgency to the attempt to conclude worldwide agricultural agreements.

The third force pressing for worldwide solutions is the Community's oft-emphasized readiness to make its contribution to development policy. In the present context this means helping to fit these countries into the pattern of trade of the free world. In the framework of worldwide agreements, by means of which the aim of fitting the developing countries into worldwide trade can be translated into practice, their interests must therefore be adequately taken care of. For these countries worldwide agreements not only offer the possibility of help in feeding their rapidly growing populations; such agreements, especially those which cover the markets for tropical raw materials, can also be a great help in stabilizing the incomes which these countries obtain from exports.

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IV

Once all this has been said, the question suggests itself whether the European Economic Community is really in a position to cope with such tasks. The Community can only be equal to these burdens if it fulfils certain conditions. For this reason I should like to conclude with a brief glance at the constitution of our Community, its constitution in the most general meaning of the word.

The first condition is that the Community should be a success economically. Only thus will it have the authority it needs to be taken seriously as a partner in discussions on the solution of world problems. Now, the first four years of the Community's existence have yielded the following results:

Industrial production has increased	29%
National product in the Community has risen	24%
Internal trade between Community countries in the same period, i.e. since the reference year 1958, has risen by	73%
The Community's total external trade by	27.4%
Of this, trade with the countries which have applied for association has risen by	44%
Trade with Great Britain rose by	41.4%
This figure of 27.4% for the growth of trade with all non-member countries is particularly striking when compared with the trend of world trade as a whole. If we exclude the Community's internal trade, the total trade of the free world rose during the same period by only	19.4%

The Community has therefore proved itself to be one of the most potent factors stimulating world trade.

Expansion is continuing at the same pace. The figures for the first quarter of 1962 show that year-to-year growth rate of the Community's external trade compared with 1961 was 7.4% and of its internal trade as high as 17.3%.

The second condition for the Community to succeed in its task is a political one. The Community must be sufficiently armed for political and administrative action to be able to cope with this task. This capacity for action already exists and the mastering of such difficult problems as that of a common agricultural policy is proof of the fact. On the other hand there is absolutely no doubt that the machinery must not in any circumstances be impaired. The ability of the Community to act in its dealings with the outside world as a single entity speaking with one voice for all its members must be retained even if the number of these members increases and membership of the Council of Ministers and the number of nationalities in the Commission automatically rises as a consequence.

In any case the Treaty already provides for constant improvement of the institutional structure of the Community. After the end of the second phase the majority principle will obtain in the Council even for the most important matters. Reinforcement of the European Parliament's authority by direct election of its members is provided for under the Treaty, and will also considerably improve the efficacy of this important organ of our Community.

A further improvement in the Community's possibilities of action can result from reforms. Here I would first like to mention a merging of the three Executives of the existing Communities. Proposals to this end are already in existence and are being considered by the competent bodies. The absence of such a move lays an unreasonable extra burden on those persons dealing with European questions in the Communities and in the Governments. I have in mind the fact that

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more than half the ministerial meetings in the last two months before the summer holidays were taken up by European questions.

If we seek means of improving the Community's efficacy and vigour, this question also includes, in the last analysis, what is generally known as "Political Union" - a name which can easily mislead. What is new in these plans is not that we are seeking to create a political organization. The European Community for Coal and Steel, the European Atomic Energy Community and the European Economic Community are also political. The chief motive for what we have called economic integration was always political. It was given expression in Paris and Messina and is voiced in the preambles of the Treaties establishing the Communities; the subject-matters of these too, and of the Community's action, is political. What is customs policy, trade policy, transport policy, agricultural policy, and everything we group under the expression "economic union" if not politics? For this reason its organization is also political and modelled on the federal tradition of recent history: with its own parliament, which alone has the power to control the Community's Executive through the machinery of a vote of no confidence, with a Council of Ministers from the Member Governments, with the Executive to which I have already referred, and which is not subject to any instructions from the Governments of Member States, and with its own High Court. Political too - who would wish to deny it today? - are the effects of this integration, in which people rightly perceive a process of economic policy and of social policy.

