On 11:arch 25th, 1976, the Council of the European Communities adopted a programme of crucial importance to the long-term future of energy supplies. The programme covers five years (1976-80) of research and training in the field of fusion and plasma physics. But what is fusion, why is it important and how has the European Commission acted to promote a joint effort in the member states of the European Communities. What is fusion? Existing nuclear power stations produce energy through the FISSION process splitting the nuclei of the heavy atoms uranium or plutonium. FUSION, on the other hand, aims to smelt together the nuclei of light atoms such as hydrogen. This is the source of the sun's energy. And the fusion experiments now under way are in essence aiming to harness that almost inexhaustible source of energy for the benefit of man. Its importance First and foremost, successful development of the fusion process would mean abundant energy supplies as a consequence of little problem providing fuel. The basic reaction cycle of this process consumes Deuterium and Lithium. The first is isotope of hydrogen and is found in ordinary water. The second is the lightest of all metals and is found throughout the world in rock format ion in virtually inexhaustible quantities. A few hundred grams of these elements fueling the fusion process could supply as much energy as thousands of tons of oil or coal burned by today's conventional methods. Taking into account all forecasts of future energy needs the importance of this long term solution for Europe hardly needs stressing. Besides the wide availability of fuels, fusion energy is safe for man and environment. In fact, there will be no possibility of uncontrollable growing chain reactions. Any breakdown in the apparatus containing the reacting fuel would cause the fusion process to stop immediately. Furthermore, the only radioactive material involved in the reactions, TRITIUM, will be circulating in a closed cycle within the fusion power station. There are no fission products, which can be restricted to the site. The problems Since fusion appears to have so much in its favour, it may be asked why it is not already being used in preference to other energy sources. The answer is that there are enormous problems to be solved before fusion becomes a commercial proposition. The balance of informed opinion is that these problems can be solved - but only through an intensive effort over decades. For example, pairs of nuclei will only fuse if they are hurled against
one another with great force. To produce that collision, fierce temperatures of between 50 million and 150 million degrees centigrade are needed. Such temperature level means that the fuel can only exist in a special gaseous state called a PLASMA. It also means that no normal container could possibly hold the plasma. The walls would simply melt and the plasma would cool down. To solve this problem, scientists are probing how magnetism could keep the plasma together and stop it from touching the container's walls. In Europe, research centres on the so-called "closed configuration" system, in which the plasma is kept in a doughnut-shaped vessel called a TORUS. Russian experience played an important role in convincing Europeans to investigate in particular a "closed configuration" system called the TOKAMAK since the early 1960's. Several Tokamak devices have been built by national laboratories in Community countries. But now a huge Tokamak - likely to be one of the world's biggest in the early 1980's - called JET (Joint European To-s) must be constructed to carry fusion research a step further. This project -s

far too massive for

any one member country to undertake and is thus ideal for a community effort. (A separate information paper is being issued on the JET project.) One other approach to the exploitation of fusion power must be briefly mentioned. It involves powerful laser beams concentrated on a fuel droplet or pellet to produce a plasma. This method is a competitor to the magnetic

-3confinement approach already described and is under intensive study in the United States and the Soviet Union. The Community will keep in touch with developments, but does not plan to give the laser method top priority. Community action and the Commission's role The Commission has been advancing programmes for common action on fusion since the creation of the European Atomic Energy Community (EURATOM). Two five-year programmes were implemented between on a year-to-year basis between was agreed to 1958 and 1967. Work continued 1968 and 1970. Then a third five-year programme 1975.

The reasons for the Commission's particular stress on joint action in the fusion field are as follows: 1) No single member state could provide the necessary human and financial resources on its own. 2) A very long term effort is required - probably at least until the end of the century. Quick success is not to be expected. 3) All member states have growing energy needs and all stand to gain in the long run if the fusion programme is a success. 4) The safety of the fusion process is particularly important for Europe, considering the high population density and energy consumption pro capite of the European countries. The Commission's role is, first, to coordinate the work going on in the different fusion laboratories in the member states. (See Annex) A consultative committee for fusion composed of responsible officials of Governments participating in the programme and of the Commission, has been recently set up to advise the Commission on general policy in the frame of nuclear and energy research. Furthermore, there
is a Liaison Group, made up of the scientific heads of the laboratories and representatives of the Commission, which advises on allocation of funds and new programmes. And there is a Committee of Directors, made up of the Directors of the laboratories and the Director of the Commission fusion programme, which oversees implementation of the whole programme.

Beyond that, the Communities provide additional scientific and technical staff and - not least - make a substantial financial contribution. Between 1971 and 1975 the Community provided some 71 million units of account to the research effort. This sum went mainly to meet up to 25 per cent of the general expenses of the associated laboratories (salaries, running costs etc) and up to 45 per cent of the construction costs of large experiments recognised as having a special interest for the community. The interest of other countries in the fusion programme of the Community is illustrated by the recent joining of Sweden to this programme and by the wish expressed by Switzerland to join it. The new five-year plan The plan proposed to the Council in July JET project. In March 1975 continues much of the work undertaken in the previous five years and focuses very strongly on the 1976, the Council approved expenditure from the community budget of 124 million units of account to cover: a) Cost of equipment for projects given priority status (see below). b) The cost of staff mobility. c) The cost of other (non-priority) projects. The priority projects (which the Commission is expected to finance at a rate of about 45 per cent) are as follows. Even while JET is being built, experiments will continue on existing Tokamaks and two more (medium-sized) may be built. The experience gained will be highly relevant to JET.

Beta is a measure of how economically the energy creating the magnetic confinement system is being used. It could be that present Tokamak designs prove to be insufficiently economical. So research must continue on alternatives which might prove more effective.

This refers to another kind of magnetic confinement system known as a Stellarator. It is more difficult to build than a Tokamak but possibly gives greater flexibility of operation. Work will continue on this during the five-year programme although the now abandoned the system.

Work must go ahead on ways of heating the plasma to the fierce temperatures needed for fusion. One method under study is to inject high energy neutral beams to bring the plasma up to the
This heading covers such problems as construction and control of power supplies, vacuum techniques, selection of materials and so on. Advances in all these areas will be needed if the JET project is to be a success. Moreover conceptual studies on the design of future fusion power reactors will be carried on.

This involves an alternative to the magnetic confinement process already mentioned (p. 2) using laser beams to bombard the fuel. The current programme is an ambitious yet balanced and realistic plan to keep European fusion research at the forefront of development of this new and abundant energy source. With the construction of JET Europe will strengthen its leadership in the development of controlled fusion and maintain its position as a valid partner for international cooperation. A decision must be taken soon if JET is to be built as hoped in 1980, but not just for JET itself. JET is an integral part of a truly European programme linking all Community activities into a joint action programme yet with an open mind for any exchange of information or even direct participation.

-6Scientific Staff 1973-1974

Year of Association

Associated Organization Commissariat a l'Energie Atomique (France) Comitato Nazionale per l'Energia Nucleare, Consiglio Nazionale delle Ricerche (Italy) Max-Planck-Institut für Plasmaphysik (F.R. of Germany) Stichting voor Fundamenteel Onderzoek der Materie (Netherlands) Kernforschungsanlage (F.R. of Germany) Belgian Government

Laboratories Fontenay-aux-Roses, Grenoble Frascati Jülich Padua

1959

1960

1961

Garching Amsterdam Jülich

Ecole Royale Normale Université Libre Bruxelles Culham Risø

47

1969

24

1973 1973

United Kingdom Atomic Energy Authority (Britain) Atomenergiekommissionen (Denmark)
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SPEECH BY MR. ROY JENKINS PRESIDENT DESIGNATE OF THE EUROPEAN COMMISSION DELIVERED AT MIT

Britain's former Home Secretary Roy Jenkins, who becomes President of the Commission of the European Communities on January 6, tonight addresses an audience at the Massachusetts Institute for Technology (MIT) in Cambridge. The lecture, entitled "World Change and World Security," focuses on EC-US relations, internal Community problems, and the Community's place in the world. It is Jenkins' first public statement on these issues since it was announced last July that Jenkins would become the next EC Commission President. (The text is attached to this release.) Mr. Jenkins brings to the nine-nation Community's complex economic, monetary trade, and employment problems his experience as a reforming Home Secretary and, in 1967-70, as Britain's Chancellor of the Exchequer. In 1972, Mr. Jenkins resigned the deputy leadership of the Labor Party after it called for a referendum on whether or not Britain should remain in the Community. His hopes that the British would vote a definite "Yes" were realized, and the 55-year old won two major European awards for campaigning for West European unity the Charlemagne Prize and the Schuman Prize. Mr. Jenkins is the author of several political biographies, including one on the late Labor Prime Minister Clement Attlee, whose post-war administration helped build the welfare state in Britain.
Address by The Right Honourable Roy Jenkins, M.P.

UNITED STATES AND A UNITED EUROPE ARE WE NOW UNCERTAIN PARTNERS?

I come before you tonight as a President-elect. Or perhaps I should say a President-designate, for my electoral college, which is as small as that of the Nine Heads of Government of the member states of the European Community, does not perhaps entitle me to the status of "elect". But in any event I am a President-in-waiting, and I shall assume office on the 6th of January next year, which will give me a start of 14 days on another much more distinguished President-elect. There is little obscurity about the office of the President of the United States. But the President of the Commission of the European Communities is a mysterious person in a post which for many in Europe as well as in the United States is pretty mysterious too. In the course of this lecture I hope to lift some of the mystery both about my own future job and the institutions I shall have the honour to represent. It will not be easy. Indeed I can hope to do little more than give a kind of photograph, taken with a short time exposure, of institutions which are evolving even as we look at them. Already they are the subject of a kind of folklore and have generated a vocabulary which often obscures rather than illustrates. What is a United Europe? What is the partnership, certain or uncertain, which it can be said to have with the United States? Can the United States and a United Europe be regarded as in some way comparable? What is their future? Have they one? This is a lecture of less than an hour rather than a of several days, and I do not intend tonight to take up more than three themes: some history about the relationship between Americans and Western Europeans; some description of the institutions of the European Communities, and their direction of growth; and some thoughts about the uncertainties latent in the relationship between the industrial societies on each side of the Atlantic. Therein I shall express my own best hopes for the future.

This is a country in which the past has only relative virtue. Until recently at least, your eyes have been more focussed on the future. Nevertheless you are your past as well as your present, and if we are to look forwards we have to look backwards as well. The United States is both a product of European civilization and a reaction against European society and politics. It was created out of a revolt against one European State, although aided in that process by another one. It was populated to a large extent by those who for reasons of poverty, persecution, or lack of opportunity, wished to shake the dust of Europe off their feet. But only in few cases was this accompanied by a desire to get their European heritage out of their minds and hearts; rather it was to keep Europe as a point of reference in the framework of their
new society and cherish it while adapting and to some extent reshaping it in their minds.

It is not perhaps surprising that one of the basic principles of United States foreign policy, at least until 1917, and to some extent well after that, was a desire to avoid the entanglements and sophistries of European diplomacy and conflict. Nevertheless in this century the United States has fought two world wars, entering them both reluctantly but ineluctably, which arose - the first wholly, the second principally - from European causes. As a result of the second, the position of the United States in the world was decisively changed. Then began a quarter century in which the United States had a pre-eminence in the world of which Washington was assuredly its centre than any capital since the fall of ancient Rome. In these post-war years the United States held the political balance of the whole world and on the whole welcomed the task. American withdrawal in the 1920s had greatly damaged hopes for any long-term peace. Such a withdrawal in the 1940s, 50s, 60s would have been still more disastrous. It would have meant a fundamental shift in the balance of power towards the Soviet Union. It is no wonder that at that time the support of the United States became essential to the continued independence and prosperity of Western Europe, that most vulnerable peninsula at the near end of Asia. It is likewise no wonder that the United States should have become an early, enthusiastic and even impatient supporter of the process of European economic and political integration.

4. Many needs and motives pushed the United States in this direction: - First there was the understandable desire to avoid any repetition of what had happened in 1917 and 1941. Anything that the Europeans could do to put an end for ever to their civil wars which had so devastatingly involved the world in general and the United States in particular was obviously a prime American interest. Secondly the Americans had their own inner faith in the advantages of union, of federal institutions, of what could be forged from the heat engendered by the mingling of peoples, traditions, customs and ways of life. In short many Americans saw a union of European States on the same lines as the union they had made for themselves. - Thirdly there was the understandable feeling that the Europeans should organise themselves to use as co-operatively and effectively as possible the massive American economic aid which was so generously provided after the end of the last war. - Finally there was the strong feeling, as strong today as ever, that if the United States was to take the risk of military involvement in the defence of Europe, the Europeans should organise themselves to make the biggest and most effective contribution of their own that they could.

5. From 1950 or even earlier it was therefore a settled object of United States policy to encourage moves towards the integration of Western Europe. The recently published memoirs of Jean Monnet are studded with the names of distinguished Americans, and not only the most obvious ones who were Presidents and Secretaries of State, but men such as Jack McCloy, George Ball, Bob Bowie who were all closely and intensively most creative period of European development. involved in this

It was not easy. Sometimes the Americans pushed harder than the Europeans, and in directions in which the Europeans did
not want to go. Thus American desire for early German rearmament at one time endangered the setting up of the Coal and Steel Community, and this danger was circumvented only at the price of setting off down what became the dead end of the European Defence Community. Much later the project for a Multinational Nuclear Force also proved an unfortunate diversion.

But I mention these exceptions only to prove the rule: the consistency of United States support for the European idea. It is in some ways paradoxical that what was and is - an essentially political enterprise should have been pursued by largely economic means. This has simply been because it proved easier to make the Coal and Steel Community and then the European Economic Community than to make a European Defence Community or a European Political Community. But we should not be deceived. The European founding fathers -

Robert Schuman, Adenauer, de Gasperi, Paul-Henri Spaak - were always more interested in politics than they were in products and markets. They might have echoed the sentiments of Gladstone when in his thirties he became Vice-President of the Board of Trade: I wished to concern myself with the great affairs of men, and instead here I am set to look after packages.

But the Europeans made a good job of looking after packages, and soon realised that the loom of trade made a tissue which included supranationality, and itself became, as it remcols today, one of the great affairs of men. This point was perhaps better understood in the United States than in Europe itself. Quite often moves towards economic integration were against the short term trading interests of the United States, although the immense growth over the period of wealth and stability of the European market benefited world trade and in general therefore the United States. Happily for us all, there was almost invariably in Washington a willingness not only to take a long-term economic view but also to see that the political advantages of having stable, prosperous and united allies far outweighed any short-term economic inconveniences.

Then there was the problem of Britain. consist of the Six or of a larger number? Was Europe to

In the 1950s and 60s the debate in Britain was about whether British relations with the countries of the Continent should be more akin to those of the United States with them or to their own with each other. The attitude of both the Attlee Government and of the second Churchill Government which followed, thus spanning the crucial decade 1945-1955, was firmly in favour of an American style relationship. Ernest Bevin, Foreign Secretary in the Attlee Government, was one of the architects of the North Atlantic Treaty, but kept Britain out of the European Coal and Steel Community. Anthony Eden, Foreign Secretary in the second Churchill Government, tried to encourage the creation of a European Defence
Community without Britain (although eventually committing British troops to Germany for the rest of the century), and tragically declined to be represented at the Messina Conference which led directly to the Treaty of Rome. These were the days,

much more than in the 20s and 30s, when the British saw themselves as the meeting point of three circles: the Commonwealth, the North Atlantic, and Europe.

This view of ourselves, however understandable at the time, represented a gross over-estimate of British power and British options, and turned out to be a source of misjudgment and misfortune for ourselves and our allies. It might have been expected that these illusions would have been punctured by the failure of the Suez adventure of twenty years ago this autumn, and to have led to the abandonment of the idea that we were a kind of mini United States off the coast of Europe. thus have moved towards Europe itself. effect in the longer term. We might

This may have been the

But in the shorter one the failure

of Suez affected the two countries most concerned - Britain and France - very differently.

The British, chastened and a little guilty, drew the conclusion that however unhelpful Secretary Dulles

and even President Eisenhower might have been, the main lesson to be drawn was that no more enterprises were to be attempted without the assured support of Britain's principal ally. Hilaire Belloc's words: "keep a-hold of nurse, for fear of finding something worse" became for most of the next decade Britain's motto for dealing with the United States. At the

beginning there was even some attempt to give new life to the old special relationship; but by the end nurse had become too preoccupied with her own affairs and too bespattered by the dirt of Vietnam to give even starched reassurance.

In France the reaction was quite different. less guilt and more anger.

There was

The lesson drawn there was not to When

trust the Americans and probably not the British either.

General de Gaulle came to power 18 months later, this turned into an intransigent but successful pursuit of French independence, with "the Anglo-Saxons" (that curious mythical people)

kept as far as possible at arms' length.

This conjunction of Gaullism in France and Macmillanism in Britain created delicate temptations for the United States. There was of course the temptation to
play one off against the other. There was also the more subtle temptation to abandon
faith in the idea of a united Europe and work bilaterally through the individual
European governments. These temptations were resisted. On the whole
Of course some bilateralism
continued, as it still does, and is bound to do so long as European institutions
remain imperfect. But no-one doubted
that the Americans wanted both the enlargement and the strengthening of the
European Community. Knowledge that this was so was
deeply reassuring to those who like myself had the same beliefs. Even those
opposed had to reckon with it. This point is well
illustrated by the fact that when Hugh Gaitskell, then leader of the Opposition in
Britain, made what I regard as the one major misjudgment of his career and opposed
British entry into the Community in 1962, he thought it necessary to write in his
own hand a 13-page letter of justification to John Kennedy.

He did what he believed to be right, but he knew it would in Washington not be
well received and thought he had better explain himself.

Those anxious and disagreeable days are done. The European Community now comprises
both the original Six and the new Three, including Britain, who joined in 1973.
I now want to say a word about that Community and its institutions, and the way in
which they are evolving. Before doing so I give a warning. As I have already said,
it is extremely easy for Americans, particularly in their Bicentennial Year, to see
an analogy between the United States of America and the unifying states of Europe.
This
is a temptation which should, I believe, be resisted: not because there is nothing
in it, but because it can lead, like many historical and political analogies, to
misleading hopes and expectations. In this year of 1976, Americans
have probably thought more about their origins than at any time for a century, and
have better separated the fact from the fantasy of what happened two hundred years
ago. By inadvertence as much
as by deliberate intent, and with many deep
misgivings, a group of remote colonists, united by language, custom and the land
on which they lived, threw off the authority of a mother country which was itself
divided by the constitutional issues at stake. The new country thus
begun had more than a century in which to develop in
relative peace, protected for the most part by the British Navy from uncomfortable
involvement in the affairs of the rest of the world.
Contrast this with the origins of the European Community. The original Six had one unhappy thing in
they had all been defeated, and in many cases they had also been forcibly united
devastated, in war.
for four awful years under the domination of Adolf Hitler. Their first thought was to unite a third European civil war. to prevent at all costs
But as their prosperity re-
turned, they became more conscious of their historical roots, their different languages, habits of thought and way of life. The recovery of Europe as a whole meant a recovery in the self-confidence of the participating states. Thus what happened was in a way the reverse of Suppose that Massachusetts had
been the only British part of America, a.1d that New Jersey had been Dutch, Rhode Island Flemish, Virginia German, Georgia French and Maryland Italian, and that each had proudly retained the traditions of its homeland, how difficult, if not impossible, would have been the elaboration of a federal constitution of anything like the kind which was eventually established. the riches of Europe; This very diversity is one of
different-
but it has required looser,
mechanisms which cannot readily be compared with your own.
12.
The constitution of the European Communities is the Treaty of Rome as subsequently amended. This
constitution represents a balance between respect for the powers of the member states and the grant of a limited measure of supranationality in economic and judicial matters to the institutions of the Communities. main institutions were set up. to say about each of them. Four
I shall have something
First there is the Commission of which I am to be President. It is the executive body of the Communities
and is responsible for ensuring that the principles of the Treaty are observed and for initiating proposals for adoption by representatives of member states sitting together as the Council. In proportion to its responsibilities 10,000 people
bilities the Commission is very small:
of which about a third are concerned with interpretation and translation. At its head are thirteen Commissioners,
two each from Germany, France, Italy and Britain, and one from each of the other members. They are chosen by member by common accord governments but each has to swear an oath to be guided only by the European interest rather than that of his own country. Their decisions are by majority vote.

Then there is the Council, the principal decisionmaking body which is responsible for co-ordination of the general economic policies of member states. The Council consists of representatives of each member government, and the chairmanship moves from one country to another every six months. All important decisions are by unanimity.

The Commission and the Council are placed in a state of what has been appropriately called creative tension.

Next there is the European Parliament which has advisory and supervisory powers, and meets eleven times a year for about a week at a time. Its committees also meet between Sessions. At present it consists of members designated by parliaments of member states, but the firm intention is that elections to the Parliament will be by direct universal suffrage from 1978 onwards. This will be only 26 years after the creation of the first Community - the Coal and Steel Community - whereas it took the United States 136 years to achieve them for the Senate. The Parliament gives opinions on proposals of the Commission, debates the activities of the Community, and reviews a general report submitted annually to it by the Commission. More important is its power to review the annual budget and to compel the resignation of the thirteen members of the Commission.

Finally there is the Court of Justice, composed of nine judges appointed for six-year terms by common accord of the member states. The primary function of the European Court is to ensure respect for the Treaty and interpret the law of the Community. Its judgments are legally binding throughout member states, and can over-ride national law and bring national states to book. Not so well-known are the powers of the Court to guarantee or improve the position of individuals, and protect fundamental human rights.

Beside these four pillars of the European Communities the Commission, the Council, the Parliament and the Court has grown up another more flexible institution outside the scope of the Treaty. This is European political co-operation, and represents an attempt to co-ordinate the foreign policies of the Nine member states towards the outside world. secretariat It has no permanent staff and its simply consists of national officials which Thus the
change every six months with the chairmanship.

caravan moves from capital to capital of the Community. Nevertheless this is a field in which considerable progress has recently been made. As one example, unanimity amongst

the Nine has been achieved in over 80 % of votes at the United Nations. You will recall that the attempt to create

a European Defence Community failed, but that the European Economic Community succeeded. European political

cooperation is perhaps the embryo of the European Political Community without which the European Union, to which member states eventually look forward, could have no meaning.

15.

These institutions have filled their functions unevenly over the years. As a bureaucracy the Commission What is not always

has had its successes and its failures.

understood is the extent to which it has been the protector of the weaker member states against the stronger ones. It

is in fact the instrument of the Community, and the means by which its policies are put into effect, whether, for example, the common agricultural policy, the common commercial policy, or anti-trust legislation.

wise the manager of vast funds, those required for directing the agricultural market, and the Regional and Social Funds, both of them redistributive of wealth between the different parts of the Community in intent and effect. Finally it provides an administrative framework for the coordination of the economic and monetary policies of the participating states. It will be evident that its possibilities for growth,

as common action is called for in new fields, is theoretically limitless, but it is at once the creature of the Treaty and the servant of the Council. Needless to say it comes into

conflict from time to time with the member governments, which like all governments, are jealous of their powers.

Hence the importance of the Council where the Commission proposes and the Council dispenses. The Council

16.

meets at the level of Ministers of Foreign Affairs, but there are specialist Councils as well, where such Ministers as those of Agriculture, Finance or the Environment can come together.

Recently summit meetings of Heads of Government of the Community have taken place
on a regular basis and are known, somewhat confusingly, as European Councils. The advantages of such meetings are obvious, but the disadvantages less so. European Councils provide an all too convenient means for Ministers of Foreign Affairs not to take the decisions themselves but to refer them to their Heads of Government; and so far the Heads of Government meetings have often been too informal to produce the real results now required of them. Whether for this reason or for others the normal Councils have in the last few years lost some of the impetus, the accommodating spirit, the readiness to take decisions which characterised the Councils of the first few years in the life of the Community. The requirement of unanimity on all matters of importance has laid an inevitably deadening hand.

If the Commission has sometimes been too bureaucratic and the Council too mindful of national interests, the Parliament, no fault of its own, has not yet succeeded in achieving adequate power of democratic control.

I believe that the recent agreement on direct elections by universal suffrage will eventually give the Parliament a new and different role, although direct elections will not mean any formal increase in powers. Parliaments have always been keenly interested in the problems of financial supply and control of the budget. The role of the European Parliament in helping us to tackle the problems which now face the Community - from the size and purposes of the budget to the lack of economic balance between the member states - may prove to be crucial. But again it will not be easy. National parliaments are and a whole new balance of democratic power within the Community will eventually have to be established.

Finally in this section a word on the European Court. Here there are remarkable possibilities for growth.

The powers of the Court are more formidable because it is in effect, although international, a judicial organ of each member state and its decisions are directly enforceable. The implications go very far for those used to the doctrine of absolute parliamentary sovereignty - which is particularly so in Britain, where the somewhat extreme position of Dicey has long held sway. To take one example, an individual
could invoke its decisions on equal pay for equal work if he found that British legislation on these points did not go as far as that of the Treaty of Rome.

I think that even Americans, used to their own Supreme Court, would be startled by the potential powers of the European Court. The best American analogy would be to have the Equal Rights Amendment automatically becoming part of the law of the United States by virtue of a judgment of the International Court of Justice at The Hague. In due course the European Court may play as formative a part in the history of Europe as Marshall's Supreme Court played in the early/middle history of the United States.

It will be clear from all I have said that although the European Community in its various aspects has economic, political and judicial reality, it is very far from complete. Moreover the relationship between the Community and its member states is constantly shifting. It would also, I am afraid, be a mistake to think that the construction of the Community may be slow but is always advancing. I do not think that any part has'yet been demolished, or that work in this area or that has been more than blocked. But the Community faces, very serious problems.

Tonight I shall mention only one of them:

the economic capacities of the member states, far from reaching a rough equivalence, have recently become more markedly divergent than ever before. Four years ago the small countries feared the dominance of the four large ones: Germany, France, Britain and Italy. Two years later there was fear of two large countries: Germany and France. Now Germany is alone in a position quite different from the others. A number of ideas are under discussion for righting a disequilibrium which no one wants, least of all the Germans. All these ideas would if applied require discipline and sacrifice on the part of those who have dropped behind. I do not know which will be adopted. But I do know that if this fundamental problem is not faced the effect will be that of an earth tremor on a half built house.
It would be tempting for the United States to think it better to leave the Europeans to put their affairs in order and develop the new institutions which I have described, and deal for the time being with the familiar governments of the member states. It is not necessarily easy to conduct business with an institution which so evidently has scaffolding still round it, when fierce argument comes from within, where parts seem half built and others half used, where the telephone system does not seem to be fully installed, and where sometimes even essential services do not seem to be laid on. Yet this would be a great mistake.

At least most of the building is in good working order, and is stronger than it sometimes looks. And the view from the top, to which men of vision occasionally mount, reveals far horizons.

I do not want to numb you with figures but one or two statistics about the Community and the states which comprise it will give you an idea of its scope and potentialities. In 1975 the total population was just short of 260 million, against 212 million for the United States and 110 million for Japan. Its gross domestic product was $1,362 billion against $1,505 billion for the United States and $491 billion for Japan. The volume of its imports (excluding trade among its members) was $155 billion against $97 billion for the United States and $58 billion for Japan; and the volume of its exports (also excluding trade among member states) was $150 billion against $108 billion for the United States and $56 billion for Japan. Thus you will see at a glance that the European Community comprises an immense population, a gross domestic product almost as great as that of the United States, and a volume of imports and exports which make it decisively the largest trading unit in the world.

No wonder that Governor Carter recently wrote: "United States-European relations is at the heart of u.s. foreign policy."

In economic policy, their
cooperation with each other and with Japan is necessary both to their prosperity and to the progress of developing countries; growing European unity can help to fulfil this promise." He later added: "Europe will be better able to fulfil its role in US-European-Japanese cooperation 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."

I much welcome these words.

They represent a challenge to the institutions of the Community and the Member States to rise above their various national problems and difficulties, and to negotiate with the strength which only unity can give them.

The European Community is more than the sum of its parts; and it is generous as well as sensible of the new United States President to have given the Europeans the encouragement he now has.

22.

I say sensible as well as generous because the Community, with all its imperfections, is gradually asserting greater weight and authority in the world. In Europe itself the community has acted as a political as well as an economic magnet. Four The Six original members were joined by the Three Around this central nucleus is a web of nearly years ago.

association agreements with all the free countries of Europe. Greece is now negotiating for membership, and Portugal is not far behind. Spain may follow, and also Turkey. The Community has also drawn closer to such countries as Yugoslavia and those on the Southern and Eastern shores of the Mediterranean, and through its mechanisms of political cooperation is engaged in a dialogue with the Arab world, where it has still greater economic interests than the United States. It is in the process of working out new economic relations with the countries of Eastern Europe and the Soviet Union, and of course played a major role in the Conference on Security and Cooperation in Europe, which led to that charter of hope for all Europeans on either side of the post-war dividing line: the Helsinki Declaration.

Looking beyond the frontiers of Europe we can see the network of agreements with the 49 African, Caribbean and other countries comprised in the Lome convention. The Community thus has an intimate institutional relationship with a large number of countries in the third world, and is the source of more trade.
and aid than the United States itself.

Looking still further

afield, it has a particular relationship with the Chinese People's Republic, which was the first communist country to accredit an ambassador to the Community in Brussels.

I need hardly say that the very success of the Community and its members in the fields I have described is of vital concern to the United States. It means that the Europeans have been taking on an increasingly important part of the burden of responsibility for the maintenance and development of the democratic industrial society we have in common. It means that in the eyes of the third world there is more than one source of western power, and that on the international as on the national scale we practice what we preach about plurality of choice. Do not deny that in another sense the growing weight of the European Community can complicate life for the United States by adding a new dimension of difficulty and argument, and by bringing new and sometimes divergent interests into play. But I have no doubt that when these considerations are weighed against each other the balance is overwhelmingly positive for the United States. The world can now be a less lonely place for a country with the power and responsibilities of America. I have not so far spoken of the problems of defence. Like the Pope the Commission has no divisions. Nevertheless the defence of Europe cannot be dissociated from the recovery of Europe and the growth of the new European institutions. I have already referred to the failure of the proposal for a European Defence Community in the 1950s; and there are of course many practical objections to reviving such an idea now. Perhaps the fundamental point is that the proper unit of defence is not Western Europe or the Europe of the Community but the North Atlantic area as a whole. Western defence is at present organised in a way which respects the specifically European as well as the broadly Atlantic aspect. Thus there is our joint membership of the North Atlantic Treaty, a more restricted membership of that strictly practical European defence association the Euro-Group, and the still more restricted membership of the Western European Union which involves its seven signatories in the most binding commitment into which any state can enter: an /It automatic commitment to mutual defence/is much tighter than the North Atlantic Treaty. If these perspectives are to change, and change they may in the years to come, I think that the main agent of change will be the need for the Europeans to integrate their own defence industries, to standardize equipment among themselves and within the Alliance, and to establish a more even partnership, each making its due contribution, with the United States.
The more powerful the European Community becomes, the greater its capacity to be a worthy partner of the United States. This is as true in the realm of defence as it is in any other. The converse is equally true. If the Community were to fall apart and the national states were to go their separate ways, the capacity of the Europeans to contribute to the common defence and play the greater role which should surely come to them over the years would be gravely prejudiced. NATO came before the Community, but I doubt very much whether it could now survive the disintegration of the Community. And the Community's relationship with countries at present outside its bounds - with Greece, Turkey, Spain and Portugal in particular - can have considerable impact on the political orientation of those countries.

So far the partnership across the Atlantic has been unequal. In many respects it remains so. To that extent it remains an uncertain partnership, one with immense possibilities for the future but one which could still go wrong.

I deal first with the economic aspects.

Here there is a very lopsided balance of trade in favour of the United States. It is not perhaps surprising. Self-sufficient in unlike the Community, the United States is and does much less trade most raw materials with the outside world.

The American consumer tends to buy American. And foreign more than the European consumer buys European.

26.

Competition is more deeply embedded in our home market than it is in yours. Moreover we manage our agricultural market in a different way, and in certain cases give preference to agricultural products from the countries with which the Community has institutional links or come under the Generalised Preference Scheme.

Nevertheless the United States has an enormous trade surplus with the Community. (In 1975 it was over US $6 billion and in...
1976 will probably run to over US $ 7 billion).

field of agriculture alone the United States had a surplus of US $ 4.5 billion in 1975. That is hardly a picture of a trading relationship with a protectionist Europe.

been, is, and I imagine is always likely to be, some commercial friction between such giant economic entities as the United States and the Community; but I hope some of the issues over which our negotiators contend will find their solution in the Multilateral Trade Negotiations which we would like to see completed by the end of next year. Certainly if we even got near to a trade war with each other there could be only one certain result: great damage to us and in the present fragile state of world trade, great damage to the world as a whole. greater mutual understanding. Trading means buying as well as selling, and in a political as well as an economic perspective a grossly unequal balance of trade is not in the long run tolerable to either partner across-the Atlantic. 

It is sometimes said that the Community is an economic giant but a political dwarf. This is half-true, but only to the extent that the Europeans make it so. I suspect, sees no Political Community in Europe in the way that is sees an Economic Community. This is illustrated by the fact that the limited and strictly economic term Common Market is almost invariably used in this country. You may notice that I have not used it once this evening. There is That is at once natural and purposeful for me. of course a Common Market in Europe. But there is an attempt at, and half a reality of, something much deeper, and that mixture of reality and aspiration is far better expressed by the term European Community. I hope that phrase will pass into wider use in this country, for phrases have a power that is more than purely descriptive. And it would be ironical and perverse if leaders of United States opinion, which for a generation has been attracted by the political unity of Europe, were So long as the Economic Community is a flourishing concern, there is a certain logic driving its members towards at least political cooperation and perhaps one day a Political
Community; but if the Economic Community looks sick and the economics of its member states diverge, so the machinery of political co-operation looks sick too, and co-operation, let alone anything more ambitious, becomes increasingly hard to attain.

In this respect I would like to make a simple plea to Europeans and Americans alike. It is that President Carter's words to the effect that Europe would be better able to fulfil its role if it could speak with one voice and act with one will should be heeded by all. I include Americans in my plea because one if the United States searches for one European voice and European will, it will be more likely to find them than if it prefers to look for nine European voices and nine European wills. It will be interesting to see how the forthcoming economic summit, recently proposed by President Giscard d'Estaing of France, and now widely supported, is organised on the European side of the triangle of United States, Japan and Western Europe.

The words of the Gettysburg address are I suppose almost the most overworked in the American branch of the English language. They could not be quoted straight. But I am occasionally tempted to paraphrase them into a modern European context. "Two decades and a few years ago our fathers brought forth upon this continent a new Community, conceived in hope and dedicated to the proposition that all European nations depend for their strength, security and prosperity upon each other. Now we are engaged in a great trial of will, testing whether that Community or any Community so conceived, can long endure."

We do not of course have the challenge of a European civil war. Those wars are, I hope, behind us. But we do have the threats of inertia, parochialism, narrow nationalism and, through misplaced and unimaginative caution, standing still when immobility is a much greater risk than moving forward. I think we can overcome these dangers. If I thought otherwise, But it I would have not have taken on my new assignment. will be a struggle.

Walt Whitman wrote much nearer to the Charles River than Abraham Lincoln spoke.

"Have the elder races faltered, Do they drop and end their lesson Over there beyond the seas?"
he asked nearly 100 years ago.

My answer to-day is No.

We are engaged on an enterprise
even more difficult and complicated than your own two hundred years ago. We need understanding more than help, patience
more than pressure to act in ways which may not be our own. The result can be of vast benefit, not only to us but to you. The more equal the partnership between the United States and the uniting states of Europe the better for both, and longer it will endure. the

Today is both an intimidating and a moving occasion for me.

Over a long span in national politics I have devoted much of my energies and invested most of my political capital to and in the cause of European unity. I have done so instinctively because I felt it in my bones. But I have constantly been able to fortify this instinctive belief with the intellectual cement of seeing in detail how few problems we are any of us able to solve on a purely national basis. Despite this deep, long-standing and active commitment to the European cause, I have never worked closely within the Community. I recall a remark of Winston Churchill's.

This being so, I now enter the portals with sane humility towards those who have long worked within, but also with the complete commitment and determination which...
is necessary in order to undertake any great job. I am also aware of coming from outside in another sense. I

the

first President from a country which was not, alas, present at the creation of the original Six. heart of Europe. Britain may still in some ways appear remote from the

But Britain is now decisively a part of the Community, It That

the decision confirmed by an overwhelming public vote 19 months ago. was the most recent great popular victory won by the European cause. should not be forgotten either in Britain or elsewhere.

I do not, however,

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intend to be a British President. I intend to be a European President. I do not .of course wish to deny my national origins. Anyone who attempted
to do that ~would be a narrow man, with at least one dimension lacking. He would also be a foolish man, particularly at a time when the desire for local cultural identification, erupting within national states but in no way necessarily contradictory to the broader European concept, is taking on a fresh force throughout many of the Community countries. We are all of us in large part a product of our national cultural linguistic and political background. That is one reason why we are able talk-about the richness and diversity of Europe.

As a result we all want our countries to benefit from the success of the Community. we are at a delicate hinge.

But here

To wish to benefit from the success of the But what is quite different and-highly undesirable is constantly to try to strike a narrow arithmetical .balance as to exactly how much day-to-day profit or loss each country is getting out of the Community.

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The Community is not a betting-shop or a

lottery-stall into which one takes one's stakes and hopes .to came away -with more than one went in, but knowing always that the pool is fixed, that

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nothing can be created therein,.and that a.gain can therefore only be at the expense of another member's loss. Such a narrow approach would soon
recoil on the head of any nation, rich or poo;:, which attempted to live by it. The Community can and must be more than the sum of its parts. It can create and give more than it receives, but only if the Member States, peoples and governments alike, have the vision to ask what they can contribute, and not just what they can get. I also come before you as a politician, a Minister intermittently over a span of 12 years, a parliamentarian continuously over a span of 29. do not think that is a bad thing. The Commission should be a political rather than a technocratic body, constantly aware of the public impact of its proposals but combining vision with practicality, efficiency with humanity. The diversity of our backgrounds and experience will strengthen and broaden our ability to do the job before us. The Commission must also work most closely with the Parliament. No doubt we shall have disputes, but we are on the same side. Although we have thought it right in this Commission to designate a Member with Special Responsibilities for Relations with the Parliament, we should all have close links with the Parliament, and be prepared to answer to you for our various responsibilities. We should none of us shelter behind an intermediary.

Apart from the Commissioner with Special Parliamentary Responsibilities, the Budget Commissioner, as has been historically the case with evolving Parliaments, may well develop an especially close relationship. demands a concentration of attention. His portfolio That is why we have not associated it with a totally disparate one, as was previously so. relations with the Parliament must be given by the President.

demand to give that lead, and to establish close relations with the political groups within the Parliament. We are a coalition Commission, as is wholly right, at least at the present stage of development. therefore need to be a coalition rather than a partisan President. be a partisan only for the unity of Europe. I attach the highest importance to the prospect of direct elections. Europe is a political enterprise, which we have so far endeavoured to advance by mainly economic means. 

It is concerned with the hearts of men and women Let us manage the packages well and not merely with the management of packages.

as we have mostly but not invariably done in the past, but let us never forget the purpose and the objective. We must therefore greatly welcome For the introduction of this new political dimension of universal suffrage. the target
date to be missed would be a major setback.

The responsibility on any country which impeded this development would be heavy and damaging. /The election - 4-
The election of the Parliament will not in itself, give greater legal powers. But it will have greater moral authority. I believe that the best contribution that the new Commission can make towards this beneficent transition, which will make a dramatic divide in its four-year lifespan, is to anticipate it: to get used to treating the present Parliament I intend from here forward to inject into as it will treat the new one.

our consideration of any proposal we put forward to the Council the systematic and serious consideration of whether it is one for which we can reasonably expect the support of a majority in this Parliament. So, allowing for the pull of leadership as well as the response of democracy, do enlightened national governments behave. We will do the same. I have emphasised the high priority I This, int-nd to give to Parliament.

to the first occasion on which I address you, is the right moment unkefhat emphasis clear.

But I shall also be addressing you next month on the That occasion of the presentation of the Programme of the Commission.

speech is obviously the one in which I should go into the detail of the policies which the Commn-Sgl-int end I should like, , , ....... at this time, to set out some indication of the direction in which I believe both the Commission and the European Community should be pointing. I most naturally start with the distribution of portfolios in the new Commission. In taking the decisions of the night of 6/7 January, the Commission has sought both to give emphasis to some developing and crucial policy areas, and at the same time to try to bring, where possible, greater coherence to certain key functions. First, all the information activities of the Commission have been brought together under no/
authority as President. It is, I believe, of fundamental importance, especially in the lead up to Direct Elections, that the informative role of the Commission should be seen to have and receive a single clearly collegial sense of direction and purpose. This can best be done by the President, and I am determined to try to ensure a vigorous presentation to the public of the Commission's activities. Secondly, over the lifetime of this Commission, the Community will be making decisions about those countries which seek membership. This is a key task and the questions inherent in the further enlargement of the Community are so important that we have thought it right to make it a priority task of one Commissioner. But we have not approached the creation of this portfolio for special responsibilities solely on the basis of a single policy issue. There is a real need for a senior Member of the Commission to be in a position to take on and concentrate on a wide and changing range of vital ad hoc issues of this sort. Thirdly, the portfolio for Employment and Social Affairs provides for a greater concentration on the problem of unemployment, especially of structural unemployment, which confronts all member countries, even the most economically successful of them. To ensure that the Commissioner responsible for these tasks can operate on broad enough canvass, we have linked the Tripartite Conference with this portfolio. Fourthly, there is the closely related issue of the manner in which the various financial instruments available to help correct imbalances within the Community are administered. There has been too great a tendency to see the various Community funds in isolation one from the other. The policy in relation to them should be seen and coordinated as a whole. Finally, we have decided greatly to reorganise the area of the Internal Market and Industrial Affairs by bringing the existing Direct at &s General together and placing them together under the authority of a single Member of the Commission. Industry throughout the Community is undergoing a sustained period of rapid structural change and it is therefore important that the Commission services dealing with industry should be brought under one hand and organised as rationally as possible. These are the principal changes in the shape of the portfolios by which we have sought to emphasise the priorities as we now see them. But there is one other aspect which, although it is most clearly embedded...
in a single portfolio, is a theme which should run through all Commission responsibilities. The interests of The Community is designed to protect and advance its citizens. Policies to safeguard the producer that balance need to be balanced by policies to safeguard the consumer. Has not always been struck in the past.

This means that we should give greater weight to the protection of the consumer as well as to that of the environment in which we all live. The Common Agricultural Policy can serve as an example.

In the difficult times which lie ahead, the Commission must work to maintain and improve the Common Agricultural Policy. But I believe we can best do this by showing clearly that it can serve the common good, providing stable supplies of food at reasonable prices as well as stable markets for an efficient European agricultural system. In short, we must seek to ensure that the Europe of the Community, and especially the Commission which is its servant, is seen to have, and has in fact, a human face which individual citizens in Member States can both recognise and trust. The previous Commission, under the dedicated leadership of François-Xavier Ortoli, has had to operate for three quarters of its which mandate under the pall of the most discouraging economic we have known for a generation. Defended the citadel. Some successful for-s)

- Yet, in this climate they have brilliantly

They have even with great courage and skill made out of it, particularly, but not exclusively,

in the area of relations with the outside world, both developed and developing. But essentially they have had to live in winter quarters. But I do not yet feel any benign stirring of the breezes of spring.

What I do feel is that there comes a time when you have to break out of the citadel or wither within it. That time is now very close upon us. The Member
States have

Nor are the omens necessarily unpropitious. recently gone too much their own

They cannot possibly congratulate

upon the result.

One aspect of the result has been a greater sense. of apprehension, a greater sagging of hope, than Europe has experienced since the beginning of its post-war resurgence. to listen

Out of this morass they

be more inclined

Community proposals for the future, provided they are And across the Atlantic
cogently, firmly and selectively presented.

we have a new President who has made it clear in his public statements that he is anxious to work in partnership with Europe as a Community. But what this will mean in practice and how effectively we can have a c;\V. (7'.1 ~ relationship across the Atlantic will depend essentially on how seriously we take ourselves as a Community. pre-requisite for the reactions of others. The logic of working together must be clearly argued. The 25 years

Our

own attitude is a

up;to the end of 1973 were among the most stable, prosperous and hopeful in the whole long histor.y of this continent. about this achievement. But there is a paradox

Precisely because we became so prosperous and

enjoyed such a degree of political stability, we came to take them for granted /and to forget

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io. forget that the foundations on which they rest are in reality mremely fra.gj,le.

And we

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forget also how our prosperity and

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stability were achieved, and in forgetting, behave in put. their continuation in jeopardy.

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which will

The truth is that the prosperity and stability which Europe enjoys today is in large measure due to the vision and statesmanship of those who created the European Community in the late forties and fifties.

If our children are to enjoy comparable prosperity and stability in the 1980s and 1990s this generation will have to display the same vision and statesmanship as did our predecessors. It is easy today to think in terms of anniversaries.

It is 30 years since the first stirrings of the modern European Movement.

It is 25 years since the Coal and Steel Community took up its tasks in this City of Luxembourg.

20 years since the signature of the Treaty of Rome.

It is also easy to praise the great names of the past, and praises they certainly deserve.

Yet I believe that our duty today is not to invoke history, but to start once again to make it: not to praise famous men by sitting idly on the scaffolding of the half-finished building and drinking toasts to those who laid the foundations so well.

The best tribute we can pay them is not to praise them but to emulate them, to get on with our job and add at least another storey to the building, indelibly on the triumphs of half a generation ago.

We cannot live If we do this, we will ensure that the idea of Europe means nothing to the hearts of the young and is only an evocative evening memory in the minds of the middle-aged and the old.

We are indeed at a potential...
dangerous junction of generations.

Those who made the Community were mostly well-advanced in life, but they were sustained by a great wave of European enthusiasm amongst the young, to whom the conflicts and the suspicions and narrow nationalisms of the past were not merely repugnant but almost incomprehensible. It was the older generation who had been brought up to hate and distrust those whom they had fought who found it difficult to bury the past. Now, if we are not careful it may be the other way round. It is the young who will yawn at Europe and only their elders who will remember its great message. That would be a most dangerous balance for the future. be determined to avoid it. We must

And that can only be done by showing that Europe has a direct relevance not only to the mechanics of our economies but to combating the uglinesses and frustrations and injustices of everyday life; and relating it too to the transcendent purposes of world peace and human freedom. the lives of its people.

No matter how technical are the proposals which come before us, the prior question we must ask ourselves is: "How will this improve the lot of the European citizen? How in particular will it affect those whose future seems purposeless and unrewarding? Will it make them more content at work? better chance of finding work? Will it indeed give them a Will it give them the framework for more Will it make the individual citizens feel that this Europe of ours is not just an affair of professional politicians but is a better place to live in, and thus attach the citizens to its higher purposes, not as an abstraction, however noble, but as a continuum, extending from world influence to job opportunity?"

/To underpin

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l'o underpin this public impact. we must of course endeavour. to end the growing divergence of the economies of the Member States.

This
cannot be done overnight or by simple decree.

And it ce.rta.Jinly ca.nmot
should not be done by asking the strong to become less strong and it is no part of our business to promote an less effectively managed. equality of weakness.

Common disciplines and learning from success are an essential part of the philosophy of convergence. But on this basis we must, like any civilised community, help the members.

This is in the interests of the strong as well as the week, for if the weak were to fall by the wayside an essential part of the foundation of unity on which the strong have built their prosperity would be destroyed.

Nor should we be too surprised that divergencies have arisen. We would have been singularly lucky if they had not. What greater unity in the world, from the Roman Empire to the United States of America, would ever have been created if divergencies were regarded as a recipe for despair? The test is how we face them. Help for the weaker members, provided they are also prepared to help themselves, is one of the distinguishing signs of the existence of a community. Applies to the community of the family, the state. It applies to the community of Europe.

And it must apply to our Community of European nations. The larger the Community, the easier it is for the weaker areas to be neglected. We cannot do this without ultimately destroying the Community.

And in all our activities we must remember our underlying political purposes. Our means are largely economic.

But our end is and always has been political.
It is to make a European Union.
and fortify our peace and liberty.
It is to restore to Europe the
influence in the world which we have so wantonly thrown away in a generation of European civil wars. However great
m- be

Much has

been accomplished.

our present difficulties they are as nothing compared

with the problem which confronted those who had to build afresh out of the rubble and bitterness of the late forties. Let us not bemoan too much. of the size of the stakes. But let us at the same time be aware

The values of justice for all, individual

freedom and intellectual integrity, which were the norms of a civilised society, and to which can now happily be added a sense of social fairness, are now genuinely at risk. There are not many countries in the world we represent about half of If

which can be counted upon to sustain them. that number.

If our Community cannot be made to work, what can?

we, among the richest and certainly among the most favoured and talented of the populations of the globe, cannot learn to work together, what prospect is there for humanity? ordinary men and women?

Or for a decent civilised life for

There are the stakes and there are the issues.

Let us approach them with an awesome sense of responsibility, but also with a courageous

and. determined

optimism.

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*year_1977*  *date_1977-09-29*  *place_London*

European Communities Commission Background Report

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The speech by the President of the Commission, the Rt. Hon Roy Jenkins, to the Food Manufacturers Federation Conference in London on September 27, is reproduced here for a wider audience as a background report.

Theme of the Conference: Title of session:
"Feeding the Nation"
"BRITAIN AND WORLD FOOD SUPPLIES"

I would like to begin by thanking you, Mr President, for inviting me to participate in your Conference this year on the subject of food supplies. It gives me an opportunity to exchange views with you and your members on a subject with which I have necessarily become more familiar since I took up my duties as President of the European Commission at the beginning of this year. I have found it stimulating to get to know the common agricultural policy in more depth, and from a different perspective - I mean from a European point of view, rather than the purely British angle. One realises that some of the conventional wisdom about the CAP accepted by commentators in Britain - and I mean pro-Europeans as well as opponents of the EEC - can be rather shallow and misleading. One begins to understand a little better the reasons why the policy has developed in this or that particular way over the last decade; and it is only when you understand the reasons why things have happened that you can begin to influence their future development.

This reflection leads me to make a couple of preliminary remarks. They may seem rather simple and obvious to you, but I believe they are apt to be overlooked in discussions about Britain, Europe and food supplies. The first is that the Common Agricultural Policy, like other Community policies, is a common policy - by which I mean it is a European policy framed in the interests of Europe as a whole. It is not framed, and ought not to be framed, in the interests of one particular member or group of members. In a sense, the CAP does not really fit the theme of this Conference Feeding the Nation. It is more properly about Feeding Europe - You cannot expect it to be a policy that suits the particular circumstances of the United Kingdom. At a time and place: it would be an uncommon policy that did that - There is always going to have to be a defensive spirit but because I think it is important to remember that there is this broader dimension
in which you have to look at EEC policies. It follows too, of course, that now Britain is a member of the European Community, your Federation and your members have a broader dimension in which to work out your own policies and strategies for production and marketing. The other point I would like to mention is that the CAP still "like other Community policies, is a young policy. It is barely a decade since the first EEC regulations concerning food and agriculture came into force and they still do not yet cover all the products intended; and as for the directives concerning harmonisation of standards and the removal of barriers to trade in the food industry, many more of them are, as you know, still in draft or on the drawing board than in force. I mention this to dispel the idea that the Community system is a monolithic one, which the more recent members such as Britain have had to accept int.1;actabj as a kind of;straLtjacket. It is continuously evolving, and will evolve to meet the needs of its members and the changing economic and social conditions of Europe. It is up to you /to make sure that

to make sure that you play your proper part in influencing it in the direction which you want it to follow, through the work of your Federation, your contacts with the Commission, your representations to British ~nisters who participate in the work of the Council, and the various other EEC institutions including not least the European Parliament which will in future be directly elected. Effect of CAP on Food Prices One of the themes of this Conference - and of general political debate in Britain during the last year - has been the impact of EEC policies on costs and prices in the food industry. It is a subject on which a good deal more heat is usually generated than light. Some commentators have captured the headlines by producing calculations that the CAP is costing the balance of payments £650 million and is adding 50 thousand people to the unemployment figures, while others have retorted that the EEC budget has been paying out nearly £2 million a day in subsidies for British food imports. Meanwhile others - and I think this sometimes includes the Government - have taken refuge in the argument that it is no longer possible to say what the costs or benefits are, because you cannot guess what the situation would now be if Britain was not a member. For myself, I am not going to offer you here today a new set of figures, freshly calculated by the Commission's experts, to add fuel to the argument. I am not sure that this would add conviction or resolve the argument. I will simply mention that, as far as I can see, the argument has ebbed sorie'dlat, partly because the Government has stated clearly that the effect of CAP price increases on the retail price index has been extremely small. For example, Mr. Hattersley told the House of Commons on 20 June that "of the 17.5% inflation over the last year, about 0.5% was caused by the CAP". The reason why the impact on retail prices is about ~% is that the effect on food prices is about 2%, and food of course accounts for about accounts for about a quarter of the index. I would also like to mention a recent independent study. which I

was particularly perceptive and illuminating.

It was presented to a conference on the food industry earlier this year by Messrs Harris and Josling - the former an economist in the food industry and the latter a professor of agricultural economics. CAP caused food expenditure and more in 1975 and 1976'. They concluded that "in aggregate the
otherwise would have been in 1973, about the same in 1974. They put these results into perspective by remarking that the price effects of the CAP in 1974-76 were actually smaller than the British Government's consumer subsidy programme for food. As for the future, they commented that "further price fluctuations seem bound to occur, which means that it is likely that, from time to time, world prices will generally be closer to, or above, CAP levels than at present." Now I am not going to be drawn into a debate about the future course of world prices for food. Perhaps Sir George The main things which and that population Bishop, when he speaks to you later this morning, will be bolder. He has more expertise on this than I have. the level of prices in the last five years; pressure is increasing. I know are that there have been quite violent fluctuations in According to Mr Robert McNamara, the head of the World Bank, the present world population of 4,000 million could stabilise at 8,000 million in the year 2070 if urgent measures are taken now to speed up the decline in birth rates. Otherwise it will hit 11,000 million. Now I know that these predictions are extremely speculative - in fact, you only have to ask yourself whether any country in the world is politically willing or able to double its population over the next century, to convince yourself that such forecasts can never come true. But it is obvious that an increasing population, with higher living standards, will pose great demands on food resources throughout the world. Alternative Policies for Food It is against that kind of background that any British Government, of whatever political persuasion, has to reflect about the type of policy to follow for food supplies. If Britain was not a member of the EEC, and the CAP did not apply, there would still be the same basic questions to be answered: how much food should we produce at home, at what price, and where can we look for continued access to regular supplies from other countries? That is the question which has to be answered from the CAP What is the alternative by those who say that Britain should withdraw because it is inimical to her interests. policy for food and agriculture? I believe that a number of premises are clear. The first is that, inside or outside the EEC, Britain would naturally in the second half of the 20th century want to expand its domestic food production. When one reflects that food is one of the biggest single items in the British import bill it is perfectly obvious that the arguments of import saving point in the direction of higher domestic production. That was, precisely the theme of the White Paper "Food from our own Resources" which was published in 1975 by the Government of which I was a member: it came, as a matter of fact, just before the referendum on membership of the EEC, and it said explicitly that its conclusions held good whether the result of the referendum was yes or no. The second indisputable point is that such an expansion has to be financed in one way or another. It does not grow on trees, The necessary if I may use that expression in this context. capital has to be injected into the farming industry, either directly through higher market prices, or indirectly through grants or deficiency payments. No one can seriously believe that, if the CAP did not apply, a British Government, beset with all the problems of public expenditure, would embark on a new programme of deficiency payments. The truth is that agricultural We expansion would have to be
financed by higher market prices, with some control of imports so as to put a floor in the market. All know that was the way British policy was moving in the 1960s, even when our membership of the EEC seemed rather uncertain. For these reasons I am convinced that an alternative food policy in Britain—would, in essence, be remarkably like the one currently in force. Its overall impact on the costs of the food industry and on prices to consumers in the last five years would have been very roughly the same, give or take a bit more in one year and a bit less in the other. Of course the jargon would be different, and there would be different situations for the individual products: but, broadly speaking, the government would be following the same general path in its food policy and its execution. Take beef, for example, a product where a big expansion policy was introduced by the Government in the late 1960s, in the interests of import saving. Minimum import prices were introduced so as to put a floor in the market, and this mechanism was replaced by the similar EEC one in 1973. The expansion policy for beef has been remarkably successful in stimulating output: Britain's level of self-sufficiency increased from 77% in 1970 to 94% in 1977, with imports falling from 326 thousand to 187 thousand tons in that period. Indeed, in the European context, the policy has been only too successful: the fact that Britain and Ireland taken together had become roughly self-sufficient by the mid-1970s was an important factor in the EEC beef crisis. Meanwhile, as you know, there was a big surplus on world markets which led to increased EEC import levies and restrictions on beef imports into Europe. I am quite convinced that parallel action would have been taken by Britain if she had not been in the EEC: indeed, it would have flowed automatically from the beef arrangements already in force before entry.

Let me test my thesis by looking at an important agricultural product which is not yet covered by the CAP, and where Britain in the meantime pursues her own purely national arrangements. I mean potatoes, a product where the aim traditionally has been to maintain a high level of domestic production in Britain. In this year's farm price review the Government put up the guaranteed price by 16% far more than the average increase in EEC farm prices. You may recall that under the 1947 Agriculture Act this guaranteed price for potatoes is implemented by means of intervention buying, the stockpiling of potatoes, their disposal, if necessary, for animal feed after denaturing with coloured dye, and by a complete and by a complete ban on imports in a normal year. I think you can imagine the press reaction if that were a Community system proposed by the Corroision, and not a national system. Since I have mentioned "Food from Our Own Resources" you will expect me to say something about the Commission's attitude to it—or if I do not, someone will certainly ask me later. There was of course some well-publicised misunderstanding, earlier this year, in a result of a perhaps phrase in an unfortunate letter which emerged from Brussels. Let me just say that the Commission has no quarrel with the fact that the British Government draws up its own priorities and objectives for food and agriculture, and pursues them in Brussels. Naturally, like the other Member States, it will try to persuade the Community to take the decisions which it thinks are right. But naturally also we
expect the British Government to respect Community rules and decisions when they are taken. If, in furtherance of national aims, they take unilateral action which is contrary to the Treaty - as was, unfortunately, the case with pigs a little while ago - it is the Commission's duty to enforce the rules by all the means which are available. As a matter of fact, as far as the objectives of "Food from Our Own Resources" are concerned, it would be rather absurd to suggest that Community rules or the CAP are frustrating their achievement: on the contrary, if only Britain took advantage more readily of the opportunities offered - and here I am thinking of a more realistic long-term attitude to adjustment of the green pound - I cannot help thinking that these objectives would be more easily attained by the agricultural industry. Let me add another consideration before I leave this question of alternative agricultural policies. As far as imports are concerned, Britain must naturally look for dependable supplies at reasonable prices. I mention both "dependable" and "reasonable" because they are both important factors. The cheapest source is not necessarily the most secure - rather the opposite where the world market for food is concerned. In the past we looked mainly to the Commonwealth/countries for

countries for our regular supplies, and we still have many of these links. food. But what membership of the EEC means is that

Britain has constant and free access to European supplies of I am not for the moment getting involved in the complications of monetary compensatory amounts and related subjects, which are not a small matter. We are actually part of the CAP During and Europe in a way which is not try of, say, the USA. of real value; the sugar shortage of 1974 this access to European supplies was and I was very interested to read only last week that a prominent British said that, in view of the low quality of the British wheat harvest, "first we shall have to look to the rest of the EEC, and secondly to North America" for our supplies of grain. Since Britain participates in the Council of Ministers, it is able to influence directly the decisions which govern European food supplies to

them far more directly than is the case with any Obviously it is not going to be true that non-EEC food supplier. production.

Britain will simply dictate the shape of Continental fod But it is true that we now have dependable and preferential access to continental supplies when we need them after all, that is what a common market is supposed to be about. Development of the CAP I must now try to give you some idea of how I think Europe's food policies should, or will, develop over the next few years. I must really speak about how they ought to develop, rather than how they will, since it is the task of the Commission.of which I

President, to make proposals:
it is the Council of Ministers which disposes, and they do not always follow our suggestions. In fact I have to say that we need to look again at the existing decision-making procedures, whereby important decisions are taken by specialist Ministers in their own specialist Councils which are not well suited to taking account of the broader economic interests. In the past consumer, food manufacturers and so far as the Finance Ministers have not succeeded in bringing their proper influence to bear on the agricultural decisions. Commission is concerned, I do not think we do too badly in putting forward proposals which reflect a reasonable balance between the different interests involved. 

