

4937/X/63-E

Embargo: 24 May 1963

14.00 hours

(CHECK AGAINST DELIVERY)

BRITAIN AND THE EUROPEAN COMMUNITY

PRESENT, PAST AND FUTURE

Speech by Professor Walter Hallstein  
President of the Commission of the  
European Economic Community

before the

National Association of British Manufacturers

London, May 24, 1963

May I begin by saying how flattered and honoured I am to be here today. I believe I am right in thinking that the National Association of British Manufacturers is forty-eight years old this year. When one is as young as the European Economic Community - now just five years old - forty-eight seems a very great age. Of course, in later life one starts talking about men of forty-eight as "up-and-coming young fellows", but we in the Community cannot do that just yet.

Nevertheless, my subject today is one that spans a number of generations.

I want to talk about the present, the past, and the future of Great Britain's relations with the European Community.

## I

First, then, the present. We all know - only too well - what happened at the beginning of this year, when the negotiations for British membership of the Common Market came to an end. We all know the hopes that many people on both sides of the Channel had placed in those negotiations, and the disappointment which they now face. On the circumstances in which British membership of the Community was thus postponed I have spoken at length elsewhere; and it is not my intention to repeat what I have already put on record. Our Commission, the executive body of the Common Market, has produced what I hope I may say is an impartial and objective report on the whole negotiation. This shows, I think, that while the Brussels talks were not yet on the brink of complete success, they were certainly not on the brink of failure either. But more to the point is to see where we stand today.

Where does the Community stand? Or rather, what is the Community, where has it got to, and where is it going? Because, by its very nature, the Community cannot stand still. Like the Red Queen in Alice in Wonderland, it has to keep moving, if only in order to stay in the same place.

Essentially, in fact, the European Economic Community is more than its nickname "The Common Market" suggests. It is an attempt to fuse together not only markets, but national economies, and this with the political aim of creating not only a larger and hence more viable economic unit, but also the practical basis for unity in other fields.

I said once that "we are not in business, we are in politics". What I meant was that the very act of merging national markets and national economies is in itself a political act: since what we are seeking to combine in one policy is the role hitherto played by national Governments in determining the conditions within which manufacture and trade take place.

Tariffs are an obvious example. By establishing a customs union, the Common Market countries are eliminating the tariffs that used to separate them, and merging into one single tariff round the whole area their former separate national tariffs vis-à-vis the rest of the world. Much the same is true of quotas and of foreign trade policy in general.

But what is true of tariffs and quotas is also true of other things. The movement of capital and labour must be liberalized as well as the movement of goods. And a check must be maintained to ensure that Governments do not divide the common market by means of non-tariff barriers to free competition such as export subsidies, tax discrimination, or differential transport rates, and that firms do not divide it by means of price rings or market-sharing agreements. Nor is this all. If we successfully abolish the national compartments within which national economic policies were pursued, we must ultimately pool those policies in Community policies. This is obvious in cases like agriculture and transport, where Government already intervenes very largely, as witness the work of - dare I say it? - Dr. Beeching. But it is also true of many less spectacular fields: in the Community, for instance, we are seeking Community policies on such matters as patent laws, tax systems, the rules on colouring matters in foodstuffs, and even bankruptcy laws. Ultimately, we may have to have common monetary policies and a common economic policy in general.

So the task of building the Common Market is not just economic. But it would be equally misleading to call it "political" if this word were used to denote something dictatorial, over-centralized, technocratic and doctrinaire.

In the first place, the whole process is gradual, flexible and difficult. It has to be irreversible, of course, if only for the reason that no one would make the new investments appropriate to a larger market if he feared that it might not materialize, or might not

last. But the process of adaptation must also be gradual: indeed, the European Investment Bank and the European Social Fund were set up precisely to aid those firms, regions and workers who might find adaptation difficult. And, of course, the Common Market Treaty is riddled with special safeguards that can be invoked by any member country that needs a temporary breathing-space to assist the process of change. All this means, as I say, that the process is not easy. It is easy to set a firm timetable for tariff-cutting: it is virtually impossible to do the same for, say, the co-ordination of monetary policies. Moreover, the essence of democracy is persuasion, not force: and in a sense, every time the Community gets into difficulties in its attempt at economic union, this is a further proof that it is not some kind of dictatorship.

