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TO THE

COUNCIL ON FOREIGN RELATIONS, CHICAGO  
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"POLITICS AND TRADE: THE UNITED STATES AND THE  
EUROPEAN COMMUNITY"

I have often visited and spoken in Chicago before. The last time was in May 1973 when I gave the Walter Heller Lecture at Roosevelt University. I am glad to be here again. It comes naturally to me that during my first official visit to this country as President of the Commission of the European Communities I should leave the East Coast and visit the heartland of America. Here is the pump which primes your trade which flows the world over, not least to Europe. It is of trade and politics that I speak today.

This time I come as a President. You may wonder what sort of a President I am. Clearly I would not measure my power or influence with that of the President I have just seen in Washington, although like the new Administration and unlike most governments in the world, my Commission can look forward with reasonable confidence to a four-year term of office. The Presidency of the Commission of the European

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Community - or more exactly Communities for there are three - fits into no category immediately recognisable here. I was nominated by the Governments of the nine member states, and preside, over the 13 member board of the Commission - at once the initiating and executive agency - of the European Community. The Commission is a curious international hybrid, less than a government but more than a bureaucracy, possessed of more than and less than national powers.

I should first say something more about these European institutions. Without some understanding of their powers and the relationships between them, it is hard for Americans (and sometimes Europeans as well) to know what they are dealing with either in political or economic terms. The idea of Europe has gathered a fair share of rhetoric round it. This can make the claims of professional "Europeans" look pretentious as well as misleading. Americans sometimes look for a kind of United States of Europe on the analogy of the United States of America, and find to their disappointment that no such organisation exists. It is better to refer to the uniting states of Europe which over the last 25 years have created institutions which are both peculiar to themselves and recognisably incomplete. Anything I may describe today was not the same 10 years ago and will not be the same 10 years hence. This makes it all the more important that Europeans should be extremely precise in what they say. I shall do my best.

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The institutions of the Community were born from a political need to reconstruct a Western Europe devastated by war and diminished in influence; and an economic need to pool resources and create the scale for the development of a modern industrial economy. As you mostly know, the Treaty of Rome, which created the present institutions of the Community in 1957, was not the first attempt to bring Western Europe together. There was the successful creation of the European Coal and Steel Community of 1952, and there was the abortive attempt to create a European defence community in 1954. This might have succeeded in other circumstances, and of course may evolve one day. Looking back it is impressive to see the way in which the European movement, blocked in one way, went round each obstacle, and advanced in another. That movement is still very strong. We come up against new obstacles from time to time. At present for example we are deeply concerned about some of the divergences in the economies of the Member States. But I think you should take it as a working hypothesis that what was true of the past will be true of the future, and that whatever the difficulties and setbacks the forward movement will be maintained.

As for the institutions of the Community, our constitution is the Treaty of Rome as subsequently amended. It represents a balance between respect for the powers of the Member States and the grant of a measure of supra-nationality in economic, legislative and judicial matters to the four institutions.

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First there is the Commission itself. It has responsibility for giving effect to the Treaty and initiating proposals for action by representatives of the member Governments sitting as the Council. Second there is the Council which takes the necessary decisions (of which all important ones are by unanimity). Not surprisingly tension - I hope generally creative - tends to arise between the Commission and the Council. Third there is the European Parliament with advisory and supervisory powers. Apart from giving opinions on the proposals of the Commission and debating the activities of the Community, it has the power to review and in some respects amend the annual budget, and to fire a blunderbuss by forcing the resignation of the 13 Members of the Commission. Indeed there was an attempt at it the other day, which I am glad to say was frustrated by 95 votes to 15. Fourth there is the Court of Justice, whose principal job is to compel respect for the Treaty and interpret the law of the Community. Its judgments are legally binding throughout Member States, and can override national law and bring national states to book. Here there are remarkable possibilities. In due course the Court may play as influential a role in the history of Europe as Marshall's Supreme Court played in the history of the United States.

Beside these four institutions, there is another more flexible one outside the scope of the Treaty. This represents an attempt by the nine Member States to co-ordinate their foreign policies towards the outside world. Here the supreme

instance is the European Council, or summit meeting. The nine heads of state or government whom I join on these occasions meet three times a year on a very broad agenda. We had such a meeting in Rome the other day.

