

MOVES TOWARD INTEGRATION

by

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Politics used to be the art of the possible, when one of the main aims of government was to preserve the status quo. Today, it might better be described as the art of the maximum possible: for today, most governments recognize and seek to harness the dynamic elements involved in their task, supplementing the blind trends and traditions of history by conscious efforts to think afresh. Yet all such efforts are still of necessity deeply affected by the tension between the "maximum" and the "possible", between the idealistic and the practical.

This duality, familiar enough in other fields, is particularly marked in two of the main movements in the post-war free world - on the one hand, the move towards freer trade, and, on the other, the movement for European integration. Both are obviously inter-related, but essentially distinct; and both derive from an untidy complex of historical causes. Britain, the traditional home of empiricism, has until lately been more particularly associated with the move towards freer trade than with the movement for European integration. But, paradoxically enough, the former is more idealistic, and the latter more practical, than their respective exponents very often suggest.

Achievements of G.A.T.T. and O.E.E.C.

The move towards freer international trade, it need hardly be said, has taken two main forms in the postwar world: the reduction of customs tariffs, chiefly in G.A.T.T., and the removal of quantitative restrictions, chiefly in O.E.E.C. Both G.A.T.T. and O.E.E.C. are of course empirical and "practical" in the sense that I have described. Both, with respectively 37 and 17 members, are in some sort regional organizations; both have adopted flexible rules of procedure permitting, in particular, the formation of smaller and tighter groupings, such as regional customs unions, within their ranks. Both, I need hardly add, have remarkable achievements to their credit - a fact which is sometimes given less emphasis than it deserves by those who champion more thoroughgoing forms of international cooperation. Both, finally, are "practical" in the sense that they set themselves limited objectives, one dealing mainly with tariffs, the other mainly with quantitative restrictions, and both stopping short of what has come to be called "economic integration".

Nevertheless, if I may be allowed a further paradox, it is this very limitation of aim that emphasizes what may be called the "idealistic" aspect of both G.A.T.T. and O.E.E.C. Except in so far as both permit and favor the formation of smaller groupings, both respect the rule of the "most-favored-nation" clause, whereby customs or quota concessions extended by one member State to another are at the same time offered to all the rest. Both, therefore, represent a movement towards multilateral free trade, which if it could be pursued to the limit would hypothetically result in the removal on the one hand of all tariffs and on the other of all quantitative restrictions on trade between the respective member States. Such would be the "maximum": but even in this hypothetical instance the "possible" would intervene in three ways. First, because tariffs and quotas would be handled separately by two different groupings of States.

If G.A.T.T., for example, were to succeed in reducing all tariffs to zero, the problem of quotas might still remain; while if O.E.E.C. were to achieve 100 per cent liberalization from quantitative restrictions, not only might this leave the tariff problem to be settled in G.A.T.T., but it would also mean that in respect of quotas certain G.A.T.T. members would be discriminating against their partners.

Secondly, the hypothetical state of affairs thus achieved, in so far as it was self-consistent, would somewhat resemble a customs union without a common external tariff. A "free-trade area" of this sort has hitherto only been achieved, and that provisionally, between Nicaragua and San Salvador, in 1951. Even with further safeguards and provisos, it presents innumerable difficulties, as the Paris negotiations have shown. But a third and final problem, for our hypothetical ideal, is that in the existing structure of G.A.T.T. and O.E.E.C. there is no provision for the eventual freeing of trade to be irreversible, and no explicit and binding commitment to the coordination of national policies which the achievement of the ideal would surely necessitate.

In these ways, then, I think it may be said without disparagement or disrespect that "free trade" in this sense is less practical and more "idealistic" a goal than the substantial progress made towards it might suggest. To say this is not, of course, to deny the very great value of the mutual benefits that have been achieved, and are being achieved, in both G.A.T.T. and O.E.E.C. Both, moreover, are clearly capable of further evolution and closer forms of cooperation. But it cannot be denied, I think, that the post-war move for freer trade, as exemplified in both of them, shows that characteristic blend of logic and illogic, of the "maximum" and the "possible", that is inseparable from human political arrangements.

The post-war movement for European integration, in contrast, may seem at first sight a far more consistent ideal, and perhaps a less practical one. In the first place, it has a clear-cut political motive, as the word "integration" may imply. The Second World War, for many Continental Europeans, seemed an indictment of nationalism: at different times during the war all six Community countries suffered defeat and invasion. Their experience was in marked contrast to that of Britain, for whom these same years in some sense vindicated the national principle and emphasized the importance of the Channel dividing her from the Continent.

It may even be that the simple fact of having to take a boat or an aeroplane in order to go abroad has more than symbolic significance. At all events, it was continental Europeans who saw most clearly the political dangers of a fragmented or "Balkanized" Europe at a time when the centre of gravity was shifting away from the old world and becoming polarized in East and West. It was important, in their view, not to set up a so-called "third force" in Europe, but rather to insure that Europe should be a strong and united partner in the Atlantic alliance.