Thus the political union is not something which is new in essence or a transition from the economic to the political sphere. It is rather a question of backing up integration in essential areas of domestic policy in the Member States - i.e. of economic and social policy - by unifying other aspects of their policy: external policy on matters outside the economic field (external policy in economic affairs is already covered by the European Economic Community under the head of trade policy), defence policy and cultural policy.

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The Community's attitude to these plans is based on this and is entirely one of approval. The plans in question must naturally not undo or diminish the successes already achieved by the policy of working for a united Europe, and for this reason they must not injure the existing Communities. The decisive criterion for judgement of the plan in general and of its details - i.e. the instruments to be used and the methods to be adopted - is how far the cause of Europe as a whole is advanced.

Quite generally, the power to master the tasks with which the world situation and our destiny confront us is the yardstick by which we must measure all new plans to extend our Treaties, whether geographically or in their subject-matter. This is the only essential yardstick, since we find ourselves face to face with a historical necessity which is becoming more and more imperative. With all new plans we must ask ourselves whether they provide something which will promote unity in the most vital spheres of Europe's life or whether they will lead to diversion and dissipation of our energies, thus impairing what already exists and has proved its political usefulness. The answer to this question is the touchstone for all schemes intended to shape European policy, and it naturally sets limits to the consideration which can be accorded to special wishes, vested interests or the desire to conserve what already exists.

If I close with these remarks on our institutions, this does not mean that I believe the organs of the European Economic Community capable of carrying the day by themselves. All those who bear direct European responsibility are most deeply convinced that this work, which calls for the exercise of will-power every day and every hour - nothing that has happened in this sphere happened automatically - can prosper only if it is supported by the conviction, approval, and resolve of the peoples you represent here to advance along the European road.

It is above all for this reason that I thank you for your attention.

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PRESS RELEASE

A summary of the main points in the address by Professor Dr. Walter Hallstein, President of the Commission of the European Economic Community, to the joint session of the European Parliament and the Consultative Assembly of the Council of Europe in Strasbourg on 17 September 1962.

The applications for membership of or association with the Community provide the most immediate element in our foreign relations. The main aspect of the applications for membership becomes clear when it is realized that they would never have been made but for the success which the Community has already had and may be expected to have in the future. To relinquish any part of the system of Community action already built up would, however, jeopardize this success and so rob membership or association of its raison d'être. The point of expanding the Community is to make it stronger.

The main difficulty in dealing with the applications for association springs from the diversity and the peculiarities of the individual cases and the need to take them into account. The same is true of the other possible forms of co-operation sought with the Community, such as links through commercial agreements. One of the aspects which determine the results of such negotiations must be consideration of the needs of the applicants and of their political decision, which are entirely their own affair. On the other hand there can be no doubt that association or any other lasting relationship must be brought about by a treaty, and this means that it requires the Community's approval, which in turn is determined by the requirements and the political decisions of the Community.

There clearly must be harmony of content among the various types of link with the Community - membership, association or anything else. The choice between these must rest on objective criteria. It is no more than logical that in defining these criteria the Community must have as much say as the non-member States.

The main problem in the negotiations with Great Britain stems from its links with the Commonwealth - particularly as it is everyone's endeavour to preserve, so far as at all possible, the great value of these links, especially the political ones. The Commonwealth however is not only political in character, it is also the largest preference system in the world. British membership therefore means a process by which Great Britain would move out of the Commonwealth preference area and into that of the European Community.

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"That transition must be made complete in a clearly defined and reasonable period, and the manner in which it is achieved should be as painless for all concerned as is at all possible. The future relationship between Europe and the Commonwealth must also fit into the existing world economic system, or it should be such that it will close any gaps in the system. That is why the concept of non-discrimination is being adhered to. If we strike an interim balance it will show the following picture.