I know that most of you will immediately think of several proposals which you have strongly opposed, but by and large I think that the thirteen Members of the Commission, with their different portfolios, and points of view, usually arrive at sensible balanced proposals. Moreover, as far as the food industry is concerned, we have made some organisational changes within the new Commission in order to ensure that your particular problems are taken into proper account. I know that the food industry has had to occupy quite a lot in the last few years with the green pound, so that most of you will be perfectly at home when I talk about this imaginary currency. I rather wish that it really existed - perhaps it has recently aroused a good deal of excitement. It still serves, I think, rather like the yellow peril or the red menace, as a useful scapegoat:

ask the average farmer why he is looking miserable, he will say it's because of his low prices caused by the green pound, while the average consumer - a good deal more paradoxically - is quite likely to blame the green pound for the increased cost of his food. As you know, the green pound - like the green franc, the green D Mark and the other green currencies - is the rate at which CAP prices are translated into national money in the member state concerned. Normally speaking, you would expect this to be done at the current rate of exchange on the money markets: after all, that is the rate at which other
prices are translated in business and commerce. But it has been accepted in the CAP that, when the value of a currency changes quite substantially because of a devaluation or a revaluation, the effects need not immediately be passed on to the level of farm price support. After all, an overnight change of 10% or more in prices is not necessarily a good thing. So we accept - and the Commission certainly does accept - the use of green rates and the resulting MCAs as a temporary cushion: like the classic device of a transition period, it should allow you to move with least pain from point A to point B. The trouble comes when the participants in this game are tempted to use the existence of green rates as an excuse for never arriving at point B. The consequence of that, in the context of the CAP, would be that member states would apply different levels of farm price support on a permanent basis - and when the gap between levels is of the order of 35 - 40 per cent, that is a very substantial difference. Now what is wrong with this is not just that it hampers trade and makes life more complicated for you in the food industry because of the prolife-ion of MCAs - though that is bad enough - and not just that it makes decisions on common prices in Brussels more abstract and remote. What is wrong is that if food producers and processors in the various member states receive vastly different prices in real terms, it frustrates and makes a mockery of the idea of a common market with equal terms of competition. 

The aim of producing food in the areas of Europe best suited to its production - and hence of producing it most efficiently and cheaply - is in practice abandoned, which means a waste of resources at the European level. For a country, a reluctance to apply up-to-date rates of exchange to the food sector means that sector getting out of step with other sectors of the economy - that is, in the case of a country like Britain with a depreciated currency, the food sector becomes depressed and imports are encouraged, while in a country like Germany the sector becomes inflated, imports are discouraged and exports are made artificially more competitive. It frustrates, in the food sector, the natural economic consequences of a devaluation or revaluation. It has, too, another less direct but more insidious consequence for Community policies and decision making. To the extent that member states focus on th-ir green rate as the central instrument in determining the annual prices for food and agriculture, the more they are prone to relax their grip on the common prices which are the real discipline in the system. It is very tempting to say "well, let's get the settlement we want for the green pound (or the green krone, or the green D Mark, or whatever your currency is) and let the common prices take care of themselves".

It is tempting for the British Government, it is tempting for the other governments, but it for the common good if the common prices are fixed at a level which provokes an excuse of production over consumption which is the inevitable result of such a lax approach. It is perfectly understandable and right that a British Government should not want to prejudice the results of overall economic policy by a too rapid increase in prices. 

The Commission that, and our proposals on the green pound have always
to take it into account - including particularly this year. But we also have to remind the if they deplore

the impact of the last steps of the 5-year transition under the Treaty of Accession. Member states that the common prices are their prices, they have participated in fixing them from year to year: the consequences of surplus production resulting from high prices in the Community member governments must make an effort to curb them. If they fall head-over-heels into the green trap, they will not achieve the improvements in the CAP which they want. I have gone into these matters in some detail to try to explain to you why it is that the Commission is in favour of phasing out MCAs and the green pound. It is not because they are expensive, or for the sake of some dogma about the unity of the market, or in order to pick an argument with the British Government: it is because we believe their continuation as a permanent feature is not in the long-term interests of Europe or its member states. Therefore

... and this is a matter which goes far beyond the field of food and agriculture - we must seek to find ways of curing the underlying problem of economic divergence. I myself have become more and more convinced that this divergence, and the monetary troubles which accompany it, is one of the main obstacles to progress in European unity. But what about the future development of the CAP? Broadly it is speaking the faults of the mechanisms can be exaggerated: given rise to surpluses. Rather the converse: if these not the fact of intervention buying or export refunds which has mechanisms are sometimes used to an exaggerated and extravagant extent, it is because of the surpluses which have arisen. Since, if we cannot develop and modify the instruments of the CAP; in particular I am sure that we must try to reduce the rigidity of the intervention mechanisms, so as to avoid excessive interference in the market and the conspicuous waste which can result from it. For example, the Commission will very soon be proposing changes in the beef system which will help to give consumers greater benefit on prices in a time of surplus, weakening the guarantees to producers. It is more the overall level at which the common prices are fixed from year to year for each product that influences the level of output. One of the main changes therefore which we need
to see - and which I am sure we shall see - in the price fixing process is a greater emphasis on the market and on the demand for food. European agriculture has a tremendous productive potential: if average yields of crops and livestock were brought up to the levels of the most efficient the increases in output would be enormous. But if nobody wants to consume the additional output, if there is no market for it, we shall have wasted our resources. That is why I am convinced that we must take more and more account of future demand for food, and for different types of food, in Europe. We must not fall into the trap which the Community sometimes has in the past - of starting from the premise that production is expected to reach a certain level - before we must find an outlet for that quantity either on the market or through open ended intervention. We have got to look at the quantities and qualities of food that our domestic market requires, and of course at our possible export markets: we have got to form some idea of the medium and long term trends of demand as well as supply.

It has often been said that the consumer should have a greater say in the fixing of prices under the CAP. I myself share that point of view. But I do not think it is very useful to polarise the issue in terms of consumers always wanting the lowest possible prices, and farmers wanting the highest possible incomes. We need to look at the question more in terms of what food supplies Europe is likely to require over the next five or ten years, and what pattern of agricultural production and prices is needed to fulfil 'that need, taking account also of exports and the possibility of supplies from third countries. Only with such a comprehensive approach can we hope to make rational decisions on prices under the CAP. Another way of saying this is that one has to look at the food chain as a whole, from the field to the meal-table, not forgetting those intermediary stages with which the food manufacturing industry is concerned. I believe that in this connection the experience and ideas of the food industry are particularly valuable:

you are in the middle of the chain, and know more than anyone about reconciling consumption with production and consumers with producers. If we are to put the emphasis, as I have mentioned, more on the needs of the market, it follows inevitably that in fixing prices for certain products we shall have to follow a policy of severe restraint - or as it is sometimes euphemistically put, a prudent price policy. I do not think there can be any running away from that, even if it causes real political difficulties, and even if we have to find other ways of aiding farm incomes. But I take some encouragement from our success this year in proposing an average increase in the common prices of only 3 p-: cent, and obtaining a final figure in the Council of nisters of 3.9 per cent. To achieve this at a time when inflation in the Community as a whole is running in double
figures is not a bad start. I have not so far mentioned the enlargement of the Community to include Greece, Spain and Portugal. That event, for which we must now prepare and plan, will certainly bring new problems in the field of food and agriculture. How will new competition affect Italy and France, whose producers of Mediterranean products such as wine, tomatoes and olive oil are already in difficult circumstances? Will joining the EEC provoke a great increase in agricultural production in the new members? These are questions to which the Commission is already devoting itself. I cannot say that we have found all the answers, but I am certain that we must throw out from the start the idea that the problems should be solved by rigid protectionism or by stockpiling new mountains and lakes of surplus produce. This is not to say that stockpiling of produce does not have its place in a global food policy, provided that we are talking about produce which people want to eat, and which can usefully be released on to the market at an appropriate moment. The acceptance of the principle of world food reserves would be one of the most practical contributions that our generation could make to future economic and political stability, not only to the poorer countries - though it is of crucial importance it is curious how, in this particular area of world to them - but even in our own interests in the richer countries. Agricultural markets, international thinking has come to approximate more closely to some of the ideas which lie behind the common agricultural policy market. I leave it to Sir George Bishop to say more about the commodities involved. But I would mention one which is I believe particularly close to his heart - that is sugar. The European Community has been present at the various discussions for an International Sugar Agreement, including the latest session in Geneva. The majority of member states stability of prices and supplies, intervention by the public authorities to stabilise the The Commission has pressed for are in agreement - a realistic mandate for the EEC in these talks, and indeed We believe that a successful outcome to these negotiations and the full participation of the Community, is essential step towards the creation of a new order in world markets. If the Community fails to rise to this challenge - and the matter is very urgent and is indeed being discussed in Brussels by the Agriculture Council today - it will weigh heavily on its conscience. So far I have focussed mainly on agricultural policies and prices, rather than the food industry as such. i.s not accounts for at least half of your costs. That entirely illogical, since the cost
of raw materials I would like to conclude by mentioning some aspects of EEC affairs which concern you more particularly and exclusively. JHarmonisation of food laws

Harmonisation of Food Laws The programme of harmonisation of food laws forms part of our overall work on removing technical barriers to trade in Europe. The Community has made some progress on standards for food and drink, but I think that it has been slower than the Commission and much of the food industry hoped. There was of course a lot of difficulty at one time because of the idea, which became current in the British press and public opinion, that the Commission was trying to harmonise and fix Eurostandards for everything. That profound misunderstanding has not been largely overcome, but nevertheless we have to recognise that these directives are extremely technical, and the Council's time is limited. We therefore have to decide on priorities. I was particularly glad to see that the food industry's European arm, CIAA, conducted a survey of its members' views on the priorities which they want in the Community programme. My colleague Etienne Davignon is studying that survey, and will be drawing his conclusions later this year. All I would add is that, for me, the only sensible purpose in making such directives and regulations is that they should really contribute significantly to consumer protection, or permit freer trade within the Community - in other words, allow you to do more trade: that is why it is so important for us to have the views of the food industry. I hope that you will have the closest possible relations with the Commission, and feel able to make representations. On any We for our part appreciate, perhaps issues that concern you more than ever before - the role which you have to play - a merel 1 is role which is not ancillary to agriculture, but an essential part of the business of feeding the people.
You will recall that in my statement of 21 June I drew attention to the multitude of the problems before us, the need for care in dealing with issues which were vital to the future of the Commission.

For this reason I was particularly careful to make promises about the timetable of the Commission's work.

You know we do not expect to have our Opinion on Portugal ready before the end of next February; date of commencement of work:

and so on.

But you will recall that the Commission had a preliminary look.

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at Mediterranean problems with particular reference to recent developments,

at its Heekerkap meeting Gt L.-J. Roche last month, and first of all,
in the response to the interest then shown and the ' endorsement of the issues, I promised to let you have an interim document to set out our general analysis of the problem and indicate the lines of our approach...

This Vice-President Haferkamp's letter with its what I now have to say is a pointing up annex attempts to do and elaboration of it.

One of the particular difficulties we face in approaching the central problem is that it constitutes two if not three related problems. He have the applications for membership

of the Community from three southern European countries which have just emerged from dictatorship

we have the growing economic difficulties of which we have

the Mediterranean regions of the existing Community;

a third problem, which I do not intend to go into today, which is the effect of any arrangements we make for the candidate countries and the Mediterranean regions of the existing Community on countries outside the Community with which we are associated. should never be far from our minds. I speak first of our attitude ...
This problem

As you know, the Commission which we might give to the Council, late countries which rejected their application, even implicitly, would not be acceptable.

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On the other hand any approach which skated over the very serious economic and institutional problems involved would only pile up our difficulties for the future.

A solution which
1916 involved the dilution of the Community into some form of customs union or free
1917 trade area would represent the abandonment of the essential objectives of the
1918 Treaty.
1919 It would of course be
1920 unacceptable to the existing Community;
1921 it would also cast a shadow
1922 on the purposes which have caused the candidate countries to apply for membership.
1923 We therefore believe it right to welcome the applications
1924 while stressing that the Council must neither ignore the problems they create nor
1925 expect painless solutions to them. The approach
1926 was clearly indicated in the letter which the Commissioner sent to the Council last
1927 week. The primary problem is how to reduce the difference in economic performance
1928 between the candidate countries and the Community, and between certain parts of the
1929 existing Community.
1930 In terms of Spain
1931 one-
1932 gross national product per head, the level of Spain is only about half
1933 of the present Community's level. A third of that of the richest
1934 Pmboro of the existing Portutel's level is substantially lower. It shows that the problem of the economic gap, which
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1945 weakening factor in the process of integration, is exactly by and central to the question
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what is required for our existing Mediterranean

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touch first on the agricultural aspects.

You will have seen number of up this

in the annex to the Commission’s letter of last week a practical suggestions for

action in this field.

In drawing the document we took account of the memoranda submitted by Italian Delegations. the paper which we will be consistent a whole

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Agricultural policy as

in short it will not be in contradiction either with our

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comovement to reduce structural surpluses with our third countries.

As you know the Commission finally believes that a large scale increase in protection and pri

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tional products would not be in the interests of the Community as

We cannot and must not pile up new surpluses to absorb, still more crushing open-ended commitments.

We want an efficient and agricultural system in which Mediterranean and northern agriculture play complementary parts.

Next I turn to industry. Agriculture the driving force in the development... as Mediterreanean regions.

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precision.
The development, both agricultural and industrial, of the candidate countries will undoubtedly place a heavy burden on their public finances, which are already affected by high rates of inflation, large government deficits and deteriorating balance of payments. Let us suppose that the resources available now give an example.
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governments of the applicant countries were to be raised to per capita basis of the average available to the enlarged Community as a whole. This
60%
governments of the
would bring the jeve; about moment. This relatively halfway between Ireland and Italy at the
modest target would require us to raise sums which would double the present national fiscal resources of Portugal and cover more than twice its extremely large balance of payments deficit. The requirements of r:-uch
Greece and Spain would also be substantial, but relatively relatively in fact about one quarter a:3 grc::lt.
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I think t!l:s well stren--h
illustrates the qualitative differences in economic
between
the present Community and the candidate countries, especially Portugal. But for the success of the future Community we clearly have no option but to set reasonable standards of wealth and diminish disparities in standards of living.

In short the candidate countries will need a great deal of help. The Commission believes that it will be necessary to support any stabilisation policies which these countries are pursuing. A plan to pursue with considerable external assistance, mainly of Community origin. In addition we believe that an ad hoc financial instrument should be created to... 

Such a financial instrument could take the form of a specific fund, or it could comprise specially coordinated action by existing Community instruments, but manifestly they will need to be equipped with much greater resources. We believe that the candidate countries should be associated with the operation of such an instrument or instruments, not only because this would make practical sense but also because it would help bring out the measure of our political endorsement of their applications for membership. In our judgment it might well be necessary for work to begin and money to flow before accession of the candidate countries actually took place. Long
Ten days ago we considered at institutional implications of to repeat those discussions. importance in not give the
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we should be ready to embark upon a programme of commcn action,,
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to be put into effect through use of the financial I have described, before
accession *takes place. necessary if we are to translate political and economic

rument
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..nr good intentions jnto
Enlargement will only be succe3sful if the Community is consolidated and enriched
in the pncess. 'l'hiB means that we
must look to the implications for o-1r institutions, our tradi tiona, our habits
and working methods, and the objectives we have set ourselves. As you know I have particularly in mind the need for progress towards economic and monetary union, and to say something about it at the European Council.

Let me end with what I believe is a simple statement of fact. Enlargement means that if the Community does not go forwards, it will go backwards and if it cannot cope with enlargement, it will stultify its ability to cope with much else.

Enlargement is a gathering of European civilisation. It will give the Community its proper European dimension. You will require more from the Commission, but we require from you some sharper indication of your political attitude to the problems I have outlined received. I hope they will be forthcoming today.

**** *year_1977 *date_1977-10-27 *place_Florence

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----------EMBARGO: 18.00

JEAN MONNET LECTURE DELIVERED BY THE RIGHT HON ROY JENKINS PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES FLORENCE - THURSDAY 27 OCTOBER 1977

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EUROPE'S PRESENT CHALLENGE AND FUTURE OPPORTUNITY

I would like to devote this first Jean Monnet Lecture, in this twentieth anniversary year of the Community, to a single major issue, but one which in its ramifications touches every aspect of European life. The central core of the argument I shall develop turns around the case for monetary union. This, of course, is a familiar, rather than a novel concept. Despite its familiarity, it is neither popular nor well understood. But even for those for whom it is part of the normal landscape of economic theory and policy, what is very different compared to the last time the Community discussed the subject in any basic way is the state of the European and world economy, and the state of international monetary affairs. We need, so to take a fresh view as to how monetary union should be allied with associated Community policies, and, more broadly, with the fundamental question as to how such ideas as monetary union fits with our view of the future division of functions between the Community and Member States.

This choice of subject does not imply a narrow economic view of the Community's function. It derives from the obvious fact that the most important weakness of the Community today is its central economic mechanism. Of course the Community has other primary functions. On the one hand it stands for a certain type of democratic and political society within Europe; on the other hand it stands as a viable political entity for dealing with a wide range of external relations. On these two fronts, much remains to be done. But despite the shocks and difficulties of the recent past, the outlook is one of activity and promise. We are engaged in underpinning our democratic political values, not only in preparing the first direct elections to a new European Parliament, but at the same time confronting sympathetically but realistically the potential adhesion of three new Member States - three states which have recently made the historic shift from military dictatorship to parliamentary democracy. We have in the last fortnight seen a great European nation combat with resilience and skill a major terrorist threat to individual freedom and the rule of law - those fundamental values for the strengthening of which the applicants have turned to Europe for sustenance.

In the world beyond, the Community has a solid record: the Lomé Convention, the Mediterranean agreements, and our response to the North/South dialogue. During the past six months, the Community has continued to move forward at the centre of major world negotiations. Indeed, such has been the advance that we face the somewhat paradoxical spectacle of Europe being taken more seriously from outside than from within. It is a paradox which, in my view, we cannot indefinitely sustain. Our size as a trading bloc conceals, rather than heals, our divisions and inequalities in the realm of economic performance. This cannot persist. The central economic weaknesses of Europe, if they continue, will not allow our external cohesion to grow, or even perhaps be maintained. Moreover, the prospect of enlargement will face us with the clear choice either of a strengthening of the sinews of the Community or of tacit acceptance of a loose Customs Union, far removed from the hopes of its founders, and without much hope of recovering momentum. Some commentators believe the time...
is unpropitious for adventurous ideas. I do not agree. The concept and indeed the politics of monetary union stand immobilised in scepticism, following the demise of the Werner Plan, whose initial exchange rate mechanism was shattered by the turbulent monetary events of the past few years. The consequence has been an understandable shift of emphasis. The concept of gradualism, which has been more imperceptible than inevitable, has come to supplant more ambitious schemes. Some people seem to believe that we can back our way into monetary union; others that ‘better coordination is all that is required. I am afraid neither view is right. The last few years have seen a retreat rather than an advance. In any event, the idea of an antithesis between gradual evolution and dramatic advance is misconceived. Evolution is a process which once begun goes both gradually and in jumps. There is room for tomorrow’s act of better coordination and for today’s discussion of a more ambitious plan for the day after tomorrow. The process has to be seen as one. Examples are the Community’s role in helping to restructure basic industries that are at present in deep economic difficulty, and measures to abolish the remaining effective frontiers to the free movement of goods and services. We must now look afresh at the case union because there are new arguments, new approaches to be assessed, which go to the present apparently intractable problems of for monetary needs, and new heart of o-r unemployment,”

inflation and international financing. than seven arguments that I would like your consideration. The first and the but none the less valid for that. The however, are all practical points that differently from the way in which they the early nineteen seventies.

There are no less to put forward for seventh are classical, remaining five, need to be formulated were presented in

Basic to the case is the ineluctable internationalisation of western economic life. This has been a long and gradual process, but one which has been unmatched by a comparable evolution in the economic institutions of the Community. The past four years has shown the limitations in Europe even of good national economic policies. This has been superimposed on the revolutionary effect of the oil crisis - that sharp confirmation of the end of the old international monetary order which added the hazard of a massive overhang of maldistributed and largely uncontrolled international liquidity to an already vulnerable European economy. No proposition as radical as monetary union in Europe can be achieved at a stroke. My be I inf is that we should use the period immediately prior to the first direct elections of the European Parliament to re-launch a major public debate on what monetary union has to offer. In doing so, we have to reckon with the problems of how to get from where we are to where we want to go and what must necessarily accompany monetary union if it is to a-real equally to strong and weak economies, to the richer and poorer narts of the Community. I wish today to outline the major criteria by which the case has to be judged. I expect no easy consensus on the problems it raises, several of which are either at the heart of what is most controversial in modern economic theory, or the most debatable - in the best sense - in political terms. The debate must now be re-opened and subsequently sustained. It will not be quickly foreclosed.

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The first argument is that monetary union favours a more efficient and developed rationalisation of industry and commerce than is possible under a Customs Union alone. This argument is as valid now as it has always been, and is reflected in the repeated attempts in European history to form monetary unions - for example the Austro-German monetary union of 1857, the Latin monetary union led by France in 1865, and the Scandinavian union of 1873. Somewhat later sterling operated a different kind of imperial monetary union over large and disparate parts of the globe. But that is history, although relatively recent history. To return to the present day, discussion with businessmen across Europe produces a clear and consistent complaint that it is difficult, almost impossible, to plan a rational European dimension to their enterprises with the present exchange rate risks and inflation uncertainties as between Member States. The same complaint is often heard from those outside who wish to increase their investment in and trade with Europe. This means that the potential benefits of the Community as a common market are far from fully achieved. The second argument is based on the advantages of creating a major new international currency backed by the economic spread and strength of the Community, which would be comparable to that of the United States, were it not for our monetary divisions and differences. The benefits of a European currency, as a joint and alternative pillar of the world monetary system, would be great, and made still more necessary by the current problems of the dollar, with its possible destabilizing effects. By such a development the Community would be relieved of many short-run balance of payments preoccupations. It could live through patches of unfavourable trading results with a few points drop in the exchange rate and in relative equanimity. International capital would be more stable because there were fewer exchange risks to play on, and Europe would stand to gain through being the issuer of a world currency. National balance of payments problems, in the sense that these are experienced today by the Community's Member States, would be largely removed as an immediate constraint on economic management. There

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would still be major financial questions to be resolved, between regions, and between Member States, and to these I will return in a moment; but the essential point is that economic welfare in Europe would be improved substantially if macro-economic policy was not subject to present exchange rate and external financial risks. They hang as a sword of Damocles over the heads of many of our countries in Europe today. It will rightly be argued at this point that sound financial policies are in any case necessary for all countries and that we cannot escape from the need for certain universal disciplines by relocating the level of certain economic policy powers. I myself advocate prudent financial policies, and indeed was accused in the past as a British Chancellor of the Exchequer of that most terrible of sins - excessive prudence. But this is not an argument counter to my main thesis. The relevant question is what degree of reward will the public receive as a result of wise and even courageous policies on the part of its governments; or, put another way, what will be the penalties inflicted on our people by a largely anonymous international monetary system which amplifies beyond all proportion any ill-fortune of a political or economic nature. My argument is that it is within our power to change, profoundly and to our advantage, the scale
of rewards and retribution~ administered by the world monetary disorder. We should take it upon ourselves to redesign and restore a large part of that system. In the Community we have the political framework within which a workable alternative could be achieved if we so wish, and if we have the will. The Community is the right size of unit for monetary policy in the particular setting of our highly interdependent, closely packed, advanced industrialised societies. At the world level or inter-continental level there is probably no real alternative to floating exchange rates; nor indeed is this system such a bad one in that very different context where the units of economic management are widely separated by distance, or society, or political system, or living standards, or several of these factors together.

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My third argument concerns inflation. It is fairly certain that monetary union would radically change the present landscape by leading to a common rate of price movement. But I would also like to argue, although I accept this to be more controversial, that monetary union could help establish a new era of price stability in Europe and achieve a decisive break with the present chronic "inflationary disorder. Of course the sources of contemporary inflation are diverse, and prominent among these are what may seem to be essentially domestic and highly political struggles over income distribution. But let us suppose at some stage a currency reform: the issue of a new single currency by a European monetary authority; and adoption by this authority of a determined and relatively independent policy of controlling note issue and bank money creation. The authority would start by adopting target rates of growth of monetary expansion consistent with a new European standard of monetary stability, following the best traditions of our least inflationary Member States. This would of course mean that national governments lost some considerable control over some aspects of macro-economic policy. But governments which do not discipline themselves already find themselves accepting very sharp surveillance from the International Monetary Fund, a body far further away from them and less susceptible to their individual views than is the Community. Furthermore, I must make it clear that my arguments are not addressed to those who would prefer to fail alone rather than succeed together. Attitudes such as theirs inevitably cause deaf ears. I am concerned with those who want to see a successful and strengthened Community, but also expect to be convinced of the practical benefits of any move forward. We have to remember what is new about the problem of inflation compared with that to which we were accustomed in the fifties and sixties. Floating exchange rates transmit violent and sudden inflationary impulses, which may strike a country at any moment, perhaps just at the time when employers, trade unions and government may be endeavouring to put or hold together a courageous and delicate stabilisation programme. I Each new

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the devaluing country is much more than the price reduction effect on the revaluing currency because wages, and therefore a large part of costs, cannot be reduced in nominal terms. Exchange rates may rise and fall, but the price level in all recent experience only goes up. The exchange rate problem feeds in turn the psychology of inflation - the high level of inflationary expectations now endemic in many of our own countries, leading to the danger, only recently averted in some Member States, of hyperinflation - that condition in which, almost in the time it takes to walk from bank to shop, the product you planned to buy has become too expensive. Of course, there are conventional responses for trying to contain and reduce the pressures of inflation. But monetary union and reform stands available as the radical treatment for this disease. I do not pretend that the cure would be complete. For example, we would still have to reckon with the inflationary effects of reconciling competing claims on limited resources. The disciplines of monetary union will be more, not less demanding. The change in inflationary behaviour would not have to be greater than that observed in some recent stabilisation policies, but it could have to be permanent. The legitimate needs of the weaker regions would have to be met far more powerfully than is at present the case. I will return to this point in a moment. But the counterpart must be that wages across countries would remain in some kind of reasonable relationship to productivity: here the legitimate concern of the stronger regions and less inflationary states would also have to be met. The fourth argument concerns employment: no medium term recipe for reducing inflation which does not have a beneficial effect upon employment is now acceptable. Present levels of unemployment are the most damaging and dangerous social ill that confront us. At best they produce a self-defeating nationalistic caution and immobilism. At worst they threaten the stability of our social and political systems. We now have six million unemployed in the Community...

Many have been surprised at the apparent tolerance of our populations to this level. Typically in our larger Member States the level of one million unemployed long figures as some kind of post-war political barrier. The unthinkable has been surpassed without catastrophe as yet. But no-one should be so complacent as to suppose that this state of affairs can long persist without doing irreparable damage: to the well-being of the millions of families directly affected by unemployment, to the morale and motivation of a whole generation of young people, to stability and consensus in our societies. In economic terms, I believe that our unemployment problem is essentially one of demand deficiency stemming from the constraints on our ability to cause a smooth, powerful, sustained ground-swell of demand. I do not accept that Europe's capacity for creating new wealth, providing new employment and stimulating growth in the right direction is at an end. Environmental factors and the energy crisis mean that we have to look at the nature of our growth. In any event we need increased output to pay for the present price of oil and for the replacement or adaptation of industrial processes that were designed for lower energy prices and lower environmental standards. These structural and monetary problems combine to make present levels of unemployment highly intractable. But they should not be seen as justifying defeatist and misconceived policies which would permanently reduce the economic potential of the European economy: for example excessive reduction in working hours or compulsory retirement at 55. We also need to view the present economic recession in a longer-term perspective. The extent and persistence of unemployment can no longer be seen as an exceptionally low and long bottom to the business cycle. To restore full employment requires a new impulse on a historic scale. We require a new driving force comparable with the major rejuvenations of the past two hundred years; the industrial revolution itself, the onset of the railway age, the impact of Keynes, the need for post-war reconstruction, the /spread
spread of what were previously regarded as middle-class standards to the mass of the population in the industrial countries. I believe that the needs of the Third World have a major part to play here. Two sources of new growth have in the past sometimes come together, the one world-wide, and the other regional. Can we contemplate the prospect of European monetary union in this context? I believe that we can and should. There is already broad agreement on what we need for a fundamental turn in the tide of Europe’s emnployment prospects: - there has to be confidence in steady and more uniform economic policies favouring investment and expansion; - there has to be a strengthening of demand with a wide geographical base; - if inflation is to continue, it must be at a lower and more even rate than Europe has known in recent years; - we have to ensure that spasmodic, local economic difficulties will not be magnified by exchange rates and capital movements into general crises of confidence. These four requirements may seem obvious enough. The challenge is how to change radically and for the better the institutional weaknesses that have been hindering our ability to restore high employment in conditions of price stability and a sound external payments position. I believe that monetary union can open ~erspectives of this kind.

My argument is not that the Community ought to make some new choice on the combination of these three objectives, still less that we should seek to impose a caricature of some country’s traditional preference on the rest of the Community. Economists have now spent years tracking the deteriorating inflation – employment relationship and the deteriorating effectiveness of exchange rate ·changes in the balance of payments adjustment process. The decisions now required are.-political rather than simply economic; and I hope that these would in years ahead come to be recognised by economists as a break-out from their accepted systems and current models. In this process, we need also to discard political argument based on obsolete, inadequate, or irrelevant economic theory that the objections to European integration are the differing preferences on inflation and unemnployment as between Member States, and that floating exchange rates within Europe allow each country to achieve on its own a happily optimal outcome of its own preference. This is not how the world really is, and we all know it. The fifth argument to which I now turn concerns the regional distribution of employment and economic welfare in Europe. Monetary union will not of itself act as~ some invisible hand to ensure a smooth regional distribution of the gains from increased economic integration and union. Those who have criticised a purely liberal model of the Community economy, one that aims to establish perfect competition and do no more, have strong arguments on their side. But the Community of today bears no relation to the laissez-faire caricature of some of its critics. Nor does it correspond to the model I suggest we should now contemplate for a monetary union. All our Member States find themselves obliged to redistribute large sums of public money and to use less strong but more overt regional policy measures to secure a reasonable distribution of national wealth and emnployment.
In the Community of today, we have a battery of financial instruments, but all of them rather small guns: the Regional and Social Funds, the Coal and Steel Community's financial powers, the European Investment Bank and the Guidance Section of the Agricultural Fund. The Commission has recently made a number of decisions and proposals for the coordination and expansion of these operations. These are worthwhile developments in themselves, and they go in the right direction. But their scale is small in relation both to current needs and to the financial underpinning that would be required to support a full monetary union. This is an example of how short-term practical needs and the demands of a longer-term perspective march alongside each other. There is no contradiction in modern integrated economies. The flow of public finance between regions performs several essential functions - first it improves the infrastructure and promotes industrial investment in the poorer areas; second, it evens out cyclical swings in the performance of individual regions; third, it assures minimum standards in basic services; fourth, it sustains a pattern of regional balance of payments surpluses and deficits which are of a different and larger order of magnitude than those which would cause crises if they existed between countries. This represents the principal offsetting factor compensating the region or state for its inability to conduct a distinct exchange rate or monetary policy. Europe must think in terms of the same economic logic. If the Community is to take seriously its declared aim of monetary union - and there are great dangers in having declared aims which are not taken seriously - it is indispensable that an associated system of public finance should also be envisaged. The weak regions of the Community must have a convincing insurance against the fear that monetary union would aggravate their economic difficulties. The strong regions must for their part have a counterpart in terms of more stable, secure and prosperous markets. Their interest in the underpinning of the unity of the market is overwhelming. In the context of the enlarged Community, it should also be made clear that we are here talking of the means whereby we can avoid or reduce excessive movement of people from poorer to richer areas. This could all too easily lead to the further impoverishment of one and the intolerable congestion of the other. The Community must also take a realistic view of the degree of convergence in economic performance which should be expected before and after the creation of a monetary union. On price performance, monetary union has uncompromising effects. Inter-regional differences in living standards cannot be dealt with so drastically. But we should not be too discouraged. The United States of 50 years ago had a greater degree of regional inequality than the Community has today. 100 years ago it was almost certainly greater still. This analogy should not be pushed too far, but it is nonetheless of considerable interest. The sixth argument concerns institutional questions, the level at which decisions have to be made, or the degree of decentralisation that we should seek to maintain in the Community. "Monetary union would imply a major new authority to manage the exchange rate, external reserves and the main lines of internal monetary policy. The public finance underpinning of monetary union which I have just described would involve a substantial increase in the transfer of resources through the Community institutions. The question then is: can monetary union be reconciled with the profound pressures that are manifest in almost all
I believe the answer can and should be yes. But this requires us to envisage a very special and original model for the future division of functions between levels of government. This is not a subject that has been considered at all systematically in the Community in the two decades which have passed since the Treaties of Paris and Rome laid down certain sectors of Community competence. Monetary policy can only be decentralised to a very limited degree. But for OST policies requiring public expenditure, the reverse is the case. The vast growth of public expenditure in the post-war period, now approaching half of GNP, has emphasised the need for multi-tiered government with various levels according to country: local, regional, state, national, etc. This is a natural and healthy development. It avoids a monolithic concentration of political and economic power and allows for more efficient specialisation by level of government. It also associates people more closely with the decisionmaking process. The federal model is clearly only one in a number of possibilities for multi-tiered government. Some support the federal model; others would prefer something confederal; others like neither. I for my part believe that the Community must devise its own arrangements and that these are unlikely to correspond to any existing prototype. We must build Europe on the basis of our late twentieth century nation states. We must only give to the Community functions which will, beyond reasonable doubt, deliver significantly better results because they are performed at a Community level. We must fashion a Community which gives to each Member State the benefits of results which they cannot achieve alone. We must equally leave to them functions which they can do equally well or better on their own. I would like to give an example of why Europe should not think in terms of copying existing models. The U.S. Federal Government grew enormously in importance when it pushed the development of the social security system, because the states would not move forward quickly enough, and because some states were notable laggards. By contrast, our national social and welfare services, while neither perfect nor identical, are highly developed and not dissimilar. In most Member States social and welfare expenditure amounts to around 25% of GNP. This is a massive example of how the European model of government has no need to contemplate developing Community expenditure of a traditional federal scale. I believe that we can identify those functions which make sense for Europe: those aspects of external relations where inter-continental bargaining power is called for; certain research and development functions which offer economies of scale at the level of 250 million people; policies relating to industrial sectors which have a natural European dimension either because they involve high-level economies of scale as in the case of aerospace or electronics; or because they are closely linked with trade policy, as is the case with industries in trouble with excess capacity like steel, textiles and shipbuilding; or because the areas involve strategic interests which are indivisible between Member States, as in the case of energy policy. Last we need financial policies that would help support the integration of the European economy, the maintenance of regional balance, and thus the viability of monetary union. The overall magnitude of budgetary spending at the European level for this type of Community has recently been estimated by a group of independent economists under the chairmanship of Sir Donald McDougall. As against present Community expenditure of the order of 1% of GNP, they estimated that very substantial progress on economic integration could be achieved with the
aid of expenditure of 2 to 2-% of GNP; they believed that a definitive monetary union might be viable with ex-enditure of the order of 5 to 7% GNP. These are of course very large sums of money, which would have to be built up gradually by a transfer of some expenditure from national budgets and not by a superimposition, but they are quite small by the standards of the classic federations where the top tier of government takes 20 to 25% of GNP. I There is

There is therefore for the Community a new and realistic model for a highly decentralised type of monetary union in which the public procurement of goods and services is primarily in national, regional or other hands. The public finance function of such a Community would be stripped down to a few high-powered types of financial transfer, fulfilling specific tasks in sectors of particular Community concern, and assuring the flow of resources necessary to sustain monetary union. These characteristics also make for a quite small central bureaucracy, which I think we would all consider an advantage. But the political implications would also be great. We must be frank about this. The relocation of monetary policy to the European level would be as big a political step for the present generation of European leaders as for the last generation in setting up the present Community. But we must face the fundamental question. Do we intend to create a European union or do we not? Do we, confronted with the inevitable and indeed desirable prospect of enlargement, intend to strengthen and deepen the Community, or do we not?

There would be little point in asking the peoples and governments of Europe to contemplate union, were it not for the fact that real and efficient sovereignty over monetary issues already eludes them to a high and increasing degree. The prospect of monetary union should be seen as part of the process of recovering the substance of sovereign power. At present we tend to cling to its shadow. These arguments do not run against international cooperation, as for example in the OECD and the IMF. On the contrary, we need to improve the functioning of the international economy by a better shaping of its constituent parts. Monetary disunity in Europe is one of the major flaws in the international system as well as in the functioning of our small to medium-sized states. On the seventh and final argument, I can be quite short since, like the first, it is a traditional one. It is the straight political argument that monetary union stands on offer as a vehicle for European political integration. Jacques Rueff said in 1949 "L'Europe se fera par la monnaie ou ne se fera pas". I would not necessarily be quite so categorical. It should, however, be clear that the successful creation of a European monetary union would take Europe over a political threshold. It seems equally clear that Europe today is not prepared to pursue the objective of monetary union uniquely for ideological reasons. To move in this direction Europe also needs materially convincing arguments. I have tried to set out some of the economic arguments. I summarise as follows. We must change the way we have been looking at monetary union. A few years ago we were looking at a mountain top through powerful binoculars. The summit seemed quite close, and a relatively accessible, smooth gradual and short approach was marked out. But then an avalanche occurred and swept away this route. The shock was such that more recently it has even seemed as if we have been looking at the summit with the binoculars both the wrong way round and out of...
focus. I believe that a new, more compelling and rewarding but still arduous
approach is necessary. We must also change the metaphor. Let us think of a
long-jumper. He starts with a rapid succession of steps, lengthens his stride,
increases his momentum, and then makes his leap. The creation of a monetary union
would he a lean of this kind. Measures to improve the Customs Union and the free
circulation of goods, services and persons arc important steps. We look for bigger
strides in working out external policies, establishing more democratic and thus
accountable institutions, elaborating more coherent industrial and regional
policies, and giving our financial instruments the means to keep the whole
movement on a balanced course. We have to look before we leap, and know when we
are to land. But leap we eventually must. We must not only do what is best in the
circumstances. We must give our people an aim beyond the immediately possible.
Politics is not only the art of the possible, but as Jean Monnet said, it is also
the art of making possible tomorrow what may seem impossible today.

... year_1977 *date_1977-12-06 *place_Brussels

The Right Hon. Roy Jenkins, President of the Commission of the European Communities

Since our last revievl, we ha.ve made some progress on
the inflationary front. Th~ worst countries have got better~ The.middle range
countries have remained about the same, with a shade of improvement. And. the best
has remained as £00d as it was. The overall B/Ps of the Com:nunity has improved,
not quite as f<!st as we hoped, but never-
There has been greater international exchange rate stability. But our growth rates, both in the stronger and the weaker economies, unlike those of the other two main trading blocs, are well short of the targets agreed upon at the Downing Street Summit in May, in the U.K. and Italy.

There has been no improvement in unemployment. It has got marginally worse. It is common, little more than marginal differences, to all our Member States, much more so than inflation or B/Ps problems or even low growth. It is illustrated by emergency action which we have to take, and which are reported to you in our sectoral paper for one after another of our major... And in this respect, the best is, the last... In one sector, we have identified the most promising growth industries: aeronautics, telecommunications, electronics, data processing, energy and water saving. Particularly the last, could take on significant amounts of labour...
I therefore do not believe that any conventional upswing is going to solve our unemployment problem. It would require 5½-6½ growth rates throughout the Community over a 3 to 5 year period to recreate previous levels for the existing labour force. Within the existing framework does anyone regard this likely? 4½ would be optimistic. 3% might be more realistic. There is an additional factor. Demographic projections based on those who might be born are notoriously unreliable. Projections based on those already born are of an altogether different order. They show that between now and 1985 many more people will become 16 than will become Is. After that it will change. But in the next eight years the potential labour force will increase by. nine million against a population increase of six million. In conditions of full employment this would be a strength. In conditions of unemployment it is an additional problem. We need to employ still more in relation to the per capita demand. It will be more acute in Germany, the U.K., and Denmark, and most of all in Germany, where the population is likely to decline by 1½ million and the labour force to increase by 2½ million. Therefore in my view there is no conventional way out. If we are going to change unemployment trends decisively, we need a major new stimulus of a historic dimension, comparable with the onset of the railway age 130 years ago or the post-war impact of the combination of the need for reconstruction and the spread in the '60s and '70s of what were previously middle class standards of consumption. To some extent, but by no means wholly, such impulses cannot be continued. Yet those round this table are capable of making a decision contributive. Otherwise we will all contribute to presiding over what in the context of history may be a period of tactical victories but of strategic defeat.

Beyond this there are two additional factors: (1) Enlargement. Assumption of this must clearly also be our working hypothesis. Are we prepared to allow it to lead to a weakening and loosening of the Community, or are we not? Left to itself it will. A heavier body, particularly with the problems the new countries will bring — although they can be exaggerated without a stronger bone and sinew structure will be more torpid, more flaccid, less coherent. But it need not be so. It could, to the contrary, give us the spur to move forward in the way that in any event we need to do. And if we do not, the enlargement would be self-defeating. The new members have made it clear that they want the sustenance of a strong and coherent Community. They do not want to find that in the process of joining they have damaged the potential which attracts them. (2) We have not got a world monetary system. We had one for 25 years after Bretton Woods, and on the whole it worked very well. But it was based on a complete dollar hegemony. It began to crack in 1968. It fissured in 1971. Since then it has just staggered on. And today the dollar looks less satisfactory than ever as the only real international medium of exchange that we have. Its continuous weakness can be a great de-stabiliser. We are almost certainly the only group in the world capable of providing not a complete substitute but an alternative.

I see no medium term way forward except by giving a new, non-utopian but more urgent and contemporary impulse to the old idea of economic and monetary union, particularly its monetary aspect.

The benefits both to our stronger and weaker economies could be immense, certainly amounting to an impulse comparable with that which came from the establishment of the Customs Union itself.
The balance between benefits for both stronger and weaker economies is in my view essential. We will never, and understandably never, get major steps forward that are in the interest of only one or the other. But this need not be so. The strong have an immense amount to gain from the strengthening and underpinning of the unity of the market, that is its monetary and political stability. For the weaker economies there are also immense, albeit different, advantages: above all protection from the gusts of exchange rate inflation and other unsets, including those arising from balance of payments difficulties, which come from being tossed about as frail small craft on an irrational world monetary sea. As part of the process there must also be greater transfers of resources. Clearly this would need to be within a clear framework of purpose and not just as charitable handouts. Moreover there would have to be the clearer and more permanent acceptance of common monetary and anti-inflationary disciplines. But it is all Members of the Community, strong and weak and those in between, which would stand to benefit from a renewal of that more broadly based and robust economic expansion which only an economic and monetary union would permit. It is worth reflecting on how the United States is at present able to sustain its expansion in spite of certain major economic weaknesses. Not all of us are strong all the time, nor always weak. Those at present in between have shown great economic dynamism in the past decade but now seem hamstrung by the interaction of factors making for external and internal monetary instability. The moment is pro-itious for the acceptance of much stronger common disciplines, providing these balancing factors were there. No-one can contemplate the course of the past few years in some of our member countries and believe that there is salvation in monetary indiscipline, in letting the exchange rate and the money supply go ad ad accepting the inflationary consequences. You get the inflation, your currency sinks, but you are not compensated by greater growth or reduced unemployment. It is only return to discipline which produces an improvement and the beginning of the establishment of a platform for sustained growth.

As a former British Minister, I can refer to the striking example of my own country's recent experiences. I believe there are two essential further points in the analysis.

(i) We will not get monetary union either by proclaiming it and believing that separate currencies can be told not to diverge, nor by an inevitability of gradualism in which everything happens painlessly, effortlessly, without any major act of political will. (ii) Second, it is not the case that an equality of performance is a pre-requisite for ENU. Common policy, common disciplines. Yes, obviously yes. But not the same standards of living, levels of output in Hamburg and Palermo, or in the future Copenhagen and Lisbon.
Monetary unions have worked to the benefits of both richer and poorer areas with at least equal discrepancies in the past. They do indeed work within our member States today where the natural discrepancies are very great, although greatly evened out by fiscal transfers. This distinction is vital. If equality of performance were necessary, it would be meaningless to talk about ECU for our lifetime or even for our children's lifetime. In this situation we need to look back to what monetary union would involve for the Community. I should emphasise at the outset that I do not foresee such a union as something for tomorrow, or even the day after tomorrow. But if we are to set ourselves an objective, it should be one within practical reach, something not over the horizon but at least on the horizon. After all, in the long run we are all dead. What I envisage in the short run is the setting of an objective and the reorientation of our existing policies in terms of it. Thus when we take, as we must, decisions on major economic and monetary issues, we should do so within the framework of policies which will eventually lead to monetary union. This is less than making for union in a straight line; but it is more than the coordination which is sometimes held up as sufficient for our current needs. What now has monetary union to offer? It would obviously imply a lot in terms of European political integration, but I doubt if any among you would be willing to take a step of this size unless you were convinced that there was a clear, functional and economic need for it. Europe will not accept it purely for ideological reasons. I believe that if you look at the nature of the proposition in this light, as I endeavoured to do in some detail in a speech recently in Florence, deploying seven separate arguments, that the economic case is vastly stronger than it is commonly supposed to be. Today I do not ask those of you who are still perhaps a little sceptical to accept this argument to the point of a major new, immediate commitment. But I do ask you to give the idea of a renewed Community initiative in this area a 'fair wind'. To do this in a way that is reasonably prudent at this early stage, yet useful in itself, and also sufficient to carry credibility and to reawaken interest outside the Community institutions, I ask you to do three things: First, agree to a number of practical initiatives and encourage others that are in train. Here I have in mind the new Community Loan instrument, the renovation of the Regional Fund, and measures to improve economic policy coordination, our payments support mechanisms, to alleviate structural problems in certain industries, and youth unemployment. Only the new Community Loan instrument needs to be discussed in any substance at this stage in our proceedings (on this I would like Francis Ortoli to say a word at a convenient moment); Second, encourage the Commission to elaborate in more detail what, in today's very different circumstances as compared to the beginning of this decade, would be the conditions and merits of an accelerated move to economic and monetary union. Here I have in mind two kinds of work on the one hand, analysis of why and how the union would change so significantly for the better our prospects for employment, and stable monetary conditions; on the other hand, what should be the design of the bones and sinews of the union. Here we need to look for a model for the Community's monetary, financial and institutional organisation which should almost certainly be something sui generis corresponding to no preconceived
prototype. In considering what its shape and powers might be, I think we have to
go for something small in size and limited in the scope of its responsibilities.
The federal organisation of the United States, with its massive powers in the
field of social security, is not only no analogy, but almost the opposite of what
I have in mind. I would envisage a decentralised form of monetary union in which
the public procurement of goods and services is primarily in national, regional
or other hands. The public finance function would be limited to a few important
kinds of financial transfer, designed to fulfil specific tasks in sectors of
particular concern to the Community, and ensuring the flow of resources necessary
to sustain monetary union. For these purposes only a small central/bureaucracy
would required. I doubt if any of the Member States would wish otherwise. Third,
agree now to a new procedure for filling five-year programme, subject to annual
review and control, and so provide the formal framework in which we can put
together the individual practical steps of progress and relate them to the broader
perspective as and when this takes firmer shape. In conclusion, I believe the
European Council should deliberate in such a way as to reawaken interest outside
the Community institutions in this project - in political, academic, business and
trade union circles. The issues at stake are so great and difficult that we can
only benefit from a period of renewed debate and analysis across the whole of
the Community. I believe that fundamental proposition is robust enough to derive
increased rigour and support from such a process. Economic and monetary union
will in any case have to come to be seen as a compelling necessity by a wide
range of public opinion before it can happen. But without the will to make it
happen and to direct our intermediate policies, we would be without a lodestar in

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**** *year_1977 *date_1977-09-23 *place_Brussels

- COMMISSION

OF THE

EUROPEAN COMMUNITIES

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- PRESIDENT JENKINS' ADDRESS TO THE ASSOCIATION OF CONSUMERS, BRUSSELS

FRIDAY, 23

SEPT-EER

1977 AT 1030 AM

I am delighted to be speaking here today on the 20th anniversary of the
Association of Consumers in Belgium, not only because 'I attach great importance
to the role which the Commission with the help of such organisations as this,
must seek to play in the lives of the citizens of Europe, but also because I
understand that at least part of the original inspiration for the Association's
highly successful magazine "Test Achats" came from the British Consumer
Associates, on, with which my wife was associated for many years. I have therefore been privileged to follow very closely the development of the consumer movement over the last decades. Tremendous strides forward have indeed been made during that time. For in 1957 when your organisation was founded, and the Treaty of Rome was signed, there were virtually no consumer organisations in Europe, and the Treaty referred to the Consumer only three times. Now in 1977 the position is very different. There are Consumer Associations in every country in Europe - some of them very powerful. Your magazine, Test Achats alone, has some 240,000 subscribers. As far as the European Community is concerned, we now have a programme of action for consumer affairs which is taking concrete form in various ways, including the adoption by the Council of Ministers of a series of directives which improve the standards of consumer protection in the member States. There is also a Commissioner, Mr Burke, who is specifically responsible for Consumer Affairs, a Director-General responsible for the Environment and Consumer Protection Service and a Consumer Protection Directorate which we are in the process of expanding. Because of the growing importance of informing the consumer, we also have a special division within the Directorate-General for 'information, which deals specifically with consumer interests. Then we have the Consumer's Consultative Committee, set up in 1973, to advise the Commission on the formulation and implementation of policies and directives. What progress have we therefore made since April 1975 with our programme of consumer protection and information? I think we can be proud of a record which in only 2½ years includes directives on "food labelling, toy safety, car safety, doorstep selling, unit pricing, product liability and correspondence courses. And by the end of the year there will be two further directives on misleading advertising and consumer credit. Of course, fast we run, you in the consumer movement will be encouraging us to run even faster. I know that there is still a great deal of work to be done in consumer education and information but we are making progress in both. In the former, studies are being carried out in the member countries by consumer organisations financed by the Commission, and in the information field, the Commission maintains permanent contact with television, radio and press by means of holding regular meetings on consumer affairs. There is also the niche field of legal redress to be properly covered, but I do believe that we have now created a solid basis on which to do this. We recognise too in the Commission that the consumer's interest has to be considered far beyond the directives and policies put forward under the specific heading of "Consumer Policy". The consumer has to be taken into account in all parts of Community policies - industry, agriculture, co-operation, anti-trust law, transport, environment and it is obvious that unless we can demonstrate that so on our proposals have some meaning for the man in the street, and for his quality of life, we cannot expect to build a broad base of support among all the people of Europe - a base which will be all the more necessary when there are direct elections to the European Parliament. I like oe 21 ve
Let me give two examples where we really have tried to take proper account of the consumer. The first has direct relevance to the theme of your conference today, since it certainly affects employment. I mean the policy which we are following in the international negotiations on textiles, the so-called Multifibres Agreement. Here we have had to weigh up the problems which our own textile industries in the Community are facing, from low-priced imports of clothing; with the need to combat inflation and our obligations to third countries. It has not been an easy course to steer, and in a period of high unemployment we cannot simply ignore the social consequences of cheap imports. But we have avoided making a move towards protectionism, if it became general, could have unhappy consequences for world trade and as a result for consumers. The other example I will mention is agricultural policy, in which consumer organisations have been taking an increasing interest. I have no hesitation in saying that our farm price proposals this year took the consumer's interest fully into account: our proposals for a 3 per cent increase in the common prices, at a time when price inflation generally in the Community is in double figures, were, I believe, courageous. Finally Mr President, on behalf of the Commission I would like to express our congratulations for your first twenty years, and our best wishes to your Association for the future. My colleague Richard Burke joins me in that message. I have admired personally the high quality of your work including your publications, such as Test Achats and I am particularly interested to see the progress which you have made in the field of consumer rights and services. Good luck to you for the future.
Mr. Prime Minister,-

It is with particular pleasure that I welcome you and your delegation, Mr Prime Minister, in the name of the Commission, to Brussels.

We are very glad to have you here, Mr Prime Minister, you and your delegation, and we this occasion tonight to be above all one of celebrating our friendship.

You, Mr Soares, have become the democratic Portugal.

You have shown throughout your life courage You have fought and dedication for the ideals of freedom. dictatorship. companions. You have sustained in exile the morale of your You have organised and led your party, as you lead the Government of Portugal with skill and inspiration.

Through the turbulences of the revolution you have been able to ally fortitude with the highest ability in persuading the Portuguese people to avoid pitfalls on their arduous road towards democracy.

May I assure you of our sincere admiration and of our warmest friendship in recognition of what you have done for your country and for the cause of democracy in Europe.

It is nearly three years since the people of Portugal shed the cloak of dictatorship and embarked on the inevitably difficult process of
democratic institutions.

By this act Portugal simultaneously became reconciled with its historical tradition and its cultural heritage.

The Community very rapidly recognised the significance of the events taking place in Portugal through the provision of emergency aid and the agreements on the Protocols designed to bring closer trading relationships between Portugal and the Community and to make available a steady source of financial assistance.

Furthermore, a year ago, your country was welcomed into the circle of democratic nations represented in the Council of Europe.

Now you have embarked on the next stage of your progress towards the Community. You have told us today of the discussions you have been conducting in the capitals of our Member States:

which will have left you in no doubt of the collective wish of the Governments and peoples of the EEC to see Portugal take her place alongside them in the task of creating a new Community.

Your discussions will also have touched on some of the severe economic problems which confront you and which the Community is determined to help you resolve. We have talked about these matters today and we shall speak of them again tomorrow.

today and we shall speak of them again tomorrow.

entirely appropriate that the role of the Commission over the issue of Portugal's membership of the Community will be a central one and we look forward to broadening steadily our contacts with all parts of your administration and institutions in the months which lie ahead. You can be sure of our profound goodwill in the task of analysis, assessment and advice to Portugal and to the Member States of the Community which falls to us.

I believe there is a word familiar to Portuguese historians which is "oceanidad" and which describes the imaginativeness, the state of open-mindedness and also the determination of the brilliant I think that navigators in the golden age of Portugal's history.

this same attitude is needed today to take the full dimension of the work which we want to achieve in common in the years to come.

Mr Prime Minister, we salute you with warmth and admiration
following is text of president jenkins speech to respondents' club in tokyo today wednesday 12 .

this is my second visit to japan and my first 35 president of the commission of the european communities to japan. my predecessors, as well as other members of the commission have, of course, visited tokyo in recent years and i -- very happy to be able in this way to carry further the tradition of friendship we have established with the japanese government. friendship implies frankness. and i think i should be frank about two themes ... the nature of the community and its impact on japan and our trade relations. both are surrounded by misunderstandings. let me try and set some of these right.

i am conscious that as president of the commission of the european communities i come to japan as the representative of what must seem a strange and even at times an inconvenient animal. here twenty years ago; was a nation of over 100 million people, there times more densely packed on your islands than the peoples of the european community, successfully earning your living in the cut and thrust of world trade, enjoying reasonably satisfactory relations with the separate countries of europe. and then, following the treaty of rome in 1957, the european community appeared. to some we must have seemed like an octopus. let me explain why we are not •

our community was born of the second great european civil war in this century. i, like most of my generation, served in that war. i am proud to have as friends and

coLeagues in the brusseLs commission, more than thirty years Later~ tho~e who fou~~t on both sises of the barricades. for our community was born of the j0sire of t-e nations of europe, who surveyed the destruction, sufferirg and penury they had inflicted upon themseLves, tc cr0at a ne~ euro-c,

democratic, prosperous, united. no one can say that we h~ve • not achieved c-nsiderable success. the europe which the prime minister knew nearLy 50 years ago, with its poverty, its nationalism, its distrust of the outside world h-s gc-e. in its pLace is a new europe not onLy prosperous ar.d S8L- q>nfident but conscious of 1 ts responsihili ties to the v.;...;RL:j across the seas. it may be usefDL for ~e tu say a word or two ajout w--t o-r community is • in doing so i Must e~hasise t~~t 1-- is :- rapi- evolution. ten years ago it was different with a sm-LL-r ~e-ber ship, and ten years from now it will b- different a-ain, probableLy with a Larger me-bership. it consists of the ~r!ncipaL nation states of western europe who have come together wit-i- common institutions to det...:rrlir.e widenir.- arc:as of co:-mor; action and responsi-ility: tor exa-ple a co-c- ~arket within and a common external tdriff witho-t: a commr-n agricuLtural poLicy based on the concept of a single ~rice system: a common com-erciaL poLicy toAlrd5 the out side worLD and progress towards a co:1r:1nor: f is r,e rie s poLicy c1n d a cor.:r:-on , energy poLicy. there is a gaud deJL eLse in trJin. an increasingly coordinated a-proach by the nine ~e-ber states in '. foreign policy (you will have seen o-r joint state-ents on south africa and the middle east) :the a-plication for membership of the three most re:ent democracies in euro-e (a-though one of them-greece--as the oldest i- the worLD) the fact that these countries see so clearly thtd ~r.eir future Lies with us is testimony to the nciture of t-r? community as a stdblisir,g der;,ocratic for,ce. i will not conceal that our achiever-ents are greater in so:re a . . eas t:-ar others. but the essential ~oint is that the c:.:...:-t; ni t/ increasingly speaks and acts with a single v0ice, a-- is --e counterpart of this country - its interLocutor - -- ~-~~ other side of the world. as such we are major partners. •the originaL cor:-t;"lurlit t; of s'!..Y. had a population of 194 r.Jilllon: vlitr the en:L:::r;e- '.:..'"""::: t:... .... :...:-e of 1973 it grew to 258 million: if, as i hope and ----0vs, it is enLarged again to t-el-v, it will be 311 ~1llie-.~.n 1976 our totaL gross domestic product was ~s 1,392 billion doLLars: compare the japanese one of ~s 553 billion doLLars an d the o f t he un i t e d s tate s of us .1 , 6 q n b i LL:..: or: do LLa r s • aLready we account for over 40 0/~ of the wo-Lj's trd--~, and constitute its
our responsibilities in world trade are clearly very great. how have we handled them? first and most important we have adopted and maintained extremely liberal policies. the community has the lowest industrial tariff of all the major industrialised countries. it took a leading part in the last two trade negotiations in the gatt which together halved our tariff.

we took an equally leading part in the preparations for the current round which was formally launched here in tokyo in september 1973 and which we hope with this country's help and that of the other main participants to bring to the threshold of the final negotiating phase by 15 january next year. although the economic climate is markedly less favourable than in the kennedy round, we have a joint and vital interest in a successful outcome next year. without this we risk being engulfed in a rising tide of world protectionism.

we were the first to introduce a scheme of generalised preferences to help the poorer countries. we took a leading and liberal role in the recent north/south dialogue in paris and we shall continue on this path as the dialogue continues. and even in the textile field, an exceptionally difficult one for us, where we are trying now to negotiate agreements, essentially with low wage cost producers,
fair both to our suppliers and our OVTl manufacturers, it was the community which absorbed three-quarters of the increase in world textile exports between 1973 and 1975. but it shows something else. i was a member of a british cabinet which had to decide in 1975 whether to yield to great pressure from unions and textile manufacturers for a cut across the board in textile imports into the united kingdom. we decided not to yield. a crucial element in our decision was the existence of community rules which made across-the-board cuts impossible. if the community had not existed the united kingdom might well have gone down the protectionist road. if it had, the pressures on other european countries to follow would have probably been too great to resist. it was the fact and the discipline of our community which were the deciding factor in the line ~irg hel1 at a turning
...ere i see three central problems. the first is the increasing heavy trade deficit which type encourages Japan. in 1972 this deficit was 1,700 billion dollars; by 176 the deficit had increased nearly four-fold to 8,900 billion dollars. and there is every indication that it will be even greater this year. against a background of acute social and economic difficulties within the community it is clear that a state of affairs where our exports to Japan pay for three-quarters of our imports from Japan will inevitably lead to increased protectionism. the second is the concentration of Japanese imports into the community on a limited range of goods. these include steel, cars, ball bearings, electrical technical products such as television tubes, and shipbuilding. these are predominantly into sectors that are particularly important to European manufacturing and which are in dry case facing major problems because of the recession. some of the industries affected are located in the arts of the community for which they are the primary source of employment. the pressures on particular sectors of our export trade are therefore easily become intolerable. the third is the accessibility of the Japanese market to European exports. it is freely acknowledged that the Japanese market is not in general protected by a high tariff. yet the market is nonetheless far from being an open one. there are major difficulties in the way of foreign products making an impact. such factors as the Japanese distribution system, the continuing existence of some administrative barriers, and what seem to us a certain intuition ruLuctan-e, partly economic, to accept large-scale imports of products that compete directly with Japanese industries. how can we solve these problems? for Japan as the major actors on the world stage, have a certain reputation. the prime minister said last week that cooperation to avoid "to Learn the Lesson of the..."
one way for us to solve these problems would be to clamp down wholesale to adjust
the balance. this we do not. pulling the plug out of the other end of
the boat does not really help anyone in it. we prefer the more positive solution -
to increase our exports to Japan. we need Japanese help. at present only 20% of Japan's imports are manufactures; oodsa proportion far higher
H: the traditional structure of Japanese trade has tended to discourage the import of foreign goods
if Japanese products could instead be pronated, or to import only until such
time as a Japanese product became available, but if in the long run Japan wants
to maintain and expand her exports of goods for which her industry is
particularly competitive she must accept as a permanent feature of prosperity
that countries have a competitive advantage. the situation for goods must exist here as exist for Japanese
products throughout the community. only thus will we be able to maintain and develop the trading system
which is so much in the interests of us both.

of course, this is not the whole story. we in Europe must recognise the need
for industrial structural adjustments to meet changing patterns in world trade.
Japan needs to recognise the need for restraint to avoid putting intolerable
pressures on particular sectors of European industry. and we both have, together
with the United States, the major world economic responsibilities which were discussed at the London summit in May. The Japanese government is fully aware of the strongly held view of its partners that its balance of payments surplus should be reduced, and we await with interest the impact of the new measures. We particularly welcome the recently stated intention to strive for an external equilibrium.

