

The European Community

HOW IT WILL FIT INTO THE ATLANTIC COMMUNITY

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LADIES AND GENTLEMEN, an English statesman once declared that "many people prefer the existence of a problem which they cannot solve to an explanation of it which they cannot understand."

I have been asked today to say something about how the European Community, which is now a working reality on the eastern shore of the Atlantic, fits into that broader association which is the Atlantic community. I hope that my explanation will not be more confusing than the problem I shall discuss.

At the end of the war, we in Europe arose among the ruins of our cities and rubbed our eyes, like men awakened from a nightmare. But it had been no nightmare. It had been the tragic culmination of a story of greed and folly and lust for power that had written *finis* to the old fragmented Europe.

We were confronted not only with the change but the necessity to build anew and to build better. With the generous help of your great country, we achieved a recovery that astounded even ourselves. New cities arose on the ruins of the old. New prosperity appeared where the grim specter of poverty and famine had once held sway.

In this year of grace of 1959, we can say with assurance that the process of recovery is ended, and that a new phase in Europe's history has begun. Today, we are no longer rehabilitating Europe; we are transforming Europe. Six nations—France, Germany, Italy, and the three Benelux countries—are in the process of welding their economies into a single unit, and laying the foundation of a future federation of states.

We have embarked upon this great adventure for two inter-related reasons—one economic and one political. I shall discuss each in turn.

The economic reason is obvious to anyone who has reflected upon the secret of American prosperity. As we Europeans look at your country, we naturally ask ourselves why our standard of living is still only half as high as yours. Are we less intelligent, do we work less hard, do we save less, have we less imagination than you? That—we tell ourselves—is not the answer. Your economy has reached its present heights in great part because you have created a huge home market which has permitted you to make the fullest use of the techniques of specialization, automation, and mass production. We, on the other hand, with roughly the same number of people in our Community as there are in the United States, have lived for centuries in an area criss-crossed by national barriers that strangled trade and stifled output.

The Common Market is tearing down those barriers. It will make available to our industries a domestic market of 165 million people. As national barriers fall, new competition is already spurring modernization, increasing productivity, and lowering production costs.

The free movement of labor and capital is for the first time offering industry the chance to develop in those regions

with natural advantages for productivity.

To enable everyone in every part of the Community to share in this new prosperity, the Common Market's Investment Bank is beginning to provide capital. Our Social Fund will give aid to those who need it, and our Overseas Development Fund will extend a helping hand to the Community's partners in Africa and elsewhere. We are creating a new economic frontier which, we believe, should generate the same dynamism, the same mobility and opportunity, the same sense of hope and adventure as did your Western frontier throughout your history. And we are creating that frontier, paradoxically enough, by the destruction of old national frontiers.

So much for the economic aims behind the Common Market. Its political aims are perhaps of even greater importance. In a rapidly shrinking world, challenged not only by the threat of Communism, but also by the growing needs of underdeveloped regions, the single nations of Europe can no longer afford to remain divided.

I am one of the many European admirers of that wise and witty man, Bob Hope. I remember that in one of his broadcasts he was challenged, as a so-called "strong man" in a circus, to tear a deck of cards in half. He accepted the challenge, and the listeners heard him straining and gasping. Suddenly there was a loud tearing sound. "Fine," said Mr. Hope, delightedly, "and now for the second card in the deck!"

Without wishing to accuse Mr. Hope of plagiarism, I believe that a similar story is told, in the ancient world, by Plutarch. But the lesson is as obvious now as it was then. Together we are strong; taken one by one, we are weak.

In combining for strength through the European Community, we are pooling not only our economic resources but our governmental policies. Our policies in the fields of transportation, energy, agriculture and cartels—in other words, all of the important aspects of economic policy—are being determined not with reference merely to the needs and opportunities of individual small national states but in relation to the requirements of the Community as a whole. This is a political change of the first order of magnitude. It must inevitably be followed by a progressively greater unification of our policies in a widening area of activities.