Agreement has already been reached on the following points:

a) Economic union does not seem to give rise to any problems (free movement of labour, social security, movement of capital, cartel legislation).

b) The Community's basic concept of agricultural policy has been accepted. This is important in view of the fact that traditionally British agricultural protection takes the form of State subsidies and not, as on the Continent, of price guarantees for the producer. A compromise has also been reached on the question of "annual reviews" of the farming situation.

c) The common external tariff will in principle apply equally to the enlarged Community.

d) For a number of commodities, however, the rate of duty is to be reduced to zero (for tea, and for certain goods, especially sports equipment, from India, Pakistan and Ceylon).

e) In the task of aligning rates of duty on the common external tariff, a task which must be completed by the end of the transition period, arrangements have been made to ease the pace for a number of commodities (industrial goods from Canada, Australia or New Zealand, cotton textiles from India and Pakistan, certain other imports - especially canned foodstuffs - from India, Pakistan and Ceylon, jute goods and so on).

f) Various special arrangements have been proposed, e.g.:
   (i) For the future development policy with regard to India, Pakistan and Ceylon,
   (ii) For import policy on cotton textiles from India and Pakistan.

g) A readiness to make special arrangements for the benefit of New Zealand has become manifest, since that country at present depends entirely on its sales of meat and butter to the United Kingdom.

h) Association on the lines of the already existing association of French-speaking countries in Africa and of Madagascar is being considered:
   (i) For territories dependent on the United Kingdom (subject to certain reservations concerning the Federation of Malaya, Aden, the African countries which are in a customs union with the Union of South Africa, and Hong Kong),
   (ii) and, in principle, for the independent Commonwealth countries in Africa and the Caribbean, provided they wish to be associated.

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No agreement has yet been reached on the following issues, although on some of them the points of view have come much closer together:

a) Fruit and vegetable production in Great Britain.

b) Zero duties demanded by Great Britain for certain East Indian goods (heavy jute goods and carpets).

c) British wishes with regard to the duties on certain raw materials and semi-finished goods such as aluminium, lead, zinc, paper pulp and newsprint.

d) Duty on coffee and some other tropical produce, and on tropical produce from countries which will not be associated.

e) The treatment of Malta and Gibraltar.

f) And, finally, imported foodstuffs from temperate areas, of particular interest to Canada, Australia and New Zealand.

It was, however, accepted that worldwide agreements on trade in these commodities should be negotiated at an early date; that, should such agreements fail to materialize, more limited agreements with those prepared to conclude them should be considered; that, if difficulties arose during the transition period, consultation should be envisaged, and that in general the price policy of the enlarged Community will be of decisive importance in the matter of imports.

If we consider this interim balance as a whole, we have no reason to be dissatisfied with the results of the negotiations so far."

After referring to the negotiations for a new association convention with the associated overseas territories and to the United States' offer of partnership, President Hallstein turned to the most recent developments in the Eastern bloc.

The Soviet leaders, he said, obviously considered the EEC as either a chimaera or a conspiracy. A series of theses published in Pravda and the arguments used by the Italian communists at the Moscow conference heralded a more realistic approach.

According to Soviet statistics, Soviet trade within Comecon has been marking time since 1959, while trade within the Community has expanded by more than 40% over the same period. The change in the Soviet attitude is probably to some extent due to the refusal of member Governments to conclude with Moscow agreements which conflicted with the EEC Treaty. In this context the Franco-Soviet negotiations deserved mention. Recently Mr. Khrushchev had also been speaking of the possibility of co-operation between economic associations in East and West.

Moscow is also having some difficulty over the developing countries. Whilst since 1954 the OECD countries had provided development

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aid totalling some $40 000 million, of which $30 000 million had come from public sources, and of which well over 75% had actually been spent, the Eastern bloc had in the same period promised only one tenth of this amount for development aid and actually provided no more than half of that.

Nothing could be more stupid than to allege that the European Community was aimed against the Eastern bloc. We were doing what we did for ourselves and for the free world as a whole. We were doing it by the most peaceful means conceivable and, finally, we were doing it in the hope that one day even those who at present still felt that they must oppose us would be convinced of the value of co-operation.