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you know that we attach great importance to the high level consultations between our authorities twice a year. We also that these consultations can be aided by a closer monitoring of the development of trade and payments between Japan and the Community. To this end, we should consider the establishment of a joint study group, possibly with the participation of business, which would meet each 6 months. We hope that this initiative will be able to find a steadily improving picture in our bilateral trade relations that is a source of pride in my talks here in Tokyo. I have tried to give you an idea of the responsibilities that lie with us in the world. Countries with which we are linked by history, culture, and multiplicity of interests in a world becoming increasingly unequal, our prosperity cannot be separated from theirs, nor theirs from ours. At the conference on international economic cooperation in May, in which I participated for the Community, we made what might be described as a beginning in creating a new and more equitable relationship between industrial and other countries. The...
...world economic relations ford to fail if we do not succeed, as I hope and believe we shall... to be immense...
speech by the president of the commission of the European Community, the right hon. 
roy jenkins, to the European Parliament, Luxembourg Wednesday 6 July 1977 
First, the European Council. Either too much or too little is expected of European 
councils. It is rare that one enters them in the context of a balanced public 
expectation of the results that might be achieved, but the heads of government 
and the president of the commission ought to have such a balanced view. I have personal 
experience of only two such councils, at Rome in March, and at London last week. I 
approached neither expecting miracles, but I believe it reasonable each time to 
expect some advance in dealing with major European issues. At Rome we did --ke 
some advance, particularly in putting in hand some useful work. In London we 
discussed some of the results of that work, but, to my regret, there was more 
talking than decision-making.

I must first express my disappointment that a decision was not reached on the site 
for the joint project. The commission fully shares the concern which this Parliament 
has frequently expressed about the inability to reach agreement on this issue. 
such agreement is vital both for the credibility of the Community and for the 
inherent value of the project. That it should be done is more important than 
where it is done. It is 'not yet lost, but time is now very short'. The 
commission, with, I believe, your support, will do every--thing in its power to 
cut the knot and get a decision from the foreign ministers' council at the end 
of this month. We must also get a decision on the multi-annual programme of the 
joint research centre, which was agreed in principle last November and accepted 
by referendum by all governments in March, and should have been 
implemented as from 1 January.
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ftlr the. economi.c heal. th of the communt,ty.,
on agricultu.re and ste-L, decisi6ns have been taken and are being implemented. the
social and regi-na L fund, and the budget, are ,on the council. agenda. first~ ~
have made proposals to increase the effectiveness of the .funds-- hop~ th~ council
will match them with effective decisions. the council'has indeed made a start on
the social fund. we have tried to c-t out the red-tape which had encumbered the
fund, to intensify its use in the most needy sectors and regions, and to open it
up to a range of ,Labour market poLicies beyond the accepted but relatively narrow
vocationaL training functions. second, in our regional fund proposals we open up a
part of it which wouLd not as in the past be Locked in by nationaL quotas. we aLso
propose to·strengthen its Links with other community financiaL operations. Let it
also be't:Lear that the purpose of the fund is not a mechanism for national
'·governments to cut their own re giona L expenditure.

this brief cataLogue .of som- of our proposaLs provides an important eLement of
the agenda for decisions over the next six months. they spring out of the normal

rhythm of the commission's programme of work but in each of them we have looked forward to produce the necessary reforms I have described. but there are two other issues which have been raised which are in my view, of overriding importance for the community-enlargement on the one hand, and the economic and human complex of divergence, infineation and unemployment on the other. We began with these in January, they were with us in London, last week, they will remain of overwhelming priority not just for the Belgian presidency, but also for the Danish and beyond. They will be central to our capacity to interest the voters of 1978 in the community of the next five years.

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acceptable response to sustain 'democracy. to at :t- fu--Qqm-n.TB:JI-, i t must aLso be economicaLLy r.esponsibl e tn faQin- up t~ til-. Jlll'itilt:-- cAL consequences. and to make a reality of the d.EtfflP--a,tJQ--fflflf.1:t.-- ment we must sol.ve them. i want to emphasise thr~~-! t-he fiP-* is institutional... the ad;aptabil.i ty of our decis1Qf1l,..,~ln--; ma,,ch-.m--Y was stretched in the move from six to nine. ttt- mqve t,q t-r-: qp,. more will further strain the system whi.eh i.s; aLrec;Q'Y GPe<ik-n-, ·commission, council and parliament have a Qyty to to .y-- tJ"l,e e iQ--:-i-. bil..ity of enlargement to make the commu:n:i ty work Detter ~s t- lyf'?J) the co-mmitment to european democracy into a m.cuoe -QtJtn'H'.r.l-Yt<;nP decision-making system.

the community interest must be put first in s.o-ving ~Qflflfll, Jni,ty probl.e-·ms. the council has started' to con:SiQeP this m-:atteP- the commission w!L make proposals to meet this 'fle.ed. $ee0n4.~. we must de at. in the context t of the isSY of asf:it-rq.n,eq.;n agriculture, which itself extends eyend t:Ae Ae ~.,-PeLY gr.i-Y-,..-t:-~ aim:ension. on this tf>.o the eemm i$s ion -hf;; s t.tn.-erta-en o t P"'0,-lIt-l-e, 'h iрид, w-e mu-s t Pe.e.o gJ-t is e th a t t the s t r uc tyP ~ 'i-...~ f te P.eR-e § a. n-- c;m extensi.on of tt'le community's own pPeSen
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we can.not compl.ain of the existing d-n-ePs of ec(:).nomig eiiveP-e·lile.e wit-hin the present community, fa'il to do anythjmg as <a E;:-mTMr:tity to tackle them, and then unth ink:tngly aece,>:t the pro·pect Qf enLargemont. 3359

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The future of European integration and the strength of the Community’s central economic mechanism leading up to direct effects, must be scrutinised. In that time we must demonstrate to the public that the Community’s economic measures, like the Single European Act of 1972, and the various accords and agreements since 1973, have brought about the most significant progress. The Commission’s policy is to meet this need. First, we have organised better national control of the financial instruments at our disposal. Second, we have proposed developing Community loans mechanisms, modest now but potentially powerful, to fill the gap in our financial capacity, which I referred to in my programme speech in February. As a Community we have untapped sources of credit in international capital markets. There is a job to be done by way of financial intervention and investment in the most hard-pressed sectors of the European economy. It cannot be claimed that they are over-ambitious. We are asking for a billion unit of account authorisation for this new instrument spread over rather more than one year, compared with a current rate of borrowing by all Community institutions of 2 1/2 to 3 billion units of account.

I do not claim for these measures more than they will bear. The main lever of economic decision remains for the immediate future with national governments. But their responsibility is twofold: to coordinate their measures in the general European interest and to give to the Community itself the tools to do the job. It was necessary that the Commission now broken ground. This was necessary in order to start to gain a sense of momentum and purpose and present a programme of proposals that demonstrate that Europe is worth voting for.
should like to conclude this intervention by replying to the two oral questions with debate. Which have been put down for this morning.

The first about employment among young people raises one of the most worrying problems of our time. It was anxiously debated both at the Down ing Street Summit in May and at the European Council last week.

I cannot pretend that any government or organisation has any global answer but in the European community its member states are taking very valid and specific measures to create jobs, provide vocational training, and help areas or sectors which have been particularly hit.

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i now turn to the second question Which has been put down about relations between the community and the members of the European free trade area. on behalf of the commission i should like to welcome the important development in relations between the community and the members of efta which took place on 1 july. the agreements which have now come into effect have every possibility of further evolution, as can be seen in the working of article 32. besides these agreements, there are other agreements, notably in the field of transport, with some members of efta, or involving efta countries, which also provide opportunities for closer cooperation. while the core of future relations between our two institutions as such must remain the safeguarding of the development of free trade, there are no limitations on further cooperation "at different degrees of intensity " (as the heads of government of member states expressed it in ukxlm) we for our part would like the closest collaboration between of the European family.
wholly appropriate for me to be here on this occasion - my first visit to Northern Ireland as President of the European Commission - not only because those here present are principally concerned with the economic health of Northern Ireland, but also because this is a priority for the Commission of which I am President, and for the Community as a whole. I should like to speak to you this evening about three connected themes. First, about some of the specific problems you face here; second, but developing out of the first, the way in which we in the Commission see the role of Community regional policy towards Northern Ireland and other parts of the Community; and, third, the way in which this aspect of Community policy forms an essential part of an overall economic strategy for Europe, which is relevant not just to the traditionally rich parts of the Community, but to those parts, such as Northern Ireland, which suffer both economic and political handicaps. Northern Ireland may seem to some of you here present, and indeed may seem to some of us in Brussels, a remote part of the European Community. From time to time we may feel that communication is difficult between us. On a lighthearted note I do confess to you to having been a little concerned before my arrival that telephonic communications seemed to have broken down. In the initial handout that was prepared, after a telephone call to my office, by the British Institute announcing my presence here, I was honoured with the distinction of being described not only as Home Secretary and Chancellor of the Exchequer in the Labour Government of 1964-70, but also having been Minister for Agriculture. This, I regret to inform the farming population of Northern Ireland is not true. But I vividly remember my visit here to Belfast at that time as Minister of Aviation. You have honoured me...
also with the rare distinction of having been Home Secretary not only in that Labour Government but also in the Conservative Government of Mr Heath from 1970-72. Although it will be no secret to many of you that I have always 'stood for what I believe was a moderate position in British politics, to have given me this honour was, I am afraid, going a little too far. But I should also like to comment in more serious vein on the contacts between the Commission and Northern Ireland. I assure you that we follow closely what is happening here. Signor Giolitti, the Commissioner responsible for regional policy, was here in May; there have been several visits this year by senior Commission and European Investment Bank officials; and, on a continuing basis the Commission's Information Office in London have tried, in my view with considerable success, to serve your particular needs. However, notwithstanding the efforts which have been made both by the Commission's Office in London and directly from Brussels, I am personally persuaded that we ought to try to do more. I am glad to say that my colleagues in the Commission agree with me that it would be right for us to open here in Belfast an Information Office of the Commission. A direct Community presence would be invaluable for the Commission in transmitting directly and quickly the views on Community matters of all those interested in them in Northern Ireland. I also hope and believe that such a presence would be of value to you in providing up-to-date information about Community policies and an open channel of communication on the spot'. I hope it will be possible for this Office to open in the course of 1978, but the practical arrangements have yet to be executed and will, of course, have to be done with care. It will be an outward and positive sign of the role which Northern Ireland has to play as an integral part of the Community and of the importance we attach to supporting you in confronting your pressing problems. It is to the economic aspects of these that I now turn. /lvlan of the

Many of the economic problems of Northern Ireland are structural difficulties of long standing, but the post-1973 economic crisis has made things much worse, and enforced public expenditure cuts have clearly been particularly painful for a region so heavily dependent on the public sector. For the United Kingdom economy as a whole the barometer is now rising again. But a massive and sustained effort will be required to ensure that Northern Ireland is not again left behind. Your unemployment now stands at 10! per cent - over 12 per cent if the owner's school-leavers are included - which is one of the highest rates throughout the Community. And in some areas I know it goes up to the depressing levels of 20 and even 30 per cent. I note that, according to Quigley Report figures, some 60,000 new jobs will be needed by 1980 to bring average unemployment down to 5 per cent, and 40,000 to reduce it even to 7 per cent. In the circumstances of your region, the task is a formidable one. For the Community therefore, Northern Ireland must clearly be a priority region. Although the efforts we have so far been able to make have been limited by the availability of funds and by the rules under which the Fund is run and managed, it has so far provided £22 million, the Social £18 million, and the Agricultural Fund nearly £9 million in outright grants. This puts Northern Ireland, in relation to its population, at the head of the list of United Kingdom beneficiary regions. And an additional £21 million has come as loans from the European Investment Bank. The last three years of Community Regional Policy have been devoted essentially to setting up, and then running in, the present Regional Fund. This has been an important task, and within its limits I feel that the Fund has been a success. But frankly, in its present form it is essentially an instrument for providing
additional Community assistance for national regional policies. While it is clear
that this assistance must be continued, we feel it is now time to develop the
Community's mvn regional policy, endowed with adequate and effective means.
Although it must be coordinated Hith, and complementary to, national regional
policies, it must, in my view, have its own character. This is /what
what our new proposals are designed to do. This change of emphasis is needed in my
view for three reasons. The first goes back to the way in which the original
Community of Six developed~ The establishment of the common market during the
1960s did much to stimulate economic growth, which brought benefits to both richer
and less rich ::cgions. But frankly, it is now clear that this: growth on a t'ide
of prosperity tended to conceal as much as reduce the gaps between regions. And
seen at Cooonunity level these gaps are of course even wider than within a purely
national framework. Then the continuation of inflation and recession since 1973
both aggravated the traditional problems of parts of the Community such as
Northern Ireland, and created new problems throughout the Community. It exposed
the limitations of a pure 'common market'. Finally, there has been increasing
recognition that Community decisions in a number of policy fields often have
important regional effects. And if those effects are adverse the Community must
assume responsibility for correcting them. The result is that Community regional
policy must have two aims. On the one hand, it must add its effort to that of
national, regional and local authorities to help reduce the regional imbalances
which already exist. On the other hand, it must seek to prevent new imbalances
from appearing as a result of changes in world economic patterns or of policy
decisions taken by the Community. To meet these challenges a comprehensive and
active Community regional policy is required. What should be its characteristics?
First, we must establish an effective monitoring system so we can know when and
where Community action is required. This is a fundamental albeit routine
exercise. Second, we have to introduce a 'regional dimension' into Community
decisions in all fields in order to protect the interest of regions faced with
special problems. Regional policy cannot
be considered
in isolation from the other policy fields witll which the Community
is concerned. The Commission ha3 therefore undertaken that, in preparing its
proposals in other fields, it will take proper account of the possible regional
effects, in particular on employment. We have invited the Council to accept a
similar undertaking. And where necessary we will also propose appropriate
supplementary measures, such as special Regional Fund aid, to correct any adverse
effect£ which do occur. Let me give you an example - in the field of external
trade policy, and of particular concern to Northern Ireland. As you know the
Community is involved in negotiations in the GATT on the future of the Multi-Fibre
Arrangement - the agreement regulating trade in textiles between the
industrialised and developing countries. The Commission position, now accepted by
the Council, is to seek a reduction in the rate of increase of Community textile
imports from the 22 per cent of recent years to 6 per cent. And for countries with
a very high level of import penetration, like the United Kingdom the figure will
be livier still. The aim is to stabilise the market share of imports over the nextour years so as to give the European textile industry aperiod of calm during
which it can modernise, and to protect the interests of regions such as this, where textiles are still an important employer. Third, there needs to be better coordination of national regional policies. In saying this let me make it clear that the Commission has neither the wish nor the power to impose a uniform pattern of regional development measures on Member States. This would be not only impossible politically, but also economic nonsense, since the problems of the regions vary so much. But there are certain aspects of national regional policy to which these caveats do not apply. Let me take the example of what in the United Kingdom are called Industrial Development Certificates. Three other member States use measures which, while different in nature, share the same aim of encouraging investment away from the highly developed into the less developed areas. The remaining five countries have no investment control powers beyond the normal local planning controls. What then is to stop a company, when refused an IDC to invest near London, from deciding to move to Brussels or Frankfurt rather than to Scotland or Northern Ireland? This seems to me another area where Community-level coordination is clearly required.

The fourth element of a new-style regional policy concerns finance. Before turning to the Regional Fund itself, which by definition spends its money where there are regional problems, I should like to say a word about the other Funds at the Community's disposal. "In recent years some 75 per cent of European Investment Bank loans have gone to regional development projects; and proposals for a major extension of the Bank's lending limits are under consideration. Proposals for the reform of the Social Fund were approved by the Council in June; these will give the Fund a greater regional impact. And we are looking at the Agricultural Fund to see how the same can be done there. It is also now widely accepted that the closer coordination of all the various funds could do much to increase their regional impact. These ideas were urged very forcefully last year by George Thomson, then Commissioner for regional policy. The new Commission, when it took over in January of this year, gave to his successor, for the first time, the specific job of coordinating all our different financial instruments and of pursuing an overall approach that cannot but result in greater benefit for the development regions. Then there is the Regional fund itself. And let us here be quite clear of one thing. It is not some sort of pension fund from which the Community can give assistance to certain 'retired' regions and then forget about them. Our aim is to help regions to play their full part in the Community's economic development. This is in the essential interest of both the region and the whole Community. For the Regional Fund, we have proposed an increased budget. Converted into sterling the Fund has available this year £208 million, of which the United Kingdom share is £58 million. For 1978 we are asking for the equivalent of about £490 million at today's exchange rates, out of which the United Kingdom will get a guarantee of £118 million; with the possibility of a certain amount more on top. The new Fund will be split into two parts. For the first and largest section would be shared out according to the existing system of national quotas. The new and 'smaller 'quota-free' section would have £65 million available next year. Council of Ministers has already proposed cutting these figures drastically - from £490 million to the equivalent of ~260 million. As I stressed at the European
Parliament last month, the Commission takes the view that this is quite unacceptable. Indeed, we consider our original figure a very inBoneable one. The £208 million the Fund has available this year was fixed in 1974. Inflation since then in the areas where the worst regional problems exist means that our \...\ figure of £425 million for the main section of the Fund does little more than maintain the value of the Fund’s resources. The only addition in real terms is then the £65 million for the ‘quota-free’ section. We could have propose\- a much higher figure. In my view this could have been just\{ied in terms of the needs of the regions, by the Council’s own cc\;lls for action to improve the Community’s regional and industri\(al structures and the employment situation, and by the need to establish a better balance in our budget between agriculture and other actions. But the Commission also has a duty to be realistic. So we stuck at £490 million, or 750 million European units of account. It is now up to the European Parliament to make its view known, and I hope and believe they will do all they can to restore the cuts. Restoration is necessary. I would remind you, and the governments concerned in the Council, that the cut the Council has proposed means that jobs will be lost - on our best present estimate perhaps as many as 120,000.

The budget apart, the revised Fund is in part the continuation of the existing fund, essentially providing support for national actions, and in part a new development. On the former, eligible regions will have the double guarantee of the national quota and an innovation T\-

an innovation - that they should never receive less in a given year than in the previous year. We propose to divide these regions into first and second priority groups. The first priority group - basically covering Northern-Ireland and the Republic, and the south of Italy - would need guaranteed aid over a longer period, and in some circumstances could qualify for higher percentage rates of assistance. We also want to see greater flexibility in the types of investment we can help. And on the vexed question of what, in the jargon, has come to be called “additionality” - that is, the principle that Community aid must be added to national aid and not substituted for it - we have proposed new provisions which aim to oblige all Governments to demonstrate clearly that their receipts from the Fund are effectively used as an additional contribution.

This second and new section of the Fund will be an instrument of Community policy. financing specific Community measures and not simply supporting national policies. It will not therefore be subject to the system of national quotas - so one cannot say in advance how much will go to which country. It will be used to help regions which suffer or are likely to suffer because of their dependence on a particular economic sector - be it farming, or textiles, or shipbuilding, or whatever - which is faced with difficulties stemming either from the changing world economic situation or from Community policy decisions. Clearly one cannot fix in advance which regions will need such help nor the form the help should take. It will depend on the nature and scale of the problems. The Commission will therefore propose, as and when necessary, specific actions to be financed under the new section. I would like to conclude by commenting on how regional policy in the broadest possible sense would fit into our hopes and plans for the long run, notably the objective of economic and monetary union. In the Commission it is our intention now to revive the debate about monetary union. It is clearly not our intention to do this in any sense for its own sake or as an academic exercise. Quite the contrary, I believe that the case for monetary union has now to be seen in a radically different light /compared
compared to a few years ago. My belief is that monetary union, if properly defined and supported with other policies, can offer a fundamentally better deal for Europe on inflation and employment. We are no longer in a situation in which we can contemplate with equanimity a gradual evolutionary move towards monetary union, for reasons that stem from the disordered and tempestuous state of the international monetary system. But beyond shattering the old Werner Plan for monetary union, present international monetary arrangements in my view bear a heavy responsibility for the inability of the European economy so far to recover convincingly and with long-term strength from its present recession.

In fact, to restore throughout Europe steady employment creating growth, within a climate of price stability - is the first priority to improve the economic prospect of the regions. Properly redefined and coupled with the right associated policies, I believe that the prospect of monetary union can also be the prospect of a new era of economic growth, trade expansion, prosperity and stability in Europe. But the emphasis on the 'right associated policies' is crucial. There are two vital points here. First, the need for powerful financial and other regional policy mechanisms for redistributing employment and prosperity in an acceptable and balanced way. Monetary union, purely on its own, contains no 'invisible hand' to assure this, and that is why the neH regiona policy I have described is so vita 1. The second point is to offset the inevitable degree of centralisation implicit in monetary union with a deliberate policy for a strong decentralisation of policy in other domains. Chairman, I have mentioned this vast subject in a few and perhaps excessively simple words. But I do not want to pass without stressing them. They go to the heart of the issue of what sort of Community we want, and may have a direct bearing on the future of regional policy. We can have two distinct but not, in my view, conflicting concepts of this policy. The first consists of our present short-run efforts with the Regional Fund, our loan proposals and other initiatives. These are valuable developments and essential, but they have to be seen in the perspective of today's institutional relationship between the Community and its Member States. But secondly I want you to appreciate that a further and much more last concept of regional policy is one that we intend to place at the centre of our efforts to raise the sights of Community policy. I hope that you here in Northern Ireland, together with us in the Community institutions, will add these wider perspectives to your own longer-run political horizons. I believe you are in a good position to play an active and constructive part in this debate. It is vital that in the United Kingdom as a whole, discussion about the Community can be turned away from the arid, inward-looking and ultimately sterile arguments about whether we should or should not have gone into the Community, and whether we should or should not come out. I welcome the fact that the United Kingdom Government have made it clear that that is not the purpose of the debate. The discussion is about what policies to pursue in the Community, not about whether there should be any. I have outlined some of those today which are in my view vital to the economic future of
Northern Ireland. At most I shall hope for your constructive criticism, but in fact I hope that I will get your support.

SPEECH TO ECSC CONSULTATIVE COMMITTEE, JEAN "ONNET BUILDING LUXEMBOURG, 10 A.M., 12TH JULY 1971

I would like to speak for a few Minutes on the economic situation in the country; how the economic performance policies of Member States are developing; and how the community should be expected to act in this situation, both through the co-ordination of economic policies, as well as its direct operational responsibilities. The central fact is that unemployment...
remains at the high and unacceptable level of ~bout 51 fn the ComMUnity as a whole. This level ~•• been approximately static now for about one and a half years, after doubling the course of 1975 end 1976 when we were t' the depths of the reces,ion. This stabilisation of the employment situation has reflected a ~ provressive but not yet strong re-expansion of industrial production over the past two years. The growth of GOP as a whole, in volume terms, looks like bein' little more than 3X for 1977, compared to that the ~Community ~he objective of 41 set itself in its Annual Report in November of last year, ai--~tq and the 4 to 5X growth rate at for the period to 1980 by the last b-sts .TripartUf Conference 'ut one. Af\d for 1978 0' the of present pot icies we ~uld put the l\kel~ growth rate at around 3 1/2 1. Af regards the balance of payments and inflation useful, hard-earned but precarious progres- has been aade. As regards the balance of payments it 'ooks ' if the Co-nity I as * whol* will be approxi•ately in current aCCfUfft bflance in 1971. This is in part due to the stabilisation efforts ..'..
... of several f'ember ftilf:ft ; but it tlso refl-cts certa;, exceptionat factors ... ut fi the build-up of Hotth -- oH product ion and the increas ;ng unh•d States deficit. Tri- fatter in turn refLects the faster cytlical re-eKpansion of the American econdy 1 than that of th• Community.  

As regards dtef and prices greater progress has been made that is aclc--ec:Jg•~ -- fll our 1114tmber -States the social partrif?J .fttWft· ~ . economic statJ'i'ifiiff 0\}ff' --rtant ~ifftff f; th• fnterist of regaining/both fri 1 fWB 6'11. . _ ifore 1/f# pl"offt
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too:td QUc)te • fev exafllll}les fro• lotte of
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1975, lilt tftf if"sent year ve expect t,_e rate to ft'avt'
Wt-n' &T'6\Jgf\'f
60\i\' to 7 1/lf; f" frlnr,e the rat'f vas 18% tl\ 1975, tftffiff '/'H¥ til' ~ . ə
11l-- fW: if" ~itticf fMt)m the rate vas 31% fn 1975, thi'# 1-11. if#-- .,,,,;
Plore progr,ss has -- far been made on vages than prfces.
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fttS: tef{tefs ft\w
f\--
har4 econol5ic fact th*t in co\Jft'trtes vif~ 1litet c"''rfne"i'*f# fffttlt't. fiW ə
fi¥1f to be a cQf'tvincing dome, tic vase stabt l hatton effort befO:re

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reflected in exch.nge ~"f* perfor-.nce vMCh fn turn ts • ••J'0f' ft'tf~' on prfce ə
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or negativl grovtft iiif r,al :fn;tomet for the tirtns of trade tllfH ~:frH
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by the oil produclff ifrrri tfre end of 1973. Tht oplell question he. &WW . h0v ə
lftUCh if'flatiotf i0'ift(t aeeo"a'ny this proce'S'S. Wftlfflf tfff .,,., ft-ff ə
lffl;; clearly, qt.'ite a ("8f; the figures
i have referred to al.so sfiow th'fi Wif', 'ing
people and coq,anfe'f 'Wive been prep....ared i'B 68Wte t0iltWfl' inflation
'id-e\effects qf this necessary tcan8fic Overall tifie economic i'ftt, ~a~iion and
painfuUy. Not
of the foundations

These are precarious and only half-exploited from here, could either progress or regress. Terms of slower growth only beginning achievements.

we have paid the costs in qr real cuts in living standards, but we are to reap the benefits in terms of a sustained resumption of economic growth. I ped. od ahe-d, little doubt that economic growth in the taking th' Community as a whole, is going to be a far 110re than before, notably because of the menace of exacting t-tsk severe and brutal sanctfons from the world outside. Of course not all our Member States are in the same situation. so... • Germany in particular have enviat; le reserves of economic strength on wMch to rely. Some have large windfall gains from
the oil crisis to help them— and here we, ..

I.

the United Kingdom now

benefit in a way that has been true

of the Netherlands already for several years. What the Community as a whole shares indivisibly, however, is the climate of political and economic circumstances that condition whether or not there is going forthco-

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be a resumption of investment which must be

if the business upswing
ta to be strengthened and
une-loy--ent
reduced.
It is
a grave
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view for some commentators in Europe to suggest that there
are divergent interests in the Community between strong and weak economies, or indeed that the floating exchange rate regime in particular can serve
to liberate individual member States from developments beyond their frontiers. High inflaHon ;s not only a social, political: and economic ill in the count des that
sti-late
experien-e
it; it also ,destroys the climate necessary to ..
investment in the business community of Europe as a whole,
including the countries that are themselves experiencing low inflation.

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3983  ~uld
3984  ....... like to say at we can and should
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3987  at _c.llfU\ty
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3991  ~ogress
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3997  .WMf ~net-PL:oymen.t,, aftyd
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t-h
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4000  end Soc~ ~ommittee as well as this Consultative Co~ .ust
4001  ,..., a
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4010  tc;, be
4011  is not
And to achieve that 'mastery of inflation' we need technical and consensus, as well as the
intellect - the use of metar'y and budgetary policy.

to play in the Consilium's economic policy coordinated procedures.

We are shortly going to discuss in the Council: the
Commission or review slow-down in the target reduction of public sector
acts in the... to the slower 'than expected' growth, so as not to hinder the
preparedness for the strong countries to take more stimulatory measures if it looks as if...
growth performance after 1977, substantially under target; maintenance of quite strict control over monetary aggregates to provide a safeguard against acceleration of inflation. We have a "further very direct part to play in the fight against inflation, and

through our fixing of interest rates. This year we have

we have also important in-direct responsibilities for employment through our external trade policy. Here the Commission intends to bear every bit of its responsibilities. We are world

a large power to determine how world you all know, powerful
policy develops.

There are, as conflicting pressures bearing on the trade negotiations that are now under way and I have in mind not only Round but also important
Tokyo sectoral negotiations in the textile area, are experiencing unprecedented
not to mention steel, from a lower w, and large scale than at any time since the war, although the Community is moving into approximate balance on its current account with the world as a whole. In the United States we are dealing with an open trading
new administration, which is for its part dealing with increasing Jast protectionist domestic interests.

An acrimonious and disorderly slide to protectionism in world trading policies at this time would be the worst possible recipe for the increasing investment and employment that we are seeking to achieve.

At the same time, we have to manage our commercial affairs in such a way as to avoid the ravages of the continuing world recession doing irrecoverable
dam to industries that we need to maintain and prosper in Europe.

The Commission also feels strongly that the community's financial directed towards the priority objectives of employment and structural reform for the Community economy. We have already in our first six months firmly in this sense. We started by taking internal steps to improve the coordination of Community funds. We have followed by making proposals for the reform, and extension of Regional and Social fields of operation, 0f.

M 4raft tNdget for 1978 to regional and social policy lld twojtt••

Vt Jtav. ~led t...e plans for expansion of tM Eur~ It\~'tllht Vt lMJAt''

~f"athms pPted by the European CouncH a f'ft de)~ • •

are i_.lftlentinQ .Otif" new power for Euratom loan financing..
an important proposal for the future of the E.C.S.'s in the areas of energy, industrial and agricultural infrastructure. Last and not least, we have been taking steps to develop the E.C.S.'s potential to convert and develop infrastructures. This package of initiatives should in our view be seen as evidence that the Community is capable of contributing to these objectives, to our economy.

It is now for the Council and Parliament to show for your proposal, if you feel that your colleagues later.

"Oft

TM's package of initiatives should in our view be seen as a step forward.

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as evidence that the Community is capable of contributing to these objectives, to our economy.

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crobtes.

It is now for the Council and Parliament to show for your proposal, if you feel that your colleagues later.

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tht- ar-, ready to move with us. It is also, if the may say Mfj,, to help us - if you feet
our people's sense of consultation Committee
sensible. You are, if a sense, our strongest constituent. You know what we are trying to do in the steel sector with the aid of policies that go considerably beyond what we have so far have for the e.e.c. as a whole, we hope that you will debate with us our own ideas that go beyond your sector and in the debate interelf-
that f.

going on in each of our countries that you will debate in the interest of all us members that means of action at the community level to help affair-

better our economy, I

Mr, Chairman, have deliberately confined my remarks to the
immediate fConomic fssu-s facing th• Community. without going into the detail of
goal and stee~ policy, or into longer run issues for the develop-.nt of
CoJ~~-UnftJ poUc1•• or instctttuuons. l now look forvarct to hearing

**UO!r ovn vievs.

I a...n very glad to have this opportunity of addressing the Committee of
Ministers of the Council of Europe. doing so I am follm.Jng the admirable.
precedent. set by
rriY predecessor in May last year.

that a tradition rather than a precedent has now been created. as
"-ell"

It should ccrve to strenethen in o. personal as
instin-tional

way the ties which bind ·our

seat hBre in Strasbourg, even if no longer in ths old temporary building, always
retains a special place in my affections. Today is a happy occasion for.the
Council of Europe· •. Since my predecessor spoke to you, Portugal has become one
of your number, ana today vile welcome Spain. In this

way the family of European parliamentary democracies is not only enlar.ged but
also· enriched. Two countries which have

so Ereatly contributed to European civilisation and its radiation throughout the
world have.now found their rightful place among us. Vlhen the Council of Europe
was established

after the sec on a Eu rcpe2.n civil war, it represented the hopes of all who had
then suffered so much for a better political order with Clemocretic values and
respect for human rights at its foundations. Not only have your /insti tu rions.
institutions wi th.fjtood the test of time but they have constituted a standard by
YJhich the performance of governments can be judged. Your welcome to Portugal and
Spain is

thereby all the warmer, and the more. significant. As the :re-presentative of
another -.and certainly not negligible -European organisation, I want today to
concentrate on the state of relations of Europe and the European Commisnion. has
long

the Council

Our relationship

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goed, a;ld some may think it could scarcely We exchange information on subjects of
cciill:lon

be improved.

interest, and representatives of each take part in work organised by the other. Vle particularly welcome the part

played by the office you have set up in Brussels which serves as a channel of
communication in'both directions. But few things are so good that they cannot be
bettered, and I have two ideas to put to you.

First I think that

we might try to synchronise our work a little more closely than in the past. I
believe that my predecessor made a One way o.f

similar point when speaking to you last year. achieving better synchronisation
would be for a

representative of the Commission to be invited from time to time to attend
meetings of your Deputies, particularly those dealing \Vi th your v1ork programme. In- this

way I think we could avoid the duplication which sometimes occurs, and make sure
that our efforts are properly dovetailed. Each of us would better know
a-cordingly.

what the other was doing and plan his work

/Secondly

- 2 -

Secondly we should
consider anew the accession of the Communities as such to some of the Council of Europe conventions. I believe that a happy precedent has just been set with our accession on Tuesday to the Convention on Tiss...lar Reagents, not perhaps a subject in all our minds all the time, but interesting all the same! Our approach to such conventions is flexible. are matters for which the Communities have exclusive competence, and in those cases our accession is a legal necessity. There are other matters in which that--- Co:rt-uni ties

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There are not there involved and competence rests with our Member States. is a third category where competence is shared. must obviously be judged on its own merits.

Each case

But an area of

particular interest to the Communities is the co-operation

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lesal matters which you have very significantly pronounced the member states of the Council of Europe. Here

be-ween

the interest or the competence of the Communities is often involved, and I think that we should be more directly concerned in your work than has been the case in the past.

I

eive two exa"les.

First with work on something involving

customs regulations you ':Jill find that have

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,member States

transferred their responsibilities to the and secondly

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Communities;
th work on the standards and rules governing the sale of pharmaceuticals, you find that this relates to Community rules governing free circulation of goods, fair competition, and the protection of the consumer, and is therefore a matter of shared responsibility between the Community and its Member States.

First human rights.

Here everyone recognises the pioneer role of the Council of Europe, both in the definition of those rights and in their protection. We applaud and follow your lead. All members of the Communities subscribe to the European Convention on Human Rights, and it would be unthinkable for us to include members which did not accept the underlying principles of the Convention. As you know the Court of Justice of the Communities has declared that it is guided by these principles and has embodied them in its case. All this was set out in the Common Declaration of the Community Institutions of the 5th of April of this year; which has now taken its place as one of the primary documents of our constitution. A particularly important element in the Convention is the right of an individual to bring a case against a government. I know that it is sometimes inconvenient for in this respect I speak as a former Home Secretary in the British Government. But I also recognise how important it is that an individual should be able to have redress against governments. Few things so well illustrate our common acceptance of the rule of law in our affairs. hope very much that all Member States of the Council of Europe will eventually accept the right of individual petition; and that in each
of our countries the Convention will increasingly be regarded as an element in their domestic as well as international law. If I could add in passing, I also hope that more will be done in future to make known the existence of the Convention and the important work which is done within its framework.

It is, I think, right that on the day when Spain joins the Council of Europe, I should say a word about the applications of Greece, Portugal and Spain to join the European Communities. well known. The views of the Commission are 'We warmly welcome their applications, and are in the case of in the case of in the case of in the case of Greece, negotiations are already in train; Partueal, we aim soon to complete our application; and in the case of Spain, cause of the size and importance of the country and its economy, we are at the beginning of what will be a formidable piece of work. Here I should like to underline one essential point: in all three cases, separately as they are in time and character, we are working with the will to succeed. Finally I say a word on a subject close to my heart: the renewed effort which I believe the Communities should make to achieve economic and monetary union. Some of you may have seen the ideas I set out on this subject in my Jean Monnet lecture at Lisbon last month. The ideas I there expressed grew not only from my lifelong standing convictions but also from intensive discussions within the Commission during the last few months.
Without a eatherine
momentum::il tcr;arcls econcnic and nonetary union the idea of the Europcean Union to ":i!;ich all our l.Iember States have subscribed
i'Jould be vain and empty and little :more than rhetoric. Wi tb out it I do not see how in the future vle shall be able effectively to cope
~:Ji th
i;Jflation and unemployment,
re-establish stable economic ,e:roivth, achieve hieh and more
/equis-
- 5 -
equal livinB standards, contribute to the reordering of the international monetary system, and ensure that the further enlargenent of the CoiiL"!ll.mi ties will strengthen rather than weaken them. These subjects will be discussed
at the forthcoming European Council when \'Ve hope to reset our objectives a1d reorient our existing policies in terms of then. The good health cf the Council of Eu::r;ope is in no doubt. Ncr is the good health of the
Europe-
Coru-unities.
But both are living organisms, and both must grmv if they are to su-vive
and prosper.
I am confident of their future:

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TIIB RIGHT HON ROYJE!JKINS, PF;ESIDENT 01- THE COM-IISSIGN OF TIIE EUROPEA!-
C0l''11' tHNITIES
Address to THE DEUTSCHE GESELLSCIL\FT FUR.
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,RTIGE POLITIK
This evening 1 should like to talk to you about a principal issue that now faces the Community: how and why we should resume our pursuit of monetary union and economic integration at the same time as we face a second enlargement of the Community.

The applications for membership of the Community from Greece, Portugal and Spain have rightly been welcomed. Despite the fact that the last enlargement took place only four years ago, and in some was only formally completed this year with the end of the transitional periods, the Community should embrace this prospect of enlargement.

South.

The First, reasons are simple and primarily political.

the Community was found in the duty to cherish and nurture parliamentary democracy and individual liberty. Whatever our other difficulties, these The recent emergence

remain our entrenched values.

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...
calls for a direct and full-hearted response from the Community. To fail to give such a response would run the risk of undermining the very democracy for which we stand. The political attraction of application underwrites our fundamental political purpose.

Second, whatever our economic difficulties or lack of internal integration, we must be open to democratic European states who are anxious and qualified to join. It is much better that there are those who want to apply rather than leave.

But, despite our overall political aims, the central thrust of the Community remains: economic, and there is no doubt that the combined weight of the three applicants would add to what I would describe as the ‘poor-end’ loading of the Community. Naturally there are important differences between the three countries concerned. The Greek and Spanish economies, and standards of living, are generally little different from those of Ireland or Southern Italy. The economic situation of Portugal is qualitatively but the overall and quantitatively of a different order.

The pessimistic reaction in these circumstances would be to accept the political inevitability of enlargement and an accompanying weakening and dilution of existing...
of existing Community integration.

I believe it is profoundly mistaken. Politically inconsistent with the Community's aims, and it is, in my view, based on a false analysis of the options open to us. It is the last thing we would also add that they themselves want.

Applicants

Why should they go to the trouble and take the political risk of resigning from one free trade area, E.F.T.A., only to find that at the end of the day they have, by doing so, joined another which has slipped back to a simple common market?

But it is not only a problem for the applicant countries themselves, or just a question of enlargement. The existing Community, in any event, has to face up to its more pressing economic problems, and that is why, the Commission has decided to give a new, more urgent and contemporary, impulse to the old idea of economic, and monetary union, particularly its monetary aspect.

First, I should like to outline what, in my view, are the seven basic reasons for pursuing monetary union today.

I will only summarise these arguments, since I have already set them out in some detail in my Jean Monnet Lecture in Florence in October. But I shall follow this summary presentation by a review of how these arguments appear to be standing scrutiny and debate.

To public

I should like to conclude with some thoughts on this week's European Council in Brussels.

I the seven...
s programme for Gtt a·inment of Aconumi c
and monetary union are a combination, on the one lwacl, of what I believe are new arguments, and, on the other, traclitiona.l arguments, the combinCJtion, contrary to much Ollinion, being stronger in the circumstances of the late 1970s than it was at the beginning or the decade.

The first, and traditional argument concerns the rationalisation of trade and commerce, which comes .. with a customs union. The latter is a great achievement, but it is, in my view, alwajs undet some threat, and one which could both be safeguarded.and further advanced if the customs union became also a monetary union. The

inter-nenetration of }!ember States' is a reality; more than h8lf of each membr country's exports g6cs to its • ;partners in 'the Community. No ~tcember State can get away from these facts, or hope that markets in third countries, least

6£ all in new competitive circum-
stances, would provide a substitute for the integrated economic area provided by the Community.

The second, third

~nd

fourth arguments concern

the traditional objectives of macioeconomic policy empl oyment, stab_ility and a sound external payments position. These objectives are traditional and common But there arc
to the policies of all }.fember States. . two new aspects.

First there is the extent to which Member States have suffered a deteriorating outcome in trying to combine the three objectives. Second,

there is the extent to which monetary union accompanibd by policies for economic integration offers itself as

1 one of

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one of ttle l::ajor keys to sccuriil_t;, in the long run,

a basic impruVClilcnt in the economic

cnvironmcr-t.

To

- 128 -
these central arguments I will return later.

flonetry union would also directly affect our influence on \Joirl monetary affairs. Today 'c hHvc We had one not got a proper world monetary systeli.

for 25 years after Bretton Woods, and on the whole it 'vorkcd very well. dollar hegemony. fissured in 1971. on. Bu_t it l.ascd on a complete It It began to crack in 1968.

Since then it has just staggered And today the dollar looks less satisfactory than ever as the only real international. medium of exchange that we have. de-stabiliser. Its continuous weakness can be a great The Community is the world's leading trading power and its second economic power, and the formation of a monetary union ivould permit the Com-unity to play a major and perhaps decisive role in the restoration of order to the internationnl monetary system. It would also mean that the Commu.ni ty' s economy as a whole 1.ould be managed under less severe and erratic externgl financial constraints than at present. Economic and monetary union would certainly not remove the need for disciplined efforts throughout -the Member States to tackle inflation; it would increase them. on the contrary, But th§sb -£forts would be -loneytary union ivould recompensed by greater rewards.

provide an opportunity for establishing a fiew standard of European price stability. Of course, such a new standard would still require of the Community I authorities - (;

-129-
to make cut of it a continuing era of monetary stability. inflation
But
some !l<llt of the :nrcsent problem of in any case be eliminated, ·notably
the transmission of inflationary impulses due to intra-Euronean the historic
exchan('c ....
rate movements.
In addition,
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of monetary union.and thereby monetary
reform could introduce a decisive break in the inflationary psychology of
recent-years.-
'The fourth argument concerns employment.
Here
I believe that economic and monetary union could be a decisive contribution to the
of economic and monetary union now required to revoice the deep recessionary tendencies
which are widely established throughout Europe and are manifestly of much more
historical spurts of growth, and hence give a further strengthening to business
The fifth argument concerns
th-
regional
distribution of employment and economic welfare in the Community. Experience has
gration process contains no invisible hand that guarantees an even spread of the
increased economic prosperity that the customs
...
has produced, or a The economic
monetary union would further generate. part of a revised approach
therefore be strongly directed
circlevs correctly towards correcting the Community's
problems.
Anc1 this must both deal \dth sectoral problems ~
for example in the energy field, and a number of major
branches of industry, and with the problem of regional
imbalances.
This will require a sten-.ly b,t,t solid
development in the Community's power to direct budgetary and capital market
resources into the weaker regions and Member States.

- 7 -

- ty sixth point is constitutional as w 11 as
economic.
It concerns how the centralisation of some
macroeconomic -ewers inherent in the formation of an economic and monetary union
can be reconciled with the profound pressures in all our Member States labouring a maintained or increased decentralisation of government.

- 8 -

Monetary union does not offer much possibility for compromise in the sharing of responsibilities between the levels of government. On the other hand, the budgetary and economic aspects of union offer very much greater scope for the sharing of responsibilities between the Community and Member States.

The Community

must look for an original model for the organisation of economic and monetary union in which the Community would take on the minimum degree of centralisation adequate for the task. We should be neither dismayed nor constrained by existing federal -ode-. The seventh argument is essentially political. Economic and monetary union would carry the Community over the threshold of nolitical union. But there /arc arc also h:o sha\Ter-run pol.i t icul factors relevance:. The first is the que.stion of en] Llrge:::cn-.
On this I should

to add one point to

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have said already.

equality of

It is not the case that an is a pre-requisite for common policy, common
disbursement of

It is not the case that an is a pre-requisite for common policy, common disbursement of

 effective monetary union..

and Palermo, or in the future Copenhagen and Lisbon. Monetary unions have worked to the benefits of both richer and poorer areas with at least equal
discrepancies in the past. They do indeed work within

our member States today. The natural discrepancies are very great,

although greatly evened out by fiscal redistribution. Equality be meaningless.

This distinction is vital.

of performance were necessary, it
to talk about economic and monetary union for our lifetime or even our

children's lifetime. I therefore do not regard enlargement as a bar to economic and monetary union, but rather as making it essential.

The second political factor is the campaign which will take place for the first
direct elections to the European Parliament. This is an eminently suitable
occasion for the people of Europe to engage in a major debate on the profound
issues which economic and monetary union both senses and, in my view, helps to resolve.

I present these arguments in this foreshortened way as a backdrop against which I should like to discuss some current reactions to them. I shall do this
three headings: - first, institutional
question-;
- second, questions of economic argument; - third,
question-of
political attitude.

On institutional questions, I have found

- clear

echo of opinion which accepts the proposition that we face a problem of the level at which economic and monetary policy is organised in relation to international investment,
capital and the business cycle;
put another
"By, we face a problem in the failure economy. Sound.
Of monetary policy to be adequately organised in relation. to the nrivRte This view is not as pessimistic as it may ... economic It implies our capacity for a better/pe:cfon;ancc
in Western Europe has not been fatally reduced, and that economic theory and policy are not sea as is sometimes suggested.
quite-so
badly at
The crucial problem here is that small and medium sized European states using their levers of monetar-
and fiscal policy independently
cannot adequately face up to the international dimension of the economic phenomena they are trying to control.

German commentators and opinion formers are uniquely well placed to participate in this kind of institutional analysis. You alone among Community
countries have a solid ground in the mechanism of a federal system. In your history you have experfenced
looser confederal forms of organisation - riotably in the middle of the last century. Now you have a strong
federal structure, one that is tighter in its degree of central harmonisation (for example 'on tax3tion matters) /than jn
IU -

A{lm.i.t:tcldy some other of our !<ember introducing
constitutions}.}

St-tcs

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 rcfcnms - and I am thinking of
the beginning, Italy and the United

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C[l][l]

t he esscntial point here is that you in Germany
and I am thinking of options and options the ld dc

 spectrum of

 an Ango men ts

 [or multi tiered govern;nt; ie:nt

th1ll may be co:fttT'i'ttible with the functioninz of a modern, industrialised 

economy. You will, I

ho-c,

exa:ine caTefully the rather special basis for the

devo J OJ-incln t of the Comr:mn i ty 's functions that I am

presenting, and indeed nut to the European Council this week. It is one in

which-the centralisation of

monetary policy would be necessary but in which the distribution of fiscal and

other financial nowcrs would be a very different matter. I suggest in

particular that I've might contc.mplatc a Co.mmunity intervening only to a very

minor degree in the supply of public goods and services. Community public

expenditure as a share ifr GNP might remain no more than perhaps a fifth of that

seen in the average modern federal state. (This would be intulsive of central

social
security transactions - I know that in Germany you conventionally distinguish more strongly between budgetary and social security finances than in many other countries.)

Two other features of the Federal Republic today are also of relevance in this context. The first is a
capacity for bold reform in the monetary field.

In particular I recall Ludwig Erhard's monetary reform of 1948, when he rent ahead and succeeded only after a
chorus of 
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and also k<ve led era} o:-r confcdcrnl fcni:ls of
gc>"Cl
;me-il t.
These are good reasons why Germany should be a major source of intellectual and I have literal political initiative in the construction of Europe, and my argument---
or others in the Community should J i.sten to your and experience very carefully.
I hope our initiative in relaunching the debate on monetary union will stimulate an imaginative and professional contribution.

Let me be more precise, for there are many questions to be answered. For example, how far could a relatively independent European monetary authority delegate operational responsibilities to the national banks? Is it effectively possible to devise a more decentralised monetary and banking system than that found in the United States, which is already more decentralised than in the Federal Republic?

How should one envisage the evolution of the Community's monetary and political development with the evolution of its budgetary. These can be of three types:

- transfer;
- of specific tasks as in the Fund;
- or our Regional or Social...
These are questions that I know some of you thought deeply about in the early 1970s. If I encourage you now to do so again, it is because I believe there are powerful, new economic arguments pushing us in that direction. The consistent German thesis - that monetary union and stability, resource transfer mechanisms, and political integration - have to be seen as an interdependent and indeed indissoluble whole, is, in my view, right. It cannot succeed. An advance on any one front alone is likely to fail.

The challenge is to

place in a new political and economic structure.

Our imaginations in a constructive and practical way so as to make measured progress on all three fronts together.

I turn from institutional and budgetary questions to those of economic argument. I have argued that a European monetary union, buttressed with the right complementary policies,

would greatly improve economic welfare in Europe through inducing more intensive trade and commerce, creating a more favourable international monetary position, through
with precautions in achieving the objectives, not least in their international dimension, can hardly be doubted. Since, the --m11c time, the genuineness of efforts -- in all our countries to do better by conventional means cannot also be discounted, this lt1Ctkes the need to look to more various 1 c 0.

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treatment even more compelling.
that thcrefoTc seem;
the current reaction to the repositions,
economcc cc:;se ? collcncering t:1.--1dc
On the first two and the international monetary the benefits
sy5tc1n, I h--vc heard no real disagree6rnent : to be obtaiJ:.cd by the ~ommuni ty
in forming a full monetor.y union are vast - and increasing when we give weight to the vulncrabil:ity of international trade and the relative weakness of the dollar.
I
Put thc·other way round, the cost ~f disunion is becoming increa:jngly obvious and heavy.
There has been more hesitation in accepting my argument that monetary Ullion would offer a far more favom:able combination of employment and price stability than seems achievable in present circumstances by convention;,l policies. elaborate on this. I would like therefore to
There are two arguments here, one negative and one positive.
The nci••,nti ve ,n·gument consists of Tecogl!is:i.ng that it is 110
longer true that each of our !-1embcrr States has to accept that there is an immutable relationshin
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and a general audience will confirm this.

Hit this is not an objection nor an obstacle to setting out to improve, according to your starting position, either oT both the inflation and unemployment situation.

The Community inflation and unemployment record should not be expected to be fixed to the weighted average per performance of the former States over some recent reference.

If this is so, what then of the positive opportunities to do something?
I invite you to reflect for a moment on the situation in Europe today; to reflect on the reasons why no member State appears able to move more quickly towards our shared objectives for employment and stability.

I start with the Federal Republic.

Germany resists at least in its extreme form - the so-called 'locomotive theory' of cyclical leadership by the more powerful economies whose balance of payments position is strong. Even some Anglo-Saxons, but I understand your argument.

Every German boom since the war has been led in no small measure by strong export demand, leading to a strong consequential tide of private investment. German industry is so export-oriented that it is looking for firmly based expansion of overall demand in its European markets. You can take the horse to the water but you cannot make it drink.

Expansionary fiscal or monetary credits risks causing the trough to flow over with inflation. Therefore the attractiveness of pulling further on the levers of domestic demand management policy seems limited.

You cannot, in the conventional international setting, have an important effect on foreign demand without risk of domestic instability - but the situation within the setting of a European union could be substantially different.

Let us look then at the other medium sized European economies. Those which, from the point of view of monetary policy and prices are vulnerable, are compelled to adopt a cautious demand management policy. If they do not, there is the risk that a bolder policy will result in a sharp drop in the exchange rate with extremely harmful consequences for domestic inflation and hence business confidence.
The smaller countries of the Community, for their part, share the situations of one or other group of the larger countries, except that the external constraints on the effects of any economic

The result is a sort of economic stalemate. The countries which are under no external financial constraint are nonetheless reliant on the weaker countries for the effectiveness of their policies. But the more vulnerable countries are themselves unable to act on the basis of the collective economic and financial strength of the Community as a whole.

This is a recipe not only for immobility and stagnation, but also for producing, in biblical terms, not "the wages of sin" but the 'wages of frustrated economic expectations'. The contemporary economic bible surely demonstrates that the wages of frustrated economic expectations are inflation and social discontent, circumstances in which it is impossible to recreate business confidence and a strong business upswing. in Community interdependence.

Trade, finance, exchange rate and price behaviour is intense, but our system of inter-governmental cooperation and embryonic Community instruments demonstrably do not match that intensity: what other conclusion can be drawn from the continuing lament in official statements from each of our European countries that they cannot 'on their own' assure the turn-round in international conditions that are required to change the domestic economic outlook?

Some would here argue that should be the full answer.

The Community should, of course, play a full part in improving its effectiveness, but let us keep a sense of perspective as to its potential - after all, our efforts to coordinate have been...
In a properly designated European monetary union the outlook could, I believe, be radically different. The result would be single, homogenous monetary policy, setting, and indeed maintaining, a common high standard of price stability. It would have to be based on a well-prepared currency and, to a lesser but still important degree, fiscal policy that would allow Europe's undoubted potential for a more sustainable and broadly based economic expansion. This view of the future is either academic or foolishly utopian.

I do not believe unre-listically I am describing the technically achievable reforms in the organisation of monetary and, to a lesser but still important degree, fiscal policy that would allow...
I do not accept that creating growth to be released. Europe's potential in these respects has been irrevocably damaged in recent years. In a Europe of 751 million unemployed, and in a Europe and employment are not so much competing but complementary objectives, we should not be hidebound and confined by the assumptions and conventions of the past, but ready to contemplate institutional reforms.

There remain those who say that employment problems are a matter of political urgency, but proposals are addressed to horizon. criticism. But there are another—

First, our employment problem is, I am afraid, now a medium-term, rather than an ordinary cyclical matter. Moreover, beyond the 61 million unemployed of today there are 9 million more young people who between now and 1985 are going to be added to the Community labour force looking for new extra jobs; and the Federal Republic is, because of its population profile, at the top of this list. Thus we have to think in terms of a new medium-term stimulus for the European economy a stimulus which will have a medium-term rather than an ordinary cyclical matter. 

Second, while monetary union is clearly not for the very short-run, I would not wish to push it over the horizon. We should be prepared to take preparatory
decisions and proceed as fast as those who want to succeed together and be convinced of the arguments. To

If a new design for the Community's monetary union and economic integration gains support in the debate that we are now initiating - in all the Community's institutions and in the public at large - than we should look very seriously again at the length of the time-horizon.

- Third, and for the short run,

I would by no means underestimate the favourable effect on business confidence in Europe of the Community deciding to embark again seriously on a renewed and intensified approach to economic and monetary union. Our European Council earlier this week was in this respect encouraging - although not in itself decisive.

are early days still, and much more remains for next year, but we have achieved a 'fair wind' for our new approach. But this European Council also broke through some log-jams. It agreed in principle to a new Community mechanism;

it resolved certain budgetary problems thus opening the way for the new unit of account and own resources in the 1978 budget; strengthened our short and medium-term balance of payments mechanisms, supported the build-up of industrial policies, and looked forward to new proposals on youth employment. This is a considerable list of practical achievements and they are all useful steps towards building up the sinews of an integrated economy. If we can succeed in presenting in the next year a convincing and well-understood plan of action relating today's steps with tomorrow's design - that in itself should substantially improve the general morale of the Community, of
I hope that German opinion will join in this new revival of an old debate with vigour. In terms of economic policy, you may be reluctant to embrace the so-called 'locomotive theory' for international economic coordination; some of you may now even be hesitant about a strong Community initiative. I understand both these attitudes. But in the final analysis, I believe that German interest cannot be well served by resisting both proposals at the same time. My inclination would certainly be to support international economic cooperation but to give primary support to the construction of a hard-core integrated Community economy along the lines I have tried to describe. I am encouraged that the way is now open in the Community institutions to take up the central questions afresh. It is thanks in no small measure to the helpful position taken up by this week's European Council. I hope for a vital contribution from the Federal Republic as a whole. strength as a greatly respected industrialised and democratic society inevitably gives you both opportunity and responsibility in the construction of Europe. I should like to conclude with a general political reflection. It has recently been aid that Europe cannot be united by money alone.
Indeed this was the view of Herr Apel on 2nd December, with him.

I also agree with him that there is no such full integration. But I also believe that there can be no such full integration.

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 platform from which we launch this debate is a bronchially based one - it is monetary, of course; economic; it is also political and institutional;

we must fashion our policies, short term and medium term, with the firm purpose of further Community integration, not just by the prospect of enlargement.

This requires - for both strong and weak; and a combination of benefits and sacrifices, certainly not all from one side, certainly not all to the other. But it requires above all a realisation that the Community creates and does not merely redistribute. It has not been and must not be thought of as just taking from one and giving to another. It must benefit us all, strong as well as weak; And it otherwise it will never move decisively forward. and goals, even though its means must be largely economic.

must always remember its political purpose, inspiration
THE MARSHALL PLAN MEMORIAL LECTURE
Bonn June 3, 1977

THE RIGHT HONORABLE ROY JENKINS PRESIDENT COMMISSION OF THE EUROPEAN COMMUNITIES

June 1977 marked the thirtieth anniversary of the speech by General George C. Marshall which gave birth to the European Recovery Program, the Marshall Plan. It also marked the fifth anniversary of the German Marshall Fund of the United States, a private U.S. grantmaking institution located in Washington, D.C. The Fund was established in 1972 by a gift of the Government of the Federal Republic of Germany, as a memorial to the Marshall Plan, to promote understanding of problems common to industrial societies. To commemorate the Marshall Plan, the Board of Trustees of the Fund has established a Marshall Plan Memorial Lecture. The Right Honorable Roy Jenkins, President of the Commission of the European Communities, delivered the first Lecture on June 3, 1977 at "La Redoute" in Bonn-Bad Godesberg. President Jenkins' lecture is reprinted in this commemorative brochure. It also includes anniversary messages from President Carter and Chancellor Schmidt and the remarks delivered on this occasion by the President of the German Bundestag, Professor Karl Carstens, by the State Minister of the Foreign Office of the Federal Republic, Dr. Klaus von Dohnanyi, and by the Chairman of the Board of Trustees of the German Marshall Fund, Professor Harvey Brooks.

The German Marshall Fund of the United States

ANNIVERSARY MESSAGES

On the thirtieth anniversary of the European Recovery Program, I wish to express the appreciation of the American people for the Federal Republic's magnanimous gift five years ago which provides the financial basis for the German Marshall Fund of the United States. Three decades ago the Marshall Plan enabled Europeans and Americans to work together to meet essential human needs in the difficult post-war years, to rebuild cities and to create the means of employment. Today the social, economic, and political issues that trouble Europe and America and other regions are less visible and dramatic. But they are more complex and deep-rooted and will require a cooperative effort as great as that of the Marshall Plan. Governments and international organizations cannot master these problems by themselves. We need the help of private institutions like the Fund which are dedicated to assisting Americans and Europeans to work together toward a solution of our common problems. Our industrial societies have much to learn from each other and from the other nations of the world. The unique gift of the German people is making it possible for new generations of Europeans and Americans to exchange ideas and experiences in surmounting the problems which confront our peoples. The Marshall Plan could have no finer memorial. President Jimmy Carter

To the trustees and officers as well as to the American and German friends of the German Marshall Fund of the United States I extend my most cordial congratulations on the occasion of the Fund's fifth anniversary. I consider it a manifestation of the German-American friendship that the Fund has chosen Bonn to celebrate this anniversary and I regret deeply not to be able to be with you today. The activities and achievements of the Fund's first five years have been impressive and I send my very best wishes for its continued good work. Federal Chancellor Helmut Schmidt
INTRODUCTION BY PROFESSOR HARVEY BROOKS Chairman of the Board of the German Marshall Fund; Benjamin Peirce Professor of Technology and Public Policy, Harvard University

THE MARSHALL PLAN MEMORIAL LECTURE THE RIGHT HONORABLE ROY JENKINS President of the Commission of the European Communities

It is my pleasant duty to introduce to you the first Marshall Plan Memorial Lecturer. It is an anomaly, perhaps, for an American to be introducing a European to Europeans. Not only a European but the person who more than any other represents that one European voice which is referred to so often in America. For this reason and for many others it is fitting that the first Marshall Plan Memorial Lecturer is the Right Honorable Roy Jenkins, President of the Commission of the European Communities. The Board of Trustees of the German Marshall Fund was delighted when he agreed to accept our invitation to deliver this lecture. And it is a pleasure, on behalf of the Board, to welcome him here this afternoon.