In building a united Europe we do not seek to create a third force. For us, there is no such choice as between Communism and freedom. But we do wish to build an economic and political whole which will be greater than the sum of its parts and which will eliminate forever the wars and conflicts that twice in a single generation have come close to destroying the old world.

It seems clear to us that in this endeavor we are not acting selfishly. A family is not weakened; it is only benefited, if one of the members grows well and strong.

And yet, I am sure, you have heard talk of the so-called "dangers" of the Common Market. Our friends in Great Britain were until recently accusing us of "discrimination." True enough, we could not fully accept their project for a European Free Trade Area. But we are earnestly striving for a workable arrangement of cooperation with our European neighbors.

Meanwhile, our experience would suggest that their fears that the Common Market was turning into a protectionistic bloc were unfounded. According to preliminary figures, so far this year the imports of the Common Market countries from their eleven OEEC neighbors, including Great Britain, have risen faster than Common Market exports to those countries. In other words, since the first steps were taken toward the Common Market, the trade position of our European neighbors has tended to become more, rather than less, favorable.

You in the United States have shown great understanding of the Community. You have welcomed and encouraged our efforts. You have grasped their implications not only for Europe but for the world. Yet, since I have been in your country I have been occasionally asked: Will the Common Market be protectionistic? Will it not dislocate traditional patterns of trade? Will it not lead to world economic crisis? Will it not bring about a new autarchy and a new currency crisis similar to the dollar crisis of 1947? Will it not be hamstrung by cartels and trusts, or, alternatively by state intervention, destroying the system of free competition in which we believe?

These questions deserve an honest reply. Let me try to tell you how the situation looks to us who have responsibility for the answers.

Of course the Common Market is bound to have economic effects outside its boundaries. But I repeat now what we have said on many occasions and what is solemnly laid down in the Common Market treaty signed by our six member states: the European Community is a liberal and outward looking community.

We are not simply being idealistic in saying this; we have good material and selfish reasons for being liberal and outward looking. We depend to a huge extent upon trade with the rest of the world. Ten per cent of our Gross National Product goes into exports. We are the world's second largest exporters of manufactures, and we are already the world's largest importers of raw materials that our economy so pressingly needs.

In no industrial region of the world is it more obvious than in our Community that to export we must import and that to import we must export. We need to do both in order to live.

What is more, as our standard of living rises, so our trade must increase. This is the compelling reason why we must work to expand world trade by seeking to reduce trade barriers, by seeking to pursue a liberal policy ourselves. The European Community is a manufacturer and merchant, and all merchants and manufacturers need friends.

What does this mean for the United States? Already, we are one of your largest trading partners. And, I may add, you already sell us a good deal more than we sell you. In 1958 your exports to the Common Market countries totaled some \$2.8 billion, while our exports to you reached about \$1.6 billion. Our imports from you made up 17.3 per cent of our total imports, while your imports from us came to about 13 per cent of your total imports.

In the years after the war you made available to us about \$14 billion worth of loans and grants. And during that same period we spent nearly all our gold and dollar assets. But

during recent times no such grants or loans have been necessary to maintain a high level of imports from America. Our ability to maintain this level without aid or the depletion of our resources is an eloquent index not only of our recovery but of the wisdom of your generous aid policy.

You and we depend on each other's trade. How will it be affected by the Common Market? This question has two aspects, one concerned with quotas and the other with tariffs.

Of the two, quotas have obviously the greater effect upon trade. While a good salesman may be able to sell across a tariff, no one can sell if the door is closed in his face.

Quota restrictions on imports into Europe were the unhappy offspring of Europe's dollar shortage. Over the past ten years, the Organization for European Economic Cooperation has made enormous progress in eliminating them.

Last year, in preparation for the first material step towards the Common Market, the Community countries introduced external currency convertibility. The Netherlands, Belgium, and Luxembourg have announced to GATT that they intend to harmonize their quantitative import restrictions vis-a-vis the whole free world, and no longer invoke dollar discrimination. Germany has practically completed the liberalization of its imports in basic materials and industrial products. Italy has liberalized basic materials and half-finished products as well as many manufactures. France has liberalized her imports of basic materials. At January 1, 1959, dollar liberalization on the basis of the year 1953 has reached, for example, 86 per cent for Belgium and Luxembourg, 77 per cent for Germany, and 60 per cent for Italy.