This description inevitably sounds static. But I am speaking of an organism rather than a machine. The Community is young and growing rather than old and set in its ways. Like all organisms it is growing faster in some areas than in others. Some parts of the Community's activities, such as agriculture, competition policy, and external trading are centrally managed through a common policy, others, such as international finance, and industrial co-operation with third countries, represent a mixture of Community and national competence; and in respect of such other policies as transport, Community policies are still at an embryonic stage. But a cardinal principle for the Community is to set a framework of ground rules governing the activities of the Member States as a whole in the economic field, in order to avoid the economic nationalism which has bedevilled the past of Europe as of so much of the rest of the world.

The catalysts for growth can come from inside or out. At present two such catalysts stand out. First is the prospect of direct elections to the European Parliament in the course of next year. So far, in spite of the democratic character of West European institutions, the Community has not been responsible to any electorate, and its powers come directly, or indirectly through the Treaty, from national states.

Direct elections will not cause any formal change. But they will necessarily affect the character of the Parliament by changing the view it has of itself and the way in which it is regarded by the citizens of Europe. It will offer them a new dimension of European involvement. You must not expect drastic developments. National parliaments are in no hurry to give up their powers. But a whole new balance of democratic power and accountability within the Community will eventually have to be established.

The second main catalyst is the prospect of the Community's further enlargement. The institutions which I have described, and most of the common policies which have evolved, were the work of the original Six member Governments. They had to conciliate divergent interests, make certain sacrifices, and build on what they had in common: in short they had to strike a bargain. The addition of three new members from the North West in the early 70s - Britain, Denmark and Ireland - each with its own interests, requirements and characteristics required a new bargain. Inevitably it imposed strain on existing institutions and policies, and made them work differently from before. Happily they proved pretty adaptable and have worked well, although I do not think that all the consequences of the last enlargement have been fully worked out. Now we face the prospect of further enlargement to the South. New

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bargains will have to be struck and new strains will be imposed. This is not to say that I do not welcome the prospect of enlargement. My colleagues and I will do everything possible to further the success of the negotiations with Greece and Portugal. Spain may also wish to join. The Community has a clear political duty to sustain nascent democracies in Europe. But I recognise, as we all must, that enlargement will inevitably create political as well as economic problems for present and future Member States and the institutions of the Community itself. We do not want to dilute its character and turn it into a mere free trade area without cohesive political force. Indeed the logic is the other way. Without some further willingness on the part of the national states to improve the decision-making capacity of the Community as a whole, the institutions could become hard to manage in their present form. I have confidence that the Community and its members will take on the necessary new dimension and adapt to the new circumstances. I add that the result will be of great interest and importance to the United States.

I have not so far referred to the role of the United States during the evolution of European institutions. It was important in many ways and crucial in at least two. It was important for giving steady help and encouragement over

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many years, sometimes against short-term American economic interests. It was also important for what it did not do: sometimes the temptation to divide and rule must have looked irresistible. But the American role was crucial in providing the aid after the War which put blood into the veins of European economic recovery, and still more in providing military protection through the Atlantic Alliance which ensured the survival of our free institutions and established a relationship of mutual commitment between Western Europe and the United States. This is a feature of the development of the Community which we would be most foolish to neglect. It is not possible to see the evolution of the European Community in isolation from the European relationship with the United States. The gradual assertion of the weight and authority of the Community in the world and the achievement of a more balanced European relationship with the United States is something for which many Americans and Europeans have long worked, and is I think profoundly in the interests of both partners and the Alliance in which we are joined together.

Americans are of course more used to dealing with the Nine countries which make up the Community than with the Community itself. The notion of a Community or Communities is somewhat vague. After all London remains the capital of Britain, Paris the capital of France and Rome the capital of Italy. But as those who deal most directly and frequently with

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Europe well know, there is a widening area of activity in which outsiders have to reckon not with national rules and regulations but with the common rules of the Community whose administrative centre is Brussels. With reason Americans regard their country as a giant among other members of the Alliance. But when they look at the Nine member countries of the Community in their collective aspect, they find a grouping which may be smaller than the United States in geography but has a substantially larger population and, in terms of exports and imports, is the largest trading unit in the world. Divided the Nine still represent some force in the world, although few who have followed post-war history would say that their individual capacity for independent action was very great. By contrast, when and where they act together, they are powerful indeed. Their framework for collective action - the institutions I have described, is markedly more than the sum of its parts.