President Jenkins has had a long and distinguished career in British politics, and his ties to both the United States and Europe are as many as they are varied. An author of many historical works and a member of the House of Commons for nearly thirty years, he has held high government posts, including that of Chancellor of the Exchequer and, most recently, Home Secretary. If I may be permitted at this point to speak for a moment of Mr. Jenkins’s early connection with the Fund. As Home Secretary he took the initiative in inviting representatives of the Vera Institute of Justice of New York City whose Director, Mr. Herbert Sturz, is also with us today- to work with experts in the Home Office to test in the U.K. certain procedures relating to bail and to work for former offenders found successful in New York. The German Marshall Fund was pleased to have provided support for this effort. Mr. Jenkins left his post as Home Secretary to assume the presidency of the Commission of the European Communities on the first of January 1977. As a historian and one with a deep understanding of the U.S., he has referred often to the different origins and paths of the United States of America and the uniting states of Europe and to the different nature of the separation of powers between the White House, the Congress, and the courts in America on the one hand and between the Commission, the Council of Ministers, the European Parliament, and the European Court of Justice on this side of the Atlantic on the other. As an experienced politician, he is aware of the practical difficulties that face a unifying Europe, both internally and in regulating its relations with countries outside the Community. As a statesman, though, he has called on Europeans to lift their sights. "To make our deeds a little better than our words ... to always do more than we promise to do," as he put it to the European Parliament last February. As historian, politician, and statesman - as all three - Roy Jenkins is superlatively qualified to deliver the first Marshall Plan Memorial Lecture.

Ladies and Gentlemen: The President of the Commission of the European Communities, Roy Jenkins. 4

It is a great honour to be asked to deliver this, the first Marshall Plan Memorial Lecture. I shall address myself to two principal themes: first, the challenge that faces the European Community in the prospect of its further enlargement, and second, the challenge that faces the industrialised nations as a whole in their relationship with the non-industrialised world. But I would like to begin with a reference back to 1947 as I believe it is both instructive and appropriate to examine these issues against the backcloth of the Marshall Plan as well as being an appropriate acknowledgement of the occasion on which we now meet. There are important lessons to be learned. Like many seminal political speeches the idea contained in the Harvard Commencement Address of 1947 had been thoroughly worked
over, but the preparation of the speech itself was a last minute rush. General George Marshall had in fact said that he could not attend the Harvard ceremony but the opportunity of carrying his ideas further at that moment encouraged him to change his mind and use the occasion for a major speech. It may not have seemed to the audience of students, alumni and parents a very dramatic occasion that day under the elms in Harvard Yard. Marshall was no orator. The speech read much better than it sounded. It did not propound readymade solutions. The U.S. Administration was persuaded that public opinion at home needed more time to respond to its ideas, and that public opinion in Europe needed no more than a hint, not a programme of action. In Europe it had an immediate effect, most of all on the British Foreign Secretary, Ernest Bevin, who, by-passing official advice that perhaps it would be sensible first to ask what the Secretary of State had in mind, made it clear that the problem was not what Marshall meant, but how Europe would respond. As Marshall himself put it in the speech: "It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally, a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe."

The critical four-year period that followed the Marshall Plan set in motion the two main currents that have formed relations between the United States and Europe over the past thirty years. First, the Marshall Plan in its conception and its implementation implanted in American foreign policy the idea of Europe as a possible and credible political and economic unity. Of course, it did not obliterate other views. An occasionally irritable incomprehension at a divided and unimaginative old world remained. From time to time the desire to remake that old world entire and new in an American image rose to the surface. But neither of these extremes was predominant for long. The normal view was the post-Marshall view. It was neither imperial nor isolationist.

Second, the European Recovery Plan and the Paris Conference offered Europe the first of many steps which she was to take towards her own integration. The Organisation for European Economic Cooperation, the Coal and Steel Community, Euratom, the Economic Community and then the fusion of the three Communities themselves were foreshadowed in part that afternoon in Harvard Yard. As a result of European determination and trans-Atlantic support, Europe, and in particular the European Community, today displays a picture sharply different from the 1947 landscape of penury and insecurity. Compared with that Europe whose trade and economy had been crushed by war and whose horizons could embrace little more than a survival through the next winter, it is now, in the form of the European Community, a single and relatively prosperous common market, the largest trading unit in the world. The pattern of European relations with the United States has changed from one of dependence to one of interdependence. The political and economic cohesion of Europe has grown, not to the extent that the optimists of the previous generation would have wished, nor as far as some of us would desire, but it has grown, and the world outside, sometimes more than we ourselves, has come to take the European Community very seriously indeed. This is not, however, the contemporary picture you hear in the public utterances of politicians or read in the political comment of journalists. The post-1973 recession and current rates of inflation and unemployment understandably influence the perspectives of us all: they reinforce a widespread feeling that the Community needs to be revitalised and regain a clearer sense of purpose and momentum. I share that feeling. Despite its difficulties, the Community should begin to take itself as seriously as the world outside takes it. I point to the contrast with the slough of despond in the immediate post-war years to mark the distance we have travelled and illustrate the strengths and resourcefulness I believe we possess to overcome our own major problems. What are the problems? The first is the problem of the distribution of
economic strength within our boundaries. The second is the question of enlargement. They are closely linked. The first problem first. The consequence of the Common Market in its lifting of trade barriers made a major contribution to achieving the surge forward of the 1960s and the relative prosperity that exists in much of the Community today. It intensified Community trade, increased contacts at all levels, and advanced European integration in the process. But the limitations of this original, laissez-faire approach have already become evident. The gap between rich and poor regions of the Community has not narrowed but widened and it is now obvious that, without complementary policies to those of free intra-Community competition, there is a real danger that the already poor economic situations in certain regions may be aggravated. The economically liberal principles of the Common Market took the original Six a long way during what now seems, at least in the glow of retrospect, a much more favourable general economic climate. But in less good years and without additional policies to hand, they are not only insufficient but in some ways even dangerous. Such a common market therefore cannot and does not any longer represent the conceptual frontier of the Community economy. The Community's public sector, in its regional, manpower, investment and industrial policies already seeks to redistribute finance and encourage investment in order to balance the economic fortunes of Member States and regions of the Community. The divergences between different regions cannot just be ignored. The Regional Fund, for example, has become an integral part of Community action. In the future, the Fund must be renewed, reinforced, and made more effective. The financial instruments at the Communities' disposal must be coordinated and deployed to produce the maximum impact. But Community action, whether through the Regional or Social Funds, or through the European Investment Bank or other borrowing and lending functions, is still very limited. The aim is to assist economic convergence, to keep on a politically acceptable track the forces of private economic integration set into motion by the creation of the Common Market. This involves mechanisms to steer employment and investment into the sectors and regions which are most vulnerable to economic circumstances. Community institutions have available only a limited range of actions from which to choose. There are three open to us: first, the choice of priorities in the Community budget, second, the enhancement of our non-budgetary finances, i.e., our borrowing and lending powers and, third, the development of our legal powers of financial intervention in both fields. Nor are the sums of money large in relation to national budgets. The Community budget represents less than 1% of Community G.N.P. Nonetheless, with relatively small increases and selective action we can link our Community means to our general Community economic objective of a convergent and adaptive economy. The Commission is currently considering important proposals in these areas. It is at this point that the Community's own future economic cohesion and the prospect of enlargement are linked. There are here three essential principles. First, the Treaty clearly envisages the acceptance of European countries who are qualified to join. The founding fathers intended a Europe for Europeans. The Six, attached to parliamentary democracy, became Nine, on the basis of this common attachment. It would damagingly undercut our democratic purpose if the Community failed to sustain and support those European countries which have emerged from dictatorship. The peoples of these countries look to the Community as a guarantee of free elections. As we approach the prospect of enlargement, let us not forget we are also on the brink of direct elections for the European Parliament. That symbolism will not be lost upon the applicants; let it not be lost on us. The three Community institutions-Commission, Parliament and Council- recently, in the presence of the Court of Justice, solemnly signed and thereby re-emphasised their commitment to human rights. We cannot then turn and say that enlargement is too difficult, and shut the door on those whose democracy we have just underwritten. The process of seeing how the
Community can grow is not instantaneous. Because it is not, there are bound to be
moments when an apparent lack of speed is interpreted pessimistically. It is at
such moments that our political commitment should not be forgotten. The second
principle must be that, while each country should be treated individually in
negotiations and discussion, it is neither in their individual
interest, nor that of the existing Community as a whole to ignore the
interrelationship between them. The pace of decision must be different, and it is
already so. Membership negotiations with Greece are in progress. The Portuguese
application has been received and the Commission asked for its opinion. Spain has
not yet applied. There should be no question of holding back our discussions with
one country in order to wait for another. We should not have comprehensive
negotiations, but we should not, of course, try to divide our minds up into
separate compartments and avoid taking a comprehensive view. The third principle
is that the Community must, faced with the problem of enlargement, be ready to
develop, realistically, its own political and economic arrangements. Political
realism means that internally we must be ready to make institutional improvements
if we are to adapt, at all efficiently, to the prospect of enlargement.
Economically we must match our stand for democracy with a preparedness to sustain
it in practice. It is this latter point I should like to develop. Some doubt the
capacity of the Community to undergo a further enlargement without being broken in
the process. It has, in historical terms, only recently grown, and not without
difficulty, from six to nine, and this was negotiated at a time of relative
economic strength to absorb new Member States whose level of industrial and
commercial development for the most part broadly matched that of the original
members. Now, at a time of much greater economic difficulties, the Community must
embrace the prospect of the membership of countries, which, while differing in
their relative industrial base, share common features which pose particular
problems for existing Community arrangements - especially in agriculture. I
underestimate neither the range nor importance of these problems. They must be
faced, and be faced openly. But I equally believe that a pessimistic approach is
founded on the wrong analysis of the Community's stage of development. Pessimism
would assure that we are no more than a common market with some agricultural and
industrial appendages. But this stage has already been passed. If it had not, I
would myself face the prospect of enlargement with a sense of foreboding. The mere
trading arrangement has a crucial and logical limitation. It means you must hold
very tightly to the geographical extent of the club. But even within the existing
Community boundary we have passed beyond that phase. We have our essential
political purposes, which have always been a vital background to our economic
methods. We have recognised our own regional, sectoral and unemployment problems.
We have started to tackle them. The Commission is committed to improving our means
of doing so. And we cannot in that process ignore the impact on the Community
economy of applicant countries. The structural differences and difficulties of the
emerging democracies of Southern Europe are a part of, and not wholly separate
from, the Community's own present and pressing problems. If we have the courage to
face this issue frankly, there is an opportunity for the Community to act here and
to work out a programme of assistance that benefits both the Community and
applicant countries. The anniversary of the birth of the Marshall Plan is, I
believe, an appropriate moment for us to
commit ourselves to meet that challenge. The courageous and imaginative statesmen
of thirty years ago, both in America and in Europe, faced more daunting
difficulties than we do today. We must not only commemorate them, but seek to
emulate their courage. If we do so, we can turn the risks of enlargement into the
catalysts of future progress. If Europe was ready enough to welcome Marshall Aid
thirty years ago, let it now turn the economic strength it has and its capacity to
develop its existing policies in an equally constructive way to a similar vital
purpose. I have spoken up to now of what must primarily be a European
preoccupation. I should like to turn to one which is global. The differences
between the industrial and non-industrial parts of Europe are no more than a
reflection in miniature of similar, and deeper differences between rich and poor
in the world. Here, still more than in the opposition of power blocs, lies the
major problem of our time. It was the realisation that an active engagement to
face up to this problem could no longer be postponed that led to the calling of
the Conference on International Economic Cooperation. The mere convening of this
Conference was a substantial step forward. The groups principally concerned had a
framework in which they could define the problems involved, and begin a machinery
to put solutions in hand. Throughout the Conference the European Community has
been able to play an important part, thanks to the high level of coordination
among its members and to a lesser extent with other groups in the industrialised
world. This has not been a coordination directed against our partners in this
dialogue; on the contrary, the industrialised countries have put forward proposals
out of an evolving sense of international responsibility. This responsibility does
not stem from a need to pay conscience money for possible misdeeds in the past or
a pervading sense of guilt about the present. It is a responsibility resulting
from an objective analysis of the situation, and the complementarity of the needs
of the different parts of the world. I do not suggest that there no longer exists
any moral imperative for the richer industrialised countries of the world to
accept a responsibility for righting the injustice of poverty. At least 500
million people will not have had enough to eat today. That has regrettably been
the case for a long time. But, for perhaps the past ten years it has also been
recognised that, as the balance of population shifted more and more towards
developing countries, we would all of us in the West, however well we ordered our
affairs, be in increasing danger of being separated from the rest of the world by
so narrow a gulf of geography but so wide a gulf of comprehension and living
conditions. Our belief in the universality of human rights unites with an
enlightened selfinterest to make us more determined than before to reject such a
future. Only if there is continuing progress towards a fairer world can we be sure
that the somewhat reduced tension of East/West relations is not replaced by a
still more dangerous and deep-seated cleavage between the rich and the poor world.
But there has been, over the past four or five years, an important and different
advance. There has been the increasing recognition that a purely charitable
approach fails to respond to the real interdependence between the economies of the
industrialised West and the less-developed primary pro9

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ducers. The Community itself has given a strong lead in proffering more practical
and relevant arrangements - notably under the Lomé Convention. Our scheme to help
stabilise the export income of developing countries, which it is now envisaged
should be studied on a world scale, and the progress made on stabilising the price
of basic raw materials, have been good examples. We have learned the lesson that
the health of world trade is dependent not on the maintenance of a privileged
position in and for the West, but on a process of practical cooperation with the
developing world. The United Nations Conference of last year and this week’s CIEC
meeting in Paris - which in my view achieved more than has yet been recognised
signal an awareness that we have made the mature transition from the idea of aid
for the Third World to the idea of cooperation in the interest of us all.
Hitherto, in relations with the developing world, the Community has not only been
in the lead but has been well in the lead. I recall writing myself five years ago
that the greatest deficiency in the world aid scene at that time was the poor
performance of the world’s richest country. I wrote then, as I speak today, as a
friend and not as a natural critic of the United States, and I am glad to record
that the view taken by the present United States Administration is in considerable
contrast with my gloomy reflections at that time. The Community is still ahead,
but it now shares with the United States the same basic approach to this
fundamental problem. In President Carter's recent commencement address at Notre
Dame he made this clear in the following words: "We can no longer have a policy
solely for the industrialised nations as the foundation of global stability; we
must respond to the new reality of a politically awakening world." It is to the
mutual support of both Europe and the United States if we can share a common
vision of the interdependence of our actions in the world. But the relationship
between the United States and Europe should not exist only, or even primarily, at
the level of political decision. The fact that I am today delivering the first
Marshall Plan Memorial Lecture, sponsored by the German Marshall Fund of the
United States, is itself proof of the contrary, as also is the type of work in
which the Fund has engaged itself. By setting up the Fund as a memorial to the
Marshall Plan, the Federal Republic not only made a generous gesture in keeping
with the Plan itself, but provided an ideal vehicle for the type of international
contacts and studies which are the lifeblood of mobile societies like those of the
Western world. It is not only the developing countries which need a transfer of
technology, a new idea or an experienced example to follow. Industrialised nations
too need to organise and encourage the flow of information, techniques and
approaches to common problems, in order to stimulate the renewal of their
inventiveness. There are several domestic areas where the exchange of experience
between Europe and the United States could be especially fruitful: for example,
the comparison of approaches to the problems of urban living and of ways of
running a modern industrial society, in particular the tripartite approach to the
problems of unemployment and economic management, and the straightforward exchange
of high technology in industry. To this end, I have never been in favour of purely
intergovernmental exchanges; a whole range of independent, non-governmental
studies is needed. The German Marshall Fund of the

United States is doing invaluable work in this field. Europe has become, thirty
years from the Marshall Plan, a coherent Community. Indeed, paradoxically, this
identity is often more clearly perceived by others than by ourselves. Its policy,
formed, sometimes with difficulty, under the pressure of its own particular
conditions and constraints is not in any way tributary to the policy of others. We
need not be tempted either by fear of undue subordination or feel the need to
over-asset our independence by unnecessary intransigence. Our actions in the
North/South dialogue have proved this. But Europe's international strength must be
matched by our capacity to respond effectively to the tasks which face it closer
at home- of which its overall cohesion in the face of the impending enlargement of
the Community is the greatest. There is no reason why we should not overcome this
challenge. Each time in the past the Community has been faced with a really
fundamental decision about its future, it has faced up to it and surmounted it
successfully. This has been the way forward in the past; I believe it will again
be so in the future.

REMARKS BY PROFESSOR KARL CARSTENS President of the German Bundestag

It is a great pleasure to welcome you on behalf of the German Bundestag in Bonn on
this highly significant occasion. The observance of the double anniversary which
has brought us together here presents an opportunity to contemplate the past and
also to tum towards the future. When Secretary of State George Catlett Marshall,
almost thirty years ago to the day, in his historic speech at Harvard University
set forth the idea that the United States of America should lend assistance to the
war-shattered European nations, the world witnessed the birth of a programme which
in its political dimensions is without parallel in history. How was this signal
from Cambridge received in a crippled and weary post-war Europe? Certainly, the
Old Continent would hardly have been able to liberate itself by its own efforts
from the pressures of misery, distress, and desperation. The immediate and
generous help extended by the American people sparked new hope among the peoples
of Europe. This American initiative restored the Europeans' faith in the future
and brought back their will to live. The German people in particular feel a
special obligation towards the United States for having been included from the
very beginning in the European Recovery Programme. This gratitude is not lessened
by the fact that the process of the reconstruction of Europe has meanwhile been
completed. True, German debts from Marshall Plan aid have formally- in a financial
sense- been repaid. But the Marshall concept lives on in the European Recovery
Programmes which are still today and will remain a valuable complex of operations.
For these aid programmes represent in particular valuable support for our
medium-sized businesses, for development aid, and for Berlin. Let me take this
opportunity, ladies and gentlemen, to speak also of a statesman from the Old
Continent whose achievements supplemented the impetus from the New World. For
without Ludwig Erhard's political imagination and farsightedness even the initial
spark of the Marshall Plan, in itself, would hardly have been enough to get the
motor of the German economy into high gear once more. That essential supplementary
contribution was provided by Ludwig Erhard as he was in charge of the economy of
the then British and American occupation zones. As we know, he went on from this
initial contribution to become Minister of Economics of the new Federal Republic
of Germany and later its Chancellor. His concept had far-reaching consequences. It
restored the free interplay of the market. Thanks to his unrelenting struggle to
liberate the economy from control, American help achieved its declared goal of
safeguarding the recipient countries' capability for survival, not least on German
soil. The answer of Europeans to the American offer has been and still is a
growing readiness and preparedness to take on coresponsibilities extending beyond
national and even European horizons. We Germans were of the opinion that we had to
go a step further to keep alive the

Marshall concept: not lost in the young generation. Accordingly, five years ago we
laid the financial cornerstone for the establishment of the German Marshall Fund of
the United States. The successful work of this foundation as reflected in its Five
Year Report bears out and justifies the original conception. The current main
thrusts of the Fund's operations- urban problems, the working world, land
utilization and area planning, criminal justice administration, communications and
the media, international raw material, and other economic problems - may change
with time. But the basic concern remains: to enable Americans and Europeans to
learn from each other and to work together in coping with national and
international problems. To find common answers to the growing challenges that remain the continuing task of the Fund. We are especially indebted to
the Board of Trustees of the Fund and to its Honorary Trustees for their voluntary
and responsible sense of dedication. We, Americans and Europeans, are all called
upon to do our utmost to support these people in their continual search for new
approaches and ways to cope with the problems confronting us all. Finally, I wish
to congratulate the Board of Trustees of the Fund on its decision to engage Roy
Jenkins, the President of the Commission of the European Communities, as speaker
on this occasion. As a pioneer of many years' standing for the unification of
Europe and as holder of the most important office in the European Executive,
President Jenkins as few others is competent to present to you Europe's views
regarding the possibilities for the necessary cooperation between the Old
Continent and the New World. The list of unsolved national and international
problems is long. Urgent questions as regards the supply of energy and raw
materials, the relationship between industrialized countries and the Third World—but even the relations between citizen and state—remain to be answered. The peoples on both sides of the Atlantic must pull together in order to find these answers. In this spirit let me wish your undertakings every success.

REMARKS BY DR. KLAUS VON DOHNANYI State Minister in the Foreign Office of the Federal Republic of Germany

First let me thank you for giving me this opportunity to say a few words in place of Willy Brandt, who long ago arranged a series of meetings and discussions in Rome for this day. At the beginning of festivities marking the thirtieth anniversary of the Marshall Plan we must express our thanks. Thanks to the American people and to the then Secretary of State of the United States, George Marshall, who in his address to the students of Harvard University on June 5, 1947, laid the spiritual foundations for this recovery program for Europe and thus for the Federal Republic of Germany. The German Marshall Fund of the United States, which was created in 1972 as a memorial to the Marshall Plan, is intended to express this gratitude not only in words, but at least partly in deeds as well. To those who were able to follow developments in Europe and the United States in 1947 with some political understanding, George Marshall's generous proposal seemed to be an extremely rational one, which would also serve American interests. After all, in his speech Marshall also pointed out: "It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace." But even if one takes into account the political interest of the United States in the recovery of Europe during the years immediately following World War II, the magnitude of Marshall Plan help is astounding, even from today's point of view. The European countries received altogether in the years 1948-1951 some $13 billion in Marshall Plan aid, and this sum represented almost 1.5% of the national income of the United States during those years. Per capita every American contributed some $85 to the Marshall Plan aid. And every citizen in Great Britain, France, Italy, and the Federal Republic of Germany received, on the average, during these years some $56 in aid, and that represented nearly 3% of per capita income in Europe. The Marshall Plan, for which we say once again thank you today, was intended to be magnanimous. In the words of George Marshall: "Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop." As I said— at the beginning must be our thanks. But we also share a sense of respect for this magnanimous and politically farsighted help. In that sense the Marshall Plan of 1947 also represents an obligation for us today, in 1977. An obligation, first of all, in regard to the relations between Europe and the United States. An obligation which should remind us Europeans time and again that we are inseparable partners of the United States. And that we are committed to solidarity with our friends even in difficult years such as the United States experienced in the early seventies. In connection with the Marshall Plan the argument is frequently heard these days that the industrial nations today should accept a similar obligation towards the developing countries. I would like to point out how questionable this comparison is: the United States recognized in 1947 that Europe, despite its considerable social, economic, and political strengths, was in danger of hopelessly drifting into serious difficulties because of acute production
shortcomings. "It has become obvious during recent months that this visible
destruction was probably less serious than the dislocation of the entire fabric of
European economy." America, in other words, was able to help a group of nations
which, because of their history and their existing infrastructure, were in a
position to help themselves with this additional help. The relations between the
industrial nations and the developing countries today cannot be compared with the
situation in 1947. Then the United States and Europe shared basic structural
similarities and an equal number of people. Today, the relationship between the
industrial nations and the developing countries is precisely marked by the fact
that this is not the case, neither structurally nor in terms of the number of
people; there are many more people living in developing countries than in the
industrial countries. Although the starting position for the Marshall Plan in 1947
can in no way be compared with the difficulties in the relationship between
North and South today, the Marshall Plan remains of exemplary nature. Were the
countries of Europe to raise today aid for the developing countries in
approximately the same order of magnitude as the Americans did between 1948 and
1951, our aid would have to be more than double that of the period then. The
difference between the development aid of the Europeans and that which we
Europeans would have to contribute, if we were to follow the example of the
Marshall Plan, would amount to some $30 billion over a period of four years. The
fact that we are not able to provide aid in such magnitude has something to do (as
absurd as this may sound) with our present standard of living - with the demands we
are all making, which already are taxing the capabilities of our economies to
their limits. The challenge to the European industrial nations in the year 1977
thus is not comparable to the challenge faced by the United States in 1947. But
the example set by the United States in 1947 makes us feel very modest indeed.
Today, other steps and other decisions are required, different from those in
1947, but they are still steps and decisions which require a comparable measure of
political imagination and economic sacrifice. To effect this is our task today,
and also one way of expressing thanks to George Marshall and our friends in the
United States.
It may be ironical that I address you today on the theme of the Prosperity of Europe, at a time when the expanding prosperity we took for granted for so long is no longer one of the basic assumptions of our economic life. Since the energy crisis four years ago torpedoed the assumptions of the sixties, we have been trying desperately to delimit the damage, and balance the requirements for action against the growth of inflation and unemployment. We have nowhere succeeded in both, while the combination of unemployment and inflation is all too common in our continent. Efforts briefly made to pursue consistent and coordinated policies have been all too quickly abandoned. The common nature of the problems has been an insufficient spur to common action in their solution, despite transnational failure of national attempts to find full national solutions. It is not then surprising that hesitancy in economic direction is accompanied by a growth in disillusion. This disillusion I believe accentuated not merely by the growing between our external and internal achievements. Although our internal imperfections the community is continuing to grow in weight and authority in the world. In our own continent it continues to act as a political and economic magnet. The Six were joined four years ago by the three new members - drawn, we British have recently tended to forget, by the political rather than the economic magnet. The same force, operating slightly differently but with at least equal power, draws Greece, Portugal and Spain, while economic attractions have woven a network of association and trade agreements with all the free countries and Eastern shores of the Mediterranean. Through our mechanisms of political cooperation we are engaged in a dialogue with the Arab world and played the leading constructive role on the side of the industrial nations in the CIEC. I have no doubt that our close relations with the 49 countries of Africa, the Caribbean and Pacific contributed to that as well as being a major significant factor in North-South relations in itself. We are in the process of working out a new framework of relations with COMECON, and of course are playing a significant role in the Belgrade follow-up meeting on the CSCE, just as we did in the Conference itself. We are about to negotiate a trade agreement with China. In the Multilateral Trade Negotiations, our position as the world's largest trading organisation gives us an unique role and influence. North Americans and Japanese have in common a democratic industrial society. Internationally we Europeans have been bearing an increasingly important part of the burden of responsibility for its maintenance and development. It means that in the eyes of the second and third worlds there is more than one source of western power. We are seen to practice on the international scale what we preach on the national scale about plurality of choice.

These factors contribute immeasurably to the security of our western society. I
do not believe that economic success and security can be dissociated. This is why if we fail internally to re-launch our economic cohesion and advance it will endanger our external security. We need to give constant attention to the means of defence at our disposal. We need to achieve greater integration of our defence industries. The more powerful the European Community becomes, the greater should be its capacity to take its share of the burden of sustaining western security. If the Community were ever to fall apart and the national states were to go their separate ways, our capacity as Europeans to contribute to the common defence would be gravely endangered. The Atlantic Alliance came before the Community, but I doubt very much whether it could survive a disintegration of the Community.

\[Happily\]

\[Happily recent developments in Britain have, I believe, effectively removed any real possibility of disintegration from that quarter. We can now hope for greater consistency of British policy towards the Community. But it is not sufficient to safeguard what we have. We must not forget that the attraction for the three applicant countries in membership of the Community is political. I am convinced that we have not merely an interest but a duty to support these nascent Mediterranean democracies. We must therefore remember that the nature and dynamism of the Community will have a considerable impact on their political future. But enlargement must not mean a Community that is politically weakened. That would be a self-defeating enterprise not only from the point of view of the existing Community, but from that of the applicant states-themselves. We must be ready to show political courage and institutional imagination to strengthen it if we are to adapt effectively to the prospect of enlargement. It is our duty to the applicants who need the support of a real European Union and not merely membership of a loose trading association. It is also our responsibility to ourselves to meet the challenge of enlargement with both imagination and realism. This is the approach which the Commission is taking, and we shall continue to urge this twin approach on the Member States. Our present economic perplexities add to the inherent problems of further enlargement. The Community has only relatively recently grown, and that not without difficulty, from six to nine. This earlier enlargement was negotiated at a time of economic buoyancy to absorb new Member States whose level of industrial and commercial development for the most part broadly matched that of the original members. Now, at a time of much greater economic difficulties, the Community must embrace the prospect of the membership of three southern European countries. They differ in their relative industrial base, but share common features which pose particular problems for existing Community arrangements - especially in agriculture!.

\[I underestimate\]

\[I underestimate neither the range nor importance of these problems. They must be faced, and be faced openly, but in a desire to find solutions which threaten neither the unity of the market nor our ultimate political goals. I believe that a pessimistic, as opposed to a realistic approach is founded on the wrong analysis of the Community's stage of development. Pessimism would assume that we are no more than a common market with some agricultural and industrial appendages. But this stage has already been passed. If it had not, the prospect of further enlargement would indeed be a daunting one. The structural differences and difficulties of the emerging democracies of Southern Europe are a part of, and not wholly separate from the Community's own present and pressing problems.\]
If we have the courage to face this issue frankly, there is an opportunity for the Community to act here and to work out a programme of assistance that benefits both the Community and applicant countries. One reason why I welcome the prospect of enlargement is that it can force us to turn the risks into catalysts of progress. But we must not try to dodge the spotlight with which enlargement illuminates our present economic disarray and our political uncertainty. The Community was formed out of a realisation that by pooling sovereignty and economic decision-making, we could far better find solutions to common problems than on an inadequate national basis. We are still failing to use the means already or potentially at our disposal. But we also need new ways of coping with the threat to our prosperity and cohesion. We need to rediscover some of the imagination, resourcefulness and inner self-confidence of the fifties. The Commission is determined to play its full part, and I believe that you will find it increasingly putting forward plans that are adventurous as well as directly relevant to our present needs and our discontents. Industrially we have already presented a wide range of measures designed to ensure the survival of the European steel industry; we are working on similar lines to safeguard the European textile industry; we are trying to increase and improve the effectiveness of the Social and Regional Funds; we are tackling structural and youth unemployment and getting more forward-looking energy policies under way. These, however, are if not the bread and butter, at least the meat of our daily work. By themselves they will be as ineffective macro-economically as national measures, if we do not supplement them with qualitatively different responses. If we cannot demonstrate by next year that we have a real response, direct elections to the European Parliament will fail to achieve much of their promise. We must extend and develop the new Community loans mechanisms to fill the gap in our financing capacity and investment support in the most hard-pressed sectors of the European economy. We must re-launch with a newly defined relevance to the circumstances of the late 70s the drive towards economic and monetary union. We must find ways of avoiding recourse to the danger of pseudo-solutions of national protectionism to threats to sensitive sectors of the economy.

The Commission does not have all the answers. But nor does it have the tools to do that part of the job to which we think we have the answers. It is not a question of challenging the authority of national governments. It is not even a question at this stage of supranationality. It is a question of increasing the degree of decision-making at the Community level where common problems are involved. It is a question of lifting national economic burdens by sharing them.
All this is to enable us to live up to our political purpose, which is Union, Political Union. The means are economic, but they are not being fully used. The rest of the world at present takes us as a Community more seriously than we take ourselves. That is a very serious and potentially dangerous state of affairs. We can succeed if we change this. But we shall fail our citizens if we do not rediscover the road to prosperity, which is our duty to them. We shall fail our friends if we do not live up to our reputation. We shall fail ourselves if we do not realise our potential. At the worst moment after the energy crisis in 1973 the European Council nevertheless defined the European identity. We might do worse than remind ourselves that for the Nine "Unity is a basic European necessity to ensure the survival of the civilisation which they have in common." "The Nine have the political will to succeed in the construction of a united Europe." I hope they still have. I believe it has not been completely lost. But we must revitalise it if we are to safeguard our own prosperity, and security and our own European future.

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EUROPEAN COAL AND STEEL COMMUNITY EUROPEAN ECONOMIC COMMUNITY EUROPEAN ATOMIC ENERGY COMMUNITY COMMISSION

Address by Mr. Roy Jenkins, President of the Commission of the European Communities, to the European Parliament


Luxembourg. 14 February 1978

PRESIDENT

SPEECH 0'FTi·UJ
A year ago, Mr President, I presented the Commission's annual work programme to Parliament for the first time. Of the issues I then marked out will be with us for many years to come. They touch on the nature of our Community. Many and its prospects for the future. During the year which has passed, the broad lines of our strategy have, I think, become clear. A number of ideas and proposals; successes; We have put forward we have registered some This is not we have known some disappointments. the occasion for too much retrospect.

The Commission's general report has been submitted to you, and I shall be glad to reply to any detailed questions arising from it later in the debate. For the moment I want to concentrate on the future and how we would like to shape it. Policy should begin home. at Our priority is the economic Not only and political development of the Community itself.

are we guardians of a Treaty in which nine sovereign states undertook obligations with regard to each other, defined certain common purposes, and created common means to bring them about. We also share responsibility for the welfare and protection of the 260 million people who constitute the citizens of Europe. But the Europe of the Community is no island. Three other European states, each with its own ancient and proud traditions, want to join it. Beyond Europe the Community forms an essential part of the Western economic system, and shares many of the problems which affect the industrial world as a whole. More perhaps than any of our major partners, we also have a closely knit relationship with countries all over the world which are long tied us by history, interest and affection, and It has become a platitude to whose development we contribute. that the Community looks
stronger and sometimes more imposing I do not think that to those outside it than to those within. people are easily deceived. Hence when I come to speak in more detail on the points I have just mentioned, you will find that at the end I will return to the idea we have of ourselves and to the future role of the Community as representative of the common interest of its members. The greatest problem which now faces the Community is the state of its economy. More than any other international grouping, we live by trade, both within the Community and with others outside it. society. This is not an easy time for any industrial We face the associated problems of inflation, high The aims of the unemployment and relative lack of growth. Commission are two-fold. In the shorter term we are concerned with emergency action to sustain industries which for reasons I do not have to give are no longer fully competitive or no longer fulfil their original purposes: In the longer term we are concerned to promote the economic growth which will enable us to provide employment and prosperity for our citizens, and give us the opportunity to become once more the exemplars rather than the laggards of world economic progress. The recovery of Community industry depends primarily on a continued assurance of the strength of the Community market. But we must not take refuge behind a theoretical concept of the market economy in order to sidestep the responsibilities which the crisis of industry imposes on the governments and the Community. If the restructuring of the sectors in trouble were left to the play of market forces alone, or were conducted solely in markets defined by national boundaries, it would proceed in haphazard fashion and could involve social and economic sacrifices which Community action could and should keep within bounds. The initial results which have been achieved in the steel and textile industries, and the prospect of results in the shipbuilding industry, are witness of the real contribution the Community can make towards tackling the crisis, when it is given the powers and the means to do so. European industry are continental The problems of Action at Community level, therefore, can give a coherence to restructuring policy which autarchic, possibly conflicting, action by individual states alone cannot. Equally, the Community can provide the solidarity which enables the more efficient to feel their labours will not be wasted and the weaker to know they will not be sacrificed to the over-rigorous logic of a classic market system. The trade understandings the Community has negotiated on textiles and is in
the process of negotiating on steel demonstrate its ability to combine two important elements. the preservation of traditional trade flows.

Second, the need

First
to adjust the growth of our partners' exports "to us to the slowdown in European consumption.

But industrialists should not

engage in any wishful thinking as to the object of the Community's trade policy. It is not the provision of The relatively short breathing.

protectionist featherbedding.

space which the trade understandings can give to industry is only justified if it is used to modernise Community production and enable it to withstand international competition. The Commission's discussions with producers, workers and consumers in the crisis-hit sectors stamp on our minds that modernisation must be accompanied by reconversion to other job-creating activities in the regions affected by sectoral restructuring. This means that the Community must launch sectors of growth which will strengthen its industrial capability through greater technological advance. The time has come, and the chance is there, to make real advance in Community ventures in the fields of aerospace, data processing, electronics components and telecommunications. these opportunities for growth. We have no right to pass up

It would be quite intolerable

for a Europe in crisis not to exploit its own vast market in the high-technology sectors. At the same time we must recognise that the attempt to restore competitiveness to declining industries will not, in itself, or in the short-term, tackle the problem of unemployment. Now it is not, of course, the Community's function to intervene massively and directly on the labour market. We do not have the powers to do so. But on a smaller scale there are Community funds directly available for re-training policies. These must be fully used. The main impetus, however, for tackling the problem of unemployment will not come from such policies despite their utility. Indeed, the very size of the problem guarantees that it cannot be tackled in that way: economic activities. unemployed. The it overshadows all our industrial and The present reality is of 6!
million now and 1985, is of the future reality, between a further 9 million young people added to the Community labour force and looking for jobs. This is not merely an economic problem: it is tragic for individuals and it could threaten our foundations of our society, and its institutions. It cannot be complacent about our existing means of tackling this problem. The alarm bells need to be sounded. No national economy in the Community is exempt from the prospect of present levels of unemployment persisting, or indeed growing. No national government offers, in my view, a long-term solution and this in itself is a hindrance to any general economic revival. What in these circumstances can the Community do? First, our sectoral and regional policies must be put together in a coherent way, and we must build on last year's successful steps. We have created the new Community borrowing power which we have pushed forward plans of action to deal with structural problems in several industrial sectors: we must turn to the best possible account the new appropriations for industrial restructuring and the extra funds allocated to the European Coal and Steel Community. In addition we have strengthened the Community’s other financial instruments, in particular by improving the operation of the Social Fund and developing the Regional Fund. The pursuit of these policies and their coordination is essential but they will never in themselves be a fully satisfactory medium-term answer to our economic difficulties. Hence there must in our view be a second level of operation, not just supplementary to the first, but different in kind. Our need is for a new economic impulse on an historic
and we believe this can be given in the Community by a re-defined and faster move towards economic and monetary union. I do not intend today to rehearse again the arguments which have led us to this view. Last month Vice President Ortoli and I will only emphasise I set them out before you in Luxembourg. two points today.

First, we should not allow ourselves to be deluded by temporary economic improvements in some Member States into believing that a fundamental economic turn-round is, for the Community as a whole, simply a matter of time. In the long run we know we are all dead; in the medium term a lot of European citizens will, while they wait, be without work. Second, a Community which lives by trade both internally and externally needs international monetary stability, for its own health and for that of the world as a whole. A Community Last year saw the reaffirmation of the avowed Community objective of economic and monetary union. In the past few months we have developed the arguments in support of a renewed effort to In 1978 we shall push forward the programme to which the European Council gave a "fair wind" at the end of last year. The first stage of our five-year plan We shall follow that for this year - has been presented.

through these concrete proposals as well as encouraging public debate on the basic issues involved. I have spoken so far of our industrial and economic objectives. I should like to turn to two other sectors of high priority - energy and agriculture. Energy policy is of vital importance for the Community economically and politically. a remarkable statement. This in itself is hardly
Calls for a Community energy policy in the face of import dependence and balance of payments deficits are a stock-in-trade of politicians' weekend speeches. is still a long way from aspiration. But reality

What the ordinary citizen sees now is that there is an actual oil surplus in the Community. It has even induced a relative reduction in energy prices. may, therefore, find the talk about the risk of a future shortage of energy both confusing and irrelevant. He also sees, He from time to time, demonstrations over the construction of nuclear power plants. I believe that in 1978 we have two obligations.

First, to make the Community picture a more comprehensible one; and second, to take some useful decisions at a Community level. To do both we need political impetus more than rhetoric.

Four years after the oil crisis of 1973 all governments are clear that increasingly stringent limits must be set for energy consumption; our awareness of our limited resources and Economic and long-r-term need- is sharper than it wa-.

environmental constraints block off the path of unlimited expansion of domestic energy production. The pressure of the -oil producing and exporting countries on the one hand, and the need to minimise the risks of nuclear proliferation on set additional limits. the other, In the long term all the countries of --illmunitv, even if they possess some temporary abundance, are the same boat. - 8 -

What should be the shape therefore of a Community energy policy for 1978? time scales-up

We must see it in two different The Community objectives
to 1985, and beyond.

for 1985, now under revision in the Council, are ambitious reduction of oil imports, more energy saving, and development of internal sources of oil, gas and coal.

Energy saving measures taken so far, in comparison with the United States, are significant, but they have not so far involved a fundamental change of habits. Further progress will be harder and will involve real sacrifices. Build on national initiatives at Community level, but for this we need decisions not delay.

The second timescale concerns investment with long-term returns, principally in research and development. We already have a multi-annual research programme concentrating on energy matters: we have at last settled the issue of JET. But in the field of new sources - such as solar, geothermal and wind and wave power - and in the development of existing sources, especially indigenous sources, there is, in my view, good scope for a Community lead and a more ambitious programme.

For example, Community-backed demonstration projects would be of both real and symbolic value. We have two other ligations at Community level. First, and of major importance, we must defend Community interests in the energy field, especially placed relative to third countries.

The Commission is th:i s,
in view of our role under and nuclear supply. Second, the we of ratom Treaty: in energy activity in particular should make clear the connections, as we see them, between energy policy and our reinvigorated approach towards economic and monetary union. Our future standards of living, style of life, and energy policy should not take place, or be seen to take place in a vacuum. I turn now to agriculture and fisheries. The aim of the common agricultural policy is to ensure security of supplies to the consumer at reasonable prices, and a fair standard of living for the producer. have been considerable. Our achievements in both directions for the agricultural community: our system of guaranteed prices and regulated markets has provided a degree of security which has been enjoyed by few other sectors of the economy - and this has been particularly significant for farmers during the general economic downturn from which Europe has recently been suffering. there has been in the farm products, which we These
submitted to you with our price proposals in December. The situation mark out clearly how difficult is the market. This very serious prospect continues to preoccupy the Commission and, as I foreshadowed in my speech last year, we take the view that a very prudent policy for prices is the only way to handle this problem. If we are faced with persistent surpluses of, for example, milk, or sugar, or wine - which we have to dispose of through expensive internal measures, or export with the aid of large subsidies to any available markets - it is not because the mechanisms of the CAP are at fault: the price levels at which we imprudent. Last year, therefore, we proposed only modest increases in the common prices. For the next season we have followed the op-rate it is rather because the mechanisms have been and we shall follow it for as long as is necessary. That long-term policy will not be an I recognise that to check the surpluses. easy or a popular one with the farming sector. it is already causing difficulties. But I must say that in our view it is the only policy which can avoid the introduction of even harsher measures to bring excess production under control, or ultimately the disintegration of the common policy itself. Another aspect of the agricultural policy where we have made modest progress in the last year is the dismantling of the monetary compensatory amounts. Here we are moving back towards the unity of the market - over a reasonable period of time, for a sudden abolition of monetary compensatory amounts would compromise our basic policy of price moderation. We have to continue this process so as to restore a fair basis for competition between agricultural producers in the different Member States. Of course, the monetary fluctuations which have overtaken the agricultural policy are in no way the fault of the agricultural sector. They are symptoms of an underlying lack of economic and Progress towards monetary future; of our farm monetary integration in the Community. stability is essential for the policies.
In the Fisheries sector the Community has yet to decide how to apply its common policy to the vast areas of sea within 200 miles of our coasts. "Because of overfishing and threatened stock of fish, we must limit our catches and adopt strict conservation rules, both for our own fleets and for those of third countries. In negotiating for reciprocal fishing rights we have made good progress in the last year, and opened up important new dimensions in the relations between the Community and the rest of the world. On the internal regime there has also been substantial progress. The Commission has put before you, and before the Council, all the necessary elements for an equitable share-out of the catch, and for effective conservation of the resources. I do not believe that a solution is far away. It will require political cooperation from the Council. Ministers have to take their responsibilities. But we have the right to demand that courage. Both the rules of the treaty, and the need to manage Europe's fishery resources, demand a common solution in interest of all.

In the case of Mediterranean agriculture, we have become increasingly conscious of the need for improving the situation of rural communities in the regions of Italy and Southern France - not forgetting the perspective of an enlargement which would bring in three more countries in the South last year. In the, the Commission has submitted detailed proposals for they will be one of our priorities. Our emphasis will be on methods of Mediterranean agriculture; for action in the next year. of help which avoid the build-up of wasteful surpluses of Mediterranean products, whether in the Community of Nine or the future Community of Twelve.

This brings me to enlargement itself. The way in which the Community now handles this issue is the hinge on which turns the relation between our internal and external policies. 1978 will be a crucial year for this. The Commission has already made the first of a steady stream of proposals for dealing with certain problem areas in the negotiations with Greece. We must aim at least to break the back of these by The Opinion on Portugal's application Spain made its Talks are now beginning the end of this year.

should be ready by the end of March.
application rather later than the others. and the
formal
Opinion may he expected at the beginning of 1979.
It is clear from this timetable that the phases of the negotiations with the three applicant countries will not be concurrent. Indeed, it is accepted that the negotiations cannot but inevitably similar problems affecting There is, for example, the transitional
be lumped together. all three will arise.
period which will be required after entry, and the problems of transfer of resources, the adaptation of the Treaties, and the working of the Community institutions. Insofar as these
questions are interlinked, the Commission will be bringing forward ideas at the time of the presentation of the Opinion on Portugal, that is by the end of March. The world outside the Community knows that enlargement will be for us a test of our political will and capacity for economic integration. It wants us to succeed because the Community has a substantial position in the world and any weakening of our strength would have damaging consequences. Member States of the Community
For just as the are economically interlocked, so
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that, as I have argued, a major new
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t permanence of any economic upswing we may be able to achieve. the world's largest trad bloc it is essential that
t we are clear about the results we wish to obtain in bilateral or multilateral forums.
t now beginning
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The mult:ilatonil trade negotiations are crucial phase in Geneva. They are of
t fundamental long-term importance as they will set the pattern of trade over the next ten years. urgent progress to avoid At the same time we need
t short-term slin into protectionism.	Of equal importance are the Community's :relations ldth tiH'
t developing world.
In
recent offici.al visjt to the Sudan
	a count
which will have the crucial dual role as Chairman e and of the Organisation of African Unity Comren t ion,,. I o-r
of the Arab Lea
in the period af renegotiation of the L had the occasion to set out our approach to the third world.
relations
I then said
at there was a need
to reconsider the ·relationsh-ip between the industrialised na·c1ons and the
We cannot l1llow our re la t ens to b''
The reality is one of greater reciprocity and more realistic content. We need a just international division of labour and resources because there is a close interdependence between need and supply. Industrialised nations hamper our ability to stimulate renewed growth. The impulse of the third world has, in my view, a major part to play in improving the position. Decisions will be required in 1978...
on the establishment of a Common Fund, and concrete progress must be made on commodity agreements. We must also deal with questions of the transfer of resources, in particular the debt problems of the least developed countries. This year will also witness two important events. Our Southern Mediterranean agreements in the Mashrak and Maghreb will come into force. Second, we shall begin to I do not First,

renegotiate the successor to the Lomé Convention.

want to anticipate the discussion of the first proposals for directives which we shall put forward but I think it right to emphasise our pride in the first Lomé Convention. It has proved to be exemplary for relations between the industrial countries and the developing world. In carrying it out we have acquired a good deal of valuable experience. But I've must not simply rest there but take fresh in it. I ativ0s.

will require intensive consultation among the three main economic groupings of industrial countries. It is fortunate that our relations with the United States are to be excellent. Our frequent contacts at official level were recently cemented by President Garter's visit to the Commission oratory. It was a visit of great symbolic value. At the President's invitation, I shall myself be paying another visit to the United States later on this year.

The Community's relations with Japan, which have been difficult in the past, are now taking on a new pattern of more direct and regular consultations. Last year extremely useful. I found my visit to Tokyo very helpful. We have followed it up with two recent meetings with Mr Ushiba, the Japanese Minister for External Economic Relations. I am also glad to recall that last year was the occasion of the first Western Economic Summit at which the Community itself was...
represented. As I told the House immediately The

afterwards, we greatly welcomed this important advance.

President of the Council and myself will continue to represent the Community at future Western Economic Summits to deal with matters within the competence of the Community. Mr President, I have marked out for you some of our internal and external priorities for the coming year.

I have not, and cannot, deal with every-aspect of policy of interest to each Member of the House. But there are two additional points which I should like to make to you. First, to carry through these priorities effectively the Commission has to ensure that its special place in the institutional balance of the Communities is not undermined by We are continually called on unreasonable staff constraints.

to produce bold, new imaginative solutions to the Community's problems. This is what we want to do. Sometimes we succeed.

But at other times our contribution is less, qualitatively rather than quantitatively, than we would wish. The reason is simple.

Many parts of the Commission's services are simply running hard to keep up with the pressure of daily events. After a year's experience of the work of the Commission I fully accept that we have a responsibility to do all we can to put our house in order- and this is, I believe, to a large degree in hand. each Member State I

know also of the resistance there is in But we to a growing number of officials.

cannot ignore the relatively low base from which we start and we must recognise that the role for the Community is not contracting,
but expanding.
We have had in the last year.
\On steel/
much more work on fish, on textiles, and enlargement, not to mention new areas of Community activity like health and postal questions. All these have been n.r’lden without taking away any other areas of activity.
These, and other new activities, cannot be managed only by cutting down on other areas.
Neither Parliament nor Council, in the last analysis, want that. This Parliament has itself criticised the inability of the Commission to provide an adequate service in some sectors. A directly elected Parliament will no doubt make further demands - but our ability to meet them will not automatically increase. I therefore simply for a more realistic appreciation of developing the need for staff resources to cope with new and I have mentioned the directly-elected Parliament. all hoped that this would be:
It the that t ar of direct elections. t , ; :J ll not be so •
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The delay is ,eeds ilc
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Nonetheless, within the next twelve months the campaign will begin. This is why in presenting to you the Commission's report on activities in 1977, and our programme for 1978, I have picked out the central themes on which, I believe, such a European election should be fought. a directly-elected Parliament.

We know we shall have
What we cannot be sure of is
whether that election will be fought, as it should, on the major European issues. that it is. We, the Commission will do all we can to ensure
We must be ready to give, especially to you, an even more thorough-going justification of our policies than ln the past. You must ensure, and all the candidates for election
also, that the occasion does not become a substitute for action nor a diversion into national obsessions. we face are too serious for that. With that in mind I want finally to say a word about the Community itself, its relationship with the Member States, the working of its institutions, the way in which is engages public opinion: in short ourselves in a looking glass. Recently
The issues
there has been some reluctance to look too closely.

I am not among those who re-examination of ~rant

- 178 -
try to map the course ahead, and sometimes lift up our hills. If we do not do so, there is a real danger that our enterprise will go backwards rather than forwards.

The prospect of enlargement compels us to look at ourselves in just the way I have in mind. I start from the basic point that the Community is designed to represent the common interest of the states and peoples of which it is composed. In certain areas that interest has been defined, common policies have been worked out, and the necessary mechanisms for giving them effect have been set in place. Of course continuing. That process is like all living organisms the Community it may,
does not necessarily evolve in the most logical way. for example, be logical for us to work out a common fisheries policy, but it is less obviously logical to find the Community giving such priority to common policies for industries in difficulty or decline. Nevertheless recent events have well It is for dealing with demonstrated what the Community is for. problems which can best be dealt with by all of us together. The institutions are there. The framework for argument, for give-and-take, for the expression of solidarity, and for effective decision exists. can rapidly be created. use them. During the last year I have seen from the inside how symbiotic the work of the Council of Ministers and the Commission is. Their relationship is, I think, sometimes of constructive tension, but also and more often one of mutual reliance, mutual need and mutual respect for each other's independence and competence. Recognition of that reliance, think, become a kind of The means of action are there or All that is necessary is the will to that need and that respect should, ental reflex when problems of more than national scope arise This is equally true of the Recognition of and assume a European perspective. '~', Commission 1 s relationship with this House. - 19 = mutual reliance, mutual need and mutual respect should again cause a European reflex. I have already said that we hope that the direct elections of next year will be fought on major European issues. We want the European reflex to extend not only to governments and administrations and parliaments, but to the citizens of our Community. I was much struck recently when an Irish magistrate, faced with a problem of what to do with a trawler which had been arrested for illegal fishing, concluded that the issue was too big for his court, or indeed any national go to the European Court of Justice.
His reflex was right:

that Court is not only a Community body but also a judicial organ of each Member State and its throughout the Community. decisions are directly enforceable.

Here we see Europe in the making.

You may count upon the Commission playing a major role in that process of creation. Let the strength of our internal purpose be at least as great as our external power of attraction.

**** *year_1978 *date_1978-06-20 *place_Brussels

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ADDRESS BY PRESIDENT JENKINS TO THE ECONOMIC AND-SOCIAL-COMMITTEE, BRUSSELS, 20 JUNE 1978

It is a great pleasure for me for the third time
to see:

Economic and Social discussion of the Co-mittee
and to have the opport-nity
for a CoM--nity's econo-ic problems and so-e s~~tuticns ~isappointe~ envisage.
Let me add that I was particularly at the thought of being able to attend your twentieth birthday session on 30 May. I would like to associate myself with everything that was said on that occasion to thank you for your committee's appreciation of my proceedings, nor is it necessary that I know that these may sound like the kind of flattery that a speaker uses when opening to his audience by appealing to its economic understanding in this.

Addressing the President and Social Committee is an important occasion for me.
•

of the Co-mission,

not only because the opportunity is provided to
public statement stock of our current situation or to make a Co-ission’s of

t-e ~r:-cu.arS a-cr.eci views on political developments in Europe, but more Co-ission

because our meeting today reflects the importance to your Committee and our coming together at political Level.

Over the last twenty years our institutions have
developed working relations and a sense of understanding which have core to be taken very much for granted. But this is not to say that they are r-ne-e- tat-c,

and I hope that when the membership of your Committee is it -ill

shor:-y -to -ay

include representatives of such new interests or groups -he

have been influencing
decision-making process in Europe in
re-ent

times but who may not feel their views to be yet properly reflected. would be a healthy develop-ent

This icc-s

and a fair one.
The mergelce of new and trends must be organization.

reccs-i-ed and encouraged here as in an other de-o-cratic

And yet, however necessary such changes may be, they not overshadow the traditional confidence that the Commission and the /Co:-~littee

2 CJ--littee have had in each other ever since the beginning r!Jr ~~~-er~~~!

the central economic and social role which we have to play.

In the generally rat-er pessimistic atmosphEre crhltej i:y our present econc:-lic difficulties in the Community, it is re<Jss:urin] tc• s-ee that the representatives of the various economic and ~ork soci-!

i n t e r e ~. t s at in the

Com-unity, far from sinking into sullen ~-pathy~ o~t are
The Commission has always kept you fully informed of its ideas, its hopes and its plans. 

I place great emphasis on the various economic and monetary developments that the Commission has put forward in recent months.

Last year, I reported to you on these questions and spoke of the importance of undertakings to equip the Community with economic policy that can hold out new hope for the future.

Let me today give you a brief survey of what
~hat
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have done and
we are hoping to achieve.

When I relaunched Florence last Year I was expect to be able to see It is still not
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but not excessively so. progress only
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facts, and draw a few
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what has happened in the meantime, while seeing that there i: no weiken'9 of the
impules we have given.
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But there are two facts
ha-pened
In the meantime, the monetary integration of Europe is being discussed. Secondly, it is implicitly agreed that the economic policies will have to be applied if our economies are to get discussed jointly in a Community context.

The Commission has led the way in these political and institutional balance of force towards the initiative, integration.

I hope driving more effective European
we can reasonably to have caught a at which we-

ten en the economic need is, be one hand,

events on the other can, if the political bright

As you know, the com-

and his put forward a plan for the stand by-stage attainment of economic monetary union, and your Code-
given a detailed opinion on it.
I should like to take this

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His report, on
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discuss today, also rightly urd?rlines the need for a :oherent
strategy in this field.

The ir::;:Julse given by the Co:-nmission in slackening.
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The various Council bodies are currently
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Com~ission
proposals in connection with the five-ye3r
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And of course these proposals have sent to your Cc~committee.

But a political design of this nature not only requires a set of reference -provided in this Union

by our C3Se

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onetary - but must also be geared to and seize old

cf the powerful Council underlying trends towards change. gave a real stimulus

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have yet to be worked out; but the re3Lly

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Copenhagen is that the Heads of State 0r of Government
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idea of working towards a European currency

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The rev;val of the idea of a European currency ar?a is cnly

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But the varic! .. s circles concerned have a'.reJdy

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provide an opportunity for further consultation in the role and intervention powers of the Co-operation Fund.

This is not the place for the views on these various proposals as regards the forward by the Monetary Union considered by the Council.
I think you should be aware that something is happening will further developments, particularly when the European Council next sees will. Here, after receiving the report from the Council itself, it where so next--:: ::--s been known for scientific reasons--th--Jt progress--in-cnetary --::ers ~iL--eccnc--ic
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the work that the C~unci~ is now doing on concertej action recovery will provide a necessary support for the Cc~~~nity's

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received a report from the Co-ordinating Financial Policies, setting
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recovery.

It is toe e.;rly to judr;e
that it requires a debate of the political arena: specifically, to support the Committee will do valuable work for the Commission for developing solid support to the ideas expressed by the Co...c economic policy strategy. This is high time, Your opinion in the context of international iterations not only of the European Council itself is to take place in Bonn res...;lts of the world economic...ld economic policy that of course cannot be international...t at all taken.
simply by putting out press work
certainly;
what really matters is the effort made
come to
reestablish;
reverse the current trend and to can all share the good

The Commission agrees with the view so often expressed: you have to be both

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particularly where energy and materials are concerned.

Ever

Ever since 1974 the po-icies Co-s3icn has ccns:-ntly beer ca-l~~

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The tremendous challenge of setting up a real energy strategy:

We know strategy is energy, diversify our sources, and clarify the organization of the market.

But national inhibitions seem often too strange for our proposals.

This will be one of the points on our agenda of the European Council. Here, as in the monetary field, a strong political impetus is necessary.

The credible of energy and to adjust our errors of consumption is but one indication of our...
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Zurcpe in particular will r2ver be
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focusing, like your Committee's support far an analitical survey which it has j£ completed as a basis for future council work; then there will be Cc, issue ~c: e fer a way out of our present difficulties. eRESSED t-e The sr::r::s the views that crow in his t-at rc::r~ en the
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Herr Präsident, Herr Regierender Bürgermeister, meine Damen und Herren.

I have frequently visited Berlin.

It is always a stimulus and mostly, except when the sombre challenges you have faced make great pleasure. inappropriate such a word, a

I am told that there is an old saying that "Berlin ist eine Reise wert". in my view a notable understatement.

I always appreciate the special and indomitable vitality of your city.

On previous occasions I came as a British or Parliamentarian;

this time I come as President of the Commission of the European Communities, and in doing so, after visits by my predecessors in office, I continue an already well established tradition.

I Berlin is not only

Berlin is not only a metropolis and west
a major centre of business in Germany, but also the fourth largest city in the
Community and one of its most outstanding cultural and scientific centres.
Since coming into office, I have had the/opportunity of a wide range of visits to different parts of the Community. I
attach considerable
importance to these visits, because a great part of the strength of
Europ-'s
future lies in the
richness and diversity of its regions and in the people who live, work and do
business in them.
I should like to talk to you this evening about some of the principal issues that
are now facing the European Communities. of retrospect : Let me start with a moment
the construction of Europe in the
fifties and sixties was born out of the radical aspirations of the people
channelled by the courageous leadership of a few statesmen, and as a conscious
rejection of the past, as a rejection of two European civil wars in this century
and of the economic and
political nationalism which led to them.
This
determined and imaginative thrust towards unity opened up hitherto rigid national
created a real Common Market framework.
fronti-rs
and
It was a revolutionary
It underpinned the re-establishment of
Europe's economic wealth and the well-being of our society. An unique historic
chance was taken and
turned to the benefit of Europe as a whole.
I In the lat0 sixties

In the late sixties and early seventies some of the momentum was lost, despite a
sense of real potential. Relatively favourable economic conditions
seemed to provide a soft pillow for what can now, with hindsight, be seen as a false surge to European integration. It established, understandably at the time, the idea that progress towards the ambitious aim of economic and monetary union would come about painlessly more or less automatically. Action proved illusory. 

But the ideas of automatic... 

We have learned from that. 

Easy times can certainly induce optimism, but the translation of such optimism into action needs a sustained act of common political will. We shall not back our way quietly and naturally into economic and monetary union, and it may be - and this I believe personally - that our present difficulties may be more of a spur than our successes of past... 

There is a vital difference between the economic situation of today and the 'easy' high growth economies to which we became so used during the last decades. The world's economic climate has changed markedly and the European Community, which more than any other trading entity lives on international trade, is deeply affected. Virtually all our traditional economic terms of reference are under review. 

First, a world monetary system, as we knew it for the 25 years of Bretton Woods no longer exists. Major cracks have appeared by 1968; by 1971 it was acknowledged. The situation now is that the system was finished. marked by a dollar in decline, unable if not unwilling to sustain alone the entire role of underpinning the monetary arrangements of the world. Second, there is the problem of inflation. This still threatens major parts of the Community. ~('
Some European countries, in the aftermath of the 1973 oil price rises, almost
learned to live, precariously and profligately, with double-figure inflation.
We have learned from that experience, the situation is much improved, but in a fragile overall economic situation the risk of a sudden spiral of price rises is still there.

Third, unemployment has increased everywhere. Today it has reached the figure of 61 million within the Community, about 40% of whom are under 25. To the particular demographic situation in the Community, about 9 million more young people will come on to the labour market in the next six years than will leave it.

Neither inflation nor such historically high unemployment levels, nor the sluggishness of the Community economy, can any longer be blamed on an imported oil price crisis now five years old. Absorbed; That shock should have been the problems we now face are not transient.

