

SPEECH

delivered by

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Mr. Chairman, Ladies, and Gentlemen,

First, let me say what a very great pleasure it is to me to be here with you to-day. I know that this is a very unoriginal opening remark, but I mean it sincerely.

It really is a great pleasure to be in Norway. It is many years - about thirty - since I first came to Norway as a young Professor, with a party of students who were coming to ski. It was one of the most memorable holidays of my life.

I am very glad, too, to have the honour of addressing a University audience : for although my present task as President of the Commission of the Common Market is remote from academic activity, I always kept my chair at Frankfurt University, and you know that all of us "renegados" from University teaching secretly cherish the idea of returning some day to academic life.

So to come here today is a double pleasure for me. You will understand me, therefore, if I do not make a political speech, but try to talk frankly and sensibly about serious matters that interest us all.

Ladies and Gentlemen, your Chairman, I think, has asked me to talk about the problems of the so-called "Six" and the "Seven"; and he has

even set me a mathematical puzzle on the subject - "6 plus 7 equals what?". I ought perhaps to warn you that as a student I was particularly fond of mathematics, and nearly made it my life study. But I am not going to dazzle you to-day with a lot of mathematics - or even statistics. I expect that you have heard the saying that "statistics is a method which enables one to speak with precision of matters of which one is ignorant."

But to return to our mathematical problem. "6 plus 7 equals - what?" Thirteen? Eight? Seven? Or one? Of course, this is really an economic and a political problem, and a very serious one. But before talking about economics or politics as such, perhaps it will clear the ground a little if we take a closer look at our terms - and particularly at this mathematical concept of "one". What is "one"? What is "unity"?

I am sure that you all know the mathematical fallacy which consists in proving that two unequal things are equal by using an equation of which two of the middle terms are zero. Well, the same trick can be played with "one", with "unity". I am one; and you are one - one audience. Let me be called "x" and you be called "y". Then, x equals 1, and y equals 1; but therefore, x equals y. In other words, I am my own audience. Perhaps if I go on like this, I soon shall be.

But the reason that I mention this absurd example is more serious: for a very similar confusion sometimes enters our discussion of really important problems. The very simple root of the fallacy is, of course, that the concept of "one", of "unity", is not in itself a unity: there are different kinds of unity, there are different degrees of the concept "one". At the lowest level of abstraction, it is relatively straightforward. I am one, and you are one; and short of schizophrenia or surgery, this "oneness" is likely to continue. But the concept becomes much more complicated - and therefore potentially misleading - when it is applied to a sociological phenomenon, an audience, or a nation, or a group of nations, or a continent. And

here, I think, we come right back to our subject : for the essential problem of the so-called "Six" and the "Seven" is really a problem of what is meant by unity and especially by European unity.

Most people, I think, would agree that the European Economic Community is in a very real sense a unit. By this, I do not of course mean that its unity is of the same order of that of a national state, or even - as yet a federation of states. But in a very real sense the Community is one.

So far, since it was established in 1958, its most publicised actions have been in the field of tariffs and quotas - removing the internal trade barriers between its Member States, and working out the single tariff which will surround them. But if this might seem very much like a series of mere trading arrangements between states, members of a so-called "trading bloc", a closer scrutiny reveals many far more radical features. The fact of reducing the external tariffs of Member States to a single common tariff is in itself a measure of unity : it involves, as a further step, the establishment of a common policy for external trade - which means that Member States will tend to behave as a unit in their international economic relations. At this very moment, they are doing so in the meetings of the General Agreement on Tariffs and Trade, the GATT.

And then again, the removal of internal economic barriers between the Community's Member States is not confined merely to trade matters. They are setting up a single home market - a common market. This means not only that goods will travel free of customs duties and quota restrictions within the Community, but also that capital, labour, and services will enjoy free circulation, as they do in a national home market. It means that people in business and the professions will be allowed to establish themselves wherever they like in the Community, if they have the necessary qualifications. It means that suppliers of services will enjoy a similar freedom.

All this again means that legal systems will be harmonized, and common rules applied to ensure full and free competition throughout the whole Community. It means common policies for agriculture and for transport - where free competition, for various reasons, can be only a distant goal. It means co-ordination in matters of monetary policy: it means common responsibility for regional development and social policies designed to ensure the harmonious development of the Community's economy.