That, indeed, is why the Community needs a constitutional framework: the so-called "Executive" - the independent European Commission, of which I have the honour to be President; the Council of national Ministers, which is the Community's legislative body; the European Parliament, which exercises democratic control over the Commission; and the supreme Court of Justice.

Because this is often misunderstood, I should like to say a little more about the Commission. Essentially, it has three main tasks.

Our first task is one of initiative - to work out policy proposals for the whole Community. To help us, there is the Economic and Social Committee, one hundred and one representatives of industry, business, labour, the professions, and consumer organizations. We are obliged to consult it, as well as consulting the European Parliament, in the process of formulating policy. We also consult experts from the national Governments, as well as other people from all walks of life. In fact, on any working day, one can see half a dozen such meetings announced on our notice board. In 1961, the total number came to over a thousand. So, although our building is faced with white stone, it can hardly be called an ivory tower.

Our second task, once we have made proposals to the Council, is to defend them in its meetings - to defend what might be called "the Community interest" as distinct from the separate national interests of the Member States. We have no actual vote in the Council, but we

have a virtual vote there since as a rule majority decisions by the Council are only possible when it is accepting a proposal from the Commission. So the Commission acts like a kind of honest broker - not so much between individual national Governments as between the national interests and the interest of the Community as a whole.

The Commission's third task is to defend the Community interest in a still more positive way - by bringing any infringements of the Common Market Treaty before the Court of Justice. In that sense, it is the watchdog of the Treaty. So far, only some half a dozen cases have had to go as far as the Court; and although we have not yet lost a case against a national Government, it is worth noting that we can be sued there too.

So the Commission is subject to judicial control: but it is also, finally, subject to a possible vote of no confidence on the part of the European Parliament. Clearly, we cannot be answerable to national Parliaments, since we are a Community body: nor can we be subordinate to the Council of Ministers, whose members are themselves subject to the national control of their own Parliaments at home. That is why we need and welcome the scrutiny of the European parliamentarians, although I personally believe that the powers of the Parliament over the Community's workings ought to be increased, and will have to be increased as the process of uniting Europe goes on. This, indeed, is one of the ways in which Great Britain, with her centuries-old experience of true democracy, could make a specific contribution to the Community. For, just because the Community is not a new coalition of States, its progressive unity has to be firmly rooted in the democratic life of its whole population.

How far has the Community gone, and what are its immediate prospects?

In the field of the customs union, as you know, we have now cut the tariffs between the Member States by some 50%: and on July 1 this year we shall reach 60%. We have made the first rapprochement of national external tariffs, and in July, again, we shall have set in place two-thirds of the common external tariff which is replacing them. Industrial quotas have almost disappeared, both inside the

Community and vis-à-vis the rest of the world. In the field of economic union, we have made the first painful steps towards our common agricultural policy, we have seen the first measures of liberalization for capital and labour, we have started to move towards other common policies, and we are busy processing the first applications for immunity from the Common Market's anti-trust provisions. Since 1957, the Community gross national product has increased by 28%, and its industrial production by some 40%. Trade within the Community, according to the latest forecasts, will very soon have doubled since the Common Market began; and thanks partly to our greater prosperity, and partly to the cuts in the external tariff which we have already made, our imports from the rest of the world have gone up by about forty per cent, nearly twice as fast as the total increase of world trade.

But it would be dishonest, of course, to pretend that everything in the garden was lovely. One effect of the breakdown of the negotiations with Britain, in fact, was a severe blow to the Community itself. No responsible person, I think, would suggest that because British membership of the Common Market has been postponed the Community should come to a halt. There would be no point for Britain in looking towards future membership if the Community were not a going concern; and if it were not, moreover, this would be a very severe setback to the entire western world.