Fourth, the Community faces acute problems in relation to what is now becoming known as "the international division of labour". Its interest in the maintenance and development of an open world trading system is immense. It is much more dependent upon external trade than the United States (14% of European GDP, compared with 8% of US GDP). Moreover, we have a specially close interest in the Third World. This is true on both the political
and the trading levels. dialogue. We have been in the lead in the North/South We have invested a lot of political capital The Lome Convention has been We are on the threshold
in this relationship.
one of our major successes of its renegotiation.
And our trade is proportionately much more with the developing countries than is that of either the United States or Japan. It is from the Third World, together with the non-Community countries of Europe that our surpluses come, and, which put us in approximate balance, in spite of our massive deficits with the other two great industrialised countries, and with OPEC. Yet we are competitively very vulnerable, not only to Japan and to other Far Eastern countries which have developed in its wake, but also to the industrialised pockets in the Third World proper. The bilateral negotiations we have had to conduct to make possible a renewal of the Multi Fibre Arrangement are a striking example, but no more than an example.
The tightrope that we have to tread is therefore a very narrow one, and like all tight-ropes it cannot be trod indefinitely. The intervals we have won for a number - 6 a number of threatened industries must be used with speed for restructuring, although this in itself involves a loss of jobs. But the alternative is We are in growing and permanent uncompetitiveness.
more than proportionate difficulties in stagnant world trading conditions. Yet we cannot easily We should turn inwards, for the reasons given above.
therefore aim hard at a successful result to. the Multilateral Trade Negotiations, the outcome of which, apart from their direct effects on trading relations in the 1980s, will also have a more immediate and trigger effect upon determining whether or not the world, more delicately balanced in this respect than for a generation, turns protectionist.
The divergence between the economies of the Nine has increased rather than diminished. From 1974 to 1977 the increase in prices in the Nine Member States of the Community ranged from 25% to more than 100%, the economic growth between -1% and +10%. The North/South gap Moreover,
the prospect of enlargement of the Community from nine to twelve Member State~
gives a new
. dimension
to a
number of the problems which already exist, and inevitably makes them still more urgent and acute.

Enlargement adds to the size of the problems we face, but it does not fundamentally alter their nature. Moreover, we have a clear political obligation to open the door to democratic European states who are anxious and qualified to join. The recent emergence of
democratic regimes in the three applicant nations calls for a full-hearted, positive response from the Community. But at the same time, we have to ensure that the enlargement of the Community does not lead to a weakening and a dilution of the process of Community integration. of enlargement. This is the real challenge.

If we fail to tackle this combination of issues, they will threaten what we have already achieved. all require joint action at Community level. To an unprecedented extent the serious problems which all Member States of the Community face: unemployment, inflation, monetary disorder, protectionism in world trade, energy and industrial problems, all require for their solution common discipline and common solidarity. In part this results, and rightly, from the signal successes of the early years of forming the Common Market. penetration of our economies is now a reality; The intermore than half of our Member States’ exports goes to other States of the Community. In such a situation no one can hide behind national borders, give“a national aid here, try to reshape an industrial sector there. Such a haphazard course will damage others and that in turn will feed back on our mutual prospects. Norie of the Member States, not even the strongest, can pretend that within our Community it is possible to have an oasis of stability and prosperity in an unstable continent.

The stronger countries within the Community depend substantially on exports to the weaker members. There is no sufficient margin of demand
in their national markets to maintain a high rate of economic growth and to combat unemployment. The locomotive theory has been discarded, in my view rightly. If we are to employ any railway metaphor, all the engines involved must pull out of the station together. One alone will not be enough. To change the analogy for a moment, we cannot hope to get out of the morass by pulling at our own hair, like Baron von Mllnchhausen. In such a situation a clear and coherent sense of direction is vital.

Last October, in a lecture at the European University of Florence, I spoke about the need for a new economic impulse on a historic scale. I there outlined my belief that this can be given in the Community by a redefined and faster move towards economic and monetary union.

I do not underestimate the difficulties lying ahead of us. The success can be instantaneous, but I do believe it provides that it a sense of direction which can enable us to establish the necessary links between shorter term decisions and the longer term perspective.

Last December, the Commission put its ideas to the European Council, which gave a positive 'fair wind' to the relaunching of the debate on economic and monetary union. A mandate was given to the Commission to prepare - 9 to prepare the necessary initiatives and to carry the discussion into the other Community institutions. Meanwhile, a major debate on economic and monetary union has taken place in the European Parliament, and we have received encouraging support from many politicians, trade union and European business leaders. The discussion at the Copenhagen Summit of last weekend marked out clearly the pressing relevance of the issue - but I will return to the results of that Council in my conclusion.

Of course, there are sceptics. to be convinced. But they are there. Some German observers might be tempted to think that the sole objective of our policy was to draw on German
This is not the case. First, any attempt at establishing national profit and loss accounts within the Community is necessarily an imprecise and hazardous flowing from the Community do not pass through the budgets. Some, mostly political, are simply unquantifiable. In exercise. Many economic benefit.

fact, Germany has done well out of its uninterrupted access to the markets of its main customers, and this is one of the key elements of the common market. Moreover, each Member State inevitably contributes according to its relative economic strength so the German financial

German financial contribution to the Community is higher than many, but not all, others. For example,

the annual per capita contribution of the German taxpayer to the European budget "was 1 49 Deutschmarks in 1977, compared with 192 for the Belgians and 205 for the Dutch.

Personally I have

- good deal of sympathy for

that German point of view that says that the transfer to the Community of substantial financial resources alone would be neither in its own nor the Community's interest unless accompanied by real political progress towards further European integration. I agree. We need common, or at the least, coordinated policies, common macro-economic targets, common monetary discipline, common orientations for our industrial or energy policies. For that we need the leadership of all, not one, but Germany is exceptionally well situated to take a lead here and to play a strong 'political' role.

Of course -, if we are to adopt they must involve money.

- su-h

common policies,

But this is not in my view a key objection or stumbling block to further advance. are not talking of relatively huge figures. of the Community is only about 2.5% of the budgets of the Nine.

The budget
That is little more than the Three-quarters double of your budget here in Berlin.

of this Community budget goes into agriculture, which leaves not much more than half of the total budget of Berlin for the vast areas of social, regional, energy, industrial and other policies. I do not,

I'm talking about the Common Agricultural Policy. It is a corner stone in the context of the whole range of pressing Community problems, its relative financial share in undoubtedly too great.

I do not wish again to develop today the full range of arguments for a faster advance in the economic and monetary field, which I have already set out elsewhere, but I should like to emphasise two points.

First, we need a stronger underpinning to the Community internal market. Member States with strong currencies need the impulse of demand which their own national markets can no longer supply. Intra-

Community trade grew by only 2% in 1977 compared with a yearly average of 9% in the previous decade. Being able to do business all over the Community within a single currency would considerably reduce formalities and remaining barriers at intraCommunity frontiers. A lot remains to be done here, and further progress on dismantling unnecessary barriers is a good example of the way in which practical steps can be taken towards an eventual, and necessary, jump to a full monetary union.

There are no customs barriers inside the Community any more.

But there are still other businesses, too

many of them, and everyone who trades with or travels to other parts of the Community knows how difficult some of these hurdles can be. There are technical barriers, affecting, say, exhaust fumes or braking devices in motor cars. In these areas it is
not simply a question of Commission officials obsessively pressing on with unnecessary harmonisation. The purpose is a very serious one. Fiscal barriers because

There are also

and the whole

system of fiscal revenue varies from one country to the other.

Buying a
car

in Germany, for instance,

involves a TVA of 12%.

Progress-

in Belgium the rate is 25%,

in France 33%.

has been made with the

Sixth Directive on TVA, but there is still a long way to go until Community travellers are free of the surveillance of customs officers at internal frontier posts. It is a welcome comfort when

travelling between Belgium and Holland to

a

simple traffic light, always showing green, instead of a traveller's control.

But progress towards economic and monetary union

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does, of course, not only affect our intra-Community relationship, but also - and this is of equal importance - our political and our economic position with the rest of the world. I wish to emphasise. This is the second point

It is not suitable for us merely to complain about the steady decline of the dollar and the breakdown of the international monetary system. We shall all continue to depend

on the dollar, and the Vice-President of the
German Bundesbank, as well as others, have pointed out in the last few days how seriously the crisis of the dollar also affects the competitive power of the German economy. But it is clear now that the dollar alone cannot carry the burdens and responsibilities of being the only effective international medium of exchange. In these circumstances we in Europe must urgently consider possible contributions from our side which might help to create order out of the current disorder. The Community's collective weight is far greater than the Community has the alternative and economic strength to create a new strong international currency.

its monetary influence.

The Community is the right size of unit for this purpose and would by its own weight - we are 1mportant a the biggest trading entity in the world - help new stability to the international monetary system.

Again, progress in this field could be an important avenue; advance. With the present full advantages or rigouts of economic and monetary union, there is scope for the Community to develop new dimensions to the use of the European Unit of Account. It could serve as a point of reference and a unit of account for credit and settlement in our internal exchange rate operations. It could be used as a reference in international contracts of private business. It might play a greater role in Euro-currency operations and in transactions between public authorities. It could be tested in the Community's own borrowing and lending operations. There is a large scope of immediately possible action which would open up an important avenue towards our longer-term goals.

I elaborated my ideas on this subject at the European Council in Copenhagen, and in my view the discussion was particularly fruitful and interesting. We want between now and the next European Council at Bremen to pursue this vigorously and '1'/8aTk out new dimensions of Community activity in the longer term perspective of economic and monetary union. In my view we should begin by seeking greater exchange rate stability between the currencies of Member States of the Community, and thus a stronger basis on which to deal more effectively in exchange rate policy with third countries. For this purpose it would in
the judgement of the Commission be necessary to extend the Community exchange rate system beyond the snake, give a new dimension to the use of European Unit of Account, and increase the f1.1nctions and resources of the European Monetary Cooperation Fund.

We have relatively little time in which to work if the Bremen European Council is to arrive at any conclusions on these major questions. It will of course be followed quickly by the Western Economic Summit in Bonn on 16 and 17 July. I hope it will be possible for the Community to work out a common position and make a strong contribution to the work.

In the APP no. of that meeting.

It will deal with the inter-relating problems common to all industrial countries and will, as I hope, lead to a more concerted way of dealing with them. In this it the Community has a major part to play.

For too long Member States have tried to grapple on their own with the consequences of the most serious economic crisis since the war. We have failed to meet the expectations of citizens in our duty to provide the right to work. We have wasted too much effort in arguing about whose responsibility it was to go for higher economic growth. It is time that such arguments were stilled, because we now need to act together, not simply because we should, but because we must. It is all too easy to raise then dash expectations. But I firmly believe there is now a real opportunity for the Community. Indeed, it may be that the second Community is about to approach the major crossroads in its history. The first move to European integration arose out of post-war depression and reconstruction. We then failed in the good years of the sixties to take advantage of our strength. It may seem to some ironic, but indeed it is historically logical as well as necessary, that in this period of European and international difficulty, we may be able to make a new and great advance.
EMBARGO ADDRESS BY THE RIGHT HON ROY JENKINS PRESIDENT OF THE COMMISSION OF THE
EUROPEAN COMMUNITIES AT THE HOTEL DE VILLE Friday 17 March - Brussels

Mr Burgomaster, Aldermen, Ladies and Gentlemen,

It is a great pleasure for me to be with you today in this famous building where you, Mr Burgomaster, meet with your Aldermen and City Councillors.

I would like to take this opportunity of saying how much I and the other members of the Commission appreciate the ready welcome you unfailingly extend to us: indeed your most recent visitor here was my colleague from the United Kingdom, Christopher Tugendhat. But your hospitality extends further than that.

Commissioners themselves and I would like to thank this opportunity of thanking you on behalf of all those working for the Community, the City Fathers and the people of Brussels for your welcome. 'provisional seat' of the Brussels has the status of the Communities. But whatever the legal basis, our sense of welcome here is in no sense provisional. acceptance has made it and I feel that has made it possible for us to live happily in your midst.

When Brussels was still a small market town centred around Marche St. Gery, at a crossroads on the road from Cotent to Ghent, and Bruges, it was already populated by men and women who were jealous of their liberty but at the same time anxious to keep in touch with These two.
the outside world through trade and other contacts. Interests remain at the heart of Brussels life.

This will be a year to recall the history of Brussels as you prepare for the celebrations to mark your city's first thousand years. I would like to mention in this context a curious coincidence in the past of your city - or may I say - city since you have kindly associated the Commission with the festivities? In 1421, when Brussels was consolidating its status as a borough of growing importance, it was decided that its defence, management, commercial status, and relations with Burgundy and France would be placed in the hands of nine "Nations".

This is a subtle historical coincidence set to prefigure a Community, in Brussels, which to many has now become synonymous with Europe. Your city is now known throughout the world not only for its own virtues but also for its European associations. There is much that could be said about the role of cities and about the way great cities and municipalities in European civilization.

- besides - have fostered progress in commerce, science and the arts and, more fundamentally, struggled to preserve the human dignity and individual right to identity which makes European the traffic of human life has given your city a ke-n civilisation-.
a large role, in world affairs, in culture and in politics.

The European Commission therefore attaches a great value to the understanding that has developed and will continue to develop between ourselves and the people of Brussels. You, Mr Burgomaster,

you, Mr Brouhon, and all of you here today, have already done much to foster our good relations. This local harmony and understanding is a living symbol of the citizens' Europe we are seeking to build.

EMBARGO 14H30

DISCOURS DE M. LE PRESIDENT JENKINS A LA VILLE DE BRUXELLES LE 17 MARS 1978

J'eprouve une tres grande joie a etre re~u dans ce prestigieux Hotel de Ville ou vous siegez, Monsieur le Bourgmestre, entoure de vos Echevins et des Conseillers communaux. Je voudrais profiter de cette occasion pour vous dire combien La Commission, que j'ai l'honneur de presider, est sensible a l'accueuil que vos collegues et vous-meme faites constamment aux collegues, comme Monsieur TUGENDHAT, qui vous a recemment rendu, une visite. Je voudrais surtout dire combien L'ensemble des membres de La Fonction Publique europeenne ont, par rna voix, de remerciements a adresser aux autorites de La Ville de Bruxelles et surtout aux Bruxellois eux-memes, pour La fa<;:;on dont les fonctionnaires europeens et vos citoyens ont pris l'habitude de vivre en commun, de se comprendre et de s'apprecier •. Lorsque Bruxelles etait encore une pet<;:;e bourgade fixee aux alentours du • Marche st-Gery, au croisement des routes de Cologne,de Bruges et ~e Gaod,il s'agissait deja d'un groupe d'hommes et de femmes soucieux de conqu<;:;ir leur libert<;:;e, soucieux egal<;:;ement de comme n::er et d'avoir des contacts avec le monde qui les entourait. D1 apr<;:;es ce que je constate, Bruxelles est restee fidele a cette vocation. Et puisque j'en suis a un rappel historique, qui sera brillamment evoque durant L'annee a venir a l'occasion des fetes du millenaire de La Ville de Bruxelles, auxquelles vous avez eu L'amabilite d'associer La CDmission des Communautes europeennes, je voudrais rappeler un fait assez curieux de l'histoire de votre ville, j 1 allais dire de notre ville. En effet, en 1421, alors que Bruxelles consolidait son statut et sa realite de bourgade de plus en plus importante, il fut decide que la protection de la ville, sa gestion, son statut commercial, ses relations avec les pouvoirs bourguignons et franc;:;ais seraient assurées par neuf "Nations". Ni est-ce pas la une prefiguration seduisante de La presence d'une Communaute siegeant dans votre ville, qui est devenue un des elements visuels de notre Europe. En effet, votre ville est connue dans le monde entier non seutem·ent parses qualites propres, mais encore par La presence europeenne que les Communautes lui apporte. Beaucoup de chases cependant. seraient encore a dire sur La place des villes et des communes dans notre civilisation europeenne, La fa<;:;on dont les grandes cites comme Londres, Paris, Rome, Berlin, Amsterdam, Bruxelles et bien d'autres, ont assume les responsabilites d'un progres dans le commerce, dans les sciences, dans l'art, mais aussi dans La conquete d'un statut de dignite humaine qui est propre a cette partie du monde. Le brassage et les couran~ont fait de villes comme La votre un centre de grande sensibilite aux affaires du monde, aux affaires de La culture et faut-il le dire aux .grands courants de reflexions politiques. . -.....
La Commission attache une grande importance à l'entente qui regne et qui regnera chaque jour davantage entre vos citoyens et nos fonctionnaires, pour lesquels vous personnellement, Monsieur Le Bourgmestre, vous Monsieur BROUHON et vous tous, qui êtes ici auteur de moi, avez déjà tant fait. Cette entente et cette compréhension sont le signe vivant de cette Europe du citoyen que nous souhaitons.

European Communities Commission Press Release

ISEC/29/78 EMBARGO: Not for use by media or on agency or club tapes before 15.00 hours, Thursday, July 20, 1978.

Kensington Palace Gardens London W8 4Q_0_, Telephone: 01-727 8090

Address by the .Rt. Hon. Roy Jenkins, President of the Commission of the European Communities, to the Degree Congregation, University of Essex, July 20, 1978.

The European Community is often accused of being obsessed by detail and losing sight of the big issues. No one can say this was true of the Bremen Council with its major initiative towards stable and united money. The construction of Europe in the fifties and sixties was born out of the radical aspirations of the people channelled by the courageous leadership of a few statesmen, as a conscious rejection of the past, of the two nearly fatal European civil wars in this century and of the political and economic nationalism out of which they sprang. This determined and imaginative thrust towards unity opened up hitherto rigid national frontiers and created a real Economic Community. It was a revolutionary framework. It underpinned the creation of Europe's new economic wealth and a hitherto undreamt-of material well-being of society. An unique historic chance was taken and turned to the benefit of Europe as a whole. In the late sixties and early seventies some of the momentum was lost, despite a sense of real potential. Relatively favourable economic conditions seemed to provide a soft pillow for what can now, with hindsight, be seen as deceptively easy surge to European integration. It established, understandably at the time, the idea that progress towards the ambitious aim of economic and monetary union would come about painlessly. But the ideas of automatic action proved illusory. We have learned from that experience. Easy times can certainly induce easy optimism, but the translation of such optimism into action needs a sustained act of political will. There is a vital difference between the economic situation of today and the 'easy' high growth economies to which we became so used during the previous decades. The world's economic climate has changed markedly and the European Community, which more than any other major economic entity lives on international trade, is deeply affected. All our traditional economic terms of reference are under review. The opportunity has been enhanced in the past month, first at Bremen, then at Bonn. When, at Florence in October last year, I advanced the then unfashionable view that progress towards greater economic and monetary solidarity in Europe was both necessary and possible, I at first hoped for little more than that the debate would become engaged. It was. There was support, but there was a lot of scepticism. Now, eight months later, we have a communiqué from the European Council at Bremen whose centre-piece is an imaginative plan for greater monetary stability. Such progress was not simply a question of waiting for some Ge-n magic. There was a good deal of preparation. But to plagiarise the Chancellor of this University for a moment - a good academic custom - the vision of the desirable, through the application of the art of the possible, has now become a probable
I will not give you a detailed explanation of the European monetary system proposed at Bremen. You will have heard enough of snakes-ECUs, narrower margins and pooled reserves. It must to most people sound like an economist's or banker's game, a sort of Euro-monopoly, entertaining for a while, but boring for too long - and unrelated to ordinary life. Some people, on the other hand, will see it as threatening: another banker's ramp, with more 'gnomes', this time of Bonn or Paris or Brussels - rather than Zurich - seeking to hamper the freedom of the British to fall behind in their own way. In this confusion of technical jargon and political prejudice the real message can get lost. What is that message? It may seem an old song from former Chancellors of the Exchequer - like Lord Butler and myself - but the central British problem is still economic. Jobs, inflation, competitiveness; paying our way and earning a good standard of living. We, in Britain, democratically endorsed, three years ago, in an unprecedented referendum, the historical and geographical fact that our lot is cast with Europe. And Europe is an economic Community, although inspired by a political purpose. It deals with the central issue each member country faces. No single European state, however economically strong, now has its own salvation in its hands. Each, if it tries to believe this, is caught in a strait-jacket. Action to stimulate a national economy is undercut either by fears of a fall in the exchange rate or by dependence upon what other Governments are doing. I do not claim that greater monetary unity, the drastic reduction of exchange rate uncertainties, would automatically lead to higher employment. But I do believe that there is little hope of returning to acceptable employment levels without such greater stability. The reasons are simple. First, monetary upheaval has been a major cause of our troubles of the past five years. A world monetary system, as we knew it for the quarter century of Bretton Woods, no longer exists. The stability of the dollar, on which the system depended, underpinned a period of growth and increase in living standards unsurpassed in recorded history. We cannot expect the United States again to carry the central burden in the same way. Second, Britain lives by trade in a Community which also lives by trade. Not only is the European Community the largest trading bloc in the world but 50% of Community trade is inter-Community trade. And we have suffered immensely from having currency upheavals, not merely external to us as with the United States and Japan, but in our midst. The result is insufficient financial and trading stability to encourage trade flows and the productive investment necessary to reconstruct and replace threatened industries. This is not balanced by the freedom to float our currency, which has recently been a euphemism for the freedom to sink. And that freedom has been singularly unsuccessful in giving us either higher growth or lower unemployment. It has merely given us higher inflation. Industry needs a surer prospect. Third, the combination of more stable international environment for investment and greater financial discipline can give us a sustained prospect of mastering inflation and thus giving real value to wage and salary increases. Too often in the past a spurt of growth, without the backing of overall financial stability, has frittered away the real value of every increase in the pay packet. And this has been true under Governments of either party. Fourth, unless these preconditions are met, the prospect of unemployment will grow and not diminish. Demographic factors, with nine million more young people entering the European labour market over the next five years than there will be old people leaving it, threaten that. Individual national palliative action can make temporary dents in the figures. But it cannot on its own provide a
longer-term solution.

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I therefore believe that the results of the SUllllli ts of Bremen and Bonn show, make us realise that Britain's hard-headed interest, not prospectively but actually, is with the Community. Current European monetary ~lans are not distant academic talk but political reality. Most of the European countries, including the most economically powerful are determined to go ahead, The launching at Bremen of the concept of a European Monetary Fund on an unprecedented scale, with reserves of over 50 billion dollars, a q_uarter as mu.cb again as that which the International Monetary Fund has for the whole world, underlines this. In the past we have shown too great a capacity in Britain for longer periods of self-deprecation, punctuated by brief bursts of unfounded optimism. There has been an apparent readiness to blame others for our difficulties the European Community included. The result is that we may be tempted to hang back - too much and too often - when the chance is there for us to give a lead. We hung back in 1950 when the Schuman Plan was launched. We did so in 1955 when we refused to play our part in moulding the Treaty of Rome. Then we complain that the results are not tailor-made for us. Surely we must have learnt enough not to make the same mistake a third time. On an optimistic note I can assure you that the United Kingdom looks better from outside than it often does from within and thus our capacity for influence and even leadership based on full participation is still considerable. There is sometimes legitimate complaint that Europe has been too much concerned with minutiae and has lost its way in a maze of detail. But that is not remotely true of the Bremen plan. We cannot at one and the same time complain that everything is either too little or too big, too nit-picking or too imaginative. I have always believed that it is primary duty of politicians to seek to raise the sights and as-irations of those whom they represent. Now, after a period of dull and discouraging weather, there is a new and historical opportunity to exercise such q_ualities.

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European Communities Commission Press Release
ISEC/22/78 SPEECH BY THE RIGHT HON ROY JENKINS
20 Kensington Palace Gardens
London W8 4Q..Q.. Telephone: 01-727 8090
July 3, 1978
PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT THE ROYAL AGRICULWRAL SHOW, STONELEIGH, KENILWORTH MONDAY, 3 JULY 1978

Here this morning, I am addressing the fa-ing and allied industries not only of
Britain, but of many countries. I want to talk to you about European agriculture as a whole. Common Agricultural Policy For those in farming, Europe is of direct practical importance. It governs your production, your prices, and your exports. Europe means even more to you as farmers than to others, for agriculture has been from the beginning the cornerstone of the Community. The Common Agricultural Policy has, on the whole, served Europe well. It has given Europe’s 250 million consumers secure supplies of food. It has given farmers stable prices, and it offers a long-term framework in which to plan your industry. Those are not small achievements. But the achievements and the policy are at risk from two powerful forces. The first is a threat from within European agriculture itself: by that I mean the continuing production of surpluses. The second threat comes from factors outside your control as farmers: I mean the instability of national currencies and the divergence of economic performance in Europe. It is about these things that I want to speak today. Before doing so, I want to mention one other question. The multilateral trade negotiations, which are now in progress in Geneva between Europe and our trading partners, will cover agriculture. It is right that they should do so, for we want to reach a balanced agreement to expand world trade as a whole. Our partners expect us to make a serious contribution towards more open markets in agriculture. But Europe is not unique in protecting its agricultural imports, as is well known to those acquainted with the position in the United States or Japan, to take only the two other major trading blocs in the world. We have the right to demand, and we shall, that they also make concessions in this field. Surpluses I mentioned a minute ago the question of surpluses. They are not always a bad thing. It is better for the consumer to have a small surplus than a small shortage. But that is not the case with European milk production. One-sixth of milk output is already surplus to requirements, while total consumption of milk products is declining. We shall not be able to persuade Europe’s taxpayers and consumers to support that indefinitely. We cannot expect importers and other exporters of milk outside Europe to relieve us of that burden, even though we can dispose of some part outside the Community. Commissioner Gundelach has spoken of the time-bombs ticking away under the milk policy. For myself, I cannot tell you how long is the fuse that may detonate those bombs, but I do know that, for every month and every season which passes, the fuse becomes shorter. The Commission has embarked on a policy of prudent prices for surplus products. In the last two years, to the best of our ability, we have made the policy stick. We intend to hold to it in future. But I cannot conceal our fears about milk. In this year’s price decisions the Council of Ministers invited us to review the situation in the summer. We shall carry out a fundamental and objective review. But I repeat that we cannot continue with unlimited support for milk at price levels which lead to such heavy costs. We must find a way of checking the surplus through prices and the market mechanisms. Otherwise we shall have to introduce direct limits on production that will be less acceptable to producers than is the present position to consumers. Money and Growth I turn to European monetary problems in their agricultural aspect. All farmers in Europe understand monetary compensatory amounts, because they almost all have them. The only exception is Denmark, but Danish farmers too are quite well informed about their effect. They strike at the heart of the common agricultural policy. When national farm prices, in francs, lire or pounds, are affected more by the so-called green changes than by the common prices, then the common policy begins to be re-nationalised. Price differences of 30 or 40 per cent between Europe’s Member States divert trade and distort competition. They sap the very structure of the CAP, and undermine the will to find solutions. There are those who do not lament this state of affairs. There are those who would rejoice if it weakened the CAP. How can it be wrong, they ask, for national governments to take into their hands their own agricultural
policies, so as to take more account of purely national interest? That approach is seductive. But it is a profound mistake. Agricultural problems, like other economic matters in the modern world, cannot be solved at the national level. Let me put it to you in another way. Those who make their living in agriculture want to be part of the broader economy, to benefit like other citizens from economic liberty and from increases in wealth. They do not want to be a secondclass group within society. So it is with nations. They are obliged to trade, and none more so than the nations of Europe, whose wealth depends so largely on their trade. Agriculture cannot be an exception to that rule of interdependence. In that spirit I approach the central theme of economic and monetary union in Europe. I am convinced that steps in that direction are needed if we are to resume steady and balanced growth. We should not approach it reluctantly, with a fear that our contries will lose sovereignty in exchange for a nebulous benefit. We know that our economies have been so tossed about by the waves of currency disorder that monetary integration is the best way of regaining a little of the sovereignty that we have lost. We Europeans must therefore act together, work out a joint role for our moneys, and expand the use of our European Unit of Account.

In the first place, progress in this field will help to heal our agriculture, sick with monetary disorder. The drifting apart of our currencies has penalised all our farmers. Here in the United Kingdom, you see and resent the MCAs as an unfair subsidy on imports. But in Germany the dismantling of MCAs is seen and resented as an unfair penalty for economic virtue. Greater monetary stability would bring many advantages: First we could stabilise the monetary compensatory amounts. start; That would be a

then we could seriously tackle the problem of reducing the existing stock of MCAs. I do not mean we could abolish them overnight. The price changes involved are large. But we could begin to have a plan. We could begin to halt the re-nationalisation of the agricultural policy; That means we could offer farmers a chance to compete again on equal terms. It means we could face the adjustments necessary in modern agriculture. We know that the money problem has distracted us from the need to improve Europe's farm structure. We know that a common market in agriculture should mean specialisation and increased efficiency in Europe. MCAs have served as a kind of bandage, protecting the patient from harm, but not healing the fundamental malady. That is why I say that progress towards economic and monetary union is in the farming interest. But it is not merely for the sake of farming that it should be pursued. The benefits would be for all our people. It would give us the chance of: More strong and stable economic policies, favouring greater investment and expansion in Europe; from this stimulus a greater demand for goods, and therefore less unemployment in our countries; a European money to play an appropriate part in the world monetary system rather than leaving everything to the dollar which is no longer capable of bearing the full burden. So I call on you to support our demand for progress. At Bremen later this week the Heads of State and Government of Europe should make a significant advance. We are facing not a national problem, but one that transcends national boundaries. If we can work together in Europe, then we have the chance of a better future for us all. I think the seed is sown. I believe the harvest will be abundant. Your Royal Highness, My Lords, ladies and gentlemen, with these final words I declare open the Royal Show. I am sure this year's event will bring success to those who have so well organised it, and pleasure to the thousands who will so happily visit it.
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In 1917 President Wilson most surprisingly, as it seems to me in retrospect, brought America into the European war. It was surprising because the pressures were so much less compelling than in 1941, and yet Wilson acted much more determinedly and more precipitately than Roosevelt. As a result, there was a brief period after 1918 when he exercised an overwhelming sway in Europe. There may have been a touch of irony in Maynard Keyes' writing of his arrival, but even so he used words which could not have been used of any other President without turning irony into farce. "When President Wilson left Washington, he enjoyed a prestige and a moral influence throughout the world unequalled in history. A' His bold and measured words carried to the peoples of Europe above and beyond the voices of their own politicians .... Never had a philosopher held such weapons wherewith to bind the princes of the world. How the crowds of the European capitals pressed about the President!
of the features and bearing of the man of destiny who, coming from the West, was
to bring healing to the wounds of the ancient parent of his civilization and lay
for us the foundations of the future." But Wilson was a knight on his own. And
American politics

were still regarded by many otherwise well-informed people as not worthy of
serious study, a mixture of the squalid# and the common. It was a far cry from
today, when political scientists from Oxford to Upsala study every detail of the
psephological history of New Hampshire or Michigan or Mississippi. Wilson arose
for a brief period like a saint who had been mysteriously wafted up out of the
poker rooms. almost in a puff of smoke. Then he disappeared

Teapot Dome replaced the moral imperatives

of the philosopher-king, and Europe for another decade and more felt it had been
right in its detached and superior view of American politics.
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Address by Roy Jenkins, President of the Commission of the European Communities to the Basle Society of Statistics and Political Economy on Monday 13 November 1978

Next year it will be the 10th anniversary of the decision taken by the Heads of State and Government of the Community to work towards an economic and monetary union. The progress which has been made since then has been disappointing, but the objective remains intact. We are now making our second major effort to move towards it through the establishment of a zone of monetary stability in Europe to be achieved through the creation of a European Monetary System. If we succeed we shall give our Community the most creative impulse since the first achievements after the signature of the Treaty of Rome; if we fail we shall risk not just a
minor setback but the frustration of one of our fundamental purposes with all the political and economic consequences that would entail. Before looking at the choices which now face the member states of the Community, I want to say a word or two about how and why we arrived where we are. Just over a year ago, I tried to set out in a speech at Florence the reasons for re-examining the case for economic and monetary union. I wanted thus to take the issue out of the realm of academic debate and bring it back into that of live politics. Florence speech

I do not need to rehearse the main arguments I then advanced but I will briefly mention them. I drew attention to the need for a more efficient and rationalized development of industry and commerce in Europe. I spoke of the so far unexercised ability of the Europeans to create a currency of their own, based on a spread of wealth and power comparable with those of the United States: in doing so I said that although I thought floating exchange rates were here to stay, they should be between continents rather than between the countries of Western Europe, all of which are intermingled in a thickly populated half continent, and nine of which are united in a common market and pledged to political and economic integration. I said that control of a single European currency by a single European monetary authority could achieve a measure of anti-inflationary discipline beyond the reach of most individual member states. I argued that policies which would favour stability and expansion, strengthen demand on a broad geographical basis, and avoid exchange rate crises, would give a much needed new impulse on an historic scale to the European economy with the effect of reducing unemployment and creating new wealth throughout the system. I referred to the need for redistribution and transfer of resources within the system so that public finance could be channelled to the poorer areas and the imbalances which continue to disfigure Community Europe could be counteracted. I called for decentralization in some fields to balance the centralization which would be necessary in a limited number of others. Finally I spoke of economic and monetary union as a means towards political integration and the ultimate European union to which the member states of the Community are committed. For nine months now we have been talking about the creation of a European Monetary System, and I hope - as is appropriate - that the birth is about to take place. Since the Copenhagen meeting of the European Council in April much work has been done, thanks in large measure to the impulse given by Chancellor Schmidt and President Giscard d'Estaing. The measure of agreement reached at the European Council at Bremen astonished the world and laid the basis for the detailed and technical work which is under way. As you know, we then envisaged that the European Council at Brussels next month should approve the creation of a European Monetary System to come into being on 1 January next year. The creation of such a system would not of course be the same as a European economic and monetary union, but it would be a major stride towards it. Speed of developments

Since then things have moved further and faster than I - or I think anyone else-thought possible. Perhaps I should single out two main reasons for this change of climate. The first is that people became better aware that the differential movement of European currencies against each other was making nonsense of the notion of a common market, and still more that of a Community. Those countries in surplus, mostly strongly export-oriented, found that decline in demand from countries in deficit held back their ability to stimulate their economies; while those in deficit were frustrated in their efforts to achieve higher growth by a succession of exchange rate crises. Hence, in part, the relatively poor productivity of Europe, the relatively poor rate of growth and the relatively high
rate of unemployment, all of which stood in marked contrast with what had been achieved in Europe in earlier decades of relative monetary stability. The United States and Japan, subject to intercontinental but not to internal monetary upheavals, performed better.

No back-sliding from Bremen

Success, while far from certain, is still well within our grasp. I want in the rest of my talk to consider some of the problems which have arisen and what might be done about them. First let me say as clearly and firmly as I can that there must be no back-sliding from what was envisaged at Bremen. There is a particular responsibility on those who then took the lead. The detailed and technical work to which I have just referred and which is of course essential if we are to achieve anything worthwhile, must not nevertheless be allowed to obscure or diminish the fundamental perspective of Bremen. Let me recall what these were. First the European Council agreed that the creation of a zone of monetary stability in Europe was a highly desirable objective: the European Monetary System whose purpose was to bring it about must be durable and effective. Secondly the European Council agreed to work on the basis of a specific scheme for the creation of a European Monetary System although it naturally left this scheme open to amendment if necessary. Thirdly the European Council agreed that there should be concurrent studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of a European Monetary System, and stated that such measures would be essential if the zone of monetary stability was to succeed. The essentials of the scheme on which all agreed to work can be stated as the creation of an ECU (or European Currency Unit) at the centre of the system and as a means of settlement between Community monetary authorities; the depositing of reserves for use among Community central banks (illustrative but impact-making figures of 20 per cent of the gold and dollar reserves of Member States and 20 per cent of their national currencies were cited); the co-ordination of exchange rate policies with regard to third countries; and the eventual creation of a European Monetary Fund. I recall these points because they are in some danger of being buried beneath the leaves of an autumn of detailed discussion. But the decisions at Bre-

Weakness of dollar

The second major factor was the continuing weakness of the US dollar and the increasing precariousness of the international monetary system of which the dollar remains in practice, although not in theory (as under the Bretton Woods arrangement), the essential pivot. To keep some sort of system going and discharge their responsibilities in the common interest, the Europeans took in more dollars than they could conceivably want or need. This in turn had drastic effects on the ability of European governments to control their own money supply. In circumstances in which the world system was manifestly failing, the Europeans not unnaturally felt that they should try to achieve some stability among themselves both for its own sake and in order to make a contribution to a new and better balanced international system in the future. I shall have a word or two more to say about this point later on.

Reserves and drawing-rights

Next there has been substantial discussion about the extent of the reserves on which members of the system can draw, and the conditions on which they could do so. The Commission's position is clear: we support the arrangements set out in
the scheme discussed at Bremen. There are a number of legal and even- in some
countries - constitutional obstacles to be overcome but in order to ensure that
when the new system comes into operation there will be sufficient financing to
back it up we must at least agree substantially to strengthen the existing network
of credit facilities. Here I think two improvements could be introduced: first the
duration of the very short-term financing -the unlimited bilateral support that
central banks can draw upon to finance their intervention operations- could be
extended; and secondly the present network of short and medium-term credits should
be increased in amount, from around 10 million European Units of Account at the
moment to around 25 million. Obviously the larger the credit facilities, the less
they are likely to be called upon. The more you have the less you need. There is
no economy more self-defeating and short-sighted than to fail to provide adequate
measures.

Parity-grid versus basket of currencies

Some of the arguments which have taken place in and out of the Community
institutions and between governments necessarily have a highly technical
character. At the same time most cover points of underlying importance. First
there has been the discussion about the choice of numeraire for the new system.
Should exchange rates be defined in terms of a parity grid, as in the present
snake? Or should they be defined in terms of a basket of currencies, the basket in
this case being the European Currency Unit whose composition would be the same as
that of the present European unit of account? These are strong technical arguments
for using the grid as the method of intervention, but there has also been an
underlying division between those countries at present in the snake who fear that
the introduction of a basket system would impose unwanted responsibilities on
them and promote inflation; and those at present outside who fear that the
introduction of the parity grid would tilt the system in favour of creditor
countries and impose an unwanted degree of deflation. I will not enter into the
details of the argument, which I have no doubt are well known to you, but will
simply draw attention to the so-called Belgian compromise which would define
intervention obligations in terms of a parity grid, but use the basket as an
indicator of divergence, that is to say would show whether creditor or debtor
countries were getting out of line, and thus impose a certain symmetry of
obligation. This argument is not resolved; but I have no doubt that it can and
should be in the near future.

Convergent economic policies

The issues underlying the so-called technical points are obviously of great
importance. But they must be seen in the wider context of our continuing and now
more determined efforts to bring about greater convergence in the economic
policies of the member states of the Community. Any arrangement for the future
which was exclusively monetary would be bound to fail. The economies of the
Community are now moving along more parallel paths than was the case a few years
ago. Their trade with each other is immense. But the differences between them are
still substantial. Inflation rates vary considerably. Resources are not evenly
distributed. Growth rates are different. Budgetary and fiscal policies are
different as well, with each government naturally doing what it finds best for its
country’s particular circumstances and with only some regard for the interests of
the Community as a whole. Clearly if the new European Monetary System is to be, in
the words of Bremen, durable and effective, it must take account of the economic
as well as monetary circumstances of each member state and be matched by a still
greater effort of co-ordination on the part of member governments than any have
been willing to attempt in the past. The Commission has made a series of proposals
for such co-ordination, and has emphasised - as I do again today - the need for
such co-ordination to be seen in the framework of an eventual economic and
monetary union.
Importance of adjustment

Second there has been discussion about the width of margins to each side of the numeraire, and the possibility of adjustment. Here again there is some conflict of interest between those who are happy to retain the present margins of the snake and those (one at any rate) who would prefer wider margins. This is an argument over percentages into which I shall not enter. The question of adjustment is more important. Any participant in the system must be able to change its central rate if its costs and prices move out of line with those of its competitors or if it has undergone a structural change in its balance of payments. This is already true of the existing snake arrangements. It would obviously be contrary to the spirit of the whole enterprise if certain countries, in particular those with relatively high rates of inflation, availed themselves too often and too easily of the possibility of change and made no sustained effort to bring their inflation rates down to the level of their partners. Nevertheless some flexibility must be built into the system, and some of the fears which have been expressed about its absence seem to be ill-founded.

Strengthening the weaker members

This general point was fully emphasised at Bremen. The specific argument which has since arisen is over the phrase then accepted which said that there would be "concurrent studies of the action needed to strengthen the economies of the less prosperous member countries", all put clearly in the context of the European Monetary System. This is obviously of crucial importance to those countries which are less prosperous, and I betray no secret if I place in this category Ireland, Italy and the United Kingdom. What action should be taken to strengthen the economies of these countries is still under lively discussion. Some have talked of the need to produce a more rational transfer of resources inside the Community than arises out of such existing Community mechanisms as the Community budget and the Common Agricultural Policy. Others have spoken of the need for extension and reinforcement of such Community instruments as the Regional Fund and the Social Fund. Yet others have spoken of special loans at favourable rates of interest arranged through the European Investment Bank or other mechanisms. None of these questions is settled. The debate about them has opened up some pretty fundamental questions about the functioning of the Community and the equity of its present mechanisms. This is all to the good. But I think we all recognise that problems of this magnitude cannot be fully settled with a speed sufficient to meet the stringent time-table - desirably stringent- for the setting up of a European Monetary System. But settled they must be if we are to have a Community which genuinely represents the common interests of member states.

beginning, and we are obliged to work out ways of squaring some very uncomfortable circles, then I foresee the real danger of the evolution of a two-speed Europe, or perhaps even of a three-speed Europe when the Community is enlarged. In such circumstances the very sense of a Community would be imperilled. A European Monetary System must be to the benefit of all and take account of the circumstances of all. Responsibility for failure would not necessarily rest only with those who felt unable to join. It would rest also with those who insisted over-much on setting things in a mould which fitted some well, some not so well, and others not at all.

EMS not directed against anyone

I conclude with a word on the international system of which the European Monetary System would be no more than a part. I repeat now what has been said many times
before: that the European Monetary System is in no way directed against the international system nor against the US dollar. The health of the dollar is essential to the health of the international system, and we greatly welcome the measures recently taken by President Carter to strengthen the dollar. At the same time we must face the fact that the Bretton Woods system as we knew it after the war has broken down, and that we must gradually seek some new arrangements to take its place. No-one has suggested that the European Currency Unit should take the place of the dollar for which a leading role in the international monetary system remains necessary and unquestioned. But it is possible to envisage a system in which responsibility is more widely shared and in which both the European Currency Unit and of course the Japanese yen play a more important part. This is to look further ahead than is perhaps now easy to do. Today I want simply to emphasise that we live in one interdependent world and that what we plan for Europe must from the beginning be seen as something which does not conflict with but assists the interests of the world as a whole.

Interests differ within Community

Before concluding I want to underline one fundamental point. The interests of our member states are not in all cases the same. There is, for example, an obvious temptation for the existing members of the snake to conceive of a European Monetary System which would in many of its essential be no more than the present snake writ large. There is another temptation to which my own country of Britain is subject: to see the system as yet another continental entanglement conceived in the interests of countries whose economic performance and problems are different from their own. My answer to those who would like the system simply to be a super snake is that it would simply be unworkable if it included, as it should, all or nearly all members of the Community. My answer to those who see it as a new entanglement in the interest of others is first that they should be less defensively suspicious (such suspicion has not served them well in the past); and second that if it should prove an entanglement it would mean that the system did not properly reflect the common interest and was for whatever reason badly designed. I appeal to all members of the Community to play a full and responsible part in the creation of a new institution in the interest of all.

Editorial note

The main characteristics of the European Monetary System, proposed by France and the Federal Republic of Germany at the Bremen European Council, were outlined in an article which appeared in the Newsletter, No 77, of 12 July 1978.

Dangers of two-speed Europe

I now give a warning. If it turns out that all members of the Community do not feel able to join, at least at the

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Tiffi RITA HH, mE. \1 MFMORIAL LECTIJRE

DELIVERED BY THE RIGHT HON ROY JENKINS PRESIDENT OF THE COMMISSION OF THE EUROPEAN
There is a double attraction in having been invited to deliver this year's Rita Hinden Memorial Lecture. It is an honour because of the distinction of my predecessors at this rostrum:
of the warmth of commitment which Rita Hinden brought to the great causes with which she was selflessly associated. I begin my remarks this afternoon by paying tribute to her memory. 'Socialist Commentary', so much her creation, has been much more than a friend, valuable though it has been as such. 20 years it has been both a haven and a rallying point, and Labour Party politics would have been much less sensible and informed without it. For Rita Hinden, libertaria!! social democracy, to which she devoted a lifetime of service.

For closely, indeed inextricably, linked to European union,

for which she fought no less determinedly in her later years •. I believe that she was right to see a link between them, and it is the nature of link that I want to explore today. Unlike some previous lecturers in this series, however, I shall not concern myself primarily with the fundamental moral and philosophical basis of social democracy.

Instead I shall try to examine a number of pressing, practical questions - questions which, I believe, require urgent answers if social democracy is to remain a viable political form in the continent of its birth. l've what do I mean by social democracy and why do I believe that its fate may be in balance? The term is, of course, both controversial and imprecise. Like most such terms, it /has been used

coined, and is still subject to a wide variety of interpretations. But I do not think it would be profitable to embark on a lengthy historical account of the way
in which it has evolved since the first mass social democratic party grew up in
Germany more than seventy years ago. Nor do I see much point in engaging in an
essentially semantic exercise, designed to defend my interpretation of it against
possible rivals. I merely assert that,

for me, the essence of modern social democracy lies in a double commitment to
individual freedom on the one hand and to social justice on the other, and that
both halves of that double commitment should count equally. From that fundamental
principle a number of conclusions follow. It means that social democracy rejects
the assumptions

and consequences of both classical nineteenth-century liberalism and classical
nineteenth-century Marxism. Social democrats reject

the laisser-faire assumptions that the market always knows best; that state
intervention

the working of the market

is bound to distort the proper allocation of resources and . . . to invade individual
rights; and that strong government is incompatible with individual freedom.

a strong, and (within limits) interventionist state is often the guarantor of
personal freedom, and that if the market is left to its own devices the weak are
likely to go to the wall. They also

reject the assumption stemming from Marx that social justice and true freedom are
impossible when the means of production are privately owned - knowing that, in
reality, complete public ownership has invariably been accompanied by the stifling
of individuality and has concentrated power in the hands of a more or less
oppressive state. . . . A more positive conclusion can be drawn as well. For Marxists and
laisser-faire liberals alike, the modern mixed economy as an economy, that is, in
which the state intervenes actively and continuously to redress the balance of the
market in favour of the weak, but in which a strong and desirably profitable
private sector exists side by side with the public sector - is an intellectual and
emotional affront. If the intellectual

premises of either Marxism or laisser-faire liberalism were valid, the mixed
economy could

hardly

exist, except perhaps in a highly transient and unstable form. The fact is that for the last
thirty years it has not only existed throughout much of the developed world, but
for by far the greater part of the time provided the most sustained period-of
wealth and welfare growth the world has ever seen. For social democrats the mixed
economy
is positively desirable - not as a transition to a complete theoretical socialism but as a continuing and desirable framework for social action and political argument. know, of course, that no particular

Social democrats

mix is perfect, and that, even

in the most advanced and prosperous mixed economies, mankind's unending battle against has to be fought.

and avoidable suffering still

This does not surprise them, for they also know that perfection is impossible outside Utopia, and that the messianic search for Utopias led more often to bloodshed and tyranny than to advances in welfare.

And they know, too, that as the mixed economy offers as good a defence devised against the arrogance of mankind has yet power and that it is only in a economy that their double commitment to freedom and justice can be realised in practice.

/This, I believe,

This, I believe, is where

the continuing link between The history of Western Europe since the war has been characterised above all by the triumph of social democracy in the sense used here - even in countries where social democrats have not held power or where the values of social democracy are not explicitly social democratic forces. Community are mixed economies.
promoted

All the Member States of the
All have sizeable public sectors, all practice some variety. None gives
coexisting with the private sector.
or other of more or less flexible economic planning.
a free rein to market forces, yet in all the need to control the operation of the
market in the interests of society as a whole is balanced against the need to allow the greatest possible freedom of choice to the individual consumer. All are welfare states,
allocating a significantly higher proportion of their gross national products to social welfare than is the case in most of the rest of the world. And all are, at the same time, open societies with free institutions. What is also significant is that the same approach prevails at the community level as well. The Coal and Steel Community ~
the early 'fifties - the foundation on which the present Community was built - was not
e-\textit{plicitly}
social-democratic in its form, but it was certainly social-democratic in spirit. object~
to create a common market in coal and steel products,
and in so doing, to prevent the re-emergence of the cartels dominated both industries before the war.

But the High Authority
which managed the Community's policies was a highly
body, and had at its disposal a wide range of instruments...:..', '; which to make its interventions bite - instruments which inherited by the Commission when the
and Str
-
merged with the Economic Community.

The Rome Treaty, and in its early years the Economic Community concentrated on removing trade barriers and ensuring the freest possible exchange of goods and services. Since the early seventies, the Community has adopted an increasingly interventionist stance on a whole range of industrial problems, and has also devoted increasing attention, although not yet enough money, to the redistribution of resources in favour of the weaker regions and disadvantaged social groups through the Regional and Social funds. This movement to social democracy has over a short now generation assumed a familiarity which makes its weaknesses more apparent than its underlying virtues. And indeed the economic strains and checks of the past 5 years have exposed weaknesses which were not apparent in the heady rush to prosperity of the Even with the additional dangers and difficulties of today the advance over a generation has been immense. years ago this month, what was the scene? Gennan Nazism Forty 'Fascism & Ttal:lan were each in the plenitude of their powers and were about to cement their brutal partnership with Hitler's visit to Rome. The Spanish Republic was near to defeat. lost power in France, and Neville Léon Blum had just enjoyed Chamb-rlain an apparently unchallengeable majority /in the
in the British House of Commons.

Only a few disparate islands of social democracy stood out: in New Zealand and Scandinavia. In the United States, the New Deal had lit a beacon for the democratic left throughout the world. seemed to be closing in. seemed to be in doubt; intelligent But in Europe, darkness The survival of free institutions to many of the, most of my own generation the only choice seemed to lie between--a totalitarianism of the Right and a totalitarianism of the Left. Few would have dared to predict that, only a decade later, Western Europe would have come through and was on the threshold of a generation of burgeoning prosperity and increasingly secure peace; fewer still would have guessed that, during that generation, social democracy would become the Western European norm. The European Community has been the buttressing accompaniment rather than the trigger of this massive achievement. was a combination of American generosity, not entirely self-interest but of an unusually far-sighted nature, which statesmanship, is perhaps the best recipe for of determined and constructive and courageous leadership by a handful of remarkable European politicians. that the future preservation of this depends on For the
the underpinning and strengthening of the Community.

of social democracy has been built. on success - and,

more particularly on a combination of the abandonment of narrow nationalism and

the practical vindication of the ideas of Keynes

by the war-time needs of America and the post-war needs of to recall the Europe. 

No one needed ;recipe of one of his more famo-.s r<,,~,-,..~:-..

"to bury bank notes in disused coal-mines and leave it tv.

enterprise to dig them up" because the demands o"- the war ,_-.:

/US economy

US economy and of the need for post-war reconstruction on a devastated European

continent provided less contrived remedies. The

Keynesian techniques also made it possible for the state to manage the economy at

arm's length, without recourse to the bureaucratic paraphernalia of quotas and

physical controls. Most of the

advantages of the free market and the price mechanism could be enjoyed while

avoiding the waste and suffering which had characterised them in the past. And the

net result was the

most rapid and sustained increase in living standards - both private and

collective - which this continent has ever known. There was a comparable release

of energies and creation.of wealth in post-Civil War

Ameri-,

but then it was accompanied by

far more harshness of experience and inequality of reward. Now, however, there are

signs that at any rate, at the

level of the medium-sized European nation state - the Keynesian Revolution has run

it course. Six and a half million people

are now out of work in the nine Member States of the European Community. In the

next seven

yeats-

nine million more young •

people are expected to join the Community's labour force than old people are

expected to leave it. immediate prospect of a Keynesian economic

majb~
There is no upturn. By all the rules of management, this would be the time to pump extra purchasing power into the economy, to stimulate demand and bring down unemployment. Yet no Member State of the Community dares to do this - not because their Governments are indifferent to the human and social costs of high unemployment, but because he familiar instruments of navigation no longer chart our way. It is as though we hid in the seas of the late 'seventies, gone into some strange limbo in which the compass and the sextant no longer work.

In countries

In countries with weak currencies, Governments are deterred from taking action to expand the economy by fear of the consequences for inflation and the exchange rate. They know that the immediate consequence of an increase in the budget deficit or the money supply is likely to be a fall in the exchange rate: and that the consequences of a fall in the exchange rate will include an increase in the rate of inflation, a stimulus to inflationary expectations, damage to the chances of stable wage bargaining and damage to both consumer and business confidence. So they sit tight: and in the circumstances it is difficult to see that they have much.

At first sight it might be thought that the Member States with strong economies should therefore assume responsibility for pulling the Community out of the recession. But on closer investigation, it turns out that this is not possible either. For the countries with strong currencies are heavily dependent on exports, with the result that their levels of employment and investment are determined as much by the state of demand in the countries to which they sell their goods as by the state of demand within their own frontiers.
industrialists will not be inclined to invest in new plant or machinery, or take on extra workers, mercly because the German Government increases public spending or relaxes credit conditions. want to know what is going to happen outside Germany, in the countries which buy German goods. Thus, it is argued, even in Germany, Keynesian pump priming is more likely to produce harmful effects on prices than beneficial effects on output and jobs. This is not to say

This is not to say that the classic Keynesian instruments no longer work at all. It is to say that they no longer work in the member states of a Community characterised by high trade interdependence and with highly volatile exchange rates. After all, the central premise of Keynes' theory was that Governments could determine the level of effective demand for the goods produced by their own nationals. Forty years ago, they could. They can even today, in a continental-scale economy like that of the United States - though even here there are now difficulties. But in the much smaller nation states of Western Europe, they cannot and for us, I believe, there are only three choices open. The first is to sit passively in the face of a recession which has already inflicted great damage on our societies, and which is likely to inflict much more if it lasts much longer. The second is effectively to abandon our attempts to promote the free exchange of goods and services and return - no doubt slowly and without openly acknowledging where our actions are leading us to the beggar-my-neighbour autarchy of the 1930s. The third is to recognise that the vicious circle of unemployment and inflation can be cut through only at a continental level and to find a way of cutting through it at the level of the European Community as a whole. I do not believe that social democracy could long survive the adoption of either of the first two choices. To allow the present level of unemployment to continue indefinitely would not only be callous and inhumane, it would be to proclaim that the mixed economy had failed after all: that the effective choice for humanity did, after all, lie between the harsh doctrines of the nineteenth century.
A slow and unacknowledged return to autarchy, though less obviously damaging in the short run, I believe, would, I believe, be equally destructive in the longer term destructive to prosperity, destructive to good international relations, destructive to the Community and destructive eventually to democracy as well. Only the third choice, in my view, remains; and there is no denying that the third choice entails a transfer of power from the national to the Community level. It entails, in the first place a firm commitment to European economic monetary union. At present, as I have tried to show, each of our member governments is caught in a straitjacket in which action to stimulate demand effectively and therefore in the longer term, is ruled out either by fears of a fall in the exchange rate or by the knowledge that other governments cannot stimulate demand because of their fears of a fall in the exchange rate. I do not claim that full employment would automatically follow if these exchange rate uncertainties were ended by monetary union. I do believe that there is no hope of returning to an acceptable employment level unless they are ended: them without monetary union. and I see no prospect of ending Monetary union is not a sufficient condition of economic recovery. But it is, I believe, a necessary condition. Here I may be told that, however desirable it may be in principle, monetary union will not work unless the economies of the Community move much closer together, and, in particular, unless the richer economies transfer resources to the poorer on a scale which is politically inconceivable: that it would mean and that federalisation turning the Community into a federal state: is not only a lost cause but a deservedly lost cause. Like to comment briefly on both these criticisms. It is
true that monetary union requires a coming-together in economic policy on the part of our member governments: by definition, the same applies to any attempt to solve our problems through common action. But it is not true that monetary union pre-supposes equality of, or even rapid convergence in, economic performance. If it were, the monetary union known as the United States would long since have fallen apart. What is essential is that all the parties to the union - stronger and weaker alike - should benefit and be seen to benefit. Provided that essential condition is met, union is consistent with wide variations in living standards and productivity. That condition is not as difficult to meet as is sometimes supposed. In particular, I do not believe that it will require gigantic transfers of resources from the strong economies to the weak. In their impressive recent report on the role of the public finance in European integration, the MacDougall group of economists calculated that European monetary union might be feasible if the Community budget were increased so as to account for 5 per cent of total Community GNP as against the figure of 0.7 per cent of Community GNP.

That is a formidable increase. It is not, I suggest, over a period a politically inconceivable one. At 5 per cent of Community GNP the Community budget would of course be far smaller in its impact of the economy than those of Member States, which account on average for around 40 per cent of GNP. Yet a 5 per cent budget would give significant and tangible benefits to the weaker economies of the
Community. At the same time the advantages to the strong of a decisive underpinning of the unity of the market would be very great.

This is particularly so when the necessary and indeed desirable, but in itself potentially loosening element of further enlargement of the Community is being introduced. It is also particularly so when the competitive position of even the strongest of our economies is less so than it was a decade ago. The charge that monetary union would be a step towards 'federalism', with the implication that anything that smacks of 'federalism' is ipso facto to be condemned, is in some ways more difficult to take hold of, for the term 'federalism' is as imprecise as it is highly-charged. I shall therefore try to stand back from the argument a little and to discuss, as dispassionately as I can, what seems to me the real institutional choices facing the Community, and the ways in which monetary union would bear upon those choices. I start with the obvious - but all too neglected - proposition that the Community's system of government is sui generis, with no precedent in history and no parallel elsewhere in the world. It is not remotely a federation, if by 'federation' is meant a form of government akin to those of the United States, the Dominic of Canada, or for that matter, the The Council of Ministers is not Federal Republic of Germany. a Senate or a Bundesrat; the European Parliament is not a Congress, and will not be one even after direct elections; the European Council (of heads of government) has no parallel in any federal system. Yet the Community is certainly not simply an association of sovereign states, joined together for strictly defined and limited purposes, like the OECD NATO. There is no equivalent to the Commission or the EuroT. Court in NATO or the OECD, but Lhc Co.
Court both play crucial parts in the government of the Community. The truth is that the Community and the Community method fit none of the conventional categories of political analysis, and that attempts to apply conventional categories to them confuse more than they illuminate. I believe that this will continue to be the case for the foreseeable future. Charles Stewart Parnell said: "No man can set a limit to the march of a nation".

The same applies to the march of a continent. Subject to this proviso, there is clearly little prospect of the Community's developing into a federal state on the model of the United States Germany. Nor do I see any need for it to do so.

Federal or Federal - There are too deeply imbedded national traditions.

The really important question now facing the Community and its Member States is not whether to imitate or avoid an arbitrary model of federalism, based on American or German experience.

It is how and to whom to re-apportion the functions which used to be exercised by the European nation states, but which the European nation state can no longer exercise effectively. I insist that those functions can only be apportioned either in the way that they are apportioned in the Community today, or in the way that they are apportioned in existing federal systems, to restore full employment or promote economic growth. It is too big to satisfy the growing demand for cultural differentiation and effective popular participation in decision-making. Some of its functions should be transferred upwards, to the Community. Others can be transferred downwards, to provinces, regions or localities. I see no good reason...
why both these needs should But

not be met at the same time.

if

we are to meet them, we

shall have to devise a new pattern of government in the Community, with a new set of relationships between the Community, the national, the regional and the local levels. model for

No satisfactory pattern exists:

it will have to be built But it is at least clear

up gradually through trial and error.

that it will have to be a European pattern, built on European precedents to suit European requirements. It is equally clear

that it will have to provide, at one and the same time, much more scope for initiative at the bottom, and much speedier and more effective decision-making at the top, than are to be found in the Community at present That means, I believe, that it will have to be more decentralised than any known federal pattern. it also means that it will have more important decisions in common than is the pattern of Community government today. But

Monetary union, in particular, will entail a more significant transfer of power from the national to the Community leve: than ha..s been carried out so far. In a monetary union, control over the money supply and the exchange rate - two of the most prized weapons in the armoury of the modern state - would have to be exercised by Community, rather than national, authorities. New Community institutions would have to be created, and a new Community system of l.'OUld have m be devised. It is true that, from the vie'" of the Member States, the powers which would hav( transferred to the Community are, iri a sense, - illusor,' --

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As I have tried to show, they can no longer be exercised effectively at the national level. No country, as our own experience between 1972 and 1976 showed decisively, can go entirely its own way in these matters without near disaster. We got inflation without growth, and we lost control of the exchange rate. Our recovery began when, partly by necessity and partly by our own will, we accepted international disciplines. But the Community is large enough for the powers exercised at this level to be real and not illusory. There can, however, be no doubt that the transfer would result in an important change in the existing relationship between the Community and the Member States. At this point in the argument, a new objection based on positivism and pessimism is apt to make itself heard. Given that European union is a good thing in principle, it may be asked, given that a more supranational Community would be a good thing if we could get it, surely the history of the last 20 years proves that a more supranational Community is a pipe-dream? after all, trying to unite ancient and deep-rooted nation states; with different traditions and to some extent different cultures. Sure, in these circumstances, it is hopeless to try to go much further than we have already gone? That being so, is not a danger that, if we try and forge ahead, we shall merely provoke opposition which might otherwise have lain dormant, and end by doing more harm than good? In one form or another, I have heard that argument.
a good deal in the last 12 months -

more on this

side of the Channel than on the other - and it must be taken seriously.