You will notice, I hope, that I used the word "economy" in the singular. For what all this amounts to is the welding together of the separate economies of the Community countries into one economy. This is what the concept of one home market logically implies: and I think you will agree that it goes a great deal further than mere trading arrangements made within a so-called "trading bloc". There are common institutions, unhampered by the possibilities of a veto which a unanimity rule would involve. Under their guidance the Community has strong political overtones also, and is clearly capable of development in a political direction. Thus, without having attained the degree of unity represented by a national state, or a United States, the Community by its very aims and structure has every right to call itself a unity, of a rather advanced order.

But of course there are other degrees of unity. If six equals one, does seven? I think it does: but I think that one must distinguish in the case of the Seven a different and less radical degree of unity. Otherwise, we shall be in danger of falling into the "x=1, y=1, therefore x=y" kind of trap.

By this I do not mean any slight upon the European Free Trade Association or its members. Its Scandinavian members, in fact, were talking about the possibility of a Nordic customs union three years before the members of the European Economic Community signed the Rome Treaty. And if the countries of the Seven have found it easier to establish among themselves a less thorough-going degree of unity, this clearly reflects their particular situation as individual countries.

I am fully aware of the various reasons for which our friends in the rest of Europe have so far thought it difficult to respond to the Rome Treaty's standing invitation to join the Community. I fully appreciate, also, the significance of the European Free Trade Association, especially to great nations with a long tradition of sturdy independence. But it would be less than fair to allow this sympathy and this appreciation to cloud one's judgement; and an honest appraisal of the "Seven", I think, must lead to the conclusion that as a unit it is very different from the "Six". This is after all to be expected, since one of the characteristics common to all its members - paradoxically enough - is an understandable reluctance to embrace the degree of unity which has been accepted by the Member States of the European Economic Community.

It is not, perhaps, for me to attempt to analyse the Stockholm Convention. May I therefore quote a study of it which appeared last year in Great Britain? According to this study, the Convention's three most striking aspects are: "first, the simplicity of the basic conception; secondly, the fact that the scheme relies heavily on agreement among the member countries that problems can be solved to their general satisfaction as they arise; and third, that it is so "evolutionary" in character and so susceptible to adaptation without re-negotiation.....that it is almost impossible to foresee what the scheme will look like in, say, five years' time." It is not easy, therefore, to make a direct comparison between the "Seven" and the Community: but let us try to see some of the differences between them.

First, and perhaps most strikingly, the European Free Trade Association is concerned principally with industrial products only.

Secondly, it is an association for free trade between countries which seek to retain as much as possible of their national autonomy. Thus, although the timetable set by the Stockholm Convention for the dismantling of tariff and quota barriers between the Member States

is similar to that of the Rome Treaty, it does not envisage a common external tariff or, a fortiori, a common policy for external trade. For this reason, it is less easy for the Seven to act as a unit in their international economic relations.

Thirdly, the members of the "Seven", being concerned with trade between separate countries, do not at present aim at achieving as many as possible of the conditions of a single home market. In other words, the Stockholm Convention, unlike the Rome Treaty, makes very little provision for the movement of capital, and no provision for the free movement of labour. It has very little to say about the right of free establishment for business and the professions, and it does not provide for the free supply of services. Its rules of competition, likewise, are far less thorough-going than those of the Rome Treaty. Nor does it provide for common policies, or even for harmonization of policy in the commercial, social or fiscal domain. It has no such institution as the European Investment Bank or the European Social Fund, which in the Community are the practical acknowledgment of common responsibility in these two fields. Finally, its institutions are very much looser and more traditional than these of the Community.

All this, of course, reflects a different basic conception of unity. It is very much more in line with the traditional idea of "co-operation" than with that represented by the Rome Treaty. One might almost say that where the Rome Treaty provides for rules, the Stockholm Convention provides for collaboration, and that where the Common Market relies on common policies, the Free Trade Association relies on escape clauses. In one sense, "Seven equals one" - but it is a different kind of "one" from the "one" that equals Six.

In saying this, I am not trying to make invidious comparisons between the Community and the European Free Trade Association. I know that our friend Mr. Frank Figgures, the Secretary-General of the EFTA, who came to us in Brussels recently, sometimes has rather a twinkle in his eye when he compares his own very small staff with

the staff of the Common Market Commission. I think we have all heard of Professor Parkinson's Law ! And I expect you know the story of the American diplomat who was standing with a Minister of one of our countries outside the large new American Embassy. "And how many people are working in that building now ?" asked the Minister. The Ambassador smiled and answered : "About half of them."

As a matter of fact, our Commission is working very hard : for the difference in size between it and the Secretariat of the EFTA is really only a further reflection of the difference between the basic conceptions involved. For that matter, so is its name.