Fortunately, the fears that many people felt in the early months of this year are now on the way to being removed. It is always dangerous to prophesy: but our Member States, while still disagreeing profoundly about the British case and even about the philosophy of how "European unity" should be described, have already shown that further progress is not only possible but even in some senses inevitable. On April 2, the Council confirmed the tariff measures which are due on July 1: so the customs union is going forward. My own belief is that this fact alone will ultimately ensure that economic union accompanies it; and early this month, in a meeting of our Council of Ministers we agreed on part of a short-term action programme recently put forward to cover the current year. We have had setbacks before, and we shall have them again. But the movement is too big a thing to be permanently arrested. Why this is so, and what it means for Great Britain, can be seen by a glance at the past.

II

Fundamentally, the Common Market represents the decisive rejection of two separate but cognate beliefs. The first was the belief in the absolute sovereignty of the nation-state: the second was the belief in the European balance of power. Both have been denied by events.

"Events" is perhaps a mild word to describe two World Wars and the killing, destruction, and human misery that went with them. Even before World War I, indeed, the Austinian concept of sovereignty was under fire, not only from political theorists, but also from technological progress which hastened communications, shortened distances, enlarged the scale of modern industry, and made much of our political thinking anachronistic. This same progress, by increasing out of all recognition men's power of mutual destruction, made the consequences of any breakdown in the balance of power not only grave but catastrophic.

The countries of Western Europe, linked by common traditions and common historical experience, were among the first to recognize these facts. In two World Wars we saw with our own eyes - and felt in our own hearts - the consequences of past mistakes. After World War II, at last, we sought to repair them. The slow and painful history of European integration is itself the proof of how difficult that process was and is. But it was still more difficult, if I may say so, for a country like Great Britain, and this for reasons which are entirely understandable and honourable.

Historians of the movement towards European unity have enumerated a number of factors in its pre-history. They include the influence of the classical world, and especially of Roman law, and its later amalgamation with Germanic elements; the imprint of Christianity, and the unity achieved by the medieval Empire and the Papacy, and the Reformation; the sense of solidarity embodied in the Crusades; the feeling of nostalgia, often misguided, for medieval unity; the Kantian longing for perpetual peace, itself a perpetual aspiration; the effects of cosmopolitan culture, especially in the eighteenth century; the example of the United States in the New World; the administrative effects of Napoleon's

conquests; the colouring given by the Romantic movement; the growth of international Socialism, trade-unionism and continental federalism.

All these, it is true, were shared in many respects by Great Britain: but in ages when travel was still more difficult than today, the English Channel was a still more formidable barrier, and Great Britain was perhaps marginally less influenced by some of the common experiences which affected continental Europeans. As a sea power, moreover, her material history was different, and her overseas dependencies were both more extensive and more concentrated in temperate zones than those of her Continental neighbours. Even as late as the two World Wars, the Channel was still a vital part of her defences: it saved her, not from the appalling destruction of aerial bombardment, but at least from physical invasion and occupation; and by a sombre paradox, that very fact, which enabled Britain in 1940 to stand alone in Europe against the forces of tyranny and hence to play a major role in Europe's liberation, was one reason why in the immediate post-war years she felt unable to commit herself as fully as did continental Europeans to the drive towards unity which was the sole sure safeguard against a further European civil war.

I am not trying to suggest that Great Britain somehow needed to suffer the same national humiliation and ruin that had almost destroyed the Continent. Those of us who are alive today can only be grateful that she did not. Nor am I suggesting that Britain's special traditions or her world-wide commitments and interests disqualified her, then or now, from sharing in the work which we have in hand.

All that I am saying is that these facts, quite naturally, made it still more difficult for Britain to adjust her traditional policies to the new situation. In past ages she had played a valuable and essential role in helping to maintain a balance of power on the Continent. In the two wars she saw the concept of national sovereignty vindicated, not denied. And it was only gradually, with the emergence of a single new entity on the Continent and the progressive erosion of national sovereignty by de facto interdependence in a world divided into two great power-blocs, that public opinion in Britain, as it had on the Continent,



came to accept the new facts of international life. That, to me, was the very great significance of the British Government's decision to apply for membership of the European Community; and it is a significance which in my view remains unchanged, just as the facts are unchanged.