The ideal of an eventual European federation therefore, has more force on the Continent than is sometimes supposed. But it has also been supported, in the post-war period, by many of the classical economic arguments for freer trade - the need for larger and more stable markets, to aid expansion, new investment, and modernization, and the call for a higher degree of international division of labor and the formation of optimum productive units. Study of these objectives, and some practical experience of them in the European Coal and Steel Community, has led to the conclusion that something more than free trade in the classical sense is necessary to reach them - or, to put it another way, that free trade will remain an ideal unless fairly positive joint measures are taken to achieve and maintain it. This involves something more than laissez-faire liberalism, but something less than dirigisme: it is not so much a compromise between them as a new form of economic organization - economic integration by means of a common market.

Freedom of Movement.

A common market implies more than simply the removal of tariffs, or even the liberalization and elimination of quotas. It also implies a common external tariff. In this, it resembles a customs union; but it goes even farther than that. For the changing nature of the nation state and of the world economy in general has meant that at the present time national governments possess many more economic tools or weapons than the traditional instruments of policy supplied by tariffs and quotas. There would be little point in removing such classical barriers to free trade if other equivalent barriers to the movement of goods, persons, services, and capital were not to be dismantled at the same time.

Similarly, it would be quite inadequate to remove such public obstacles to trade if private cartels or monopolies were to be allowed to divide the market or seriously to distort competition; and it would be unreasonable to expect enterprises to make the necessary investments and modernizations to exploit the advantages of a larger trading area if there were still the danger that one day the barriers might go up once again. For these reasons, a common market must be comprehensive, and it must be irreversible. Furthermore, it must be introduced gradually, to give the national economies time to adjust themselves; and it must make provision for the special problems of underdeveloped regions and for any ensuing technological unemployment. Finally, in order to insure fair and democratic supervision of these changes, as well as to insure their permanence, there must be common institutions capable of elaborating common policies, and subject to a degree of common democratic and judicial control. The eventual aim of integration, therefore, will take the form of something, in the economic sphere, very like a federation of states.

Such then is the ideal, the philosophy, of European integration - of necessity over-simplified by this summary, but more or less complete, logical, and in a high degree political. But like all ideals this, too, is a "maximum" which in practice is necessarily conditioned by the "possible". In the first place, like the post-war move towards freer trade, the integration movement is itself the somewhat untidy product of historical circumstances. Perhaps first hinted at by the Briand proposals of 1929, it found no concrete expression until the Schuman declaration of 1950, and was thus first tested in a single economic sector, that of coal and steel, where its logic was perhaps most obvious. But it would be idle to deny that many additional political and economic forces contributed to the creation of the Coal and Steel Community, and that its basic philosophy was in some measure an ex post facto development, and one which has evolved considerably since 1950 or even 1952. Initially checked by the failure of the proposed European Defense Community and European Political Community, further steps in integration have taken a slightly different path; and, in particular, the principle of integration by sectors, as exemplified in the Coal and Steel Community, has largely given way to that of global integration, as expressed in the European Economic Community, although in the special field of atomic power - a comparative tabula rasa - it continues to operate in the shape of Euratom.

Compromise on Sovereignty.

If the practical picture is thus qualified by the "possible", the same is true in the institutional sphere - in the sphere, that is, of "supranationality". In a broader sense, no doubt, there is no such thing today as a fully sovereign national state; yet on the other hand no government is as yet prepared to make an unconditional surrender of the high degree of sovereignty that it possesses. The result, in the various Community institutions, is a series of differing compromises, a federal balance of power that will undoubtedly undergo further evolution, but which at present remains in transition.

The third sense in which the "maximum" of European integration is qualified by the "possible" is, in fact, its geographical limitation to the Six. Even the fact that it is European is in this sense a limitation, imposed by circumstances rather than by volition. The same is true, of course, of the various moves towards freer trade; but like them the Community is fully conscious of the need to look outwards - a principle not only confirmed by the practice of the Coal and Steel Community but reaffirmed and made law by the Rome Treaties for the Economic Community and Euratom. In this sphere also European integration is more flexible and more pragmatic than it may at first sight appear; for while the political distinction between it and the move for freer trade is capital and essential, this by no means implies incompatibility or mutual exclusiveness. Both movements, perhaps, have something to learn from each other. Freer trade may require, as I have tried to show, a higher degree of economic integration; but European integration, for its part, will always seek to promote the highest possible degree of free trade.

In discussing the contrasting but related philosophies of these two movements, I have deliberately refrained from a detailed discussion of the immediate problems posed by a European Economic Association, or "free trade area". The Commission of the European Economic Community is at present charged with a thoroughgoing study of the ways in which this can be brought about, and it would be both improper and unhelpful to seek to anticipate the report which it has to present before March 1.

As I write, the practical question of a provisional regime to meet the fears of our other European partners on the occasion of the Community's first internal tariff cuts and quota enlargements, is still under discussion. But I should like to conclude by stating unequivocally that in my view and that of the Commission it is essential that the post-war movement/for European integration - both ultimately aiming at economic progress and the strengthening of the free world - should learn to live in harmony and friendship side by side both in Europe and in the wider world.