The Six, then, and the Seven represent two different concepts; and for this reason it was difficult to give a clear and simple answer to the seemingly simple question of "Six plus Seven equals what ?" Economics and politics are much harder than pure mathematics : for it is not a question of adding together two separate figures, but rather of putting together two beings which are different in kind. Personally, I know of only one successful hybrid developed in this way, and that is the joint offspring of a horse and a donkey : a mule. And, as everyone knows, a mule is a stubborn beast which cannot be used for breeding.

Quite seriously, however, I don't think that anyone can doubt the need to get the Six and the Seven together in some way. I am sure that no statesman in the world to-day would be willing to take the responsibility of "dividing Europe": for although the concept of Europe as a whole is a much less definite one than that of the Six or even the Seven, I would not myself be prepared to deny its validity. Indeed, it is for that reason that I think we must be very careful, while we avoid dividing Europe, to avoid at the same time any danger of dissolving Europe, and particularly any danger of dissolving what is so far the most intensive form of unity yet achieved within Europe, that is, the European Community. I do not think that Norwegians need to be reminded of the terrible consequences of Nazism and nationalism and Franco-German conflict in

two World Wars. The European Community is an attempt to put that past behind us, and to strengthen Europe against other threats. For this reason alone, I think, we must all welcome and support it.

So we must avoid dissolving Europe : this is one of the conditions for any solution to the problems of the "Six" and the "Seven". Those problems are very real ones; and experience has shown that they cannot just be waved magically away by saying some political incantation. I get a bit impatient when I hear it said that "the Six-Seven problem is only a matter of finding the political will for a solution", or "only a matter of a few technical adjustments on either side." Even if there were no other conditions and considerations, it would still be extremely difficult to work out the theoretical economics of a simple marriage between the Six and the Seven. As I have said, they are very different animals; and this is true not only of the two organizations themselves, but also of their constituent members. Even the Rome Treaty, whose signatories' separate economics are somewhat comparable, took two years to work out; and it had the experience of the European Coal and Steel Community to guide it. And among the members of the Seven, already so different in aims and structure from the Community, there are very great contrasts in matters of trading policy, degree of economic development, and so on. After all, we all of us spent many months in the Maudling Committee in Paris studying these problems; and while it may be true to claim that there were difficulties on both sides - or indeed on all sides - no one can honestly say that we had come close to solving all the innumerable technical problems that were involved. Nor, indeed, should I belittle those problems with the word "technical" : for they represented very vital interests to some of the countries and their peoples - not least to some of those, like Greece and Turkey, which are now members of neither the Six nor the Seven, but which are negotiating for association with the Six.

I am sure that I do not need to remind you of what has followed since the Maudling Committee negotiations were broken off. The Seven drafted and signed their own Stockholm Convention, and this year took their first step in the removal of the trade barriers between their members. Meanwhile, the Community itself continued to develop along the lines set by the Treaty, but at the same time, at the request of the six Governments as represented in the Council, the Commission made a very close and intensive study of the problems of European economic co-operation. Thus, while the Common Market itself has continued to be established on schedule - and even ahead of schedule - with the removal of trade barriers, the formulation of common policy measures in the fields of labour, free establishment, capital movement, transport, competition, monetary policy, and so on, we have at the same time turned our eyes outwards from our own affairs to see what can be done about the concern expressed by our neighbours. We have not produced, in our two reports on this subject, a complete and perfect panacea, a cure for all ills, a recipe for eternal life. But believe me, this is not because we do not want to see an ideal solution, but because we think that the best way to reach it is to tackle the problem seriously and in the most practical and pragmatic way.

I know that it is sometimes suggested that this pragmatic approach carries with it the danger that attention might be distracted from matters of principle, and that therefore no fundamental solution would ever be found. I believe these fears to be groundless, for to my mind the pragmatic approach provides a way forward, not a way back. Let me try for a moment to show the various steps and proposals which the Community had made to find solutions.

First of all, as I have said, the door remains open: or rather, two doors remain open. Article 237 of the Rome Treaty is a standing invitation for other European countries to apply for full membership of the Community - although, of course, under this Article, only certain adjustments, no substantial changes, can be made to the Rome

Treaty itself. We all know that for the present, signing the Treaty would pose a large number of problems to our friends in the rest of Europe.

As a start, therefore, other ways must be sought. Article 238 of the Treaty therefore provides for any degree of association with the Community, which may vary from a purely consultative mechanism to something much more substantial. The Maudling Committee negotiations were themselves one attempt at one form of association. At the present moment, we are very close to final agreement on another form, with Greece, and we are also negotiating for association with Turkey.