I have already suggested that Chicago is a natural choice in which for me to speak. Perhaps no other city in the United States has been so much concerned with building the single continental market on which American prosperity, and therefore power, depends. When in 1860 Lincoln was nominated for President in Chicago, the platform of the party consisted of a declaration against any further extension of slavery in the

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territories, and in favour of a Homestead Act and the building of a trans-continental railraod (I believe the last item aroused most enthusiasm). If Chicago has been at the crossroads of America, its businessmen have also been amongst the most international of Americans and perhaps know more about the things I have been discussing than most of their fellow countrymen.

The reason is, of course, your trade, particularly across the Atlantic. The European Community accounts for 40% of the world's trade, and its dependence on trade is fundamental. External trade represents 26% of the Community's gross domestic product as against 14% of that of Japan and only 7% of that of the United States. This means that we tend to look on trade, and the rules governing it, in a slightly different way from most other major industrial countries. Happily you and we are united on the essentitals, and share a commitment to expanding and liberalising trade wherever possible. This commitment is of particular importance now when all industrial countries face in differing degrees the problems of recession, inflation and unemployment. No such country is exempt from domestic pressure to provide more protection against foreign competition. But so far most governments have stood commendably firm. One consolation for them is that the electorate of consumers has recently been speaking almost as loudly as the  
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electorate of producers, and although most people are both, sometimes the one interest has stilled the other. At least the domestic effects of undue protection are now becoming better understood by all concerned. We have to take great care, both in Europe and in the United States, to avoid playing both sides of the street by talking free trade but practising protection. We shall soon be standing up to be counted when multilateral trade negotiations begin later this year.

Forgive me if I now say a word about our bilateral trading relationship. No European can ignore the present growing imbalance in trade between the Community and the United States. The surplus you enjoy has risen from about US \$2 billion in the early 70s, to US \$6.1 billion in 1975 and US \$7.3 billion last year. I should add that in spite of frequent American criticisms of the Community's common agricultural policy, agricultural exports from the United States accounted for over two-thirds of your trade surplus with the Community (in 1976 the surplus in your agricultural trade alone with the Community reached US \$ 5.2 billion). Strangely enough it has been those American exports subject to variable import levies - for which you have criticized us most severely - which have shown the liveliest rate of growth. By contrast the Community's agricultural exports to the United States have remained stagnant, and face a

of import restrictions, especially in relation to dairy products.

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There is a feeling in Europe that one of the reasons why Europeans have been unable to make an impact on the American market to match the American impact on the European market is because of a range of such non-tariff barriers as customs valuation policies, tax assessments for spirits and the wine gallon duty.

I make these points not in a spirit of injured innocence but to expose European preoccupations to you so that they can be properly understood and taken into account. No-one expects the river of transatlantic trade to be reversed like that famous river of yours down the street. But a rising flow from West to East is not tolerable in the long run, and even less so if it is artificially contrived. It is, I suppose, natural that there should be complaints and differences between such giant trading partners as ourselves. Each should be examined on its merits and dealt with in a spirit of understanding. Above all we should constantly bear in mind the immensity of our common interest. If Americans, Europeans and Japanese cannot sort out the limited problems which arise between them, how much less can they cope with the much larger problems which face them in their dealings with countries whose economies are substantially different from their own.

In less than three weeks the leaders of the major industrial democracies will be meeting in London to deal with the range

economic problems facing us all. In that respect I recall President Carter's words before he assumed his present office:

Europe will be better able to fulfill its role in United States-European-Japanese co-operation in the degree that it can speak with one voice and act with one will. The United States has sometimes seemed to encourage European unification with words, while preferring to deal with national governments in practice. I believe that we should deal with Brussels on economic issues to the extent that the Europeans themselves make Brussels the focus of their decisions.

The meeting in London will be particularly significant in that the European Community - the focus to which President Carter referred - will be directly represented for matters within its competence for the first time. Mr Callaghan will be there not just as British Prime Minister but as President of the Council of Ministers, and I shall be there as President of the Community. I know that this is welcomed by the United States Administration. Indeed I am happy to record the increasingly close relationship between the Administration and the Community, as symbolised by Vice-President Mondale's visit to the Commission in Brussels within four days of President Carter's inauguration and my own official visit to the United States so early in the life of the Administration.

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There is a lot on our agenda, and you will not expect me to discuss it here. But I should like to enlarge upon two points, both of concern to the Community as such as well as to the national governments which will be represented in London.