So much, very briefly, for the quota problem. What about tariffs? As you know, the common external tariff will be based on the arithmetical average of the existing customs tariffs of the six countries. The Benelux tariff, surrounding some 20 million consumers, will go up a little. The German tariff, surrounding some 50 million, will remain about the same. The French and Italian tariffs, surrounding about 90 million consumers, will be considerably lowered.

The common tariff on some products has already been decided upon, while for others, for which special provision was made in the treaty, it will be decided upon before the end of this year. Broadly speaking, I think it can be said that the latter will be close to the arithmetical average.

For very many products, the situation will be unchanged or changed for the better. With the exception of energy products and agricultural products, about 31 per cent of present American exports into the Community consist of raw materials, such as ores, textile fibers, vegetable oils, and basic chemicals—all of which will be subject either to very low duties or to no duty at all.

How about manufactured products? Even within the United States, as I need not remind you, there is very sharp competition in this field. In 1958, the United States exported some 9.4 billion dollars worth of manufactures and imported only some 3.9 billion dollars worth. Obviously, there are many American goods which are highly competitive in Europe.

Yet, of course, we have as much interest in exporting manufactures as you have. We, too, have an export problem, and a tariff problem, in selling to you. And just as you sometimes express anxiety about our external tariff, so we sometimes wonder whether the successes which some of our exporters have had in the American market may not lead to a raising of the American tariff through the exercise of your escape clause.

We know from the representations made by certain American firms that there is pressure upon you to limit imports. But I think it is true to say that the climate of opinion both in Europe and in America is in favor of freer trade, and I am

convinced that on both sides liberal counsels will prevail.

It is a matter of history that trade has always been most intense between highly industrialized regions; and in the European Community, at least, a liberal philosophy has been written into the law by the Common Market treaty.

That is why we welcome the now famous "Dillon Proposals" for a new round of tariff negotiations in GATT with the stated object of making a worldwide reduction of tariffs over the next two and a half years. The Dillon proposals seem to us of very great importance, for the two and a half years in question coincide exactly with our own time-table in the Common Market, and they open encouraging prospects for a systematic attack on world trade restrictions.

Since 1934, your Reciprocal Trade Agreements Act has been the keystone of American trade policy and it has been an instrument for shaping the trade policies of other countries as well. Under the Dillon proposals it can now be used to achieve important joint action with the European Community.

We shall complete the determination of our own external tariff by the end of this year, or at the latest in the spring of 1960. And as one of your statesmen has put it, the height of the European Community's common tariff will depend upon the American government's authority to make reductions on a reciprocal basis. We hope for our part that negotiations can begin in GATT at the latest by next summer, and that together we can bring about a general and substantial reduction of tariffs in the world.

Meanwhile, we are pleased with the growing interest that the American business community is showing in the Common

Market. We welcome American investment, and I am confident that American firms that develop sources of production in Europe will not regret their decision.

Perhaps I would not go quite so far as a leading American industrialist, who said to me not very long ago, "any big business without a factory or partner within the Common Market will in five years not be big business." But I have always admired the imagination of American business and your ability to rise to new opportunities. I am gratified that many of you see in the Common Market a new economic frontier with the same vast potential for growth that your own frontier provided during so much of your history.

And I can promise you this: You will be treated fairly. Any American investment in the Common Market will be governed by the same rules as our own investments.

So, ladies and gentlemen, I can say to you categorically: The Common Market is here to stay. It is something more than a simple customs union. It is a political force. It is a reaction against the past, and one which could start a chain reaction.

Our aim is more than just to free trade: it is more than just to bring about a redistribution of resources. For the world economy, I am convinced, is not a cake to be cut and divided, but a vehicle to be set in motion. The industrialized regions of the world are its motor, and the Common Market will play its full part in helping to drive the vehicle and to steer it along the road of freedom, progress, and peace.

Thank you.