I believe, however, that

it rests upon two profound misconceptions - one about the present state of the Community and the other about the nature of present-day European society. These misconceptions in turn. Implicit in the whole argument is an assumption that the Community can choose between moving forward, and staying where it is. False.

Let me deal with each of

I am convinced that assumption is

I have already pointed to the danger that, if no solution is found to the present economic crisis, the weaker economies may slip backwards into the protectionism of 40 years ago and impose intolerable strains on the Community in doing so. That problem is serious enough, but it is only one of the problems facing us at the present time.

There is also the problem of enlargement which I have already mentioned in passing: a problem different in kind, but equal in scale. Enlargement is unquestionably a political imperative for the Community.

To slam the door on the newly re-emerged democracies Europe would be an act of folly as well as of selfishness.

It would put the survival of free institutions in the applicant countries at risk, with incalculable consequences for the whole of the Mediterranean region. No one with the interest of western democracy or a respect for the essential political and Europe-wide purposes Community at heart; can willingly contemplate taking the...
doubt that if the Community is en...
of political man. It assumes that we are prisoners of our histories, that our attitudes are fixed forever in a mould set by the past. It underestimates the capacity of ordinary men and women to learn from experience, to widen their horizons, to recognise that new circumstances demand new approaches. Above all, it neglects the role of leadership in changing old attitudes and in helping create new ones. The fact that the European Community today is, after all, a testimony to the capacity of political leadership to change attitudes in a way that would have been considered impossible before it happened.

The present generation of European political leaders cannot afford to fall below the standards set by the last generation in that respect. This stretch of the road is not easy. The institutional problems are particularly formidable and will test our ingenuity to the utmost. This, linked as it inextricably is with the problems of unemployment and enlargement, is the most pressing challenge which social democracy now faces on a European scale. Direct elections to the European Parliament, delayed though they are, will at the latest take place in 1979. Campaigns must soon be planned. The For the first time the people of Europe will be called upon to make a choice between rival conceptions of the Community. This provides a major opportunity to confront its electors with the options now facing it, and, in doing so, to create a genuinely European public opinion. It will be a contest which breaks new ground. I hope that British social democrats play their full part in it together with the continental socialist parties.
Mr. President, the European Commission is honoured and delighted to welcome you here. It is the first visit to the Commission of a President of the United States. Your visit is therefore both a symbol and a practical manifestation of the enduring relationship between Europe and the United States and, more particularly, of the developing and excellent contacts between this Commission and your Administration. They are both one year old this month, and in fact you visit us on this Commission's birthday, the sixth of January. Both the United States and Europe have in the past year had to confront many similar problems throughout the world. Your present tour has brought into sharp focus several aspects of your great international responsibilities. We are also aware of our actual and potential role in the outside world. These roles are in our view complementary. We see neither contradiction of our European purpose nor dependence in a strong relationship between the Community and the United States. This is especially so on the world economic scene. Our mutual desire to ensure the success of the multilateral trade negotiations is of greater importance both for us and for the world as a whole than any bilateral difficulties that may exist between us. Our cooperation, together with the Japanese, is necessary both to withstand the damaging dangers of protectionism and to regenerate a still sluggish world economy.

Another important dimension of mutual concern is our approach to the third world and the way in which we conceive of the dialogue between north and south. Both Europe and the United States have outgrown the age of charitable action. We live in a world where a proper division of labour and of economic effort between developed and developing countries is necessary for our health as well as theirs. And it is necessary not only for our economic health but for the political and social health of the world as a whole. We agree with you that the importance of our relationship is exemplified in the field of energy. My official visit to you in April of last year took place in what, for you, was "energy week". We in the Community strongly support your continuing efforts to achieve a result which is both practical and imaginative and will begin to deal with this major problem. Our relative dependence on the outside world is of course still greater than yours. But our priorities are similar - to save energy, and to develop alternative sources to oil imports. Moreover, if our need for nuclear energy is perceived at the present time somewhat differently from yours - although I believe it is now possible to exaggerate the differences - we enter willingly into the International Fuel Cycle Evaluation Programme, wishing for its success and without prejudice to its results. The European Community and the Commission here have a major role to play in the world. But to underpin we must constantly safeguard and strengthen our internal cohesion. The United States is still often thought of as a relatively new nation. But we are an even younger Community: twenty-five years/
your 2fr1. We are a young Community formed out of ancient peoples with strong
national traditions. We do not seek to flatten those national traditions, but
rather to help canalise them towards more constructive purposes than has often
been the case in the past. The Community has powers and responsibilities both
externally and internally that is more than the sum of its constituent parts.
Within Europe our job is "...e that ,:urn stronger

and more effective. That is why this Commission has redefined and is relaunching
our approach towards economic and monetary union. This initiative has also to be seen in conjunction with two other strategic developments that are on the
Community's agenda today: on the one hand, the prospect, very soon, of the first
direct elections to the European Parliament, and, on the other hand, the prospect
of further enlargement of the Community to embrace the three nascent democracies
of Southern Europe- Greece, Portugal and Spain. These three developments are
powerfully inter-related. We could not envisage monetary union without a European
direct democracy. What better way of underwriting democracy in the three applicant
countries than by inviting them to a new, shared democratic Parliament? What
better way of assuring that enlargement does not dilute the integration of Europe
than by resuming the move towards economic and monetary union? Mr President, we
believe that you, representing the people of the United States, share our desire
for a Europe economically united in essentials and therefore better able to play
a major role in the world. We are delighted that your visit today testifies your
continuing support for this great enterprise. We are your forefathers. But you are
now also ours, in having shown in your very different circumstances, one way of
creating unity out of the diversity of European heritage.
to receive you here today on behalf of the Co~ssion of the European Communities. We have just had a most useful conversation on your country's relations with the Community. We value our friendship with Turkey, and we pay tribute to her crucial role in the affairs of Europe. with the Associated of Europe, and Community, prominent in the Council of a custodian of the south-eastern flank of the Atlantic Alliance, Turkey makes an important contribution to the character and stability of the Western political system. I do not deny that there are sometimes tensions between us as there are in all friendship or family relationships.

I am in particular aware of your misgivings about what could follow the further enlargement of the Community, and about aspects of the functioning of our Association Agreement. At our meeting today we have had an opportunity to discuss some of these problems and achieve better understanding between us. Be assured, Mr Prime Minister, that if there are those who tell you that they Ptf-e!e1&Yr' JiJg. in Europe/'care, _ for Turkey Agreement today
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We want to improve and develop our relationship, and rekindle the spirit of the which was signed in Ankara in
September 1963.

In particular we want to resume the dialogue with you. As was said at the last meeting of our Association Council in December 1976, the Community is willing to consider sympathetically any specific request you may wish to make for modifications in our relationship. For example, we might introduce greater flexibility into the way in which the provisions of the Association are applied, so as to take better account of your national objectives in the industrial-technical, commercial and other fields.

Co-operation of this kind would, in our judgment, be better attuned to the needs of our future relationship than the old approach of tariff reductions. As you know we have already removed tariffs on the great majority of Turkish goods. I add, Mr Prime Minister, that we hope soon to you a substantial sum - some US We await make available

450 million - in loans.
ratification by the parliaments of some Member States and by the Turkish Grand National Assembly.

might, indeed, be no bad idea to begin work with you on selecting the projects...
be financed to avoid unnecessary delay. We are, Mr Prime Minister, fully aware of the problems which affect the Eastern Mediterranean and the distress which has been caused to its people over the years. I would not presume to intrude with advice but I should like to know of our sympathy and desire to give any help we can to settle differences between friends. In the longer run I share the confidence you have expressed in one of your own poems when you said that "the golden age of the Aegean shall come to life again".

COMMISSION

Roy Jenkins

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EUROPEAN COMMUNITIES

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PRESIDENT'S STATEMENT AT OPENING OF EEC/ASEAN MINISTERIAL CONFERENCE : Brussels, Monday 20 November 1978

Excellencies, Ladies and Gentlemen, On behalf of the Commission.

...
I should also like to welcome you to this meeting at Ministerial level between the Association of South East Asian Nations and the European Communities. That we live in a world of profound and rapid change, political, economic and seen how, in Western technological, .. could not be more evident when we look at our two regions. Our generation as Europe, the determination to banish war has given birth to a process of economic and political unification, the ultimate limits of which, whether in degree of integration or in geographic extent, cannot be foreseen. The same period has transformed our region's relationship with South East Asia from one predominantly colonial to one based on equality and mutual respect, while within South East Asia itself past dissension have been put aside and ASEAN emerged to herald a future of increasing prosperity deriving from cooperation among its member nations. The question to which we have to address ourselves in the next two days is how to bring the European Community and ASEAN closer together through the substantial possibilities which exist for economic cooperation between the two regions. Our meeting will also give us the opportunity to consider the North-South relationship and to discuss the progress towards a more just and equitable world economic order which will secure for the developing countries a larger share of an expanding world economy. This is important to all of us and I
am sure that the positive approach of our meeting can be an example of cooperation between developed and developing countries.

We have certain things in common: We share the same values and have much common history. Both groups of countries have learned that regional cooperation offers them a greater chance to shape their own economic and political destiny than they would have as individual nations, and to promote the economic well-being of the people, and to ensure peace in the region. For both ASEAN and the Community the ability to negotiate a group with the outside world has become one of the most important features of our two organisations.

The Community has always been in favour of regional cooperation: we firmly believe that such cooperation contributes significantly to the economic development of the individual countries of a grouping, and promotes political stability among and beyond them.

From the formation of ASEAN we in the Community have always sought to treat with ASEAN as a region since we from our own from our own experience have learnt than an external stimulus can often support internal cooperation.

When therefore in 1971 an ASEAN delegation came to Brussels to discuss 1971 an ASEAN delegation came to Brussels to discuss with the Community, we were pleased to have the opportunity to discuss problems on a region to region basis. Similarly we welcomed in 1972 the formation of the Special Coordinating Committee of the ASEAN Nations which was charged with developing ASEAN's trade relations with the Community, and its executive arm in Brussels, the ASEAN Brussels Committee consisting of
five ASEAN We have had a good
Ambassadors accredited to the Community.
relationship with these Committees over the last five or six years, and I feel sure that this has significantly to the decision to hold today's meeting.
In the Joint Declaration which was signed on the accession of Britain, Denmark and Ireland, the Community undertook to extend and to strengthen trade relations with the Commonwealth countries and other neighbouring developing countries in Asia. the Commission, Sir Christopher Soames was to intensify the dialogue.
As a result it was agreed in 1974 between former Vice President of and ASEAN Ministers of the Commission. European to form a Joint Study Group between ASEAN and the Commission. European
Its aim was /Communities, and to serve as the mechanism through which to. Since explore together all possible areas of cooperation. Its creation in 1975 the Joint Study Group has gone a long way towards meeting those aims and this meeting is in many ways the culmination of its work. The discussions there have been on an informal basis, and have allowed both regions to have a much better understanding of the problems each faces, and were the inspiration for the establishment of contacts at the political level as well. /Last November...
Last November the first meeting of the ASEAN Ambassadors in Brussels, the Permanent Representatives of the Community Member States and of the Commission took place, thus a new dimension to our institutional links.

We believe that this was a valuable innovation as it brought another Community institution into the process of cooperation between our two regions.

Now we are at the third stage in the development of our institutionalised relationship.

We all attach great hopes for, and importance to the success of our deliberations in the next two days. We realise that the practical results of our cooperation have not yet fulfilled our hopes, in spite of the efforts of the Joint Study Group, but this meeting should create the basis for more substantial cooperation in the future.

We have the basis on which to do so. 1977 trade between the two regions has grown two and a half fold despite the economic recession, and in the last two years ASEAN has had a trade surplus with the Community. These figures show, I think, that the Community has been successful both in resisting protectionist tendencies and in fulfilling the commitments we have entered into at various international meetings.

We in the Community firmly believe that the maintenance of open trading conditions and the expansion of international trade are essential for the health of the world.
The availability of energy, and of natural resources in general, in a finite world where both the population and its material demands are constantly growing, is a major long-term reality which we all have to face. The challenge is to see how short-term political decisions can be properly framed to face these and other long-term realities in an effective and humane manner. Already at the end of the 1960s, the industrialised world as a whole was consuming - and on a vast scale - more energy than it produced. We were already- and had been for decades - net importers of energy and, in particular, of oil. Certainly some countries or groups of countries within the industrialised world imported more than others. But the general position was already one of great dependence on external sources of supply - and in particular on supplies originating within the petroleum exporting countries of the Third World - the Arab bloc, Nigeria, Venezuela and so on. At the end of the 1970s that pattern has not changed. It has, In 1977, within the nine
countries of the EEC, over 55% of total energy consumed was imported. Even in the United States over 20% of the energy consumed was imported energy and, where the consumption of oil is concerned, that figure was over 40%.

if anything, become even more pronounced.

In the European Commission we recently produced some energy projections of the future based on two sets of assumptions. One case was based on an economic growth rate of 3% per annum: the other on a growth rate of 4.2% per annum. Both assumed a continuation of the basic structures of operation of our present economy.

Without going into all the details of the exercise, the conclusion was that, under the relatively "high" economic growth scenario, energy consumption, which in the Europe of the Nine was 965 million tons of oil equivalent in 1977, would increase by 1990 to 1470 million tons of oil equivalent.

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In the "low" growth scenario, consumption would reach 1275 million tons of oil equivalent. In other words under either assumption, the Community countries would, between now and 1990, remain dependent on third countries for more than 50% of their energy supplies. I should add that in both cases we assumed that the price of oil would fall by 10% overall over the 1976 to 1980 period, would rise by 20% during the 1981 to 1985 period, and by another 25% during the 1985 to 1990 period.

We also assumed, in the high growth scenario, that conservation measures would knock 3.5%, 8.5% and 15% off effective demand in the three quinquennial periods. In the low growth scenario, we put the effect of conservation measures at 2.5%, 5.5% and 10.5%. Thus, even if we assume further increases in the price of oil and even if we plan for a fairly radical and effective programme of conservation measures, we are still going to be in danger of being 50% dependent on imported energy in 1990 and there is no reason to suppose that that situation will change after 1990 unless we now plan what can be done to make it change. I would like to say, parenthetically, that in these projections we assumed a maximum growth of nuclear power consistent with sound planning and respect for the environment. Nuclear power, whether it be fission or fusion, is no panacea. It has a place in the scheme of things. But we must not exaggerate that place nor build up false hopes which can only lead to disappointment. The supply of energy is only one of the constraints which we face. I could take other examples to demonstrate the inadvisability of continuing in a blinkered way along the course on which we are presently headed. Certain of the key minerals can be ranked alongside energy resources as far as their importance for the industrial world is concerned - bauxite, for example. So can some basic food commodities. Here again, by our patterns of production and consumption, we may be giving hostages to fortune equal to any which fortune already has. Moreover, the long-term implications of our particular pattern of society have to do not merely with the extent of our dependence on imported supplies of raw materials, strategically important though this may be. I would argue that the two evils which much beset contemporary industrial civilisations, namely unemployment and inflation, are themselves in large part the consequence of the same patterns of existence which we are...
currently pursuing. There is a third evil: pollution and degradation of the environment which is also intimately linked to the first two.

Try to solve inflation and balance of payments problems by reducing demand. We run head on into rising unemployment. And all the time, at almost any level of production, environmental problems become more acute. Some of these problems are localised in nature; some are national; some have transfrontier implications. There are even some, such as man's impact on the climate or the spread of certain toxic substances, which can be of global significance. Whatever their nature and scale, these environmental questions must be kept constantly in mind. They will play an increasingly important part in the decisions which have to be taken now, if the future is to look brighter than it does. What are those decisions? If we all of us can agree on the long-term goal of a stable prosperous world which is living - if I may put it thus - on ecological income, not capital; where the opportunity for a fairer share is there for all; and where insults to the environment are to the largest possible extent avoided, how can we get there? Can we put together all the short-term decisions into a trend which is finally pointing in the right direction? And, since I speak to you as President of the European Commission, what part can the industrialised world and more particularly, the European Communities play in this process? Economic and monetary stability The first prerequisite it seems to me, if we are to achieve any structural transformations, is a period of economic and above all monetary stability much greater than we have known in the recent past. One of the problems which has beset us in the past is that we have never had the necessary period of grace, the necessary financial leeway, to carry structural reforms through because we have immediately run into the old problems of balance of payments, inflation or what used to be colourfully described, in this country at least, as the "overheating of the economy". Continuing international monetary fragility, despite adjusting efforts of the International Monetary Fund, provides neither the basis nor the climate either for sustaining a good measure of economic growth (which I do not exclude) nor for taking the longer-term substantial structural decisions which resource constraints impose. Decisions about monetary policy are, in my view, a key ingredient of long-term political strategy. Recently, some major measures have been taken to strengthen the dollar. If President Carter's energy package can be charted safely through Congress, we may have made some significant progress in the direction of monetary stability. We will also find that the energy package itself will be an important first step along the road to the kind of transformed industrial society which I am talking about.

Europe is playing a particular part in the search for monetary stability. Last April in Copenhagen, the European Council - the Heads of State or of Government ci. the Nine Member States of the Community, together with me as the President of the Commission - discussed the creation of a system for closer monetary cooperation within the EEC, leading to a zone of monetary stability in Europe. In the subsequent European Council in Bremen last July we took this much further and I hope and believe that at the next European Council in Brussels in December we shall take the decisions required to establish a European monetary system. In
Europe, the European Monetary System should favour a more efficient ordering of industry and commerce. The removal or substantial reduction of exchange rate risks and inflation uncertainties should enable businessmen to take the kind of long-term investment decisions which they would otherwise eschew. A common reserve of currencies, associated with some central disciplines, should permit governments and enterprises to carry through necessary structural reforms without the fear that their best laid plans are suddenly going to be trumped by inflation or balance of payments difficulties. The existence of a European Monetary System and a central reserve mechanism should, moreover, make it possible to promote better regional distribution of wealth and work in Europe through measures to accelerate the flow of public finance. We have made a beginning with the Regional Fund. But there is a long way still to go. Long-term structural transformations will require substantial funding for particular classes of programmes or projects or for projects within particular areas of regions. The new financial arrangements involved in the European Monetary System will be crucial in giving the governments and peoples of Europe a better assurance of the economic and monetary stability necessary for them to put into effect sound long-term policies. What ought these policies to be? Inevitably, we come back to energy. The fundamental need is to develop and to promote alternative energy strategies. And by alternative energy strategies I mean strategies which a) are the most economical in the use of non-renewable resources; b) have the least balance of payments impact; and c) are least harmful for the environment. At the most obvious level we can, of course, promote research and development of alternative sources of supply: nuclear fusion, solar energy, geothermal energy or the recovery, re-use and re-cycling of every kind of energy and materials - all these will have their importance.

But, more fundamentally, the urgent need is to act on the demand side of the equation; to reduce the rate at which demand for energy is growing and, ultimately, to reduce the absolute level of demand itself. In short, reduction of consumption and conservation of energy should be a priority use of our own intellectual and political resources. Energy for transport Take the single case of transport, for example. In the United States roughly 25% of all the energy used goes to transportation. And 96% of the energy used in transportation is derived from oil. The corresponding figures in the Europe of the Nine are 14% and 95%. The carriage of people and goods by road in vehicles using the internal combustion engine is perhaps one of the most pronounced features of our western industrialised society, dictating our living patterns in a most persuasive manner. We have had certain benefits. But we have also paid a high price. The motor vehicle has made urban sprawl possible; it has contributed to - indeed, it is perhaps the predominant contribution to the atmospheric pollution of our cities. (I say nothing about the toll of death and injury which results from traffic accidents. In the EEC countries alone, over 60,000 people are killed on the roads each year.) Roads built for cars to perambulate scar the countryside, destroy the centres of historic towns. Oil carried in supertankers to fuel those same vehicles despoils our coastline and the marine environment. Oil is costly to produce or to buy, dangerous to transport and handle, and difficult to eliminate safely at the stage of waste.

It is still possible to break away from this dependence on oil as a means of transport. Indeed, it is not only possible. It is vital. Every drop of oil consumed in the internal combustion engine is a drop which might be better preserved for other uses. Mobility as we know it today may be an expression d
consUire r preference. But it is not a God-given necessity. As we look to the future, I believe that essential mobility can be maintained by developing and refining patterns of transport which do not depend on the internal combustion engine to anything like the extent to which we depend on that engine today.

Quite apart from the revitalisation of public transport, especially the railways, I believe there is a future for electric vehicles of all kinds. The technology is there. What is required is the sustained political will to realise the potential. Recent studies have shown that a maximum development of electric vehicles, combined with new concepts of transport planning, can significantly reduce the overall energy requirement for transportation and, what is even more important, the requirement in terms of oil.

Luxembourg, December 13, 1978
european parliament
Jenkins in the debate on the eur-opean council

Welcome this opportunity to speak to you about the outcome of the European council last week in Brussels. I will not try to duplicate Herr Genscher's account but I would like to put to you my view of the results of the long hours which were spent on the outstanding problems of the setting-up of the European monetary system. I summed up my immediate reactions to the council in terms of its being a limited success. After a week has gone by I would lack to that judgment. I put then and I do now equal stress on both words. It was a success because the European monetary system will be set up on 1 January 1979, the date foreseen by the European Council at Bremen in July. This in itself was a considerable achievement. Within a period of less than nine months from Copenhagen, and less than six months since Bremen, we settled the details of a well thought out system, which has been set up on a community basis. A year ago such a prospect would have seemed unattainable. It was then that sensibly both successful and remarkable. It is most unusual for target dates to stick. That also is a considerable achievement.
but the success was limited both by the fact that we will not have the full participation of all nine member states, and by the fact that even eight were not able to make clear their intentions during the European Council. We were all aware of the likelihood that the United Kingdom would, due to a certain inbred habit, not be able to join in the proposed scheme from the start. However, in the weeks building up to the final decision, all thought that there were good grounds for believing that Ireland and Italy would join. I certainly hoped that would be so. However as we know well both Italy and Ireland found difficulties at ... 

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Brussels. 

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I shared their disappointment, I believe that the community could and should have been more forthcoming on parallel arrangements. This was not due to any lack of preparation. There were two arrangements - a special Volvo to the regional fund and the provision of major infrastructure loans, with a substantial degree of interest subsidy which could have been used in combination. There was no problem about formulae and no real problem about shares between the two countries. The arrangements were made to suit the requirements of the two governments concerned. The problem was that of the availability of resources to transfer. I must however stress that the sums at issue were not large. This could have been achieved without great sacrifice. On the other hand it was difficult to believe that the success or failure of Italian or Irish participation would turn upon such limited funds. The essential soundness of the scheme and the plan for the concerted coordination of economies were more important.

PARTLY for this reason I said - perhaps at the time it was regarded as a little rash - that I by no means excluded the possibility of Italy and Ireland, on further consideration deciding to join - the scheme on January 1st. Yesterday, as this House knows, the Italian government announced its intention to join the system from 1st January. I welcome this courageous decision, which I believe ...
if we turn from the position of individual member states to the
general nature of the scheme, the other main aspect of success is that the system
we have created is a community system. Of course it cannot be a complete community
scheme without the participation of all member states but we move forward on a
community basis. There will be certain technical difficulties, but these can I
believe, be overcome. An intergovernmental scheme would have been much less
satisfactory. A community scheme encourages and makes easier the accession of
those who do not join at the start. It also facilitates the participation of those
who are not fully in, the scheme, in a number of its aspects. This means for examplE
and this is one of the several ways in which the new system is more than
just an enlarged snake - that although there could clearly be no question of a
non-participating country benefiting from the very short-term credit arrangements,
equalIly a non-participating member country of the community could participate in
the conditional medium-term credits, as far as the

--- short-term credits are concerned, what is envisaged, which
would

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seem to be sensible, is that a country that did not participate in the exchange
rate intervention mechanism should not benefit from !ü1 the increase in
short-term facilities available and related direct!$ to the setting-up of the
scheme, but would - which is reasonable - . . maintain the same rights as it has
prevIous to the setting up of the scheme, and it would not use facilities
beyond that. Non-participating member states may also join in the creation of the
ecu Y no 20 o/o of ool and dolla reserves with fecom to provide the initial
supply of the new unit. There are several other ways in which the scheme is
significantly different from an enlarged snake. There is the use of the basket
formula as an indicator of divergence. There is the 'presumption' of
intervention to correct such divergence. There is the size of the credit
mechanisms available, and their division into 14 billion ecu of short-term
support and 11 billion of medium-term. There is the plan to create a full European
monetary fund within two years. There is a much greater accent on the convergence
of economies. There is a transfer of resources on the scale of 5 billion ecus
of substantially subsidised loans over 5 years to the Less prosperous r-
participating economies. and there was a far greater measure of political commitment and will.

as I have already said most of our 20-hour discussions were spent sorting out the final details of the DMS and seeking ways to include as many member states as possible. and we did not have sufficient time to discuss in depth all the other issues which we would have liked to discuss. agriculture was a particular victim of pressures of time.

I would have particularly liked the European council to have come to some conclusions on the commission's paper on the common agricultural policy. though no firm conclusions were reached, I found the tone of the discussion and the general response encouraging. the commission will on its own responsibility put forward price proposals firmly within the guidelines laid down. the council which meets in mid-March will have the opportunity to pursue these discussions in more depth. by then the commission's detailed price proposals will be on the table for the different sectors covered by the DMS, but the
the European Council did however decide to appoint three wise men, as proposed by the French President, to consider the functioning and decision-making procedures of the Community. The Commission has, as the House knows, made proposals for changes in decision-making machinery in the so-called "fresco" paper on enlargement. This additional study will buttress and broaden this work, but it will not interfere with ongoing business. The 3-man committee will operate on the basis of the treaties and the balance between the institutions. They should not be in question ~ when the report is presented next October, I hope that Member states will be courageous in facing up to the implications for the future. I conclude as I began, by characterising the European Council as a limited success. It had its disappointments - though these have subsequently been lessened. This last European Council lacked the exhilarating opening up of the new perspectives which was characteristic of Bremen. This time there was a more artisan-like task to be performed. It was certainly not perfectly done, but there were some solid results. We have a firm basis, a community on which to build. The decision of the Italian government ~ has already served to reduce the potential danger of a partial ems encouraging the development of a two-speed Europe. Of course it is still a danger that still looms as a threat in the background. ~ but that is not new. It has been with us for several years. We can and must guard against it, for a two-speed Community in the face of enlargement could lead to a three-speed Europe after enlargement.

The tasks before us are as great as ever. The opportunities are greater than a year ago. BrusseLS showed that there is no easy, smooth, effortless road forward in Europe. Whenever we ~ I think that we are deceiving ourselves. But there is a clear and possible path. We would be quite wrong to react to this European (J Council with despondency, and still more wrong to sink into debilitation ~ 4 tasting recrimination. The Commission intends to follow this ~ path and to build on what we have achieved. I hope that Parliament will give it the encouragement to do so, and give that encouragement- (I meant to member states also. L/
European Community

SPEECH BY THE RIGHT HON ROY JENKINS PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES TO THE NATIONAL PRESS CLUB, WASHINGTON Friday, 15 December 1978

I am delighted to be in Washington and particularly honoured to be the guest of the National Press Club. Since the present Commission of the European Communities took up its mandate, and I its Presidency, at the beginning of 1977, there has been a close and continuing dialogue with the United States Administration. Relations between previous United States Administrations and earlier European Commissions have been regular and good, but perhaps there has been something special about them since the coincidence of President Carter coming into his office and I more modestly into mine at almost exactly the same time two years ago. We had the privilege of a visit to Brussels from Vice President Mondale a few days later.

I would like to express publicly my appreciation of a visit to Brussels from Vice President Mondale a few days later. I made my first official visit to Washington in April 1977, and, in addition to our meetings at the Western Economic Summits of London and Bonn, President Carter visited the European Commission in Brussels in January this year, the first American President to do so. We agreed then that we should keep up a continuing dialogue and form a regular pattern of meetings. Present visit to Washington. This explains my

my appreciation for the particularly warm and friendly way in which President Carter has received me. We are now half way between the Western Economic Summit of Bonn which took place in July this year, and that which is generally expected to be held in Tokyo in June next year. My talks with members of the United States Administration I have therefore been able to conduct a sort of mid-term review of general developments in our economies, how these compare with our expectations in Bonn, and what are the prospects for Tokyo. Although it is too early to say exactly how and whether the various specific commitments into which the Summit participants entered will be met, I think that the results so far are not at all bad. At least the trends are right in every participating

country - although not necessarily the same for some of the problems are different. Too much should not be expected of Summits,
but one of the valuable things about them
at least
temporarily, they concentrate the minds of the participants on a recognition of
common problems, and on the need for the major industrial countries of the world
to support each other in dealing with them. In the last few years we in the
European Community have put on a relatively poor economic performance in
comparison with our major industrial partners in the United States and Japan. For
a Community dedicated to economic integration and enjoying rich and diversified
economies this may seem strange. It is
indeed one of the curiosities of the Treaty of Rome that it /catered
for freer movement of goods, services, people and capital but set no
objectives in the monetary field. Yet in
the long run a common market without a common money system would make little
sense. In the stable monetary conditions
of the 50s and early 60s, perhaps this gap among our objectives was not of crucial
importance. But when the cracks appeared
in the Bretton Woods system and inflation began to accelerate, the Member States of the Community realised with greater clarity than before that the European union towards which they were striving could scarcely exist without a common monetary system. It was Raymond Barre, then Vice-President of the European Commission and now Prime Minister of France, who produced the first scheme for a European economic and monetary union. It is perhaps worth asking how you would like to run your economy if you had a common tariff barrier round the United States, a common agricultural policy, even a common energy policy, but some exchange controls on every frontier between every American state, and state currencies, some strong, some weak, which constantly fluctuated against each other. Europe of the Community is not the same as America of the United States, and our
evolution is following its own particular course. But it is no coincidence that those who are dedicated to the construction of Europe are dedicated also to the construction of an economic and monetary union. In spite of an immense effort and acceptance of a commitment to economic and monetary union, the work set in train by Raymond Barre and carried forward by Pierre Werner, Prime Minister of Luxembourg
shocks of the collapse of the Bretton Woods system in 1971, the energy crisis of 1973 and their aftermath of monetary confusion made it very difficult for the European governments concerned to give effect to the undertakings into which they had entered. Indeed when I tried to re-launch the idea in a speech at Florence just over a year ago I was told that I was trying to resuscitate a very dead duck. I am glad to say that the duck turned out Indeed, to pursue the analogy, it
to be no more than asleep.
is beginning to spread its wings and will fly from the first of January next year. How and why has this remarkable change taken place? First I think that we in Europe have become better aware of the evil effects which the movement of European currencies against each other has had on our ability to run our economies as we wish and continue the upward trend which only countries of broad geographical spread have managed in difficult circumstances to achieve. Community countries with strong currencies have found themselves hurt by lack of demand in countries with weak currencies, and weak currency countries have been unable to achieve the growth they so badly need through the risk of running exchange rate crises. Never has the need for the convergence of our European economies and the reduction - and evening out - of inflation rates among us been more apparent. Second there has been the decline in the value of the US dollar, the continuing pivot of the international monetary system, systematically until 1971, unsystematically since then, which has obliged Europeans to take in more dollars than they want or need, and thus lose control of an essential element of economic management: their own money supply. The idea of creating a zone of monetary stability in Europe has therefore become a common objective about which there has been no dispute among any of us. In the last nine months we have come a long way. tribute to the inspiration, energy, and determination of Chancellor Schmidt of Germany and President Giscard d'Estaing of France who have provided the essential motor of the work which led to the agreement to create a European Monetary System at the beginning of last week. What we then did could well I pay turn out to be the most important event in the building of Community Europe since the early days of the Treaty of Rome. It merits more than a careful examination; and if you will forgive me for being a little technical, I think it would be right for me to say a word or two about it now. The essential features of the European Monetary System are first the creation of a system of fixed but adjustable exchange rates between member currencies; second the creation of a European Currency Unit or ECU, a basket of Community currencies, which will be used as an indicator of divergence between them; third the creation of a Community reserve asset, beginning with the deposit by
States of 20 per cent of their gold and dollar reserves in exchange for credits denominated in ECUs; and last the provision of credit facilities of around 25 billion ECUs (or at the present rate of exchange 33 billion dollars). I want to emphasise that Member States of the Community unanimously agreed to set up the European Monetary System on 1 January 1979.

It is perhaps surprising when governments stick to the deadlines they set themselves, but this time the deadlines were fully respected. was not unqualified. Yet as you know our success

To my own regret the British Government while supporting the system felt unable to participate in the exchange rate mechanism and the arrangements made for intervention. The governments of Italy and Ireland wanted more time to consider their position, and so were not able to commit themselves on the spot. Since then we have all heard of the courageous decision of the Italian Government to join the system, and now today that the Irish Government will do likewise. welcome this. I warmly

Perhaps the essential point for the Community and the Commission over which I preside is that the system we have created is a Community system which will take its place alongside the other institutions of the Community and will be designed to serve the interests of all. such a system and includes in some form Community, even the one exchange rate mechanism-

The fact that it is all members of the which has chosen not to participate in the should make it easier for it to join in all aspects of its work later on. It has sometimes been suggested that the European Monetary System is in fact little more than an enlarged version of the exchange rate arrangement commonly known as the snake. The snake, which is in some ways an historic remnant of previous attempts to bring European currencies together, is in fact a very different animal. In the mechanisms of the snake there /was no - 7 was no basket to indicate divergence between the currencies. There was no acceptance of the presumption of action by governments or central banks when the threshold of divergence was approached. The credits available were less than half No serious account was taken of There was no accompanying those of the new system.

the need for economic convergence.
provision for transfer of resources (which in the case of the European Monetary System will amount to 5 billion ECUs (or 6~

billion dollars) in interest reduced loans to be taken up There was no real political commitment.

over five years).

Finally - most important of all - it was not a Community system and in its later years essentially a deutschmark zone. I shall be very ready to answer any questions you may have about the European Monetary Sys-em.

I hope in particular you will give me the opportunity to say more about its place among our wider objectives. It is true to the best traditions of the European Community, established since the early post-war activity of Jean Monnet, an economic weapon, valid in itself, but also serving a wider political aim, that of underpinning and developing our unity, so that we may be more effective partners with you in discharging our world responsibilities. There have been some apprehensions in the United States about the effect of the system on the international monetary system and the US dollar which continues as its essential pivot. I believe that those fears have been exaggerated, and I was delighted to find during my visit here that they were not shared by members of the Administration. Indeed I was greatly heartened heartened by the welcome which the Administration has given to the creation of the European Monetary System, a welcome which President Carter repeated to me yesterday. The European Monetary System is designed not only to establish a zone of monetary stability in Europe but also to contribute to greater stability in the world monetary system as a whole. If it is true that one of the external factors which weighed in the creation of the system was the decline in the value of the dollar earlier this year, it is equally true that we have a vital interest in a stable dollar if the system is to be properly born and well-nurtured in its infancy. To try to set the system in place at a time of international monetary storm and confusion would make our task much more difficult. Some people have suggested that the creation of the ECU and the eventual establishment of a European monetary fund could precipately and dangerously weaken the role of the dollar as a medium of international exchange. Let me therefore emphasise that although we shall be creating a new reserve unit in the ECU, its use will be limited to transactions between the central banks of the Community. It cannot therefore be a threat to the dollar the strength of which is as much in our interest as yours, the stability of which is made even more necessary to us by this immediate, major and delicate task
we are now undertaking. There are many other aspects of the life of the Community about which I could have spoken today. There is the now imminent

prospect of its enlargement to include Greece, and then Portugal and Spain, a\textendash;d the need to strengthen its central institutions

/to carry

- 9 -

to carry the additional weight.

There is also the prospect

of the first direct elections to the European Parliament next June. But you have heard enough from me today on what is,

I think the central most important event in our development. Throughout its history the Community has always moved forward unevenly. It is no easy task to bring together the nations of Europe with their differences of history, traditions, civilization and national outlook. But I believe that the friends and well-wishers whom we have in the United States should take heart from what we have achieved. Pray continue to encourage

us with your understanding and your co-operation.

**** *year\_1978 *date\_1978-05-09 *place\_Manchester

European Communities Commission Press Release

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May 9, 1978

THE COMMON AGRICULTURAL POLICY Roy Jenkins speaks at Manchester, May 9, 1978 The Rt. Hon. Roy Jenkins, President of the Commission of the European Communities, was the speaker at a symposium on the Common Agricultural Policy organised by The Sun newspaper in Manchester. The following are extracts from his speech. Food Prices

I. The popular belief is still that the CAP has caused food prices to soar in Britain. Now there certainly are products where it has increased prices - for example butter, although even here the increase has been partially offset by the EEC consumer subsidy. But if we are going to generalise about the CAP, I want to look at the whole range of foods and prices, and get an overall figure; and I want to mention two groups of statistics:

First, the price of food in the shops increased by 6.4 per cent over the last twelve months, a figure which is too high but still much lower than for non-food prices which went up by 10.0 per cent. So food prices are reducing, not increasing, the rate of inflation. Second, the price of food in the shops will go up by only ~ per cent over the next year as a result of the EEC Commission's farm price proposals. Added to that will be another 1~ per cent on food prices
resulting from the devaluation of the green pound for which the House of Commons voted in January. Those figures ought to give the lie once and for all to the myth that Brussels is forcing up food prices in Britain. The increases due to the CAP will be minimal, while those due to higher costs of packaging, transport, wages and so on will be much greater. Stability of Food Supplies 2. Agricultural policies are of fundamental importance. All governments have them because, throughout the world, farm production is subject to the caprice of weather, disease and yield, which means that each year's food output is variable and cannot be determined in advance. At the same time man's demand for most types of food is relatively inelastic. As the laws of economics tell us, the result of combining these two factors is a classic example of instability of price. But agricultural prices are vital for farmers' incomes, particularly for

- 2 small family farmers, and great instability of income is itself a social evil. Erratic cycles of price also lead to erratic changes in farm production, which in turn is bad for consumers. All these are reasons why governments intervene in agriculture to stabilise prices to farmers and supplies to consumers. The question is not whether to have an agricultural policy, but how to intervene. With the CAP, as with other agricultural policies, it is not so much a question of the fundamental objectives as of the practical methods employed and their successful management. Improving the CAP 3. There is no doubt that we still have a serious problem with farm surpluses in the EEC, with our well-advertised mountains and lakes. Of course, it is easy to exaggerate their size, which in many cases is no more than a few weeks' or even days' supply. But there is no getting away from their cost, which is increasing, and the fact that the only available methods of disposal are often expensive and unpopular. There can be merit in planning for a small surplus, rather than a shortage, but there is no sense in producing quantities of food in excess of any reasonable long-term demand. 4. That is why the European Commission has embarked on a policy of annual pricefixing which should bring these surpluses under control. We are tackling the problem at its root by trying to fix farm support prices at a level which will result in a proper balance between supply and demand. Our aim is all the more difficult to achieve at a time when economic growth is low, because behind the problem of excess production is a problem of too many people on too many farms, for whom it is not easy to find other jobs or incomes. But we began last year by proposing an increase of only 3 per cent in the common agricultural prices at the European level, and we continued this year with a proposal of only 2 per cent. So we should see two years of the lowest rate of increase in EEC prices there have been for a long time. Euro-blinkers 5. We hear too much in Britain about what is wrong with the CAP, and too little about the efforts which are being made to improve it. I believe that the Commission is embarked on the right road, and we ask for your comprehension and support. I do not ask you to agree with everything we do, but I ask you to judge our proposals on their merits; do not just put on your Euro-blinkers and assume that whatever comes out of Brussels must be wrong. Mutton and Lamb 6. There was a particularly striking case of this recently when the Commission made a modest proposal to abolish the barriers to trade in mutton and lamb modest because it includes no intervention buying and no increase in protection against imports. If our proposals are adopted, the price of meat in British shops will go up by very little - in fact, only to the extent that there are improved export opportunities for British lamb. Remember that on the Continent they do want to buy this renowned product of our hills. Now I do not see why our sheep industry, any more than our best manufacturing industries, should be denied the opportunities of the common market. If we do not export the products which our trading partners want to buy, heaven help our economy.
New Zealand 7. As for EEC imports of New Zealand lamb, there is no reason why they should be reduced below their normal level; there is no proposal to make them more expensive by increasing the charges on imports - indeed, these could even be reduced; and there is no question of the EEC Commission taking any action against them contrary to international agreements. There has been, and will continue to be, the fullest consultation between the Commission and New Zealand on all these questions. Milk Marketing Boards

B. Another favourite story is that we in the Commission want to kill the longstanding British system of milk marketing, and end the doorstep deliveries which have done so much to maintain a high milk consumption in this country. Such stories are not merely alarmist, they are entirely false. Those who foster them do a disservice to public understanding of the issues involved. Europe, with its high level of milk production, obviously has a vested interest in maintaining the daily milk delivery, and it would make no sense for us to do anything to discourage British families from drinking milk. On the contrary, the Commission proposed four months ago not only that the essential functions of the milk boards should be retained, but that the system should be made available in the other member states. To our regret, the other members have not shown much enthusiasm, and the system will probably be limited in the first place to Britain. But let me make this clear: we have proposed no cut-off date for the milk boards, we do not wish to abolish them after 1982, and all that is envisaged is a review before 1983 to see whether the system cannot be generalised in the Community as a whole. To put it in the simplest terms: the Commission has never threatened the daily pint and does not intend to do so.

I chose the title of this lecture with some deliberation because I would like to present the problems of Europe to you this evening in the perspective of two enlargements. The first enlargement in 1973 to the north and west of the original Six included the United Kingdom. That has influenced the Community's The development and the role of the United Kingdom in Europe.
second enlargement will be to the south and it will embrace three new democracies of the Mediterranean. The first

enlargement has, changed, the second will change the Community. The question is in which direction we want it to go~

The Community is changing not only in the content of its policies, but also in its institutional arrangements. One on the other. The two react

Conventional ideas about Europe are becoming and the terms a little worn; the institutions a little frayed; of discussion about both are shifting.

These changes are, it seems to me, too often misunderstood in Britain, and one of my objectives this evening is to try to do something to put this right. /First, the Community as a political and administrative organisation, is at a different stage in its development from the Member States. The Member States themselves do indeed continue to change but for the most part the political shape they present today has been formed at the very latest by the second half of the nineteenth century. However important or politically contentious movements towards devolution may be, the habits and traditions which govern the conduct of public life today have been acquired over a hundred or more years. The Community by contrast has had only just over twenty years to forge a personality by working together on day-to-day problems, and by being confronted with difficulties which have to be overcome by common action. The implications of the Community's relative youth are particularly in the three new members, there is a tendency to look on the Community as rigid, inflexible, and monolithic, held fast in the iron bands of its rules and regulations. Kingdom three reasons for this. There are perhaps in the United First, inevitably, on an issue which remained at the bear of British political argument for two decades, a view hostile to membership took delight in and made play of the Community's so-called rigidity. Second, with an Anglo-Saxon innate dislike of written constitutions . . something which I am glad to say we are beginning to outgrow we were suspicious of a Community settled in the law of the

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Comunity, and particularly the accumulated impression can be one of layers of detailed directives and little else. These opinions, or this approach to opinion, are not so widespread in the original members, where they have a longer experience of the realities of Community life and, in some, different traditions of public law. Because it is a young organism the Community's rigidities, where they are exist, are temporary, not permanently sclerotic. The Community still has a long way to go to suffer the hardening of old age. influencing the course of its development are there to be taken, and issues involved are really much bigger than the critical arguments advanced. If I began with this question of the perception of the Community, I should like then to deal with some of the criticisms which the Community has to face, especially in the United Kingdom and then compare those with the major issues of policy we have to face. I will return at the end to the
consequences I draw from the way we should see ourselves in Europe. The first enlargement to include Britain has already stimulated change. The way the Community has gone since January 1973 may be good or bad, but it is a course charted by nine members, not by six. There is no doubt in my mind that the history of the Community would have been very different had not taken place.

Merely by the play of the Community institutions, the points of view, and needs until the essential interests of the new members have determining power in Community action.

It would indeed be a sorry confession for any government to admit that after five years of membership of the Community's lifetime they had been unable to make their voice heard in its councils. That is certainly not the case. But I sometimes wonder whether that is clearly enough seen here in Britain and whether the often shrill and ill-informed judgements which are made about the Community fail to reflect for public opinion generally the way in which it can play its part in the Council of Ministers. Of course I wish that the picture of the good news of Britain in Europe was portrayed as often as the bad, but this is not the only problem, nor the mainspring of misunderstanding. I believe that lies in a misconception about the nature of the Community, the issues before it, and the terms of the debate about its future. I said that the Community, as an administrative and political organisation was at a completely different stage in its development than were the Member States.

That is thought to be but it is a myth, and "idees-fixes" of Europeans;
much more a myth propagated by those hostile to the Community than those who work
for its success. The myth is that the Community is in some way a rival or even a potential enemy, rather in
the way that France and England glared at each other across the Channel for most
of the eighteenth century, and much of the nineteenth century too. be, the case. 
members of the This is not, and cannot

The United Kingdom is one of the
Communit-
a part of the Community.
To think of the
Community as a rival is a logical contradiction. _A family cannot be a rival ''to
one o:: its ·members. But a member, if it erects a false barrier of alienation may
easily damage its ?Wh interests. /Some British politicians

Some British politicians who concern themselves with Community affairs often say, or imply, that an unwillingness on theiri part to accept or compromise with
proposals that have the blessing of OLher Member States is no more than the normal
mechanism of the way in which the Community should operate, and that in so doing they are behaving no differently from, for.example, the French. Let me make two
points. First,
every national government is expected in the Council of Ministers to defend its
national interest: it is normal; this is not news; Second,
it is not virtuous, it is necessary.
it is accepted by all, save perhaps the British, that this is a position of
practice not principle. It is a.t this
point that the analogy with France, particularly the France of General de Gaulle, is
false
.and unhistorical.
De Gaulle had a
clear vision of Europe, .of its existence, history, potency and purpose. His
'Europe des Patries' assumed and did not deny
a Community of interest among the nation states who made up the Community. agree
with his concept of Europe, but existed. In the case of
Br-tain,
Many did not
no
one doubted that it
on the other hand, there is

sometimes-a doubt as to whether we have any concept of Europe at all. The problem with British Gaullism, if I may pick up a frequently used term, is that it may lead the British in Europe into precisely the trap that those who fought for our entry were determined to avoid: acceptance of membership fortuitously.

That argument is dead - but without a clear conception of the Community, or its purpose. Inevitably, the Community means different things to indeed, each one of us, when trying to people;

'form a picture of the Community, puts into it something' of his own preconceptions, hopes and even fears. This is normal.

Political entities have an existence of their own and an existence in the minds of their citizens. Believed in empires fall. When they are no longer

But sometimes pictures are distorted.

I have the impression that the image many people in this country have made for themselves of the Community does not really correspond to what we in Brussels do or are trying to do. By using the word Brussels I include the nine Member States as well as the Commission. The Commission is not fighting and with nine recalcitrant governments to turn the Community into a superstate.

We do not believe that decisions taken in Brussels are ipso facto better than those made in national capitals.

We do not want to submerge national identities in milk-and-water - or perhaps in view of mountains and lakes should say a milk and wine Community. Let me, in this context, take up one of the common criticisms of the Community. First, despite views to the contrary, the Community's institutions can change and develop in line with developments in policy. The Community institutions do not, like youthful dinosaurs, lumber around in an unchanging and inflexible environment.

Over the years the machinery through
which decisions have _been taken and policy formulated has been adapted as closely as possible to the needs of those who are involved in the taking of decisions. Of course, development has always taken place on the basis laid down by the Treaties, and by the Treaty of Rome which founded the Economic Community, must not think that the Treaties hold the answer to every institutional problem which may arise. are not, and by their very nature they cannot be, model constitutions. Their contents are disparate.

They look like laws, and are directly applied as such.

Some provisions look like laws, and are directly applied as such. Others provide a framework within which policies can be worked out. Others again, like the institutional provisions, set up bodies which over the years develop their own style of work, but whose responsibilities and functions remain clear. institutional balance is adjusted from time to time. The it was adjusted in the creation of the European Council for example, the thrice-yearly meetings of the heads of Government and the President of the Commission. Direct elections to the Parliament will make a different adjustment at least in giving that body a greater moral authority and therefore a better base for democratic accountability. The formal process of decision is reasonably well known. The Commission proposes; the Council disposes.

But the does not, despite occasional rumours to the contrary, make its proposals out of the blue.

They are the fruit of long and sometimes difficult discussions with interested parties, including experts from the Member States. This lengthy process of consultation is indeed one of the reasons why the Commission is sometimes criticised for delay in presenting its proposals.

Once the Commission has made its proposal, it is which decides. This is that supreme decision-making. Without its approval, no important And it is here at this stage organ in the Community.
policy decision can be taken.

of discussion that a curious schizophrenia can develop which affects critics of the Community. You will be told "Brussels will decide;"

'th•e power is out

our hands";

the bureaucracy is But what

at worlt and national sovereignty is being impaired.

ill fact hmpens is that the Council, composed of nine Ministers from governments which have been elected to office in the member States, are presenting and arguing through their national This is a democratic views of the proposals we have put forward.

and accountable process, and more than in any national political f;o-rum

of which I have had experience, it is an open process. Second, t"h:e.re is the charge that the Community is

excessively

-ureaucratic.

In its simplest form, as an attack In 1977

91t t:he_ size o-f the Commission, it is easily answered.

th•ere were jta.st ove.r ten .. . and a half thousand Commission staff, compared to about tw,o million central gov_ernment civil servants

ill t:h•e United Kin-g-dom and 33.0,000 in Ireland.

Over the last

tltree years the United King dow civil service has grown at an annual avera-ge

of 7%, while the Commission - from a vastly

lower base, and in an expanding field:... has grown by 3.8%. Mtreover, within the Commission, under half (5,262) are administrative civil servants, as they would be conceived in Brit•a:ln.
35% of the staff are translators and interpreters, a: n, d' the t"e-st en)ga: ged on scientific res,earch.

In short, the numbers are this charge.

tiny~

I therefore-find it hard to see the sense of

Moreover, as I have sai_d it is certainly more open
t:han. any national administration I have known. But often th:e charge of bureaucracy is more subtle. l1Q.e argument run:s as· follows:: all right, we accept that the

s;,ize of the.. Gommis$ion is not overblown, but it produces so many

s,|or |.l'r'Qpl!sals, especially on harmonisation, that ',.hey could

\only have

only have come out of a politically insensitive and overbureaucratic machin~. This brings one directly to the

third point that this small number of Eurocrats a re simply out to standardise, homogenise and interfere. This subject, technically described as the aproximation of laws rather than harmonisation, is, of its nature, instrumental. It serves to make the common market work

and thus to realise the objectives of the Treaty set out in and importance aspect of Article z.· The maintenance/of the common market ./ the Community is essential. of

Historically it underpinned the economic success the c6ntinued assurance of the strength

original six;

of the common market is now necessary to the recovery of European industry. But just as the effects of a successful

market if unrestrained and . adjusted by regional and social . ' policies can be divisive, so obviously can be an apparently un-thinking pursuit of the

approximation of laws. I think

there are three ways in which we can and· are beginning to re-examine our . appr_oach in this field.

First, for most of us uniformity is undesirable; we · cherish our differences. Our principle should therefore be to eliminate differences not to the· fullest extent possible only buttlo-the extent necessary. F6r exampl~,
methods by which an objective can be achieved then the States. 

choice should be left open to individual Member.

Second, we must make sure that our proposals in this area are seen to have been fully prepared and discussed. The Commission should not and will not undermine its important right of initiative in the institutional balance of the Community, but it should be ready to make clear to the outside world the advice on which it may have based its proposals. There is already a wide range of consultation but it is not always made apparent. 

We should be prepared to consider more the production of green discussion papers (as we did on worker participation) and public hearings of policy areas (as we did recently in the nuclear field). Third, and perhaps more difficult to grasp, we need to be prepared to re-examine the amount and scope of proposals in the technical level this is very represents intellectual difficult - the work involved often years of investment but because the proposals involved are only instrumental to the approximation of laws. 

objective of a common market, and our conception of what that is changes over time, we cannot ignore the problem As the conception of the Community and the role of the market within it changes over, time we should be prepared to reassess the means by which we seek to achieve our goals. That point of departure for these is clear.

The Community is, in part, a recognition that the economic conditions of coexistence in the late twentieth century are such that the scope and effect of decisions cannot be limited to a narrow national area.

We are interdependent, and that community includes the world outside the...
as well as within.

Indeed, we work for an increasing degree of complementarity and common decision making on a worldwide scale. Of course, the greater the scale, the greater the difficulties involved and often the greater the time that decisions can take to be realised.

But, here in Western Europe we have been fortunate and intelligent enough to work out procedures and machinery for taking decisions on common problems. This, I believe, is a relatively simple definition of the basis and purpose of the Community which most nearly responds to the pressing needs of today and which corresponds to the reality and rhythm of day-to-day life of those who work on Community issues. It is a way of taking decisions at a level which will both allow those decisions to have real effect and also takes into account the genuine interests of all parties. Decisions do not need to be taken at European level. Many, many, I might add, do not need to be taken at national level either. Arguments for reducing the level of decision-taking whenever possible are just as potent as those for raising it whenever necessary.

But where a decision does need to be taken at European level, the machinery for doing so exists and should be used. If one looks at the Community in this way, as the majority the theory of Member States do, sterile arguments about federalism or confederalism lose much of their relevance and also the very limited degree of interest they offer to all but the constitutional lawyers. No one in Europe, engages any longer in such a sterile argument.

For one thing our common interest in dealing effectively with the major issues before us is too great, and if we take the principle of dealing with common problems in common and then face the major challenges of the future we can out of that process forge a Community we want. I turn to some of these major issues. It is a fact, although it is sometimes forgotten, that the Community exists just as much for the outside world as it does for us who live within it. Indeed it has become something of a platitude that the Community looks stronger and sometimes more imposing to those outside it than to those within.
This is partly because of the way the machinery works, and partly because of the high expectations held by the rest of the world about the policy of this relatively new grouping on the world stage, in an era when the standards of international conduct are higher and expected by some to be more disinterested than they have perhaps ever been. It is a fact that foreign countries often negotiate their most important agreements with the Community, not with Member States. Last autumn the Community conducted a series of negotiations with over thirty foreign countries about textiles, in which the Nine necessarily maintained a common position.

The results were undoubtedly more satisfactory for the Community than if Member States had negotiated separately. We are at present engaged on similar crucial talks with steel-producing countries. Next week, the new commercial agreement between the Community and China will be signed. These are the most striking recent examples of the Community's activities in external relations, but the work of negotiation with foreign countries on matters of commercial policy is going on all the time.

The ability of the Nine to act together in negotiations with foreign countries leads those countries to expect from the Community a similarly coherent stand on the major questions of international economics and world at the present time. I am thinking in particular of attitudes towards the gulf between developed and developing countries, the so-called new international economic order, the financing of world trade, aid to the developing world and human rights. World politics are becoming the affair, certainly not of nation states, nor even of power blocs, but of interest groupings on a continental or even transcontinental scale. The European Community is one of these groupings, We account, for example, for and one of the most powerful. 40% of the world's trade. us.
A common attitude is expected from The role to a large extent we satisfy these expectations. the Communities played in the dialogue in Paris last summer, for example, was an important and constructive one, and it is being continued in the follow up to the Paris Conference. The net effect of all this activity is to give foreign countries a much clearer impression of the Community's personality than exists within the Community itself. But this imbalance between the Community's external appearance and power and internal cohesion presents a danger in the long run. If we arouse expectations in foreign countries which we are not able to satisfy, the loss of credibility will be damaging not only for the Community but for each of the Member States. We must therefore try to construct policies internally which will give weight to our position; not of course just for the sake of having a policy, but in response to a real need both in the Community and in the world around us. In this small corner of the Western world over 260 million people are, despite their cultural diversity and separate historic traditions, in the same political and economic boat. It is the second major issue we face. And it The Commission has posed this economic challenge to Europe in terms of the need to make faster progress towards the qualitative leap which will take the Community/ an economic and union rest firmly on the needs of the Community.
Unemployment in the Community stands at 61 million. Between now and 1985 another 9 million young people will join the labour market for jobs. Inflation remains a present danger. In these circumstances the failure to achieve a further surge of economic growth could quite quickly undermine our confidence and social balance. European economy therefore needs a stimulus on an historic scale far greater than the partial measures which national governments are proposing or can put into effect. It needs a stimulus on the scale of the onset of the railway age in the nineteenth century, or the spread to the mass of the population of what were previously middle-class living standards in the 1960s. It has, in my view fortunately, become less fashionable to believe that such deep-rooted problems can be satisfactorily resolved by simply pushing the strongest economies into a faster reflation than they judge appropriate.

Of course there must be some short-term stimulus but in its more extreme form the so-called "locomotive" theory - with the most powerful engine pulling the rest out of and clear of the station lacks persuasiveness. If we are to have such metaphors I would prefer that of a number of trains pulling out together. Of course some will be bigger and more powerful than others, but if they can begin to move at the same time on parallel tracks the process of mutual support could keep them all going.

I may add that, in these circumstances, they need a good co-ordinated signalling system. There are various ways in which the preparations for this departure can be made - some of them have been set out: in the Commission's recent proposals to the Council - but I believe that the time is ripe now for a much
closer examination of common guidelines for monetary policy in the Member States. The more we think in these terms the more effective will be our capacity to make the necessary transition to a full monetary union. But in addition to this internal role, economic and monetary union would have an important effect on the outside world. One of the most serious obstacles today to the continued free flow and growth of trade is the lack of a stable international medium. For two decades the dollar performed this function, and performed it well. We were all more prosperous and secure than we had ever been before. It still plays a vital role. But a common European currency, with the economic weight of the Members of the Community behind it, and the wide circulation made possible by the fact that the Community is the world's biggest trading bloc, would be not only a factor of stability in world trade, but a stimulus to growth, from which we should all profit. A European currency would not replace the dollar as an international currency, but it would be a sound alternative to it; on the dollar would itself by relieving some of the pressure strengthen that currency.

There is another reason for a firm commitment now to work towards economic and monetary union. I said earlier that the Community was a political organism in a stage of continuing development. The Community cannot stand still; it must either go forward or go back. The common policies which have been achieved over more than twenty years are not in danger of disintegrating but of being overtaken by events. If we failed to adapt to that process we should lose the mutual strength we have gained. The prospect of such a quiet retreat may be a heartening one for some of the more prejudiced opponents of the Community. But I do not find it a cheering prospect, nor can anyone who truly has the interests of the Community, or of his own country, at heart.
And we may also ask ourselves whether a Community in regression presents an encouraging picture to other countries; whether, indeed, the sort of joining it is I Community, which other countries are looking forward to? The answer to that, as we approach the second enlargement

the Community, is clearly not. Greece, Portugal eager and Spain are not to become members. They want to join a vigorous Community, not a declining one. After the initial favourable response from the Nine it was recognised that there complicated would be long and I negotiations about the accession arrangements. These are now taking place. The negotiations with Greece are in their substantial phase, and their main weight should have passed. by the end of the year. The procedure for the admission of Portugal and Spain is under way. There are, of course, difficult-problems to be solved in the course of all three negotiations.

But these problems, and the solutions that must be found; should in our mutual interest be made a source of strength for the Community, not a source of weakness. A weakening of the Community through enlargement cannot be acceptable to the present members. What is more, it would not be acceptable to the applicants. That is not the Community they wish to join. We in Britain, at least, with a long history of parliamentary democracy and a determined if only erratically successful pursuit of economic success, should fully accept that premise. The move towards enlargement is linked to our approach to economic and monetary union. What would clearly be unacceptable in any such desirable move is that only the strong should benefit and the weak should go further to the wall. need not and must not be the result.

This

There is as much mutual need between the strong and the weak in Europe as there was between the states of the American Union in the nineteenth century. the unity of the The strong need the underpinning of the Community market. The weak need the commitment to monetary discipline and the benefit in resource transfers that a powerful market, socially oriented, can provide. These major issues which I have put forward this evening the balance between our external strength and internal weakness., and the pressing need for a new stimulus to our economies, especially as we move towards a new enlargement of the Community are those which both in their political
challenge and diversity of detail should dominate European discussion in Member States. They are linked the one to the other and it is our perspective of such major issues that should mould--ur conception of the Community as an organisation for-deliberately acting in common in our mutual interest; we ought to eschew both an obsessive largely between illusory concentration on the/outdated .debate/ federalism and the often/ national sovereignty of/institutions, and a myopic obsession with alleged bureaucracy and standardisation. These issues can outline for us the shape of the Community of tomorrow. Their successful handling depends primarily on

a common agreement to acts of political will not bureaucratic /work - although work - although the latter must necessarily follow.

We must have

a determination, first to sustain and enhance our external strength in the world; second to face and meet the challenge third to accept the fact of a

of continued economic weakness;

second enlargement and turn it to the strength of Europe, not to its weakening. Each Member State stands to gain in this

process!'; Each Member State stands to gain in this

site should ntake assumptions or beg questions about

the institutional direction in which these changes will take us. We should be ready to adapt in a practical way, and a Community of twelve will require change. The Community is for dealing

~ogether.

with problems which can best be dealt with by us all

The framework for decision exists and where it does not it can be rapidly created.