### III

This brings me, finally, to the third chapter of what I want to say today. What is the future for the Community, and what does the future hold for Great Britain and the Community together?

First, as to the Community. As I have suggested, the new facts of international life make the future growth of the Community an inevitable phenomenon. What shape will it take?

In the material field of economic activity I think that we are bound to see a closer knitting-together of business and industry in Europe. This is already taking place. Differences of languages and tradition will ensure, I think, that it does not mean uniformization. Indeed, it is one aim of our policies to prevent just that. Our anti-trust and competition rules in particular, although they may seem complex and even burdensome to those who are as yet unfamiliar with their workings, will help to ensure that medium and small industries are not steam-rolled out of existence by giant trusts. American experience, moreover, suggests that even in a common market of American dimensions, with one language and a fully integrated economy, small and medium-sized businesses can thrive alongside the giants.

In the same way, on the political plane, I do not myself believe that the Community is likely to develop into a centralized State, even in the very long run. Rather, it is a federation in the making. To some people, I know, the word "federalism" itself is somewhat forbidding - especially to those whose political experience is chiefly that of a fairly centralized nation-state. But to those who - like the Germans, for instance - have a history of federal organization, the concept is far more flexible. I am sometimes amazed to reflect how great are the differences in tax laws, for example, between the cantons of Switzerland or even the States in

North America. When I was in India recently, a very eminent and experienced statesman remarked to me that almost all nations include federal elements; and one has only to think of the British educational system and police forces to see that this is so. Some things are pooled, others are not: so it will be within the growing European Community. Unity in diversity is what we are trying to achieve.

What, finally, will be the Community's own posture in the international field? It will not, I am convinced, be a so-called "third force" - if by that term is meant an irresponsible entity balancing or trying to balance between East and West. This is a notion which no single member Government of the Community has publicly endorsed; and it is one which the majority of our citizens have signified that they reject. It is not likely, either, to be dissolved in the foreseeable future within an Atlantic Community - if by this term is meant an Atlantic entity comparable to the federation-in-the-making that we are struggling to achieve in Europe. The reason why is evident when one tries to imagine the United States' accepting the disciplines of the Rome Treaty, which even our own member Governments sometimes find none too simple.

What the Community's true role in the world will be is something more complex: but before I return to that subject, let me in conclusion say a little more about its relations with Great Britain.

First, in the economic field. Most peoples are aware, I think, that economic considerations were only a part of the British Government's motives in seeking Community membership; and many people in this country and elsewhere have pointed out that the postponement of British entry is far from being the economic disaster for Great Britain that some might have feared. Britain's trade with the Community, indeed, has been increasing constantly: last year, her exports to it rose to the record figure of \$2,189 million, registering a trade surplus of over \$200 million. Particularly impressive export achievements have been registered by some of Britain's staple industries, such as aircraft, plastics, chemicals in general, petroleum products, agricultural machinery, printing machines, and domestic electrical appliances - to say nothing of the growth of the tourist trade. With push, drive and imagination, I myself

believe that British industry has little to fear: but if I were allowed to make a suggestion out of turn, I should emphasize what was stressed by the reports of the Export Council for Europe - that is, that successful exporting to the Community depends upon many more things than tariffs and quotas.

All this, of course, is in the purely economic sphere and the purely interim stage. Everyone agrees - and without exception, although our Member States may differ on the subject of timing! - that the door to future British membership of the Community must be kept open. On the practical economic level, such projects as the Concorde aircraft, joint space research and even the Channel tunnel or Channel bridge, ought not to be underestimated; and there may be other possibilities too. But it is equally important that we should avoid any avoidable divergences between our economic policies - and our political policies. How is this to be done?