These, then, are two doors which remain open : membership or association, the latter being really a series of possible doors rather than a single door only. None of these doors is closed by adopting a pragmatic approach. What, then, does such an approach consist of ? How has the Community in practice sought to minimise the problems of its neighbours ?

First, I think, by adopting a moderate external tariff. Had the Community so wished, it might have decided upon an external tariff as high as the rules of GATT would allow - based, for example, on the weighted average of its previous tariffs, taking into account the size of the national market sheltered by each national tariff, and thus giving a greater weight in the calculation to the rather higher French and Italian tariff levels. But in fact the Community's tariff will be based on the simple arithmetical average of previous tariffs, which gives the low Benelux tariff just as much weight in the calculation as the previous national tariffs of the Community's larger members. In practice, this means that when the common tariff begins to be applied, there will be tariff reductions in France and Italy, with their 100-million-strong market, of as much as 50% vis-à-vis the rest of the world - to say nothing of the internal tariff reductions within the Community. This represents in fact a very considerable, and very courageous, change in the tariff policies of two great nations, and one which I don't think we should underestimate.

What is more, when the actual tariff calculations came to be made, we found that the process of reducing six national tariffs to one manageable tariff list, which involved a great deal of simplification, actually reduced the average incidence of the tariff below that of the previous national tariffs. And when our Member States had completed the negotiation of most of the major tariffs in the so-called "G List" (for which the arithmetical average rule did not apply), they found that here again tariffs were reduced below the previous average of the national tariffs taken together. In other words, there were already tariff reductions effected by the mere process of establishing the common external tariff levels.

But you may say : all this was in some ways implicit in the Rome Treaty, and cannot be considered as a special attempt to meet the European problem. Therefore, let me remind you of a third consideration. Twice, on the occasion of the first and second of the Community's internal tariff reductions, we have made concessions to our trading partners by offering to extend to them many of the mutual advantages which our Member States accorded each other in the field of tariffs and quotas. This extension could not of course cover all those advantages, otherwise it might be said that there was little point in belonging to the Community, and a precedent might have been created for purely unilateral tariff disarmament - almost as unwise, in my opinion, as unilateral military disarmament ! But it did represent a real attempt, on two occasions, to cushion the effects of the gradual establishment of the Common Market.

At the time of the first of these extensions, on January 1st, 1959, I remember a rather sharp controversy about this question of extending all the internal reductions of trade barriers, in this case in the field of quotas. It is perhaps a mark of how quickly the scene is changing that in May of this year our Member States decided to abolish all quotas on industrial products within the Community at the latest by the end of 1961, and to make the same abolition as soon as possible in the case of quotas on industrial imports from the rest

of the world. This further step, closely linked of course with the establishment of "external" convertibility at the end of 1958, may reasonably be considered a further success for the so-called pragmatic approach.

Just a year earlier, in May 1959, another and equally important step was taken. This was the acceptance by the Community of the famous "Dillon proposals". Had the Community been an inward-looking body, it might well have decided that the various tariff reductions which I have described were about as much as it could ask its Member States to tolerate, at least for the present time. But instead, only six months after the interruption of the Maudling Committee negotiations, the Community was the first to accept the proposal for a general round of "Dillon negotiations" in the framework of GATT, aiming at worldwide tariff reductions of up to 20 %. Not only this, but the Community on its own initiative proposed a further round of substantial tariff reductions to follow these negotiations - a proof, I think, of its genuine willingness to reduce trade barriers.

The "Dillon negotiations" have not yet started : but even before they begin, the so-called pragmatic approach has brought yet another benefit. This is to anticipate the result of the GATT negotiations by making a provisional reduction of 20 % in the Community's external tariff. This measure was unanimously decided upon by the Community's Member States at the same time as they decided to accelerate the establishment of the Common Market - all of this, I may add, on the proposal of the Commission. The decision to accelerate, in my view, was a gigantic vote of confidence in the Community, echoing the vote of confidence already given by private industry. It strengthens the Community in all spheres : it is not too much to say that it has helped prepare the way for the present discussion of steps towards unity in the political field; and it will certainly enable a strengthened Community to be even more flexible and even more liberal in its dealings with its friends and partners. In international affairs as in personal relations, the greater one's self-confidence the greater

one's willingness to relax and be friendly and adaptable. More than this, the speedier the full consolidation of our own economic unity, the easier it will be for us to exert a liberal influence in the world's economic affairs. Our willingness to anticipate the results of the GATT negotiations seems to me a striking proof of this growing self-confidence making it easier to be liberal.