There is nothing sophistical.

or utopian ..

about It simply

such an approach to the future of the Community.

calls for a European rather than a national reflex when major issues require a

common European solution. perspectiva many of the petty

current--.of

It puts into criticism that all

too easily still circulate in Britain.

Agreement on such

esentials will not automatically solve all the problems we face, but it will ensure that they are tackled in mutual understanding and support.

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European Community

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PRESS RELEASE

THE EUROPEAN COMMUNITY TODAY

Following is the text of the speech delivered by the Right Honourable Roy Jenkins, President of the Commission of the European Communities, to the Vancouver Board of Trade, on 7 March 1978.

I began my visit to this country as President of the Commission of the European Communities in British Columbia. I had the pleasure of receiving your Premier, Mr. Bennett, when he visited the European Commission in Brussels in September last year, and heard from him about the special characteristics and dynamism of your province. He particularly emphasized the hope that we could strengthen cooperation between us and further develop our trade. My presence is in part a response to his call. I am only sorry that he cannot be here today himself. From British Columbia I go eastwards and will arrive on the Atlantic Seaboard on Thursday afternoon. In this way I shall have a vivid impression of the vast dimensions of your country. Coming as I do from one of the most densely packed regions of the world, a region of nine countries which are in a real sense the mother country of modern Canada in all its diversity, I cannot but think how very small western Europe really is. Canada is, I believe, seven times larger than western Europe, and your own province by itself is as big as two-thirds of it. But however large and varied Canada may be, the origins and distribution of your population are such as to ensure that each province has its own characteristic and human face. This is something we quickly recognize and value. It is an essential part of our relationship. One of my purposes today is to bring the European Community a little closer to you. Although we are your second trading partner this is not easy: not only because Europe is so far away but also because it is so difficult to describe something which does not fit into any category immediately recognizable here. You are of course more familiar with the nine countries which make up the Community than with the Community itself. After all, London remains the capital of Britain, Paris the capital of France and Rome the capital of Italy. But since 1957 Brussels has become something more than the capital of Belgium, and the institutions of the Community have been endowed with powers which hitherto belonged to national governments alone. From the beginning, our institutions have been designed to represent a balance between respect for the powers of member states and a measure of supra-nationality in economic, legislative and judicial matters. This balance does not resemble federation in the way which that term is used in Canada. The European Commission, of which I am the President, is in one sense the executive agent of the European Community and in another the initiating body for its policies. It can thus be regarded as less than a government but more than an international organization. Where the exact balance of powers lies is not always easy to determine. Thus some
parts of the Community's activities, such as agriculture, competition policy and external trade, are centrally managed by the Community through common policies: others, such as international finance and industrial cooperation with third countries, represent a blend of Community and national competence, and in further areas member states make their own policies as in the past but seek increasingly and in the common interest to coordinate them. It is a cardinal principle for the Community that member states should respect ground rules covering all their activities in the economic field to avoid the economic nationalism which has so bedevilled the past of Europe as of the rest of the world. Many people on this continent sometimes look for a kind of United States of Europe, an~ find to their disappointment that no such organization exists. It is, I thin~ 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 recognizably incomplete. For that reason I recognize that we are not always easy to comprehend. I come from an institution which still has scaffolding round part of it, where sections seem half built or half used, and where sometimes even essential services do not seem to be provided. Yet most of the building is now in good working order and has stronger foundations and is better constructed than it sometimes looks, and the view from the top, to which some of us mount, reveals far horizons. Perhaps the analogy of a half-finished building is misleading. In some ways I prefer the idea of a living organism rather than one of bricks and mortar. Our institutions are in constant evolution. There is the Commission which I have described. There is the Council of National Ministers which takes decisions on the basis of Commission proposals. There is the European Parliament with advisory and supervisory powers. There is the European Court which is, in effect, although an international body, a judicial organ of each member state whose decisions are directly enforceable. Beside these institutions set up by the Treaty of Rome is also, outside the treaty, the growing practice of political cooperation by which the nine members states seek to coordinate their foreign policy. The catalysts for the growth of our institutions come both from within and without. Even the larger of the old European nation states are now too small to be able by purely national policies to restrain inflation, restore full employment, and promote long-term economic growth. Yet even the smaller nation states may not be sufficiently intimate political entities to be able to satisfy the growing demand for the preservation of cultural and other differences and to ensure local participation in the taking of political decisions. Within the Community there is therefore a combination of decision-taking at three levels: that which is appropriate for local communities or regions, that which is appropriate for member states, and that which is appropriate for Europe on a continental scale. We do not seek to make Frenchmen into Englishmen or Italians into Germans. We seek simply a re-ordering of powers in terms of local, national and continental requirements •
that the Commission will feel that its activities are both more directly accountable and in a sense better legitimized than in the past. As for enlargement, you may know that we are already negotiating for the adhesion of Greece, and are likely soon to open negotiations with Spain and Portugal. The Community feels a clear political obligation to sustain these newly democratic countries and to give a positive response to their applications for membership. We welcome their eagerness to join us following this present re-emergence to democracy. Enlargement will not be easy. The economies of the three applicant countries cannot easily be integrated into those of the existing Community, and their adhesion will create problems for our institutions, particularly in the process of decision-making. No one, least of all the applicant countries themselves, wants the effect of their membership to be the dilution and weakening of the Community. The more weight we put on our structure, the more we need to strengthen and solidify it. Economic and Monetary Union This brings me to what we in the Commission believe to be the urgent need to resume the movement towards economic and monetary union. For Canadians who already enjoy the benefits of such a union, it may seem unnecessary to plead this cause. To you it is the most natural thing in the world to sell your goods to other parts of your vast country in the same currency and to accept a measure of central economic and monetary direction. The checks and balances are already well established. But to the European member states, each with its own long traditions of national management of economic policy, and each with its own currency going far back into the past, it is in some cases a startling and disagreeable idea that these powers should be exercised by a European rather than a national authority. Today I want to refer to two of the main arguments for European economic and monetary union. First we believe that union would help us to control inflation and provide us with the means collectively to recover the control over prices and demand which most governments have individually lost. Member states with weak or vulnerable currencies would be able to take the measure they believe right without running major exchange rate risks, and member states with strong currencies would get the strong impulse of demand which their own national markets can no longer supply. By lowering barriers between countries and giving our people a greater sense of assurance and -above all -opportunity, union could constitute a means for releasing energies on the scale that followed the onset of the railway age in the nineteenth century or the dramatic spread of high standards of consumption in the "Fifties" and "Sixties" of this century. It must be combined with moves to promote better regional distribution for work and wealth in Europe. The poorer regions need assurance that their economic difficulties will not be aggravated, and the richer ones must know that they will have more stable and secure markets. In my judgement, union can provide the assurance which both need. Secondly, and of greater relevance to you, monetary union would have important effects on the international monetary system. The problems of that system are highlighted by the state of the US dollar today. Since 1971 the Bretton Woods system which had served us well since the war has manifestly broken down. We all continue to depend upon the dollar, yet the dollar cannot carry the burdens and responsibilities of being the only effective international medium of exchange which the rest of the world continues to put on it. In these circumstances we need in Europe to do something more than complain about the weakness of the world monetary system. We in Europe have the economic strength to create a new and strong international currency, and to help create order out of the current disorder. The Community is the right size of unit for this purpose and would b~ its own weight impart a new stability to the international monetary system. The Community and the World This leads me to say a few words about the position of the Community in the world. Trade within and without the Community accounts for over
40 percent of the world's total. The Community is thus the world's largest trading group. It is more dependent on international trade than any of the other comparable units in the world economy, and is thus particularly vulnerable to recession and current tendencies towards protectionism. We therefore have an immense interest in the maintenance and improvement of an open trading system, and with the other free industrial societies, in particular the United States, Japan and yourselves carry major world economic responsibilities. There are two areas in which we work closely together. First, there are the western economic summit meetings where the leaders of the main industrial countries discuss the broad economic strategy for the free world. I attended the last of these at Downing Street in May 1977, and had the pleasure of sitting next to your Prime Minister flanked by his Ministers of Foreign Affairs and Finance. Secondly, there are the Multilateral Trade Negotiations (or Tokyo Round) which are designed to continue the process of lowering both tariff and non-tariff barriers in the interest of stimulating world trade at a time when it badly needs it. Only in this way do we see means of avoiding a return to the beggar-my-neighbour policies of the 1930's and of ensuring a better balance of trading rights and opportunities for all. Let me underline that the Community is firmly committed to a successful outcome to these difficult negotiations.

Neither the Community nor Canada is so blind as to imagine that the affairs of the industrial world can be settled in isolation from our trading partners. We both have a great interest in the economic development of the poorer countries of the world and in their inclusion in our economic system on a fairer and more equitable basis than has been the case in the past. In this respect big decisions face us this year. We want to set up a common fund for commodities, to promote the transfer of resources, and to find a solution to the problems of the debt burden of the poorest countries. On our side we need to adapt our industrial organization to give the developing countries a chance to compete effectively and reasonably in our own markets. This is easier to say than to do at a time of unemployment and inflation, but if we cannot work out some new and better balance in the international division of labour I could see the world trade system broken into virtually autarchic blocs between which disparities in living standards would be still greater than they are today— with the world as a whole not only more divided but a poorer place. By contrast, the establishment of a more equitable world economic order could be a sustenance to both rich and poor alike. In this respect the European Community has a special role through the Lome Convention of 1975, due for re-negotiation this year, which links the Community with 53 countries of Africa, the Caribbean and the Pacific in a unique association. We have just concluded a bilateral trade agreement with China which should be of considerable importance to the development of relations between our great communities at the two ends of the Eurasian land-mass, and I hope we shall be able to establish better economic relations with the Soviet Union and the East European countries in negotiations which should follow later this year. I conclude with some words about our relationship with Canada. The Economic and Commercial Agreement which the Community concluded with Canada twenty months ago is the only one of its kind. Canada is in many ways the natural partner of the Community, with its vast natural resources and growing trade of all kinds. We need you as I think you need us. Moreover the Community fits well into your policy of the third option which has evolved over the last few years. The general agreement is designed to provide a framework for specific agreements in fields of importance to us both. I refer in particular to aeronautics, forestry, non-ferrous metals and electronics. We have just concluded a special agreement with you on nuclear matters which has led to the resumption of uranium supplies to the Community, and we are in the process of negotiating an agreement on fisheries. This framework has of course no more value
than what we put into it. One of the reasons for my visit to Canada is to see what
more we can put into it and to preside over the second meeting of the
Canada-Community Joint Cooperation Committee in Ottawa. But even if governments
establish a favourable climate for cooperation, all must in the last resort depend
on the initiatives taken by industrialists and businessmen. You in Canada can rely
on us in Europe to do all we can to further and enrich a relationship which,
deriving from our shared history, should be of immense importance to us both in
the future. I am here today to promote it.

I am delighted to have been able to accept your
kind invitation to speak here today.

It is fitting that
in Frankfurt, "the cradle of the first German Republic, with its longstanding
democratic traditions my theme should be the new democratic impetus for the
European Community of direct elections to the European Parliament.

We are now
launched on the final run-up to an historic occasion. 'Elections are undoubtedly
in fashion. will be two before
we~

In my own country there And in your country,
Lmnder and local elections are following each other in quick succession. citizens

But in six weeks' time over 180 million European Greenland to Sicily will have the chance to cast their votes in the first European elections.

electing their own representatives to the European Parliament, thereby adding a new and important democratic dimension to the Community. The Treaties establishing the European

Communities laid a solid foundation for a true democratic control of Community activities by proposing that the European Parliament should be directly elected.

It has taken a long time, over twenty years, to honour the commitment. But in my judgment, if Article 138 of the Treaty of Rome which established the principle of direct elections had not existed, it would have been necessary to invent it. The Community is rooted in the principles of representative democracy and, while its means may be largely economic, its origins and objectives have always been political. It follows that an essential element of the idea of the Community is that those who make the decisions should be subject to effective direct control by the representatives.

of those in whose name the decisions are made.

It is that, essential element which direct elections in June will put in place. I firmly believe that Community decisions and Community decision-makers can be effectively scrutinized and controlled only by a
Community Parliament, elected by Community constituents to carry out Community tasks. I believe also that a Community Parliament could scarcely hope to carry out its proper functions if it did not have the popular authority, the legitimacy which only direct elections can give.

It would, in my view, be quite wrong to portray the European Parliament with its existing powers as some kind of mangy old tiger still at liberty to roam hungrily in the night but any sinews, any real power.

Parliament is not yet, of course, a full legislature nor does it make or break governments. The citizens of Europe will not therefore be voting on alternative legislative programmes of action nor will they be electing a government.

On the other hand, they will be voting for a direct voice on the whole legislative process; they will be voting for a powerful, and in some circumstances, decisive voice in the size and distribution of the Community budget; they will be voting for democratic powers of control over how the Commission, but not the Commission alone, spends Community money. are not mean tasks: they are in my view central to the continuing development of the Community. Those

But possibly the most important factor about direct elections is that they will give the citizens of Europe the opportunity to pronounce on the major issues
facing the Community - issues which touch upon all Member States and all citizens within those states. Today to concentrate on a few of these issues. Let me start with agricultural policy which, for good or for bad, usually finds itself in the front line of discussion. The agricultural policy is and remains a cornerstone of the European Communities and Community decisions in this field have direct impact on consumers prices and on farmers incomes.

Nobody is denying that we are facing serious problems here, and there are two main ones: First, considerable distortions and disparities have been introduced into European agriculture by the fluctuation of national currencies and the creation of the monetary compensatory amounts; second, the production for certain products has grown to a point where the surpluses are no longer accidental and occasional, but predictable and almost permanent - so that their disposal is costing far too much to the EEC budget. The first difficulty will be greatly alleviated by the new European Monetary System, which will help us to phase out the monetary distortions over a reasonable period. The second difficulty - surpluses - is more intractable, and casts a long shadow. The wrong is not the mechanisms but the excessively high price levels that give rise to the excessive use of intervention and stockpiling of food. It is like a car, driven for too long in a low gear, which has a very high consumption of petrol. What is at fault is not the car, but the way it is being driven. 

Not only do the high prices lead to surplus production but they also benefit the large farms more than the small ones and thus increase the income disparities within agriculture. What then are we doing to tackle these problems?

In the first place, the European Commission has put a strong and increasing accent on the need for a more sensible price policy. In
November-last year we proposed a price freeze for the coming season. We have said there must be a long as the surpluses last. rigorous price policy for as That we be,~ieve to be a realistic policy, which the member countries of the EEC will accept; with some reluctance perhaps. But in the end I believe they will accept it, because the logic of the situation is so firmly on its side. Second, we have proposed to put part of the financial burden on the shoulders of those Who produce excessive amounts of production, explicitly recognizing, however, the social and income problems facing the small farmer. And, third, we are pressing more strongly than ever for selective schemes of farm improvement and regional development. that will tackle the problem of rural poverty at its roots, in those areas where the aid is most needed. That is a change of emphasis which will be all the more necessary with the future inclusion of Greece, Portugal and -5I cannot leave this subject without a reference to the budget. The CAP still represents a very large share National farm some three-quarters - of the EEC budget. expenditure has been transformed into European expenditure to a much greater extent than with policies for industry, employment, social and regional or other affairs. I could not, therefore, agree that the right way of finding a better budgetary balance is to curtail or dismantle the agricultural policy. That ~uld be a retrograde solution which would But I damage the whole process of European unification. do believe that it is not wise for the Community to concentrate so much its energy and financial resources
I

on the one particular sector of farming - a sector whose share of Europe's

force has fallen from 17% in 1960 to 8% today, and which contributes only 4% to Europe's gross domestic product although that 4% is very important.

both strategically and socially.

I do not think therefore that we should withdraw from our responsibilities in agricultural policy, but rather that our efforts in other sectors should increase, thus bringing about a better balance within the Community and a greater economic convergence between our member countries.

I turn next to an issue which concerns the welfare of all our citizens - unemployment. In the years ahead it is my firm conviction that the relevance of the Community system to the needs of our people will be judged by the speed and resolve with which we move to act in the area of unemployment. 5 and 6% of our total out of work. During the last five years between

in the Community has been

Present trends suggest no immediate prospects of a dramatic or sudden drop in these figures.

Indeed, with young people coming fresh onto the labour market every year until 1985, major and sustained efforts will be required to secure a reduction in the present unacceptable levels. And the overall figures for the Community conceal even more pressing problems with certain sectors and particular regions suffering very much higher unemployment levels than the average. Then again, the crisis has affected some categories of workers more than others - particularly women and school leavers. Unemployment among women in the Community has risen by more than 50% since 1975 compared with 16% for men. Unemployment among those of less than 25 years old
is more than double the average for all age groups. The fundamental
characteristics of these
problems t·s that they are shared by all Member States. Unemployment
has-no
nationally, no religion; it does not The climate in which it breeds and
respect boundaries.
grows is as much an international one as it is local, regional or national. That
is why for 18 months we have
been working to put in place a Community-based monetary system, the EMS, which
finally got under way following the Paris European Council last month. The
potential for
good in s·uch a system, if properly developed and nurtured, is in my view
overwhelming. What we are seeking to
achieve through this move towards a new zone of monetary stability is a better
chance to achieve a more efficient and
departmentalisation of industry than is now
possible; a bett0r chance to achieve a new era of price stability in Europe and
to make a decisive break with chronic inflationary disorders; a bett0r chance to
begin
to tackle the major structural problems which have combined
with past monetary fluctuation to bring present unemployment
levels; a better chance to stimulate investment and to create the essential
conditions for a new, powerful and sustained ground-swell of demand enhancing our
capacity for creating new wealth, new jobs and new industry. In brief, the European
Monetary System has the potential to change the prevailing economic climate. What
is absolutely certain is that no
country acting on its own has that potential, has any set of instruments at its disposal to influence the broader context in which the problem of unemployment is now so deeply embedded. Second, there are major sectoral problems. Let me take the steel industry as an example. The recession, I l, I f

In the wake of Community steel production plummeted, prices collapsed and in the three years from the end of 1975 there were almost 100,000 redundancies in the industry with a further 100,000 "Workers put onto part-time working. It is clear that the restructuring of such a key industry requires planning on the widest possible scale in view of the enormous industrial and labour problems involved. For the last three years, the Commission has been working to implement a comprehensive set of measures to tackle the steel crisis. This has and does involve an attack aimed at the restructuring of the steel industry, regional development to promote new jobs and readaptation and retraining of the work force. Third, we need now to seek new ways of tackling unemployment in a more coordinated and concentrated manner, making the maximum use of all the instruments at our disposal.

I believe that what is now required in concert with Member States is an element of positive discrimination in favour of those areas and regions that are the hardest hit. The European Council meeting in Paris last month, the Commission will shortly be putting forward proposals for a series of integrated operations. Their purpose will be to secure an increased flow of funds to areas of particular need, better coordination of the use of Community instruments

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with funds from national sources and the elimination of financial and administrative bottlenecks which hinder the implementation of much needed new investment. The economic impact of a coordinated Community approach on the regions concerned will to my mind inevitably be greater than the sum of a series of separate unrelated interventions, be they inspired at national or Community level.

I would like finally to touch upon the energy field. No Member State, including temporarily oil-rich Britain, can brush aside our dependence on outside sources over which we have little or no control. Recent events in Iran and the OPEC decision to increase oil prices by a further 9.7% from the beginning of this month serve as a reminder of 1973, and confirms the fragility of the technology on which our life is based. It underlines the urgent need to recognise our limited energy resources, the need to exploit new and additional means of supply and the need to reduce our own consumption of energy. Last December's oil price rises alone will cost the Community additional import costs of 5 billion dollars; tentative estimates suggest that this might mean a worsening of the balance of payment position of the Nine by 2.5 billion dollars; an increase in inflation of 0.45%; and a cut in economic growth of 0.41%. Every extra dollar on the price of a barrel of oil costs the Community import bill some 3.6 billion dollars and presages a worsening of the balance of payments position by 3 billion dollars. For the Community...
All this makes it urgent and necessary to achieve a greater degree of concertation in its energy policies and, in particular, to take some practical action so that the sensible conclusions of the European Council in Paris last month are not just words without result, as has so often been the case in the past. Much work is already being done by Member States. But the scale and nature of the issues suggest that more common action is required. In Brussels before Easter, the They Energy Council of Ministers took the first steps. decided upon the essential guidelines for implementing the conclusions of the European Council; reaffirmed the need for a dialogue with the oil producing countries; agreed upon further studies to encourage the use of coal for electricity production; and agreed upon the Commission's proposals for a programme of demonstration projects in energy conservation and alternative energy sources. is a start. We have little time left. That If we do not take positive action soon going beyond the expression of fine sentiments, there can be no doubt that the 1980s will bring with them a permanent and debilitating energy crisis. Europe cannot and not stand alone here. Energy was one of the prominent items on the agenda of the Western Economic Summit meeting in Bonn last year and energy related questions no doubt be discussed again in depth.
I have tried to concentrate in this speech on some of the major questions that face the Community today and which will face the elected representatives of the European Parliament over the next five years. It is not an exhaustive list, and I have inevitably concentrated on the problems rather than the successes of the Community, among which the conduct of its external relations is most notable.

In Tokyo.

Multilateral Trade Negotiations the Community, negotiating as a whole as a single trading bloc, has been able to play a role on an equal footing with the United States and thus safeguard our trading interests in a way which would not have been possible for any individual Member State of the Community, even the larger ones. This is vital for the maintenance of the liberal trading system we have known during the past generation, a liberal trading system to which you in Germany rightly attach great importance; and to prevent a relapse into protectionism from which the Community, as the largest trading unit in the world, stands to suffer most. Nor have I yet referred in detail to our relations with the developing world through the Lome Convention.
We are now nearing the conclusion of negotiations for its successor, to which nearly sixty countries will adhere. I believe it is significant that all the existing signatories of the Lome Convention wish to maintain and expand their relationship with the Community - and indeed that we may expect one or two additional countries to accede to the new Convention. The Community can be proud of this unique, contractual relationship. The continuing development of that relationship is in our interest every bit as much as it is in the interests of the developing countries. Indeed, if the industrialised world is to rediscover growth on a scale comparable to postwar reconstruction or the spread in the 60s of what had previously been regarded as purely middleclass standards of living it requires a new impetus of historic proportions. Part of this, I believe, will come from the conversion of the EMS into full monetary union, but we must in my view also look to the developing world. I do not see where else a stimulus is to be found than by raising the living standards and purchasing power of the developing countries in a new and sustained partnership with the old industrialised countries. While, as I have said, the questions that I have been considering today are not exhaustive, neither are they cozy and reassuring. For in my view if the Community was to sit back into the comfortable armchair role of tackling the lesser issues, I believe, for want of any {1161 to push
would first wither and then die. We must not lose our The way may
appetite for aiming at the most difficult peaks.
be hard and progress seem painfully slow at times but we are
moving forward and we must continue to do so. Whatever the challenges before us -
be they
" direct elections or enlargement - the Community's strength, its.
und~rying vi-lity
lies in the basic structure of its
fnstitutions - the essential symmetry of Council, Commission, Parliament and Court of Justice. We need to guard and to
preserve that essential symmetry and the unity that it has brought to the Community in all that we do. That is not
to say that adjustment is not necessary, but to state firmly that adjustment should take place within the basic institutio.nal framework of the Community • . Let me give just two examples. First, in the
context of direct elections, I have at the start of my speech stated my own conception of the significance of a Community Parliament. But this new Parliament will involve There is,
important and necessary adjust:Inents in attitudes.
I think, no doubt that direct elections will act as a spur to Parliamentarians to
exercise their political authority in the way that Parliamentarians know best by making the life of the executive uncomfortable in public.

That is not a development to be resisted; it should be encouraged. But it will require both the Commission and the Council of Ministers to give a greater measure of attention to the European Parliament, to take more notice of its view, to undertake a greater effort of explanation. In that way I believe it is possible to see the basic relationships between Parliament and Commission, Parliament and Council, Parliament and people grow and deepen. We need to harness the new legitimacy of Parliament and the new moral authority which that will bring to improve the quality of Community decision-making. My second example concerns the way in which we take account of the increasing role of the European Council. In my view this has on balance been a healthy development for the Community. Since 1974, the European Council has helped fill the need for a wider, more global approach to Community problems allowing our process of decision-making to move forward after a period when the Council of Ministers was becoming increasingly frozen. It has shown an ability to take decisions on issues that have either been deadlocked in the Council or that the Council has not been ready to tackle. Without it, I do not think we would have got the EMS. It has also provided an effective forum for coordinating the Community's position at Economic Summits. What we now have to do is find ways on the one hand of ensuring that the European Council's decisions and discussions can be effectively followed through within our existing institutional framework and, on the other, of
strengthening its accountability in an institutional sense. We need, for example, to consider carefully how the new European Parliament should stand in relation to the European Council. At present, there are no direct contacts between the two bodies. Heads of Government at least to recognise in some positive way the existence of a directly elected Parliament when they occupy the Presidency of the Council. These are just two examples - there are many of the way in which I believe we should see the challenging process of developing one institutional future. In all that we do, the aim must be to ensure that we strengthen the underlying structure of the Community, a structure with the European Coal and Steel Community, has enabled us to accept the discipline of common rules and institutions and to grow together. the essence of the Community system. I do not pretend to be able to forecast exactly how this Community of ours will develop, what form it will ultimately take. I do not believe that what we shall achieve over the next generation will be directly comparable to any previous or existing model, whether federal or confederal. I do know that a directly elected European Parliament is an indispensable element in the resumption of progress towards closer European Union. aim has always been and remains political. And our I believe that with this in mind, I can proclaim that 1979 sees Europe on the move again, in the right direction, and ready to face the new challenges of the 1980s and the decades beyond.

**** *year_1979 *date_1979-05-16 *place_London

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ADDRESS BY THE RIGHT HON ROY JENKINS, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, TO THE CONFEDERATION OF BRITISH INDUSTRY ANNUAL DINNER London, 16th May 1979

I am grateful to you, Mr President, for proposing that the theme for the CBI Annual Dinner should be Europe. Both the choice and the timing are particularly apt. The theme of Europe is the more appropriate as a new British Government gets down to the basic task of charting the course of Britain’s relations with the Community, not just the tactics of monthly meetings of the Council of Ministers, but the strategic way ahead.

Changes of Government while taking place almost with the smoothness of the changing of the guard at Buckingham Palace, have nonetheless over the past two decades presaged reversals and rereversals of policies which have been most damaging for our economic performance. I have for some time thought that a good test of the inherent value of any
.. 2' value of any major legislative measure is whether it is likely to survive the next political tilt. This does not mean that we must always go for soggy compromises and that no difficult or contentious measure should ever be undertaken. A sharp change of direction may sometimes be necessary. Some of the major and most permanent changes in our history have been bitterly controversial at the time: the first Reform Bill or the Repeal of the Corn Laws in the last century; the first approaches to the Welfare State or the curbing of the absolute powers of the House of Lords at the beginning of this century; the start of commercial television in the fifties. They were all deeply controversial at the time, but they were all irreversible in the properly democratic sense, irreversible because they were sufficiently in tune with the needs of people and country that no sensible party could successfully seek votes on the basis of a reversal. How different this has been for many of the unwanted, irrelevant, too easily reversible measures of the previous decade or so: various national superannuation schemes in the sixties and early seventies; the nationalisation, denationalisation or renationalisation of this or that industry; whether a...
board called X or called Y should attempt to deal with prices or incomes or both,

Industry and the economy as a whole need in my view a greater stability of policy. We could avoid a lot of unnecessary upheaval, a lot of useless over-legislation, if Ministers would ask themselves the simple question: has any measure a good chance of lasting? If so, and you believe in it, do it. If not, spare us from too many queasy rides on the ideological big, dipper.

But I must return to my European last, Your theme this evening is particularly appropriate in the run-up to an historic event, direct elections to the European Parliament—when in three weeks' time over 180 million European electors from...
Greenland to Sicily will have the opportunity to vote in perhaps the first international election of its kind ever held.
At times in the recent past it seemed to many in Europe that the brave venture of the 1950s and 1960s was beginning to stagnate politically as well as economically, that it had lost the will and spirit to cope with the many challenges facing us or to make the necessary progress towards longstanding objectives. Let me offer you three reasons why I believe that such a picture...
- a picture of the European coach shunted off the mainline into some quiet siding
- is not true of 1979, if indeed it was ever true, First there was the decision to
put in place the new European Mon-tary System • The EMS is, of course, a new
instrument. it has only just been forged and perhaps its time ~f testing is yet to
come. Nevertheless. I am convinced that it is an instrument of potentially vital .
importance capable of transforming the prevailing economic climate . . Second,
there are direct elections themselves. Third, there is the fact that three newly
re-born democ'racies in Southern Europe are clamouring both to symbolise and to
underpin their return to democracy by urgently seeking entry to the family of the
European Community. Greece will be a member at the beginning of 1981,

We are already

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- s We are already in negotiation with Spain and Portugal. That, whatever else
it is, is not a picture of a stagnant Community, Against this backg-und of
movement and action, where should we in Britain be putting the emphasis? We
must be clear on one essential issue: that we are trying to achieve results for
ourselves within the Community, and for the Community in the world- and not,
consciously or unconsciously, skilfully or frivolously, trying to create either
the reality or the illusion of a break scenario, in which we might try to reverse
the referendum, or at least retire growling into some largely non-participating
semitovert half-membership?

The British people showed no desire to contradict this month what they said so
clearly and with such overwhelming force at the referendum in 1975. They want a
positive, not a negative role in Europe; they want a constructive, not a
destructive approach; they want skill in the presentation and handling of British
interests allied to a vision about the relationship of those interests to the
interests to the interest of Europe as a whole. Above all they want sensible cooperation not desperate confrontation in Europe. And I welcome the way in which the new British Government has begun its task underlining its essential commitment to the principles of the Community without sacrificing its concern for issues of concern to Britain. That is the only way ahead. Of that I am
absolutely convinced.

Let us be in no doubt about what would be involved if we were tempted by the other choice. It would show a nearly incredible inconstancy of purpose. We would be reversing within a few years the whole carefully built, democratically decided orientation of our economic and foreign policy. In the process we would irrecoverably damage our national influence and reputation. Traditionally we were rich and powerful, qualities which nearly always earn respect, sometimes esteem and occasionally affection. Then a generation ago we were remarkably steadfast. When the other attributes were going, that sustained us for half of the post-war period, if we lost all three we are nothing. (As -- bargaining}
As a bargaining card the 'lint of the threat of withdrawal, or of sullen non-cooperation, is useless. We do have a good deal to bargain for in the Community. The CAP is in urgent need of being saved from its own distortion. A rigorous price policy, a price freeze for this year at least in surplus products is essential if we are to rebalance the markets. That is the Commission’s view. It is also, I believe, the view that most other Governments, even if—little reluctantly know in their hearts is right. But British speakers and commentators do not help to advance this view by pretending that without the CAP all problems of agricultural support would disappear and we would all live happily in a free trade world of cheap food imports. If we had continued outside with our own deficiency payments system it would probably have cost the British budget around £1,100 million in 1978; by standing out for long from the central mechanism of the EMS, now intimately linked with the agricultural
problem, oblivious of the lessons of our two previous /late arrivals, into the
in to the Coal and Steel Community itself. There is of course a general budgetary problem for Britain. It should not be seen out of proportion, but it certainly exists. Our total contribution to the Community budget last year was about £10 a head, compared with the total cost to government in Britain of nearly £1000 a head. Even if we were so unfairly treated that we got nothing back directly, which is of course far from the case, we would still be better off than outside on our own, in the cold. But it is nonetheless very much better that we should be fairly treated... And that, I believe will be the case. The have survived and strengthened over 22 years Community could not without dealing with justified grievances. The British case needs however to be played with particular skill and in a framework of sympathy and goodwill. Why? For the very simple reason that the financial arrangements of which we complain were negotiated or renegotiated by Britain in 1974/75 (when the last thing anyone else wanted at that stage was a renegotiation).
All this the CBI knows and understands. And I have long valued the support and interest that you have shown in European matters. You have provided a firm voice, the voice of clear sighted common sense which perceives and argues that only as an active and involved member of the European Community can Britain make its own distinctive contribution in the world, economically and politically. But there is still much to be done, no least to improve the internal market which is of the essence of the Community system. I am conscious before this audience that at present the formalities which you encounter in your efforts to take advantage of the larger European Market can be severe. The Commission wants to reduce these technical and non-tariff barriers to trade. There are many areas where we want progress and will work to achieve progress: differing national standards, and licensing arrangements, public purchasing contracts, the creation of a European company statute, a European trade mark system, the harmonisation of company law. /are all fields where
are all fields where much can be done, where much should be done, where I hope much will be done.

Let me simply emphasise two points about our policies affecting trade and industry in the common market.

we do not want in our industrial policies to intervene for the sake of intervening at the European level, or to upset the balance of the mixed economy by ever-increasing government involvement. But with the somber facts of unemployment and overcapacity, with the crisis that has hit several industries, it is obvious that public intervention has been and will be needed. Since unemployment has no religion, and respects no boundaries, it cannot be cured by action at the purely national level. Likewise with the older industries, whether textiles, shipbuilding, steel, or heavy engineering, uncoordinated national intervention can be ineffective or even counterproductive.
Second, we do not want to impose a standardised uniformity on all goods and practices. Since I have been at the Commission, we have acted to undercut the mistaken impression that we operate under a slogan "if it moves, harmonise it". Here I go back to my earlier remarks about legislation and over legislation. They apply as much to the work of the Commission as to that of any member government. It must be clear that proposals are really necessary; that they will promote trade within the Community; that they can be justified in terms of the staff required; that the job is better done at Community level, and that the results will last. In short, our priority is and will continue to be that proposals for harmonisation should be in recognition and in response to a real and demonstrable need for the strengthening of the market. Europe is sometimes accused of having lost its way, the grand lines have petered out in a morass of detail. I half agree. We do a lot of quibbling, Vision sometimes perishes, and Europe's united policy impact on the world does not always prosper. /Great enterprises
Great enterprises involve a combination of detail and vision. This has always been true of good Governments. It is true, in the European context. Jean Monnet, the great father of the Community and whose death we mourned in March, did not forget his detail, we should not throw out the baby with the bathwater. We should be selective in our detail, but we should neither abandon our determination to remove the remaining and substantial imperfections of the Common Market (which can be of great value to British industry) nor let the Treaties, in a Community which must be a Community of law, be blatantly ignored.
The Common Market is only part of the idea of the European Community. That idea has always been fundamentally political, to give Europe back at least part of the place in the world which it so wantonly threw away over two generations of civil war. Perhaps occasionally the momentum flags, the inspiration is occasionally lacking. But if we in Britain feel that, for God's sake, let us not complain too much from the sidelines. Let us get in and do something about it. The opportunity is still there.

But, this said, there is a deeper truth.
A KEYNOTE SPEECH BY EUROPEAN COMMISSION PRESIDENT ROY JENKINS BEFORE THE EUROPEAN PARLIAMENT J STRASBOURG

President Jenkins outlines the major problems facing the European Community—social, budgetary and agricultural.

The Commission attaches great importance to its interlocutory relationship with the Parliament and looks for stimulus from this interchange. It may sometimes, indeed often have a different point of view from the Ministers, whether assembled as heads of government in the European Council, or at a different level in the more traditional Council of Ministers. It is in no way the servant or the secretariat of such gatherings. It has its own distinct responsibilities and obligations, and its own special relationship with Parliament. On this occasion it is possible for me to supplement a report on the Strasbourg Council with a report on the economic summit in Tokyo. Energy was central to Strasbourg and wholly dominant at Tokyo. This was natural. There can be little doubt in the minds of any of the participants at either gathering that the energy problem, if mishandled, could not merely damage our economies, but can bring them into a state of dislocation if not collapse within the next decade. No action on our part can avoid the fact that through recent price increases we have already suffered a substantial transfer of real resources away from us, that our incomes have been reduced and that growth, the containment of inflation, and the reduction of unemployment have been made more difficult.

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-2OIL HIKE AND THE THIRD WORLD We should not forget that such transfers of resources, while menacing for the richer parts of the world, can mean virtual strangulation for the poorest economies of the third world. The test for the Community and the western world as a whole will be our ability over a limited time-span to break the link between economic growth and the consumption of oil. Those countries or groups of countries which fail to do it will risk finding themselves dinosaurs of the industrial world of the nineteen nineties. That
response cannot be made by governments alone. Throughout society and at every level we have to create a greater sense of joint responsibility, a greater willingness to share sacrifices and to take decisions together. Over most of the troubled decade of the seventies we have sought without success a dynamic impulse to replace that which was given to our economies in the fifties and sixties. The investment demands of energy conservation and of a massive exploitation of alternative and renewable sources of energy could greatly contribute to such an impulse. But we cannot find this impulse only in the old industrial countries. The recovery of our own economies cannot be dissociated from the development of the poorer countries, and the growth in world wide demand, both now put at risk by the increase in oil prices. Rarely have events so clearly demonstrated the essential interdependence of the modern world. DEMOGRAPHIC DANGERS At the European Council at Strasbourg, we also had a first look at the prospects for the Community up to 1990. The Commission identified a number of important trends and dangers for the Community in the world, particularly demographic. Until 1985 about a mill ion more young people will each year seek to enter the Community’s labor market than there will in the normal way be old people leaving it. But in the Community generally that year will mark a sharp change of trend. Thereafter we will be faced with an ageing population, and a stabilization and then diminution of the work force available to sustain the dynamism of our economies and to support this ageing population. In the later years we could find ourselves with a labor force which could be inadequate in relation to the total population whose standard of living it has to sustain. The present weakness of the labor market very naturally encourages demands for shorter working periods, and these can be approached with understanding and sympathy. But at the same time they must be seen in the context of the peculiar problem posed by the change of pattern in 1985.

TRADE SHRINKAGE

It is also likely that, even on reasonably favorable assumptions, the Community’s share of world trade will shrink over ten years from 20% to around 15%. This has major implications for Community industry and for our influence on world trade policy. How should we approach this prospect? First, it is imperative for the Community to develop more specialization within the areas on which employment within our economies is still heavily dependent. Second, we must face up to the need to be competitive through improved productivity, continuous adaptation to market requirements, and constant modernization of industrial plant. Third, we shall need more effectively to deploy the strength we have through our common commercial policies if the Community is to exercise the weight it should in the world trading system.

TECHNOLOGICAL ADVANCES

I wish to draw particular attention to the silent revolution in our affairs represented by the advance of high technology into our daily lives. This represents a challenge to the Community as a whole which has not yet been fully understood. If we do not meet it I see a real risk that in the next decade we shall find ourselves squeezed between our more successful and adventurous competitors on the one hand and developing countries which have acquired the skills and equipment which still generate much of the wealth and employment within the existing Community. The Commission therefore believes it urgent that we should work out a Community strategy for advanced industrial technology. Its cost and range are of an order beyond the capacity of any one of the member states to undertake on its own. Separate national markets, separate national procurement policies and duplicated research programs are simply not good enough. Hence we believe that we should elaborate a Community-wide research and development program based on a common procurement policy and an open European market for electronic goods and services based on common standards.
TWO PRIORITIES

This combination of developments presents a formidable challenge to the Community. Our ability to meet it depends critically on our willingness to resolve internal problems. First we know that as a result of the Council's recent decisions the cost of the common agricultural policy will continue to increase at an alarming and, in the Commission's view, an unacceptable rate. Second we must ensure that the budgetary system, in its effects on the situation of individual member states, is fair. The Commission has embarked upon an objective study of the budgetary situation and after the Council of Economic and Finance Ministers has been seized for our study, the Commission will bring forward proposals for dealing with the problem. This will be in time for the European Council in Dublin to be able to take the necessary decisions. The Community has already achieved much for its citizens over the past twenty years. We have shown ourselves capable of evolving and developing within a common institutional framework. We face major problems. It is the Commission's task to identity what can be done and what should be done as a Community for the Community. In that task we look forward to the encouragement and the spur of this House in what I believe will be a partnership based on shared ideals and common objectives.

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SPEECH BY THE RT. HON. ROY JENKINS, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT THE EURO-JAPANESE SYMPOSIUM, BRUSSELS, 3 MAY 1979 "EUROPE, JAPAN AND THE UNITED STATES: AT-LATERAL RELATIONSHIP" I am very pleased to open this symposium. I congratulate the organise As President of the Commission I have attached particular importance to improving relations between the European Community and Japan. I paid the second official visit which as President of the Commission I made outside the Community to Japan, precisely for that reason. Good relations between Japan and the European Community are of increasing importance and real though the economic problems are, they can be exacerbated by problems of communication. They do however, have a major role to play in breaking down barriers and improving mutual understanding, without which the deepening of the tradition of friendship between Europe and Japan would be more difficult. The timing of this symposium is particularly fortunate. For reasons which I will go into in a moment, 1979 is a year of particular interest and importance for the European Community. It is also a year of significance for relations between Europe and Japan as well as with the third world. It would have been difficult to find a more appropriate moment in 1979 to examine the
questions which are on the agenda of this symposium. I mentioned that it is a particular significant year for the European Community. I would like to explain briefly, particularly for our Japanese friends, why this is the case. So from outside, the European Community is in rapid evolution. It is already an organisation which has formed common institutions, adopted common policies, to deal with common problems. Case with the Common Market itself: This is especially the case with the Common Market itself: This has been and is of major importance during the Multilateral Trade Negotiations, the Tokyo Round, on which substantial agreement has now been reached after a very long period of difficult negotiations. These negotiations were of vital importance from the point of view of maintaining the liberal trading system we have known during the past generation, which has served all the industrial countries well, judged by any standards. The world has been poised on a knife-edge between liberal trade and a relapse into protectionism, from which Japan, as the European Community, could only have suffered. We now need to build on the psychological breakthrough we have achieved. About that in a moment. The success of the Multilateral Trade Negotiations encourages us in Europe as to the results which can be achieved externally by the Community speaking, acting and communicating as a single entity. We are also encouraged in this year of 1979 by the progress being made to enlarge the Community from 9 to 12. The treaty of accession of Greece will be signed on 28th May, while negotiations with Portugal and Spain will begin in substance after the summer. Those who are tempted not to take the Community totally seriously....
or to suggest that it is in a state of stagnation, should ask themselves the question as to why the first newly emergent democracies was to seek membership of the Community. 1979 sees the Community on the move in', bther areas also, both of major significance f-r itsc-esion and momentum. ±n five weeks time we shall see the first di-ect elections to the European Parliament. These will add a new democratic dimension to the institutions of the Community and give a new voice to the electors in the formulation of Community policies. Direct elections will give the citizens of Europe the opportunity to pronounce on the major issues facing the Community in Europe and outside. A directly elected Parliament is an indispensable element in the resumption of progress towards closer European union. must always remain political. Our aim has always been and Our means are economic, and in this area we have made our third major advance, met our third major challenge in 1979, in the establishment of the European Monetary System. The significance of this step may not be fully appreciated outside Europe. The potential in such a system for contributing not merely to monetary stability in the Community, but to major developments in industry and the economy is overwhelming. on the world outside. greater part of the It will also have an increasing impact. It will enable the European Community to bear a burde- of international monetary responsibility, too long borne by the dollar. national monetary system albeit Indeed I see in it the kernel of a new interincreasingly based on the three pillars- unequal -of the dollar, yen and the European currency unit. I do not believe we
This leads me on to a fundamental point.

We are industrial competitors, certainly, but our dependence on trade - particularly in Japan and the Community - is such that we should be able to take the wider view of our responsibilities. Only if we three principal-pillars of the developed world can work together can our economic and indeed political systems prosper and make a contribution to the expansion of world trade and prosperity.

Both the Community and Japan have close relations with the United States, but less close between each other than either has with the United States.

I would like to see the third side of the triangle completed by closer relations between Japan and the Community. Hence my welcome for this Symposium. In the context of the Third World. But this is particularly important, Japan and the Community must realize their fundamental common interest in contributing to a more equitable balance between the industrial and developing countries of the world. For 1979 was significant in another respect:

Later this month the 5th UNCTAD Conference takes place in Manila. nearing the conclusion. For its part the Community is of negotiations for the successor to the Lome Convention, binding the Community and nearly sixty contractual relationships.

For us this is not charity and is than
I believe, and I commend this view to our Japanese friends, that if the industrialised world is to rediscover growth on a scale comparable to postwar reconstruction or the spread in the 60's of what had previously been regarded as purely middle-class standards of living the latter being particularly beneficial to Japanese exports - we require a new impetus of historic proportions. Only this will help us deal with our problems of unemployment and help us to resume the absorption of competitive imports in sectors which have troubled us. A stimulus can, I believe, come from a towards full monetary union.

Part of this stimulus is to be found than by raising the living standards and purchasing power of the developing countries in a new and sustained partnership with the industrialised countries, particularly Japan, the United States and the European Community.

This will take some time. Meanwhile we have ahead of us the next Economic summit in Tokyo at the end of June. This symbolises the particular responsibility of the participants, which include the European Community as such alongside four of our Member States, for the health of the world economy and for a liberal and expanding system of world trade, complemented by our common belief in democratic political systems. Healthy relationships, however, depend on a degree of balance, particularly in the economic and trade fields. This, as you all know well, is a matter of concern to us, which will be discussed in greater detail during this Symposium. I would simply like to say that in Europe we do not seek a direct
balance of trade: within limits bilateral deficits and surpluses are inevitable in our trading system. A trade surplus or deficit is not in itself necessarily a problem—depending on the scale. The problem and our preoccupation arise from a combination of the persistence of very high current account surpluses in Japan with two other phenomena—the fact that the Japanese market is not fully opened up to imports deep penetration by Japanese exports in a number of sensitive industries in other countries. To deal with the problem requires structural charges to bring the total of manufactured goods in Japanese imports into line with those of the other major industrialised countries. I recognise the problems inherent in quickly changing economic structures. However, we take the view that as Japan enjoys surpluses of the current magnitude she must, in order to fulfil the world economic responsibilities which go with Japan's economic strength and influence, take action to establish a healthier international trade and payments position, to make her economy more import oriented and to lower the restrictions which persist. Of course we in the European Community must strengthen our efforts to take competitive advantage of the possibilities of the Japanese market. But I would like to remind you that the Community's exporters have already secured a major share of the Japanese market for imports of manufactured goods. It is not generally realised that the Community now takes a quarter of that United States import market, only slightly less than the

if you consider the greater geographical and psychological distance between Europe and Japan that is no small achievement. Equally must continue our work to promote a better political and social understanding, for our relations depend as much upon that as upon economics and trade. I believe this work of communication is significantly furthered by a gathering such as th-s.

Our common interests as I hope and believe that the next two days will make us better aware of this and of the need to contribute to the avoidance of situations where we in the Community for example may be far been able to resist. unable to hold back the pressures we have so There is room for frank friendly speaking. In the Community, we have perhaps not explained our coint of view sufficiently convincingly. Japanese side. Similar misund-rstandings
obtain on the
But we all; particularly the third side of the industrial
triangle, the Japanese-European side, have too much in common and too much to
lose to be able to afford to neglect any opportunity to strengthen it the next
decade by working more closely together in greater
mutual comprehension.

***** *year_1979 *date_1979-02-13 *place_Luxembourg

INTRODUCTION AND THEMES This is the third of these programme speeches which I have the honour to deliver to the Parliament on behalf of the European Commission. I believe that this occasion marks the opening of a more momentous year of change for the Community than it has seen for some time. The past twelve months have proved to be an intensive period of preparation, discussion, and negotiation both within and beyond the Community. The fruits of that work and endeavour are now within our grasp. If we have the will to maintain the momentum which we have built up and I believe it is imperative that we should - this year should see the establishment of the European Monetary System; the first direct elections to the European Parliament; the completion of the first stage of a three-part process leading to the Community's enlargement, with the signature of the Treaty with Greece; and the successful conclusion of major international trade negotiations in which the Community has been intimately involved. These developments and their outcome correspond to three basic priorities of the Community as we seek to meet the challenges of an increasingly complex and interdependent world. These are - to strengthen the internal organization and cohesion of the Community, and ensure its continued development; - to enlarge the Community to include those European democracies able and qualified to join; - to ensure that the Community as such makes its contribution to the management of the world economy. For its part the Commission will fully discharge its responsibilities and do all in its power to further progress in these three vital areas.

The theme which I should like to stress to Parliament in the programme speech this year is that of interdependence. This is one major lesson which has been borne on the Commission in the first two years of our mandate. We have seen that major
economic upheavals outside the Community can profoundly affect our lives and plans. Equally, our own freedom of manoeuvre to influence events is circumscribed by our economic and social weaknesses. So while our own internal affairs are naturally at the forefront of our minds - and I shall speak of these presently - I believe that today, more than ever before, our internal preoccupations need to be seen against a backdrop of developments outside the Community. EXTERNAL POLICIES

Recent months have shown us that the Community's international weight and presence is continuing to grow and to grow fast. With the President of the Council I represented the Community at the Economic Summit meeting at Bonn in July; we further developed the close relationship between the Community and the United States; and we made some progress in establishing a more solid basis for our relations with Japan in the interest of world economic stability. Beyond this we established a new relationship with the countries of ASEAN; agreement with China. From this picture of events, I would like to single out two which are, I believe, particularly significant for the Community. First our relationship with the United States: apart from a steady flow of high level exchanges between Washington and Brussels, President Carter visited the Commission early last year and I went to see him in December. These meetings have enabled us to review the main issues which condition the relationship between the two biggest trading powers in the world, and to explore the possibilities for new fields of cooperation, particularly in the field of science and technology, which represents, I believe, a significant and hopeful field for future work together. Second, I refer to the trade agreement which the Community concluded with China last April.

She was not slow China is the largest of the developing nations. to recognize the reality of the Community and when she decided to open up and to increase her international exchanges, the Community was among the first to whom China turned. I am confident that in 1979 we can develop our trade and understanding with China still further, and I will have these prospects before me when I visit Peking later this month. Nevertheless as a Community we still face difficulties and dilemmas in our relations with both industrial and developing countries. These have been underlined in two vitally important international negotiations which are now coming to a conclusion. I refer to the Multilateral Trade Negotiations at Geneva, and the negotiations in which the Community is engaged for a successor to the Lome Convention. The Community depends more on world trade than any of our major trading partners. To that extent we wish to see the international trading system strengthened and extended in scope. We have therefore welcomed the emphasis which has been placed in these negotiations on attacking the multiplicity of non-tariff barriers which obstruct the flow of trade. But we have also been bound to recognize, that it is not enough to pull down barriers wherever we find them. We have to ensure that the trading system which we are constructing contains its own checks and balances. We must ensure, for example, that it takes fair account of the new phenomenon of the highly competitive low cost producer who can now make a deep and rapid penetration into a particular market in a way that can almost wipe out our own domestic production. This phenomenon is only an extreme manifestation of a wider problem of adjustment to which protection cannot ultimately be the answer. Over the past year the Community has found it necessary to take a number of measures to safeguard employment in certain industries such as textiles, steel and shipbuilding, which suffer acutely from over-capacity and excess labour, nearly always as a result of the growing ability of other producers outside the Community to produce these goods more cheaply. But these measures
will only be acceptable to our trading partners if they are accompanied by active and responsible policies to adapt our economies to new circumstances. The Commission, which has had to take the lead in working out measures to provide a temporary shield for those industries which are under severe pressure, is fully conscious of the need, in the coming years and at Community level, to shift the emphasis can take place as well as to the promotion of growth sectors. This need for adjustment is one of the main elements underlying both the Multilateral Trade Negotiations and our own domestic industrial policies. The Pacific. It also concerns us in our negotiations for a new Convention with the countries of Africa, the Caribbean and It would make little sense to offer generous aid and trading benefits to these countries if we refused to prepare ourselves to accept an increasing volume of those products which newly industrializing countries inevitably begin to produce and sell. Although the Lome Convention has only been in operation for some three years, I believe that the process of negotiating a new Convention is in itself valuable in acquainting us with the aspirations of the ACP countries and in acquainting the ACP countries with the Community's political and economic difficulties. For its part, the Commission will do all it can to see that the negotiations are concluded in good time for ratification well before the expiry of the present Convention.

ECONOMIC SUMMITS

The Community is of course not alone in facing the problem of finding its place in a constantly shifting world. The rapidly changing nature of international life have come increasingly to realign our economic policies. If there is interdependence between external and internal events, we the degree to which all major trading partners are also interdependent. That the Economic Summit have a particular significance.

I believe that they have now become a permanent feature of international life and that they are beginning to make a major and welcome contribution to the management of the world economy at these summits.

It is important that the Community has been able and will continue to play a significant role in the process. Last year, as we moved from the European Councils of Copenhagen and Bremen to the Economic Summit at Bonn, we saw a steadily developing economic and monetary policy which linked the Community's determination to create an area of monetary stability with its equally strong determination to see its major economic partners brought...
together in a balanced plan to stimulate economic growth. This year we shall see
the same pattern of meetings with European Councils at Paris, Strasbourg and
Dublin and an Economic Summit at Tokyo. I hope that we can move from meeting to
meeting with the same sense of purpose and the same determination to coordinate,
control and to some extent manage the major economic developments which so concern
us all. I also hope it will be possible for the Community, fortified by the
creation of the European Monetary System, to play a more positive role in
discussion of international monetary problems. I am in no sense suggesting a
down-grading of the role of the International Monetary Fund. But economic and
monetary policies are two sides of the same coin. A greater degree of
understanding among the Summit participants about the management of their
currencies would be beneficial.

EUROPEAN MONETARY SYSTEM

I now turn to the Community’s own efforts to create a new monetary system: a. zone
of European monetary stability. Such a scheme can make a major contribution to
securing the growth so essential if the Community is to overcome its continuing
depth-seated economic problems. The foremost of these problems is unemployment.
Even if the total number of unemployed in the Community has not increased in
the past year, the fact of six million unemployed is simply intolerable. The
unemployed constitute a huge and urgent human reason for acting quickly to
establish a system which favours stability and expansion, which strengthens our
ability acting together to achieve a new price stability in Europe, and which
can help to strengthen demand on a wide geographical basis. The rationalization of
our labour intensive heavy industries is only now beginning and unless we can work
to create the conditions for a lasting and balanced growth in new sectors, the
prospects will be gloomy indeed.

It is a matter for profound regret that the European Monetary System could not be
launched at the beginning of this year as the European Council had decided in
Bremen. But I recognize the crucial importance for the Community to decide how it
is to deal with the monetary problems associated with the Common Agricultural
Policy if that Policy and the monetary system are to work smoothly together. The
essential point to make now is that I believe there is a political will for
solution, that we shall find a solution, and that we shall find it soon.

But if the EMS - this new instrument worked for so hard over the summer and autumn
and proclaimed in December is to make that impact on our deep-rooted economic
problems that I believe it can, it is essential that continuing thought, new
efforts and new policies should be available to underpin and sustain what we have
created. I have three main points in mind.

First we must accelerate the processes of convergence within our Community,
This has long been the purpose of this and previous
Sa;!

Commissions, but I cannot

that progress has been sufficient ~

We

were encouraged by the decisions of the European Council in Bremen last June that

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Iv!ember States should pursue policies of "concerted action" o

But a lot more needs to be done and the Commission will soon bring forward proposals to improve the mechanisms and increase the momentum of coordination. Second the Community should make much more of the benefits of the existing Common Market so as to ensure a better balance of economic activity within it. outline programmeo Las·t year we put our thinking into a fi ve-yea.r In 1979 we shall be bringing forward proposals in The aim of both will be to We eJ.so want to make rapid I have transport

some areas, ideas for discussion in others. example, in lowering non-tariff barriers. increase the flow of goods and services, and to make progress, for use of our new borrowing instr-ument to improve ·the social and economic infrastructure in sectors and. areas in diffioul ty.. particularly in mind. early in the year. Third we need to deal with the special difficulties of less prosperous Member States, not only to 1xnderpin the European Monetary System, but also in pursuit of our general aim of reducing economic disparities within the Community* Here we already have a new instrument in the shape of the interest-su·bsidized loans which the European Council agreed in December should be made available to Italy and Ireland within the framework of the EMSo But this is only part of the renewed effort To this end which we must make for the pool•er areas of the Community.. Here we shall be outlining ou."

c ideas in a paper

the Comm:i.on is, as requested by the European Council, re-examining the role which the Community's instruments, jointly and separately, can pl-

in promoting convergence.

I now turn to two further policies on which the Comm-.<-,.on will strive to make progress in

1979,

both because of their intrin,aic importance

6to the community, and as part of the strategy by which we aim eventually to arrive at economic and monetar.r union. I refer to the internal market, and to energy policy.

INTERNAL MARKET

The Common Market is both the starting point and the centrepiece of European integration. function smoothly. It is particular;r important that it should It was once thought that with the creation of a common The reality has been different. Formalities They customs area, with unified rules for trade with third countries, internal barriers to trade would wither awa;y. Paper work at intra-Community frontiers has not diminished.

and procedures continue to vary from Member State to Member State.

remain a hindrance to export business, partioularl;r for small and mediumsized firms which still find it difficult to operate be,yond their own frontiers. market. Intra-Community trade has of course greatly increased, but we have
The Commission will be bringing forward this year a new five-year programme designed to establish the customs union on a more solid basis through the progressive introduction of Community customs legislation, administered on behalf of the Community, and through measures to encourage a far freer flow of goods over our internal frontiers.

ENERGY

energy, we have recently had a vivid reminder of the fragility of the technology on which our way of life is based. Large parts of Europe were paralysed by deep snow and ice; entire regions were cut off; electricity supplies were stretched to their limits and beyond; communications broke down; many of our citizens were faced with a lack of means to keep themselves and their families warm.

It is in just such a situation that our dependence on electricity, on oil, on coal, and on other energy supplies is brought home not just to Governments but to almost all the people of the community. The vagaries of the weather underline yet again the view that I put to Parliament last year about the urgent need to recognize our limited energy resources, the need to exploit new and additional means of supply, and the need to reduce our own consumption of energy. External events - both the recent OPEC decision to increase oil prices on the world market and developments in Iran - only serve to emphasize the continuing relevance and the urgency of the problem. In a few words, how are we to secure a drastic and permanent reduction in our oil imports? How are we to secure a sustained and significant cut back in energy consumption? How are we to develop new and unconventional alternative sources of supply? How are we to exploit and use to the best advantage our available energy resources? We have little time left. If we do not take action soon, there can be no doubt that during 1980s we shall enter a permanent and enduring energy crisis. Much work is already being done by Member States and on Community level. But the scale and nature of the issues suggest that more common and Community rather than disparate and national action is required. First 1985. This is from its present level or 56

The Commission is ready to help coordinate national energy policies to avoid duplication and promote major research and development projects on a Community scale. now. Second we must prepare for the post-oil era In the meantime we want programme, and will come forward with more.