As yet, it may be premature to speak of elaborate interim arrangements. Association, for example, is a complex and difficult subject, because it is so ill-defined. For this reason, it might take time to negotiate; and it is perfectly understandable that there should be reservations about that. In the more immediate future, however, there seem to me to be two ways at least in which we can go forward.

The first is procedural: that is, by maintaining and increasing our mutual contact. On this occasion I should like to pay a tribute to my old friend Sir Arthur Tandy, who since the beginning has so skilfully and effectively led the British Delegation accredited to the Communities in Brussels and Luxembourg. It is a real personal sorrow to see him leave us: but it is a great pleasure that he is here today. I should like also to extend a welcome to his successor, Sir Douglas Walver O'Neill, who is another old friend with whom I look forward to further collaboration which I am sure will be as fruitful.

It may be - and I very much hope it will be - that we shall be able to find ways of intensifying these diplomatic contacts, so that both parties can reciprocally influence - although not of course control - each other's policies. But there is a substantial side to the matter as well. This is what I meant by saying that the Community's

posture in the world was connected with its relations with Great Britain.

The British negotiations taught us all a very great deal. We have all come out of them changed men. By this I do not mean that the Community was previously "inward-looking" and needed Britain to teach her to be "outward-looking" - any more than Britain needed the Community to put an end to some supposedly "insular" frame of mind. What I mean is that the whole negotiation brought us face to face with world problems which in one way - intellectually - we already knew. The problems of the Asian Commonwealth are one example. We ourselves are slowly developing something which is quite new, something which was unthought of when the Havana Charter and the GATT were being negotiated - that is, a so-called "development policy" to deal with the fearful problems of hunger and poverty in the developing world. The British negotiation forced the issue upon us in a still more immediate and practical way. I have expressed the hope elsewhere that the solutions to one part of it which we then worked out - comprehensive trade agreements with India, Pakistan and Ceylon - may be maintained. To do so, and to evolve a global policy, we shall need to work together not only with the United States, and other countries, in the Atlantic Partnership which we seek, but also with the Commonwealth and with Great Britain. Who can tell what the furthest limits of such co-operation may be?

What is true of development policy is true of other matters also. At present we are preparing for the so-called "Kennedy round" of tariff negotiations: could we not achieve some degree of co-ordination of British and Community attitudes here? Linked to this question is that of agricultural policy, particularly with regard to the world-wide commodity agreements which we sketched out as a solution to some of the Commonwealth problems in the British talks. Here again there may be scope for further work together. Finally, or perhaps not finally, there is the problem of monetary co-ordination - the so-called "problem of world liquidity": can we not work together here too?

To say this is not to neglect the international bodies that are already active in the matter - the OECD, the GATT and the IMF. But it is to suggest that Great Britain and the Community, although they are at present still separated by the Channel, may find in

SUMMARY PROGRAMME OF THE VISIT TO THE UNITED KINGDOM  
OF PROFESSOR WALTER HALLSTEIN  
PRESIDENT OF THE COMMISSION OF THE EEC  
May 24 - 28, 1963

---

Friday, May 24:

10.35 a.m. Arrive at London Airport by Flight BE 463  
from Brussels  
Drive to Claridges Hotel

12.30 for 1 p.m. National Association of British  
Manufacturers' Luncheon at the Connaught  
Rooms

4 p.m. President Hallstein will receive  
representatives of the press at Claridges

8 p.m. Dinner at German Embassy

Saturday, May 25:

6.00 p.m. Leave by car for Chequers

Sunday, May 26:

After luncheon Leave by car for Oxford

Monday, May 27:

8.30 a.m. Leave Chequers by car for London

11 a.m. Meeting with the Prime Minister at  
Admiralty House

1 p.m. Luncheon with the Chief Representative  
in the U.K. of the High Authority of the  
European Coal and Steel Community

3.15 p.m. Leave for Glyndebourne

5.45 p.m. Glyndebourne ("Fidelio")  
Return to London

Tuesday, May 28:

9.25 a.m. Leave London Airport on Flight SN 608  
for Brussels.