But I have not yet done with the practical fruits of the pragmatic approach. One of the Commission's pragmatic proposals was for the famous "Contact Committee" between the Community and its European neighbours, to find where the shoe pinched, where any trade difficulties occurred or could be expected to occur, and to seek remedies to deal with them. As such, this proposal was accepted by our Member States, but not until early this year was something like a Contact Committee finally established, in the form of the "Committee of 21" in Paris, grouping the member nations of OEEC, the United States and Canada, and our own Commission. This "Committee of 21" is now in fact sitting in Geneva, with the aim of giving the greatest possible effect to the GATT negotiations, without on the other hand neglecting the interests of those Contracting Parties to GATT which are not members of the "21".

These, then, are some of the practical measures which have so far been taken by applying the so-called pragmatic method. I think you will agree that we have certainly not been idle. But if one conclusion begins to emerge from the hard thinking that we have all put into consideration of these problems, it may well be that in the past our horizons have been too narrow. We have thought and talked a great deal about such solutions to the "Six-Seven" problem as free trade areas, customs unions, membership, association. But I wonder whether we may not all have been a little too narrow in our approach. There are, after all, more than thirteen nations in Europe; and not only this, but Europe has other friends - very generous friends, who greatly assisted her own recovery after the war. Perhaps, therefore, we need to look further afield than at only our European problems: or, if you like, we need to find new ways of solving them. As an

example of one of the ways which we ought not to leave out of consideration, I may perhaps quote a suggestion which recently came from the Assistant Secretary-General to the GATT. He suggested the method of linear tariff reductions, as already practised within both the Community and the EFTA. Such linear reductions, extended to all the contracting parties of the GATT, would, of course, be conditional upon adequate reciprocity. As regards those non-European contracting parties, such as the United States, whose present tariff procedures do not readily allow them to make linear reductions in their own tariffs, one might envisage a certain postponement of such a reciprocity. This proposal would in effect lead both the Community and the EFTA to develop into "low tariff clubs", and in itself might contribute to a solution of the internal European problem which would offer nothing but advantages to our friends across the Atlantic as well. This proposal of the Secretary-General is, of course, only one such possibility.

But whatever the solution, I am inclined to think that it will be likely to emerge piece by piece. Meanwhile, anything that we can do here and now to reduce practical difficulties, to bring the Six and the Seven closer together, round the table with their other friends and trading partners, can in fact only make a comprehensive solution easier by removing the obstacles to a frank and full discussion of the real problems involved.

For the European issue is after all only one aspect of our tasks in the field of international economic relations; and it is in this framework that we must see the problems of the Six and the Seven. There is a unity - the unity of the free world - to which we all owe allegiance; and that unity has its own common problems. That is why, in my view, we need to achieve a greater co-ordination of our attitudes in the face of two great economic challenges - the challenge of state trading countries, and the challenge, both human and economic, of the developing countries.

It is with these challenges in view that we are now working to widen the scope of the OEEC, of which all the countries of the Six and the Seven are members, by transforming it into the Organization for European Co-operation and Development, in which the United States and Canada will be full participants. This reflects both the widening of all our European horizons, and the turning outwards of our gaze towards the problems of developing countries in particular. They need from us special treatment, in the tariff field perhaps, certainly in a greater common effort to co-ordinate the prices of raw materials. They need more multilateral aid : they need technical assistance : they need, in fact, a concerted effort on the part of the industrialised nations of the West. That concerted effort we are now trying to make. It would be too much to claim that the European Economic Community is solely responsible for this new movement, any more than it is responsible for the problems which that movement seeks to solve. But I think we may reasonably claim some small share of the credit; and in the process, I think we may also hope that by standing side by side to solve these world problems we shall find our European problems become easier to solve also.

In the meantime, let us not despise the muchmaligned pragmatic approach. Let us learn practical wisdom from the words of the Hávamál :

"A lame man can ride a horse : a man without hands can be a shepherd : a deaf man can kill in battle : it is better to be blind than burned on a funeral pyre. Nothing is of any use to a dead man."

Well, we are not dead yet. Our trade within the Community is increasing - and our trade with the rest of the world is increasing almost as fast. I think we can afford a little modest optimism for the future : for the answer to the problem you set me at the outset is after all a very simple one. What does "Six plus Seven" equal ? Mr. Chairman, Ladies, and Gentlemen, it equals one free world.