President Hallstein then surveyed the Community's internal development. Speaking of the customs union, he said that it would probably be in full operation at least two and a half years ahead of schedule. The Dillon round had shown that no more progress could be made towards a reduction of customs duties through the product-by-product system. Techniques would have to be applied in which some degree of automatic action was involved.

Referring to the economic union which was the central theme of the second stage in the implementation of the Treaty, President Hallstein commented on the progress made in competition policy and agricultural policy. He pointed out that the focal point of the common agricultural policy was the establishment of a uniform price level throughout the Community. Before the end of this year the Council was to lay down the necessary criteria for the harmonization of grain prices.

The first weeks in the existence of the European agricultural policy, which saw the light of day on 30 July, have already shown that this new Community venture is also functioning well. The Community institutions are exercising their authority and the Member States have - this can be said without any reservation - respected this shift of responsibility.

The President then pointed to the progress made toward achieving a common commercial policy and in the fields of transport policy, economic and monetary policy, the right of establishment, the free movement of persons, the supply of services, the movement of capital, structural and regional policy, energy policy and social policy.

President Hallstein went on to show that the Community's internal development had to be directed in such a manner that it would not conflict with the European, Atlantic and worldwide responsibilities of the Community. The background of this development was wider than Europe. There were three main groups of problems:

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1) The economic order within the free world itself; a distinction must be made between trade among industrial countries and trade between industrial countries and development countries;

2) Trade between the free world and the Eastern bloc;

3) Trade in agricultural products, including tropical products.

The first step towards planning matters on a sounder basis is a better ordering of agricultural markets within the individual national economies. The question for the Community now is to handle these new instruments in such a way that a proper ordering of the situation results. This means especially finding the right price policy to counter the piling up of surpluses.

The second step would be the ordering of world agricultural markets. The best instrument to this end would be the conclusion of worldwide agreements - agreements which not only served the interests of the Community, but were needed to facilitate British membership and to provide an additional means of aiding the developing countries. This applied not only to temperate zone products but also to tropical raw materials.

In his conclusion President Hallstein said that it might be asked whether the European Community was really in a position to cope with this task. The first condition was that the Community must be a success economically. Its success had been proved by the first four years of its existence, which had yielded the following results.

Industrial production has risen by	29%
The national product had risen by	24%
Internal trade had risen by	73%

Whilst the Community's external trade had risen by 27.4%, world trade as a whole had increased by 19.4% only. In 1962 expansion was continuing at the same pace.

The second condition for the Community was a political one. The Community must be politically and administratively capable of action. This capacity already existed, and nothing must be allowed to impair it; it would be strengthened as the implementation of the Treaty advanced (majority principle after the end of the second stage) and through such reforms as a merger of the Executives.

When means to improve the Community's efficacy were being discussed mention must also be made of "political union". This was not something which was new in essence, nor was it a transition from the economic to the political sphere. The existing Communities were already functioning in this sphere. It was rather a question of backing up integration in essential areas of domestic policy in the Member States - economic and social policy - by unifying other

aspects of that policy: external policy on matters outside the economic field, defence policy and cultural policy. The Community's attitude to these plans was therefore one of approval. Of course these plans must not undo or diminish the successes already achieved and for this reason they must not injure the existing Communities. The decisive criterion by which they should be judged was how far the cause of Europe as a whole was advanced.

Quite generally, the power to master the task with which the world situation and our destiny confronted us was the yardstick by which we had to measure all new plans to extend our Treaties, whether geographically or in their subject matter. This was the only essential yardstick, since we found ourselves face to face with a historical necessity which was becoming more and more imperative. With all new plans we had to ask ourselves whether they provided an instrument which created and promoted unity in the most vital spheres of Europe's life or led to diversion and dissipation of our energies, thus impairing what already existed and had proved its political usefulness. The answer to this question was the touchstone for all schemes intended to shape European policy, and it naturally set limits to the consideration which could be accorded to special wishes, vested interests or the desire to conserve what already existed.