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Kennedy Round and Integration

The Kennedy Round and the Common Market crisis have once again brought GATT and European economic integration to the forefront of economic discussions. Although they have much in common, they owe their existence to quite different concepts. GATT is looked upon as a relic of the abortive Havana Charter, but, in fact, it has survived as an entity in its own right. The Charter was fated to come to grief. GATT, however, has been a success because it has not tried to achieve too much; in other words it has not aimed at setting up a new world economic order as the Havana Charter did, but at the removal of the quantitative restrictions and trade barriers. This is a useful, even a necessary task, for, without the elimination of trade restrictions we cannot hope to achieve the international division of labour which is essential to the maximisation of the national product. It is true that maximisation of the national product will not be achieved by these measures alone, but such a maximisation is the true goal. Since free trade does not bring about full employment, free trade is not possible anymore without full employment.

Nowadays free trade, and the free convertibility of currencies which goes with it, are compatible with the autonomous economic policies of those countries with "pegged" exchange rates only if the individual economic policies of the different countries can be reconciled. International agreement on economic policy is an almost utopian ideal: This is clearly shown to be true when we examine the efforts of the Group of Ten, who have failed to reach more than pragmatic compromises on monetary problems.

National economic policies have effected a breaking-down of national boundaries on a world-wide scale. By reason of their enormous land mass the American and Soviet industrial complexes have been subject to this "internationalisation" only near their national borders. In Europe, however, the situation is vastly different. Here national boundaries bisect the industrial heartland, with its intensive and delicately balanced trade network. It is at this point that we have to consider the problem of economic and political integration. Clearly the simplest solution is for the large blocs—in which Japan must be included—to get together and reconcile their differing views on integration after the European pattern. The Group of Ten dwindles to four such blocs. European economic integration should properly be regarded as the regional prerequisite to the kind of global economic arrangement towards which GATT—endeavouring after free trade—is struggling. It is equally true to consider it as the forerunner of a general agreement on economic policy.

That the EEC has not yet reached its full extent becomes immediately clear when it is remembered that the border between EEC and EFTA bisects the industrial heart of Europe. Far from fearing that any of the EEC countries will secede, we may confidently anticipate that Great Britain will negotiate entry, for the economic forces which are lined up against those political forces opposed to such a solution are much too powerful to allow of any alternative. We do not know when this event will come about, but come it must, unless unforeseen political catastrophes intervene. Then the basic idea of the Kennedy Round will be realised. The economic advantages on both sides are too great for them to be renounced permanently. In the meantime we must be content with interim measures, and even, if the worst should come to the worst, resign ourselves to seeing the Kennedy Round reduced to nothing more than a new Dillon Round. The future is on the side of GATT. It is also on the side of European economic integration.

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