The first is energy. On 7 April President Carter set out in unequivocal terms a major reappraisal of the civil nuclear energy policy of the United States. He made clear his particular concern about the risks of nuclear proliferation and the especial dangers which arise from plutonium technology. I welcome and applaud his courage in tackling an issue which affects the lives of future generations as well as our own. The Commission has special responsibilities in this field by virtue of the third of the European treaties on which our Community is based - the Euratom Treaty - and the Commission will play its part in examining the problems posed by the nuclear fuel cycle. I also welcome President Carter's recognition that other countries possessed of nuclear technology are not in the same situation as the United States. The degree of European dependence on imported energy and raw materials has led us to place more emphasis on the development of nuclear resources, and in some respects, as you know, we lead the world. For obvious reasons we cannot go in the same direction and at the same pace as the United States, but we want to co-operate as closely as we can with you. We do not like being heavily dependent on others for our supplies, whether of oil or

uranium, any more than you do. Our co-operation should also be true of energy saving, of the development of indigenous resources - coal, for example - and of looking for what are - perhaps wrongly - called exotic sources of energy - from solar energy to wave and wind power to geothermal sources. We have our sunshine, our ocean tides and winds, and our volcanoes too.

My second main point is the approach we have adopted in Europe towards relations with the non-industrial countries of the world. This, the so-called North/South dialogue, will also be discussed at the London meeting. We start from the fundamental principle that extremes of wealth and poverty are no more acceptable between countries than they are between classes in our own society. The problem is what we can do to bring the poor up rather than drag the rich down. Here I believe the Community has a more than honourable record of leadership. There is the network of agreements in the Lomé Convention between the Community and some 52 African, Caribbean and Pacific countries. This provides a basis for economic co-operation between countries of totally different character and living standards, including duty-free access to the European market for nearly all products originating in other Member States. The Commission has recently developed one of the elements in the Lomé Convention that for stabilising certain export earnings of non-industrial countries, into a

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proposal for discussion in the broader dialogue between the industrial and the non-industrial countries in general. This scheme, which carries the label Stabex, is designed to guarantee a reasonable level of income to the producers, thus protecting them from the fluctuations of the market, and their customers from uncertainty of supply.

More important, when the nine European heads of state or government met at Rome last month, they decided to accept the principle of a Common Fund as a buttress to agreements covering a range of commodities and thus to help in the establishment of that new economic order in the world for which so many non-industrial countries have reasonably asked. The Community has long recognized the need to give such countries greater purchasing power and in a real sense to transfer resources to them. In dealing with aid, for example, the Community has laid emphasis on the need for concentrating on the poorest countries. I think I can say that more than any other group of industrial countries we in the Community recognise the inter-dependence of the world economic system, the need for greater fairness within it, and the particular responsibility of those who pioneered the industrial revolution and have so far enjoyed most of its fruits.

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The idea that the human species is one and that no man or country is an island has always been hard to grasp in practical terms. It is perhaps easier today with the speed of modern communications, and it is perhaps better understood by those who trade than anyone else. But within the world's system there are of course divisions of geography, history, tradition, civilisation, interest and ideology, and one country's drought is still another's summer rains. Even so, and notwithstanding the Berlin Wall, the frontiers are coming down with remarkable speed, and whether people like it or not they can no longer be strangers to each other. Ideas spread faster and more persuasively than ever before in a sort of irresistible contagion, a happy malady which those with broad minds but robust constitutions can only welcome.

I make these points to bring out a major one which is my conclusion. The world may be one and our horizons shrinking but the civilisation, above all in its industrial aspect, which is predominant in the world was born in Europe, whatever the forms it has assumed elsewhere. The Europeans do not claim to be the guardians of any Ark of the Covenant, but they stand for certain things which you stand for too. In one way our differences are a source of strength, as all the world can thereby see that there is more than one way of organizing a

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democratic industrial society, and that our pluralist system has great flexibility. But in a more fundamental way our unity of values gives even more strength. In a world grown cynical it has been a consolation that President Carter should so robustly have upheld human rights as enshrined in that charter of the rights of individuals as well as states signed by 35 European leaders, including the United States and the Soviet Union, at Helsinki in August 1975. The governments of the Community gave the lead in drafting and negotiating that charter, and intend to hold firmly to it. It would be a betrayal of principle for expediency if we were to do otherwise.

I believe that in this fashion Europeans and Americans can recover that moral leadership and identity with human aspirations in all parts of the world which has been America's at several periods in the past. Respect for the individual and his rights is the bedrock of our political faith. We must neither compromise it for ourselves nor deny it to others. That is the basis of the policies we are pursuing in Europe and you in the United States. It makes a light for our times.