Again we have already put ideas and proposals into our working to promote the widest possible debate on a theme which touches so many aspects of the future of our society.
AGRICULTURE

I turn now to that sector of European affairs where Community has the most concentrated responsibilities, and incurs most of its expenditure: agriculture. The reasons for the preponderance of agriculture are a matter of history and indeed arise from the origins of the Community. But I sometimes wonder whether it is wise for us to be so occupied with one particular sector, a sector whose share of our workforce has fallen from 17 per cent in 1960 to 8 per cent today, and which now contributes only 4 per cent to our total Gross Domestic Product. Do not misunderstand me. I do not think that our responsibilities in agriculture should decrease, but rather that our responsibilities in other sectors should increase, thus bringing about a better balance within the Community which should by its nature concern all our workforce and our whole capacity to generate wealth. This is a fundamental question which merits increasing attention as we look to the future development of Europe. With enlargement, the importance of agriculture will of course increase in relative terms. In a Europe of 12 it will account for some 11 per cent of the workforce. But the paradox of Mediterranean agriculture is this: that we cannot hope to improve the incomes of rural families solely, or even mainly, through agricultural support, but rather through developing other sectors of the economy in those regions so that, at last, there is a real alternative to work on the land. It is in this longer perspective that I ask you to view our current policies. Last year I said we had not yet succeeded in mastering the problem of surpluses. In the intervening twelve months we have made progress in obtaining acceptance of our price policy, thanks in no small measure to the influence of this House. But I have to tell you that, despite that, the situation and prospects on the sugar markets today are worse, not better, than a year ago. Milk production is accelerating, while consumption is static. Every third ton of produce is exported with the aid of an all too substantial subsidy. That is why we now insist on the need for a rigorous price policy for as long as the market imbalances last. Other measures we have proposed, particularly for milk, this policy can succeed in restoring a proper balance to our agricultural policies. Indeed, I say that it must succeed: for the alternatives that lie before us, if we fail in our efforts to solve this problem through the price and market mechanisms, will be even more unpopular with farmers than is the present situation with consumers. If the surpluses have put the budget under intolerable strain, then the monetary distortions in agriculture have, like the invisible worm, been gnawing at the...
heart of the Common Ma.rket. return to the unity of the agricultural market. In order to restore fair competition and bring back normal conditions of trade, we must Here I am optimistic. As regards existing monetary compensatory amounts, we cannot do everything at once: but we could make substantial progress this year, and move towards elimination over a period of years. As regards future MCAs, the introduction of the EMS will mean greater monetary stability, and thus less risk of the creation of new MCAs. orderly way. It will also create an economic In eliminating MCAs we climate in which MCAs, whether old or new, can be eliminated in an But I add a note of warning. must not compromise our price policy, or achieve the unity of the agricultural market at the price of abandoning our other objectives. A temporary success of that kind would spell long-term defeat. Finally there is our policy for agricultural structures. much of technocracy and economic I would prefer a more humane word than "structuresu, which smacks too I want a term which would encompass all facets of the improvement of the countryman's way of life, and the advancement of the farmer's professional skills. For agricultural policy must, at heart, be concerned not with the number of cows or of hectares, but with persons and huma.n beings. Perhaps a better phrase is "rural development", the promotion of all that can help people in predomin.a ntly agricultural regions to bring their living standards up to those shared by the Community in general? Here again the Commission is making further proposals which will advance the frontiers of our policy. FISHERIES Next fisheries. Sometimes, as we discuss our policies in all their legal and political complexity, we tend to forget the realities that lie behind them in the world outside our conference rooms and assembly chambers. The fact impresses itself upon us in connection with our fisheries policy, when we look at the maps of fish stocks in the waters of Western Europe. The areas of spawning, Fish are of feeding, of migration, and of maturity, none of these fits in with the geometry of median lines or of 20Q-mile limits. not respecters of terms. territorial waters. No plan for the management and conservation of these fish resources can be framed in merely national That, fundamentally, is why the absence of a common policy is a gain for no Member State, and for none of our fishing industries. It is a loss for all, and a loss which multiplies as time passes and stocks are depleted yet more. for decisions on fisheries. We shall therefore continue to press CONSUMER POLICY AND ENVIRONMENT POLICY In the coming year we shall also present our new progra.mme for consumer protection · House. It will naturally come for discussion in this I will not anticipate our proposals, but by way of example I mention one of them: a system for the rapid exchange of information within the Community on the hazards of dangerous products. Today I went to reaffirm that the interests of consumers, and their protection by Community law, remain central to the Commission's policies. The tasks assigned to the Community by the Treaties mean that all our actions have repercussions on consumers; and the Commission, with its particular
I have heard it suggested that the Commission's intention to apply stricter
criteria to proposals for harmonization means that in future we shall put it's
emphasis on consumer policy. Nothing could be further from the truth: what we
have determined is to avoid interference in consumer choice by legislative
proposals for harmonization that is unnecessary and unimportant. We cannot do a
better service to the consumer, and to the Community's image, than to concentrate
our efforts on 'What is really worthwhile. In our environment policy we shall
pursue a similar course, with proposals that concentrate on the priority areas of
water quality, the effects of chemicals on health, and noise abatement. We hope
to open up a new dimension in public understanding of these questions by
promoting facilities in each Member State for assessment of the effects of
environmental hazards throughout the Community. I would like to end
by looking forward to two major developments which will shape the future of the
Community. Both direct elections and the forthcoming enlargement of the Community
raise questions about the operation and the evolution of the Community's
institutions. I welcome the initiative which has led us to the request for three
wise men to study these matters and report to the European Council in the course
of this year. At the same time the Commission has decided to appoint its own
independent review body to examine the structure and the workings of the
Commission. This independent review body started its work at the beginning of this
month and we expect its report before the autumn. I hope that these reviews will
lead to practical ideas for improving the functioning of the Community. At the
same time, we need to guard against the view that procedural or institutional
innovations can of themselves produce instant solutions to problems in the
Community. Our difficulties often stem from deep-seated economic and social
disparities and these are bound to engender own pressures and conflicts.

We are at present witnessing two important institutional changes within the
Community framework. First there is the growing role of the European Council which
has provided a vital impulse to the evolution of the Community, especially in
the last twelve months. Second we are on the eve of direct elections to this
House, elections which will constitute a significant strengthening of the
democratic base of the Community's institutional structure. At present there are
no contacts between the European Council and the Parliament, and I believe that
serious thought should be given to ways in which a link could be established. The
enlargement of the Community is also bound to have a significant effect on the
operation of the Institutions. Last year the Commission produced a review of some
of these implications. We shall do our best to ensure that the ideas which we put
forward are serious considered. At this stage I stress the importance of the
Commission's management role in giving effect to the decisions of the Council.
Without some extension of that role and better definition of the distinction
between political and executive decisions, I fear that in an enlarged Community
the risks of confusion and paralysis, which already exist, will become even
more serious. Direct elections to this House are now less than four months away.
They represent the honouring of a commitment made more than twenty years ago and in a sense complete the foundations which were then laid down. The long delay in fixing these elections, and the aspirations and, indeed in some quarters, the apprehensions which surround them testify to their crucial importance in our development. I believe that the Commission has over the years established constructive working relations with this House. At the same time I welcome the prospect of the more intensive relationship which directly elected Deputies may wish to have with the other institutions of the Community, including the Commission, in the name of their electors.

All the issues with which we deal, remote or technical as they sometimes seem, are directly and crucially related to the welfare of the citizen. The European Monetary System is ultimately about the value of money in peoples' pockets. The Common Agricultural Policy is about the balance between the money in the pockets of the farmer and of the housewife. There are many issues, some controversial, which will, I hope, become the themes for the electoral campaign which will shortly be opening. If the campaign can focus the attention of the Community's electorate on the essential purposes and problems of the Community, then it will have achieved something which we have found to be a major obstacle in our work whether it be in the Commission, the Parliament or the Council, namely to make a reality to the individual citizen of the sometimes complex and obscure processes of Community life.

Any observer of the Community today must be struck by the complex variety of its activity compared with only a few years ago. I believe that we have found a new sense of momentum; but we shall only succeed in moving forward at the cost of unremitting effort. As we approach what I believe will be a difficult, certainly challenging, and possibly dangerous decade ahead for the Community in the world, internal unity will be of increasing importance. For its part the Commission will continue fully to play its part as a source of ideas and initiatives for the strengthening of the economic and institutional basis of the Community enterprise.
Discours prononcé devant le Parlement européen par M. Roy Jenkins, président de la Commission des Communautés européennes


Luxembourg, 13 février 1979

Le présent discours programmé est la troisième que j’ai l’honneur de prononcer devant le Parlement au nom de la Commission européenne. Je pense qu’il marque pour la Communauté le début d’une année de changements importants, car elle n’en a pas connu depuis un certain temps.

Les douze derniers mois ont été des mois de préparation et de discussion et de négociation intensives à l’intérieur comme à l’extérieur de la Communauté. Les fruits de ces travaux et de ces efforts sont aujourd’hui à cueillir. Si nous avons la volonté de maintenir le temps qui est le nôtre - et je perçois - et à la conclusion 1979, devrait voir l’établissement du système monétaire européen; les premières élections directes au Parlement européen; l’achèvement, avec la signature du traité avec la Grèce, de la première étape d’un processus, qui doit aboutir à l’élargissement de la Communauté; au-dessus de 5 et aux négociations commerciales internationales desquelles la Communauté a été étroitement impliquée. Ces développements et leurs résultats correspondent à trois priorités fondamentales de la Com-
mu..YJ.aute en cette periode ou nous nous effo:r<;ons de :relever les de:fis d'u.n monde de plus en plus complexe et interdependant. Ces defis consistent

ren.forcer l 'orga.:nisation et la. cohesion internes de la Communaute et

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assurer son developpement continu;

h elargir la Communaute en y accueillant les democraties europeennes qui

sont en mesure d'adherer et remplissent les conditions requises; - a fnire en

sorte que la Communaute en tant que telle apporte sa contribution

- la gestion de l economie mondiale.

Pour sa. part, la Commission assumera pleinement ses responsabil.i t es et fcrera tout ce qui est en son pouvoir pour que des progres soient realises da."

lB cos trois domaines vitaux.

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Le theme sur lequel

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insi.ster cette annes davant le Parlement

le discou.rs programme est celui de l'interdependanceo C'est l'une des

GI'andes le<;ons q-lle la Commission a retenues au cours des deux premieres annees de son mandat. Nous avons constate que des perturbations economiques ma.jeures

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1 'e:rlerieur de la. Communa.ute peuvent a.ffeoter pro:fondement notre existence

De

et nos projets.

meme, notre propre liberte de manoeuvre, notre faculte

d'agir sur les evenements est limitee par nos faiblesses sur lea plans economique et social. c•est pourquoi je pense que, tout en songeant bien entend:u. en priorite

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nos propres af:fa.ires interieures -qui seront l'objet demon

propos -, nous devons aujourd'hui plus que jamais aup..ra..vant considerer nos problemas internes dans le cadre general des developpements qui se produisent

a 1 text erieur
Vous avez constaté, au cours des derniers mois, que le poids et la présence de la Communauté sur la scène internationale ne cessent de croître, et de croître rapidement. Le président du Conseil et moi-même avons représenté la Communauté au sommet économique de Bonn en juillet; nous avons poursuivi le développement de relations étroites entre la Communauté et les États-Unis; et nous avons réalisé des progrès en établissant une base plus solide pour nos relations avec le Japon dans l'intérêt de la stabilité économique mondiale.

En outre, nous avons établi de nouvelles relations avec les pays de l'ASEAN et nous avons conclu un accord commercial avec la Chine.

Parmi ces événements, j'aimerais en distinguer deux qui, je pense, ont une signification particulière pour la Communauté. En premier lieu, nos relations avec les États-Unis ont un niveau élevé, fréquents et persistants, entre Washington et Bruxelles. Le président Carter a rendu visite à la Commission au début de l'année dernière et je lui ai moi-même rendu visite en décembre. Ces rencontres nous ont permis de passer en revue les principales questions qui déterminent les relations entre les deux plus grandes puissances commerciales du monde et d'explorer les possibilités de coopération dans de nouveaux domaines, notamment la science et la technologie, qui constituent, je pense, un terrain important et prometteur pour nos futures activités en commun. En second lieu, je fais allusion à l'accord commercial que la Communauté a conclu avec la Chine en avril dernier. La Chine est le de tous les pays en voie de développement. Il ne lui a fallu longtemps pour reconnaître la réalité de la Communauté Européenne et, lorsqu'elle a décidé de s'ouvrir sur le monde extérieur et d'accroître ses...
changes internationaux, la Communaute a figure parmi les premiers

Chine s'est adressede. Je suis certain qu'en

qui la

1979 nous pourrons encore developper

per nos echanges et notre comprehension mutuelle et c'est dans cette perspective -le

je me rendrai en visite

a Pekin a

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la fin du mois

Cependant, notre Communaute est encore confrontee, dans ses relations avec les pays industrials et les cultes et en voie de developpement,

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des diffi-

a

des dilemmas qui sont clairement apparents au couurs de deux series

de negociations internationales. Leur importance etait capitale et elles sont aujourd'hui proches de leur conclusion; il s'agit des negociations commerciales multilaterales Lome. La Communaute depend davant age du commerce mondial qu'a ucun de ses principaux partenaires. De ce fait, nous souhaitons un renforcement et un elargissement du systeme international des echanges. Nous nous sommes done rejouis de voir que, dans ces negociations, l'accent etait mis sur le demantelement des multiples barrières non tarifaires qui entrent le flux des echanges. Mais nos... avons egalement dtt reconnaître qu'il ne suffit pas d'eliminer les barrières existantes. Il faut faire en sorte que le systeme commercial que nous construissons soit pourvu de ses propres dispositifs de contrôle et d'équilibrage. Nous devons, par exemple, faire en sorte qu'il tienne compte de l'équitable
d-~ouveau co:::~:~:~:~:~:ti'tifs

a Geneva

et des negociations engagees par la Communaute en vue

de conclure une nouvelle convention qui prendra la suite de la convention de

phenomene des producteurs que leurs faibles outils rendent hautement et qui peuvent
aujourd'hui faire sur un marché determine une percee

Pi ?rofonde et si rapide que notre production interieure risque de s'en trouver

pratiquement balaye.
Ce phénomène n'est pas la manifestation étrangère d'un problème plus vaste d'adaptation, problème auquel le protectionnisme ne peut pas, en fin de compte, constituer la réponse. Au cours de l'année écoulée, la Communauté a jugé nécessaire de prendre un certain nombre de mesures en vue de sauvegarder l'emploi dans des industries telles que le textile, la sidérurgie et la construction navale, qui sont gravement affectées par des excédents de capacité et de main-d'œuvre, presque toujours par le fait que d'autres pays à l'extérieur de la Communauté sont capables, dans une mesure croissante, de produire les mêmes marchandises à moindre coût. Mais ces mesures ne pourront être acceptées par nos partenaires commerciaux que si elles s'accompagnent de politiques actives et responsables visant à adapter nos économies aux circonstances nouvelles. La Commission, qui a du prendre l'initiative d'élaborer des mesures en vue de protéger temporairement les industries soumises à des pressions, est pleinement consciente de la nécessité, dans les années qui viennent, de mettre progressivement l'accent, au niveau communautaire, sur l'élaboration du cadre pourra s'opérer, ainsi plus long terme dans lequel la mutation industrielle la promotion des secteurs de croissance.

Cette nécessité d'adaptation est l'un des principaux éléments qui soutiennent la négociation commerciale multilatérale et nos propres politiques interindustrielles dans le secteur industriel. Elle s'impose également à nous dans les négociations visant à conclure une nouvelle convention avec les pays d'Amérique, des Caraïbes et du Pacifique. Cela n'aurait guère de sens de leur offrir une aide abondante et des avantages commerciaux si nous refusions de nous préparer à recevoir en quantités croissantes les marchandises que les pays en cours d'industrialisation commencent inévitablement à produire et à vendre. Bien que la convention de Lomé ne soit appliquée que depuis trois ans environ, je pense en sol, car ce sera pour nous l'occasion de connaître les aspirations des pays ACP et pour les pays ACP l'occasion de connaître les difficultés politiques et économiques de la Communauté. Pour sa part, la Commission fera tout ce qui est en son pouvoir pour que les négociations soient menées a leur conclusion dans des délais tels que la ratification pûde intervenir bien avant l'expiration de la convention en vigueur. que la négociation d'une nouvelle convention est un processus utile ; .... ; .... SEC(78)2600/6-FR

La Communauté n'est bien entendu pas seule a 3tz~
confrontée au problème de trouver sa place dans une économie mondiale en perpetual changement. L'interdépendance entre événements externes et événements internes est un fait; mais il n'est apparemment de plus en plus nettement que tous les grands partenaires commerciaux sont eux aussi interdépendants. C'est dans ce contexte que les sommets économiques revêtent une importance particulière. Je pense qu'ils sont aujourd'hui un élément permanent de la vie internationale et qu'ils commencent fort opportunément à apporter une contribution majeure à la gestion de l'économie mondiale. Il est important que la Colombe ait pu et puisse à l'avenir jouer un rôle significatif lors de ces sommets. L'an dernier, en passant du Conseil européen de Copenhague à celui de Bruxelles, puis au sommet économique de Bonn, nous avons vu se développer progressivement une politique économique et monétaire associant la détermination de la Couronne à créer une zone de stabilité monétaire avec sa détermination forte à réunir ses principaux partenaires commerciaux: dans le cadre d'un plan d'équilibre visant à stimuler la croissance économique. Cette année, le programme de réunions sera sensiblement le même, avec des Conseils européens à Paris, Strasbourg et Dublin et un sommet économique à Tokyo. J'espère que nous progresserons de réunion en réunion avec la même conscience de l'objectif à atteindre et la même détermination à coordonner, à contrôler et, jusqu'à un certain point, orienter les grands développements économiques qui nous concernent tous de si près. J'espère également que la Communauté, fortifiée par la création du système monétaire européen, sera en mesure de jouer un rôle plus positif dans les discussions sur les problèmes monétaires internationaux. Je ne suggère en aucune façon de dévaloriser le rôle du Fonds monétaire international. Mais la politique économique et la politique monétaire sont les deux faces d'une même médaille. Une meilleure concertation entre les participants aux sommets sur la gestion de leurs monnaies serait salutaire.

J'en arrive maintenant aux propres efforts de la Communauté pour créer un nouveau système monétaire: une zone européenne de stabilité monétaire. Un système de ce type peut contribuer de façon décisive à assurer cette croissance dont la Communauté a tant besoin si elle veut surmonter ses problèmes économiques persistants et profondément enracinés. Le plus grave d'entre eux est le chômage. Même si le nombre total des chômeurs dans la Communauté n'a pas augmenté en 1978, le sauf fait qu'il y a six millions de chômeurs est simplement intolérable. Le chômage constitue, sur le plan humain, une puissante raison d'agir rapidement pour installer un système qui favorise la stabilité et l'expansion, qui renforce notre aptitude à prendre des mesures concertées en vue d'assurer une nouvelle stabilité des prix en Europe et qui contribue à raffermir la demande sur une large base géographique. La rationalisation de nos industries lourdes à haute intensité de main-d'œuvre ne peut faire encore que, si nous ne parvenons pas à créer les conditions d'une croissance durable et équilibrée dans de nouveaux secteurs, les perspectives seront fort co-T.encer

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sombres. Il est profondément regrettable que le démarra.ge du système monétaire européen n'ait pas pu avoir lieu au début de l'année, comme la décision en avait été prise lors du Conseil européen de Bâle. Rais je reconnais qu'il est d'une importance cruciale pour la Communauté de décider comment régler les problèmes monétaires liés à la politique agricole commune si l'on veut que cette politique et le système monétaire fonctionnent bien ensemble. Ce que je tiens à souligner ici, c'est ma conviction qu'il existe une volonté politique de trouver une solu.tion, que nous trouverons une solution et que nous la trouverons bientôt.

Rais si nous voulons que le SME - ce nouvel instrument a été élaboré duquel nous avons consacré tant d'efforts tout au long du deuxième semestre de 1978 - que nous avons rendu public en décembre - exerce sur nos problèmes économiques profondément enracinés l'impact que je le crois en mesure de l'exercer,

il est essentiel que des réflexions soutenues, des efforts renouvelés et des ...

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politiques nouvelles se conjuguent pour étayer et consolider ce que nous avons créé. Je songe à trois points en particulier. En premier lieu, nous devons accélérer les processus de convergence à l'intérieur de notre Communauté. C'est depuis longtemps l'objectif de la présente Commission et de celles qui l'ont précédée, mais je ne saurais affirmer que les progrès aient été suffisants. Nous avons trouvé un encouragement dans les décisions du Conseil européen de Bâle, en juin dernier, aux termes desquelles les États membres doivent poursuivre des politiques "d'action concertée". Mais il reste beaucoup à faire et la Commission présentera prochainement des propositions en vue d'améliorer les mécanismes et d'accélérer la coordination.

second lieu, la Communauté devrait tirer un meilleur parti des avantages du marché commun existant, de façon à parvenir à un meilleur équilibre de l'activité économique à l'intérieur de ses frontières. L'an dernier, nous avons exposé le fruit de nos réflexions dans un programme-cadre de cinq ans. En 1979, nous présenterons des propositions dans certains secteurs, des thèmes de discussion dans d'autres. Dans les deux cas, notre objectif sera d'intensifier le flux des marchandises et des services et de réaliser des progrès, par exemple, dans l'abaissement des barrières non tarifaires. Nous voulons également faire usage rapidement de notre nouvel instrument d'emprunt afin d'améliorer les infrastructures socio-économiques dans des secteurs et des régions en difficulté. Je songe tout particulièrement aux transports, secteur pour lequel nous exposerons nos idées dans un document au cours des prochains mois.

troisième lieu, nous devons nous attaquer aux difficultés particulières des États membres mains prospères, en vue non seulement d'étayer le système...
En monétairc européen, mais aussi de poursuivre notre objectif général qui consiste à rduire les disparités économiques à l'intérieur de la Communauté. Pour ce faire, nous diapasons déjà d'un nouvel instrument sous la forme des pNts bonifiés que le Conseil européen de décembre est convenu d'accorder à l'Italie et à l'Irlande dans le cadre du SME. Mais cela ne représente qu'une partie de l'effort renouvelé qu'il nous faut accomplir en faveur des régions moins avancées de la Communauté. A cette fin, la Commission a entrepris de reexaminer, comme le Conseil européen l'en a priée, le rôle que les instruments communautaires peuvent jouer, conjointement et séparément, dans la réalisation d'une convergence accrue.

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Le marché commun est à la fois le point de départ et l'élément central de l'intégration européenne. Il est particulièrement important qu'il fonctionne sans heurts. A une certaine époque, on a cru que la création d'une zone douanière commune et des règles unifiées pour les échanges avec les tiers, les barrières intérieures aux échanges disparaitraient d'elles-mêmes. La réalité est tout autre. La paperasserie aux frontières intra-communautaires est toujours aussi abondante. Les formalités et les procédures restent différentes d'un État membre à un autre. Elles continuant de faire obstacle aux exportations, notamment celles des petites et moyennes entreprises, pour lesquelles il est souvent difficile d'opérer par-delà les frontières nationales. Cartes, les échanges intracommunautaires ont connu un développement considérable, et nous avons une peine de commencer à tirer profit des avantages de notre vaste marché intérieur.

MARCHÉ INTERIEUR

...; ...

SEC(78)260b/6-FR

...; ...

SEC(78)260b/6-FR

Dans le domaine énergétique, la fragilité de la technologie sur laquelle repose notre mode de vie nous a récemment été rappelée de façon saisissante. Des régions étendues d'Europe ont été paralysées par la neige et le verglas; des contrees entières ont été isolées; les capacités d'approvisionnement en électricité ont été sollicitées jusqu'à leurs limites et même au-delà; les ont été coupées; de nombreuses familles se sont trouvées dans l'impossibilité de continuer à se chauffer.

ENERGIE

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c'est dans une situation de ce genre que notre dépendance à l'égard de
l'actricité, du pétrole, du charbon et des autres sources d'énergie se
rappelle à l'attention des gouvernements, mais aussi de presque tous les
citoyens de la Communauté. Les caprices de la météorologie mettent une nouvelle
fois au premier plan les propos que j'ai tenus l'an dernier devant le Parlement;
l'urgence nécessaire de reconnaître que nos ressources énergétiques sont limitées,
la nécessité d'exploiter des sources d'énergie approvisionnement nouvelles et
supplémentaires, la nécessité de réduire notre propre consommation d'énergie.
Les développements survenus à l'étranger - la récente décision de l'OPEP
d'augmenter les prix du pétrole sur le marché mondial et les evenements en Iran -
sont là pour souligner que le problèmes n'a rien perdu de son actualité et de son
urgence. En peu de mots, comment assurer une réaction importante et durable de
nos importations de pétrole ? Comment assurer une diminution significative et
prolongée de notre consommation d'énergie ? Comment développer des sources
alternatives d'approvisionnement nouvelles et non conventionnelles ? Comment
exploiter les ressources énergétiques dont nous disposons et en tirer le meilleur
parti possible ? Il nous reste peu de temps. Si nous n'agissons pas rapidement, il
ne faut aucun doute que nous connaitrons une crise énergétique permanente et durable
dans le courant des ... 80. Les États membres et les instances communautaires
ont déjà beaucoup. ... failler et la nature des problèmes indiquent qu'
'il faut une action plus complète et au niveau communautaire, et non pas une
action disparate au niveau national. En premier lieu, nous avons pour
objectif de ramener la dépendance de la

-10 de 56 d'ici SEC(78)2600/6-
\[
\frac{\text{% actuellement}}{1985.
\]
\[
a 50 \%
\]
\[
\text{Communauté} à l'égard de l'énergie importée/La Commission est prête à
contribuer à la coordination des politiques énergétiques nationales, de façon à
éviter toute duplication des mesures et à promouvoir des projets de recherche et
de développement majeurs au niveau communautaire.
\]
\[
\text{En second lieu, nous devons}
\]
\[
\text{nous préparer dès maintenant pour la période de l'après-pétrole. Notre programme}
de travail, et nous en formulons d'autres.
\]
\[
\text{À ce}
\]
\[
\text{sujet également, nous avons déjà formulé des idées et des propositions dans}
Entre-temps, nous voulons susciter le débat le plus large possible sur un sujet
qui concerne par de nombreux aspects l'avenir de notre société.
\]
\[
\text{AGRICULTURE}
\]
\[
\text{J'en arrive maintenant au secteur des affaires européennes dans lequel la}
Communauté a le plus de responsabilités et engage la plus grande partie de ses
depenses : l'agriculture. La prépondérance de l'agriculture a des raisons
historiques, qui remontent, en fait, aux origines de la Communauté. Parfois, s
il est sage de nous préoccuper d'une œuvre, centre 17 de 4%. Mais je me demande

un seul secteur partiel, secteur qui ne représente plus actuellement que 8% de notre main-

1960, et qui ne contribue actuellement qu'à raison. Endérons-nous bien. devraient d'une agriculture

1 1 ensemble de notre produit intérieur brut.

Je ne pense pas que nos responsabilités en matière
diminuer, mais au contraire que ce sont nos responsabilités dans d'autres secteurs qui devraient augmenter, créant ainsi un meilleur équilibre de notre main-d'œuvre et l'ensemble de notre capacité richesse.

l'intérieur de la Communauté qui par sa nature, devrait concerner l'ensemble

l'aide agricole, mais au contraire à l'aide au développement d'autres secteurs

Il est une question fondamentale qui mérite qu'on y attache une. Avec l'élargissement, l'importance de l'agriculture augmentera dans une Europe attentivement lors de la prise en considération du futur développement de l'Europe. quelque

evidemment en termes relatifs.

12, elle représentera

notre main-d'œuvre.

Mais le paradoxe de l'agriculture

1 ou

méditerranéenne est le suivant : nous ne pouvons espérer améliorer les des familles rurales uniquement, je pense principalement, grâce
de l’ économie dans ces régions pour leur offrir, entin, une alternative réelle au travail agricola.

...; ...

- ll-

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C’est dans cette perspective que nous n’avions pas encore réussi notre politique des prix, cœ...

a plus

long terme que je

V’OUS

invite

a

considerer nos politiques actuelles.

L’année dernière, je vous ai dit

a

dominer le problème des e:x:oedents.

Au cours des douze mois écoulés, nous avons progressé pour faire accepter

a

l’t influence non négligeable de votre a.ssem-

blee. l&.-cis je doisvous di:’e que, ma.lgre cela, la. situa.tionet les perS}eotives sur les marches agricoles ne sont pas meilleures, elles sont plus ma.uva.ises aujourd’hui qu’il y a un an. est exporte La. production laitiere s’a.ccelere, alors que

la consomma.tion est sta.tionnaire.

Un tiers du sucre que nous produisons c’est pourquoi, Cela.

a

l’a.ide d’une subvention trop importante.

nous insistons a.ujourd’hui sur la neoe.site d’une politigue rigoureuse des prix tant que les desequilibres du marché persistero.n • implique un gel general des prix communs pour la. prooha.ine campagne.

Avec les autres mesures que nous avons proposées, notamment pour le la.it, cette politigue peut resta.urer l’équilibre approprie de nos politiques agricoles. En fait, je dis qu’elle doit réussir : car les autres solutions
devant lesquelles nous nous trouverons si nos efforts pour résoudre ce problème au moyen des mécanismes des prix et du marché ne réussissent pas, seront encore plus impopulaires auprès des agriculteurs que ne l'est la situation actuelle auprès des consommateurs. Si les excédents ont imposé une contrainte intolerable au budget, les distorsions monétaires dans l'agriculture ont entamé, comme le ver dans le revenu fruit, le cœur du marché commun.

En vue de restaurer la concurrence loyale et de rapprocher des conditions normales d'échange, nous devons

... l'unite du marché agricole.

A cet égard, je suis optimiste.

En ce qui concerne les montants compensatoires monétaires existants, nous ne pouvons tout faire en même temps : mais nous pourrions réaliser des progrès substantiels cette année et évoluer vers l'élimination d'ici quelques années. Quant aux autres MCM, l'introduction du S'ME impliquera. Elle créera également un climat économique mais je tiens une plus grande stabilité monétaire et, partant, il y aura moins de risques de création de nouveaux MOM. élevés de façon ordonnée.

Dans lequel les MCM, tant les anciens que les nouveaux, pourront être

... une mise en garde.

Ne devons pas, en éliminant les MCM, compromettre notre politique des prix ou réaliser la unite du marché agricole au prix de l'abandon de nos autres objectifs. défaites.

Un succès temporaire de cette nature impliquera. de...
long terme. Je

Finalement, il y a notre politique des structures agricoles. trop prononcée de technocratie et de jargon économique. Je souhai-

prefererais un terme plus hél Ansion que le mot "structures", qui a un goître. on en compte tou. les facettes de l'amélioratio
du mode de vie de l'agriculteur, et l'amélioration de ses capacités professionnelles. Car la politique agricole doit, au fond, se préoccuper non pas du nombre de vaches ou d'hectares, mais des personnes et des êtres. Peut-être vaut-il mieux parler de "l'Amélioration rural", de promotion de tout ce qui peut aider les gens vivant dans les régions de primorance agricole.

a.

a mettre

leur niveau de vie

a

egalité avec celui de

la Commune en général ?

La aussi, la Commission présentera d'autres

propositions qui élargiront les frontières de notre politique. Peche Je dirai maintenant un mot de la pêche. Nous avons tendance Parfois, lorsque nous discutons de notre action, dans toute sa complexité juridique et politique,

a

à oublier les réalités qu'elle oeuvre dans le monde, hors le fait s'impose la pêche,

de nos salles de conférences et de nos assemblées. Nous, nous, en en qui concerne notre politique de lorsque nous considérons de l'Europe occidentale.

les cartes des ressources de pêche dans les eaux. Aucune des aires de :fray, d'alimentation, de Les poissons ne respectent pas les eaux C'est pourquoi, au fond, membre et

migration et de maturité ne coïncide avec les lignes medianes géométriques ou avec les limites des 200 milles. territoriales. Aucun plan de gestion et de conservation de ces ressources

ne peut être élaboré en termes purement nationaux. L'absence de politique commune ne profite de nos industries de la pêche. s' anéantifie au :t-uri et s'épuisent davantage.

Aucun État la.
C1 est 1me perte pour tous, une :perte qui que le temps passe et que le s rea
sources insister pour que des decisions
a me sure
Nous continuerons dono
soicnt prises en matiere de pche.
...
M'itFYi:i:l'

e:-t'......K;;,-,e'li""......'_i-WI~"."'".;,~...,""'i
,i

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SEC( 78) 2600/6-FR

Politique des consommateure et politiSH! de l'environnement Au cours de 1'annee

a venir,

nous presenterons ega.lement notre Sans vouloir anticiper su:r la Communaute Je
voudrais
nouveau programme pour la protection du consomma.teur. !I viendra naturellement en
discussion devant votre assemblee. nos propositions, je mentionnerai,

a titre
d'exemple, celle qui porte sur

1m S"Jrbeme d' echange rapide d' informations
1a 1 t interieur
au su.jet des risques que comporlent les substances dangereuseso
rcaffirmer aujourd...-d'hui que les interets des consommateurs et leur protection
pour la lozislation communautaire demeurent un element central de l' action
d.e la. Corr:.rdssion. Les taches assignees

a
la Communaute par les traites
S"Jr
impliquent que toutes nos actions ont des repercussions
les consommateurs;
et la. Commission, du fait des responsabilites particulières qui lui incombent,
le devoir d'établir une protection des intérêts des consommateurs meilleure que celle nomique.

est assurée à chacun d'entre eux par simple jeu des forces éco-

La Commission ne se soustraira pas à cette obligation.

J'ai entendu dire que l'intention de la Commission d'appliquer des critères plus sévères aux propositions d'harmonisation implique qu'au futur nous mettrons moins l'accent sur la politique des consommateurs. Rien ne pourrait être plus éloigne de la vérité : nous avons en fait décidé d'éviter que des propositions législatives d'harmonisation qui sont inutiles et sans importance affectent le libre choix du consommateur.

Nous ne pouvons rendre un véritable service aux consommateurs et l'image de la Communauté que de concentrer nos efforts sur ce qui en vaut réellement la peine. Dans le cadre de notre politique de l'environnement, nous agirons de manière axant des propositions principalement sur les domaines prioritaires : de la qualité de l'eau, des effets des produits chimiques sur la santé et de la lutte contre le bruit.
Institutions Je voudrais terminer en examinant deux développements majeurs qui influeront sur l'avenir de la Communauté. Aussi bien les élections directes que le futur élargissement de la Communauté soulèvent des questions au sujet du fonctionnement et de l'évolution des institutions de la Communauté. 'Je me réjouis de l'initiative qui a conduit

a demander à trois
sages d'étudier
ces questions et de faire rapport au Conseil européen au cours de cette année. Simultanément, la Commission a décidé de nommer un organe indépendant pour examiner la structure et le fonctionnement de la Commission. Cet organe indépendant a commencé ses travaux au début de ce mois et nous attendons son rapport avant l'automne. J'espère que ces études déboucheront sur des idées pratiques pour améliorer le fonctionnement de la Communauté. Simultanément, nous avons besoin de nous prémunir contre l'opinion selon laquelle les innovations en matière de procédures ou d'institutions peuvent, d'elles-mêmes, fournir des solutions instantanées aux problèmes qui se posent dans la Communauté. Nos difficultés trouvent souvent leur origine dans des disparités économiques et sociales profondes, qui engendrent inexorablement des pressions et des conflits qui leur sont propres. Nous assistons actuellement dans le cadre de la Communauté.

deux importants changements institutionnels

Premièrement, on constate un accroissement du rôle joué par le Conseil européen, qui a donné une impulsion vitale
Deuxièmement, nous sommes à
l'évolution de la Communauté, notamment au cours des douze derniers mois.

la veille de l'élection de votre assemblée au

suffrage universel direct, élection qui renforcera de manière significative la base démocratique de la structure institutionnelle de la Communauté.
Act-eilement,

il n'y a pas de contact entre le Conseil européen et le

Parlement

et je crois qu'il conviendrait de s•a•tta. cher sérieusement

a trouver
les moyens d'établir un lien entre eux. L'élargissement de la Communauté aura nécessairement un effet important

L'année dernière, la Commission a Nous ferons de notre

...; ...

A ce stade, je soulis;n;erai l'importa;nce du rôle de gestionnaire de la Commission pour l'application des décisions du Conseil. Si ce rôle n'est pas quelque peu étendu et si une distinction plus claire n'est pas établie entre les décisions politiques et les décisions exécutives, je crains que le risque de confusion et de paralysie qui existe encore aggrave dans une Communauté élargie. L'élection directe de votre assemblée aura lieu dans moins de quatre mois. et, Elle est l'aboutissement d 1 'lllll engagement pris il y a plus de vingt ans dans un certains sens, elle complete les fondements qui ont été posés Le long retard pris pour fixer la date des élections et les...
cette époque.
aspirations ainsi

dans certains milieux, les appréhensions qui les
entourent, témoignent de leur importance essentielle pour notre développement.

Je crois que la Commission a établi au cours des années des relations de travail
constructives avec votre assemblée. Simultanément, je me rejouis

la perspective des relations plus étroites que les membres du Parlement élus au

suffrage direct souhaiteront peut-être avoir, au nom de leurs électeurs, avec les

institutions de la Communauté, notamment avec la Commission. Tous les problèmes

dont nous traitons aussi éloignés ou techniques qu'ils puissent parfois

paraitre-

sent directement et essentiellement liés

Le système monétaire européen concerne en fin

de compte la valeur de la monnaie que les gens ont dans leur poche.

La politique agricole commune concerne l'équilibre entre l'argent qui se trouve dans

la poche de l'agriculteur et celui qui se trouve dans celle de la ménagère.

De nombreux problèmes, dont certains sont l'objet de centaines et de

verses, deviendront, je l'espère, les thèmes de la campagne électorale qui

s'ouvrira sous peu. Si la campagne peut orienter l'attention de l'électorat sur

les objectifs et les problèmes essentiels de la Communauté, elle aura surmonté ce

que nous avons considéré comme un obstacle majeur dans notre travail, que ce soit

aura réussi

la Commission, au Parlement ou au Conseil : elle

rendre concrète aux yeux du citoyen les processus parfois

complexes et obscurs de la vie communautaire.
la Commune aujourd'hui ne peut qu'être frappée par la variété et la complexité de son activité par ce qu'elle était il y a quelques années. Je crois que nous avons trouvé un nouveau dynamisme, mais nous ne réussirons à progresser qu'au prix d'un effort incessant. A l'approche de ce qui s'annonce comme une décennie difficile, pour sa certainte exigeante et probablement pleine de dangers pour la Commune dans le monde, Punie interne prendra une importance orroisante.

part, la Coilllll'UllB.ute continuera.

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jouer pleinement son rôle comme source de idées et d'initiatives en faveur du renforcement de la base économique et institutionnelle de l'entreprise communautaire.
This occasion marks the opening of a more momentous year of change for the Community than it has seen for some time. The priorities are: - to strengthen the internal organisation and cohesion of the Community and ensure its continued development; - to enlarge the Community to include those European democracies able and qualified to join; - and to ensure that the Community as such makes its contribution to the management of the world economy. External Policies I would like to single out two events which are particularly significant for the Community. First - our relationship with the United States. Second the trade agreement with China concluded last April. Nevertheless, as a Community we still face difficulties and dilemmas in our relations with both developed and developing countries. These have been underlined in the multilateral trade negotiations and the negotiations for a successor to the Lome Convention. We have to ensure that the trading system which we are constructing contains its own checks and balances. The phenomenon, for example, of the highly competitive low cost producer is only an extreme manifestation of a wider problem of adjustment to which protection cannot ultimately be the answer. Over the past year the Community has found it necessary to take a number of measures to safeguard employment in certain industries which suffer acutely from overcapacity and excess labour. These measures will only be acceptable to our trading partners if they are accompanied by active and responsible policies to adapt our economies. The Commission is conscious of the need to shift the emphasis to the promotion of growth sectors as well as to the promotion of the Longer-term framework within which industrial change can take place. This also concerns us in our negotiations for a new Convention with the ACP countries. It would make little sense to offer generous aid and trading benefits to these countries if we refused to prepare ourselves to accept an increasing volume of their products.

European Monetary System It is a matter for profound regret that the European Monetary System could not be launched at the beginning of this year, but I believe that there is a political will for solution, that we shall find a solution and that we shall find it soon. It is essential to underpin and sustain what we have created. - First we must accelerate the processes of convergence within our Community. The Commission will soon bring forward proposals to improve the mechanisms and to increase the momentum of coordination. - Second the Community needs to make much more of the benefits of the existing Common Market so as to ensure a better balance of economic activity within it. - Third we need to deal with the special difficulties of the less prosperous Member States. To this end the Commission is, as requested by the European Council, re-examining the role which the Community's instruments, jointly and separately, can play in promoting convergence. As part of the strategy it is particularly important that the Common Market itself should function smoothly. Formalities and procedures at
intra-Community frontiers remain a hindrance to export business. The Commission will be bringing forward this year a new five-year programme designed to establish the customs union on a more solid basis through the progressive introduction of Community customs legislation to encourage a far freer flow of goods over our internal frontiers. Energy How are we to secure a drastic and permanent reduction in our oil imports? How are we to secure a sustained and significant cut-back in overall energy consumption? How are we to develop new and unconventional alternative sources of supply? How are we to exploit and use to the best advantage our available energy resources? The scale-and nature of the issues suggest common and Community action. we must prepare now for the post-oil era. Agriculture I have to tell you that the situation and prospects on the agricultural markets today are worse, not better, than a year ago. Milk production is accelerating, while consumption is static. Every third ton of sugar that we produce is exported with the aid of an all too substantial subsidy. That is why we now insist on the need for a rigorous price policy for as long as the market imbalances last. This means a general freeze in the common prices for the coming season. With the other measures we have proposed this policy can succeed in restoring a proper balance to our agricultural policies. In order to restore fair competition and normal conditions of trade, we must return to the unity of the agricultural market. We could make a substantial progress in MCA's this year, and move towards elimination over a period of years. But in eliminating MCA's we must not compromise our price policy. Institutions we are at present witnessing two important institutional changes within the Community framework: the growing role of the European Council which has provided a vital impulse to the evolution of the Community, and direct elections to this House. At present there are no contacts between the European Council and the Parliament, and I believe that serious thought should be given to ways in which a Link could be established. The enlargement of the Community is also bound to have a significant effect on the operation of the institutions. At this stage I stress the importance of the Commission's some extension of that role and better definition political and executive decisions, I fear that in risks of confusion and paralysis will become even serious.

Direct Elections I welcome the prospect of the more intensive relationship which directly elected Deputies may wish to have with the other institutions of the Community, including the Commission, in the name of their electors. If the electoral campaign can focus on the essential purposes and problems of the Community, then it will have achieved something which we have found to be a major obstacle in our work whether it be in the Commission, the Parliament or the Council, namely to make a reality to the individual citizen of the sometimes complex and obscure processes of Community Life.
I am deeply conscious of the honour that this University - so central to the intellectual and cultural life of Belgium - has bestowed on me. If it were possible to increase the already strong feelings of pleasure and gratitude which the conferment of this degree occasion, Leo Tindemans' words on your behalf have further enhanced not only my own real sense of personal gratitude to the University, but also my understanding of the great traditions and great achievements which now - in an honorary way at least, you have permitted me to share. That is a privilege which I prize. My own University of Oxford was once described in the ironic terms of a friendly critic, as being "so in ira vage'd by the fierce intellectual light of our century, so serene". But Matthew Arnold's description of 19th Century Oxford as "the horne of lost causes" has never been true of this University, which now, as in the past - does not search out the shadows but stands proudly in the strong light of contemporary thought, actively contributing and adding to the intellectual and cultural life of Europe.

It is fitting on this occasion - the Theo Lefèvre Lecture in honour of a distinguished Prime Minister, a frequent lecturer at this University, and a man closely involved in the first post-war steps towards a European Community, and above all a man of staunch principles and independence of mind - and it is fitting at this University - with its own European traditions! Stretching back more than five and a half centuries - to assess where we have reached in Europe and where we are going.
It was fashionable not so long ago to take a rather gloomy view about our prospects. The early impulsion given to Europe in the 1950s appeared to have run out by the late 1960s. It was as though the European coach had moved into a siding, or at least that it was moving so slowly and so sedately that its progress was discernible only to a few. I believe that we have got within our grasp in the past year the possibilities and opportunities for a new impulsion. We are moving forward on a number of fronts. And although none of them—without their difficulties, and their problems and their periods of disappointment, all, of them—can, I believe, contribute to giving our Community a new and powerful creative impulsion. I start with the proposals for the creation of a Community-based monetary system as agreed by the European Council before Christmas. Our immediate hopes of introducing the EMS from the beginning of this year have been set back. I need not explore on this occasion the frustrating but essentially short-term reasons for the delay. The matter of the relationship between the operation of the EMS, the way we should treat existing and future monetary compensatory amounts in the context of EMS, and our general agricultural price policies is both difficult and complex. The essential point to make now is that I believe there is the political will for a solution, that we shall find a solution and that we shall find it soon. The matter is too important to wait. It is too important because the potential for good within the Community of a carefully introduced and properly managed monetary system is in my view overwhelming. We must not lose sight of the objectives that we have set ourselves behind a thicket of thorny and troublesome detail. And perhaps it is worth spending a brief time to remember why we started down the road at all. The arguments are now well known and well understood. But perhaps as we wait in the wings for the curtain to go up, it is right to rehearse the lines again.
We need a zone of European monetary stability to give ourselves a better chance of a more efficient and developed rationalisation of industry than is possible under a Customs Union alone. In present circumstances, those concerned with industrial and commercial policy, and, above all, those concerned with investment do not have the confidence to take essential longer-term decisions. In a Europe full of major and varying inflation uncertainties between Member States, full of exchange rate risks, investment and business managers cannot afford to plan in a European context. So, much of what a common market was able to bring to the Community, has remained only-potential. This is a chance we cannot let slip. We need a zone of European monetary stability to give our lives, acting together, a better chance to achieve a new era of price stability in Europe and achieve a decisive break with the present chronic inflationary disorder. As we have seen so often in the last few years, floating exchange rates can carry with them sudden and dramatic inflationary impulses. They may strike a country at any time, each impulse feeding and stimulating the inflationary process. What was devised at Brussels last December provides the potential and the starting point to enable us to create forms of discipline which could hold inflation in a way which is beyond the scope or powers of nearly every Member State alone. This, too, is a chance we cannot let slip.

A zone of European monetary stability also offers a better chance, a better framework for us to begin to tackle the major structural problems which have combined with past monetary fluctuation to bring present unacceptable levels of unemployment. Six million unemployed in the Community constitute a huge and urgent human reason for establishing a system which favours stability and expansion and helps to strengthen demand on a wide geographical basis. We must create the conditions for a new powerful and sustained ground-swell of demand and enhance our capacity for creating new wealth—new jobs and new industry. Again, I believe that a monetary system on a European scale offers us a new starting point. It is not a chance we can allow to go by. A zone of European monetary stability, above all, offers the chance to throw the combined s-read and strength of the Community on to the side of a stabilisation of the world monetary order. Although floating exchange rates between continents may be here to stay, they do not have to be exercised in the close-knit, interlinked, of Western geographically tight
Community/Euro-e. Such a development could assist to relieve us of many of the
short-run balance of payments problems that have plagued Europe's past and would
help to reduce the major exchange rate and external financial risks which have so
constricted macro-economic policy. I do not believe that we can afford to let this
chance slip by.

But if the EMS - this new instrument worked for so hard over the summer and autumn
and proclaimed in December - is to make that impact on our deep rooted economic
problems that I believe it can and which it is imperative that it should, it is
essential that continuing thought, new effort5 and new policies should be
available to underpin and sustain what we have created. The new infant must be
protected but not pampered; encouraged but not indulged; controlled but not
crushed - above all, it must be given nourishment to survive, to grow, and to
develop towards maturity. What we need to do now is to strengthen and enlarge the
platform of Community measures upon which the new system rests and from which it
will be launched. Put at its simplest, we must do so by putting into effect as
vigorously as possible the proposals and policies which are already at our
disposal at the Community level. This requires action across the whole field of
Community competence. It is not too soon to consider what this action should
consist of.

First, we need further to strengthen the basic underlying structure of the
internal market. Last year the Commission brought forward five-year programme of
priorities with the aim of eliminating the remaining obstacles to the free
movement of people and goods. If we are to create the right conditions, lasting
conditions for growth as well as promoting the necessary sectoral changes, we need
both to preserve what we have so far achieved in the establishment of the common
market and also to improve the freedom of movement of goods, services and capital
in the common interest. This means stricter discipline and a firmer resolve to
safeguard the freedom of movement of trade under the rules of the Treaty. It means
moving to reinforce the various components of the Customs Union both to
secure a greater flexibility and simplification in customs procedures within the
Community and to arrive at a greater measure of uniformity in the rules governing
trade with non-Member States. It means considering how we can simplify and improve
the rules governing the movement of all our citizens within the Community. It
means pressing ahead with the removal of technical barriers to trade.

Second, we need to press ahead and give greater shape to our plans for a basic and
long-term restructuring of the ailing industrial infrastructure of the Community.
Here we have rung the alarm bells. There is the danger and that danger has not
exceeded - that, without positive action at the Community level both to encourage
the general conditions of growth and to ensure that policies for industrial
support are consistent throughout the Community, we will fall backwards into a
situation where temporary protective measures become permanent barriers. Thus, we
must now act positively to convert the general objectives for the restructuring of
the iron and steel industry into a programme of effective action putting that
industry on a new path where it can compete in the world market while at the same
time assisting the creation of new jobs and opportunities in the regions most
affected. Equally, in other industries - for example, the shipbuilding and textile
industries - we must accelerate our concern to see their problems, which are
equally pressing, treated increasingly on a Community basis. Action is needed - and urgent action -
to secure adjustment of production capacity, the stimulation of demand, the
conversion of plant to profitable uses and to assist with creation of lasting new
employment. Third, we must reinforce the framework within which national economies
can be brought to converge and, within that general framework, seek to tackle the
special difficulties of the less prosperous member States. I have emphasised in
the past and I do so again today that if we concentrate entirely on an isolated
monetary solution to our problems - we are bound to fail. The EMS needs an economic
context. The economies of the Community are now moving along more parallel paths
of policy and discipline than was the case a few years ago. Their trade with each
other is great. But the differences between them are still substantial. Inflation
rates vary considerably. Resources are not evenly distributed. Growth rates are
different. Budgetary and fiscal policies are different as well. Much of this is
no generally recognised and I hope that we can during the year build on and
increase the momentum of coordination. We will not quickly make performance the
same, but we must point firmly in the right direction. In this context, the
Commission is re-examining, as it was asked to do by the European Council, the
role which the Community's instruments, jointly and separately, can play in
promoting convergence. All these actions are within our grasp. We must have the
courage and the tenacity to take them. There is a real sense in which, having
found the will to move forward, we cannot afford to allow what we have created to
fail. If we step back from the challenge that we have now set ourselves, we shall
in all respects be worse off than if we had chosen to stand where we were - in a
quiet, but unrewarding siding. If that is challenge presented equally true of the
the Community - the true of the opportunities and the to us by E-S, it is, in my
view, other two great issues which now face challenge of direct elections /and the
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and the challenge of the Community's own enlargement. Both raise questions of a fundamental kind about how the Community's institutions will operate in the future and the directions in which they might evolve. They are, of course, the same questions, but they are nevertheless closely related.
It is in my view particularly appropriate to look at an examination of the institutional question head on in Belgium. The first post-war impulses towards economic integration were here. In many ways, the initial inspiration and format of what became the Community are to be found here in the pioneering developments that started in September 1944 with the declaration which led to the Benelux Customs Union, beginning in 1948. In a real sense, Belgium and its partners - the Benelux countries - form the heartland of the Community. And this is symbolised to me by the existing sites of the Community's principal institutions. The commission in Brussels; the Parliament which sits in Strasbourg and Luxembourg; the Court of Justice in Luxembourg. And, if Benelux is the heartland of the Community, the institutions are the heart itself.
Whatever the challenges before us - be it direct elections or enlargement - the Community's strength, its underlying vitality lies in the basic structure of its institutions, the essential symmetry of Council, Commission, Parliament and Court of Justice. We need to guard and preserve that essential symmetry and the unity that it has brought to the Community in all that we do. And here see the Benelux countries with their long European traditions playing a crucial role providing, as it were, the sheet anchor holding the Community in place and in conformity with the vision and reality of the original treaties. That is to say that adjustment is not necessary, but to state firmly that adjustment should take place within the basic institutional framework of the Community.

shall give just two examples. First, in the context of direct elections, I have stated my own clear conviction that Community decisions and Community decision shall give just two examples. First, in the context of direct elections, I have stated my own clear conviction that Community decisions and Community decision
makers can be. effectively scrutinised and controlled only by a Community
Parliament elected by Community constituents to carry out Community tasks. But
this will involve important and necessary adjustments in attitudes. There is, I
think, no doubt that direct elections will act as a spur to Parliamentarians to
exercise their political authority in the way that Parliamentarians know best - by
making the life of the executive uncomfortable in public. That is not a
development to be resisted; it should be encouraged. But it will require both
the Commission and the Council to give a greater measure of attention to the
European Parliament, to take more notice of its view, to undertake a greater
effort of explanation. In that way I believe it is possible to see the basic
relationships between Parliament and Commission, Parliament and Council,
Parliament and people grow and deepened. We need to harness the new legitimacy of
Parliament and the new moral authority which that will bring to improve the
quality of Community decision-making. My second example concerns the way in which
we take account of the steadily increasing role of the European Council. In my
view this has on balance been a healthy development for the Community. Since 1974,
the European Council has helped fill the need for a wider, more global approach to
Community problems allowing our process of decision-making to move forward after
a period when the Council was becoming increasingly frozen. It has shown an
ability to take decisions on issues that have either been deadlocked in the
Council or that the Council has not been ready to tackle. It has also provided an
effective forum for coordinating the Community's position at Economic Summits.
What we now have to do is to find ways of ensuring that the
European Council's decisions and discussions can be effectively followed through
within our existing institutional framework and, on the other, strengthen its
accountability in an institutional sense. We need, for example, to consider
carefully how the new European Parliament should stand in relation to the European
Council. At present, there are no direct contacts between the two bodies. Is that
a discontinuity in the flow of the Community decision-making process which we
should seek to close and if so how? Heads of Government may not want to devote
the attention to the European Parliament which they give to their own national
parliaments. But there could be a case for them to recognise in some positive way
its existence when they occupy the Presidency of the Council. These are just two
examples - there are many - of the way in which I believe we should see the
challenging process of developing one institutional framework to meet the
future. In all that we do, the aim must be to ensure that we strengthen the
underlying structure - of the Community, a structure which - starting with the
European Coal & Steel Community, has enabled us to accept the discipline of common
rules and institutions and to grow together. That is the essence of the Community
system, the essence of the ideas born in the Benelux experiments after the
second world war which we must continue to guard and to nurture. In this
University, which has survived, prospered and grown in prestige over many
centuries - a European institution from the time it first opened its doors to
students in 1426 - I believe we can take confidence for the future. Your past is
long; it was at times hazardous - indeed, the University itself was abolished
outright for a time - but the result is a stronger, more deeply-rooted and vibrant
institutions, its original torches of enthusiasm burning as brightly as they did more than 500 years ago. I could wish for no better example, no better inspiration for the future.

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**** *year_1979 *date_1979-04-05 *place_Strathclyde

THE RIGHT HON ROY JENKINS, PRESIDENT OF THE EUROPEAN COMMISSION SECOND HOOVER ADDRESS AT THE UNIVERSITY OF STRATHCLYDE THURSDAY, 5 APRIL 1979,

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Over the next nine weeks, the people of this country face an unprecedented succession of elections with their own accompanying retinue of programmes, manifestos, speeches and appeals. The campaigns and the elections are at local level, national level, and, for the first time at European level, After the events of this past week in Westminster and after the events in Scotland over the last few weeks, you may find it strange for me to talk to you about the next election but two. But I make no excuse for doing so.

The issues which are of concern at the European level are also the issues of concern for Scotland and for Britain as a whole. Equally, the issues that are raised at national level about our role in Europe have a relevance for the forthcoming European elections. This inter-relationship makes it in my view not too soon to start discussion on the European themes which to form part of the debate for the Direct Elections to the European Parliament in June. The fact is that in nine weeks' time over 180 million electors of Europe will have the chance to cast their votes for the first time to elect their own representatives in the European Parliament. But it might be said that, interesting though the concept of a multinational election for a multinational parliament may be, it is in effect merely an internal development of an institutional structure which

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- 2 structure which began without Britain and still seems remote to many British people. I therefore start by examining a number of questions, which perhaps go to the root of British attitudes towards Europe.

First, why is Britain in the Community at all? We have been members for six years. Twice: We were rebuffed once in 1963, the second time in 1967. We went through the and we did not join until 1973, difficulties with our European partners of a renegotiation of the terms of entry shortly after joining; and we then submitted the whole issue to the British people in the first British referendum. Against that long and arduous background, it might be thought that the question hardly needs posing. But it is in my view right to remind ourselves from time to time of the fundamental answer.

The central economic reasons - there are other political reasons - why Britain needs the Community is because now and in the foreseeable future there are basic aspects our economic life which we cannot effectively manage on our own, acting in isolation. What is true for Britain is true for virtually any other state of our size or even larger.

Let me offer some examples.

Our objectives of economic growth, reduced unemployment, and low inflation, the search for a high productivity high income economy - have been thwarted in the past partly by our own internal shortcomings but, in equal measure, by monetary and commodity price movements beyond our own national control. We have found that our own best endeavours - involving often painful internal adjustments - have foundered in the face of chronic inflationary disorders and monetary instability which is at least in part externally created. As we have seen so often in the past, floating exchange rates can carry with them sudden and dramatic inflationary impulses. They may strike at a...
country at any time, each new impulse feeding and stimulating the inflationary process. That is why,

within the Community, we have been seeking to create, and have in the last few weeks put in place, a new system for concerting exchange rate movements within Europe. What has been devised provides the potential and the starting point to enable us jointly to create forms of discipline which could hold back inflation in a way which is beyond the scope or powers of nearly every Member State alone.

 EMS is a Community system
and in my judgment one of the most important developments in the life of the Community - full participants in it but I

The British are not yet
hop-
in their interest and in
the common interest, that they will be soon.

Then again, there are major sectoral problems where the sheer scale and dimension of the issues put effective solutions beyond the reach of most Member States. the steel sector, for example, it has been widely recognised that following the recession in 1973, restructuring of such a key industry required planning on the widest possible scale in view of the enormous industrial and In

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industrial and labour problems involved. lessons

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I believe that we are jointly learning
in relation to the steel sector have relevance to other equally pressing problems, whether we look at textiles or shipbuilding. problems later. I will return to some of these

The second question that I would pose is that, if one accepts the need for interdependence within Europe, does it therefore follow that everything needs to be done from Brussels? There is the concern, which I :

understand, that if any concession is made to the idea that some matters can be more effectively dealt with at the Community level, gradually more and more
functions at.. present exercised by national governments

will be taken
leading to more and more of the details of national life being decided in Brussels. But I do not believe that either has, hap-en.

should or will

/For the Community

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For the Community to survive, for it to fulfil its aims, it is essential it should be selective, concentrating on those aspects which elude the effective control of national governments anyway. My thesis is that there are aspects of policy which have a deep-grained European content; that they have more chance of resolution if they are considered by Member States acting in concert; and that the Community exists to provide the essential institutional framework within which such solutions can be found. It follows that I see no conflict between the objectives of the Community and differences of approach between and even within countries of the Community on many aspects of policy. The Community is not therefore in conflict with or antipathetic to the widespread view that government should be brought closer to the people at more local level rather than increasingly centralised whether in Westminster or Brussels. It has its place rather in the contribution that can be made at the European level to problems whose very dimensions place their solution beyond the reach of national governments, not to mention regional or local authorities. But then, it might be argued, how can the Community tackle these largescale problems when it is cast in the rigid mould of a Treaty which defines competences and at the same time places restrictions on its freedom of manoeuvre? It has been suggested that, notwithstanding the need to solve admitted common problems Europe has become increasingly frozen in a juridical straitjacket, its machinery grinding to a half. recent y-ars I think that there may have been times in nee to sustain such a view.

when there was at least some superficial evide

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I do not believe that is so today. A year in which we have a European Monetary System in place after only a year of discussion; in which we hold direct elections for the first time, international elections for the first time in history indeed and in which three new democracies eager to join, cannot possibly be regarded as one of stagnation or rigidity. I would like to say something about each of these main areas mentioned. First the EMS which I have already

In my view, the potential for good Community of a carefully introduced and properly managed monetary system is overwhelming. A zone of European monetar:

stability can in my view help to achieve a change in the prevailing economic climate of Europe. main reasons for this claim. Let me offer four

First, it offers a better chance of a more efficient and developed rationalisation of industry than is possible under a Customs Union alone. European business managers need a framework of more certainty to make essential longer-term investment decisions. But in a Europe full of major and varying inflation uncertainties as between Member States, full of exchange-rate risks, they have not been able to afford to plan in a European context. Second, as I have explained, it offers a better chance for the Member States, acting together to break free into a new era of price stability away from our present chronic inflationary disorder. Third, it offers a potential new framework for us to begin to tackle the major structural problems which have combined with

with past monetary fluctuation to bring the present unacceptable levels of unemployment. Finally, and perhaps most important, it offers the chance to throw the combined spread and strength of the Co-unity on to the side of a I believe that the development of the EMS could assist to relieve us of many of the short-run balance of payments problems that have plagued Europe's past and could help to reduce the
major " exchange rate and external financial risks which have so constricted macro-economic policy. What was launched in 1977, consolidated at Bremen, finalised in Brussels and eventually put in place at the European Council in Paris last month is not the end of a road; it is, in a real sense, only the beginning. Because if this new instrument is to make that impact on our deep-rooted economic problems that I believe it can and which it is imperative that it should, it is essential that continuing thought, new efforts and new policies should be available to underpin it and sustain it. That is one of We

the principal challenges before us now and for the 1980s.

need to find ways to strengthen the basic underlying structure of the internal market; to press ahead and give greater shape to our plans for a basic and long-term restructuring of the ailing industrial infrastructure of the Community; and to reinforce the framework within which national economies can be brought to converge seeking in particular to tackle the special difficulties of the less prosperous Member States. In all of these areas, the Commission is now working and will be bringing forward ideas and proposals during the course of the next few months. /The

-7The second major axis of advance, the second challenge for the 1980s is the imminent prospect of the enlargement of the Community. Three new democracies in Southern Europe have applied for membership. now .

almost at the point of signing a treaty of accession; with Spain and Portugal th. • formal processes of negotiation are underway. Their applications were made partly because they wish, quite legitimately, to share in the economic advantages which the Community can give them. But their motives are not primarily economic,

any more than were the motives of those who founded the Community. They are seeking membership because for them,

as for us, the Community represents a gathering in of European civilisation with its commitments to representative democracy and human rights.

In my view, to reject European countries entitled and qualified to join would not only be a betrayal of the Treaty, which is the foundation of the Community, but also make a mockery of the underlying principles to

which the Community is dedicated.

That is not to say that enlargement does not carry many perils. If it failed, it could have incalculable effects on the future of Greece, Portugal and Spain, and not least ourselves. If
it succeeded without accompanying measures to strengthen our institutions, it could damage the functioning of the Community, in particular its decision making process, and over time cause a creeping paralysis and loss of will which could lead to a gradual disintegration. ... On the other hand it could bring about reinforcement of our institutions and stimulate economic growth and necessary change, and advance the evolution of the Community in accordance with the purposes of the Treaty. The result is far from certain. None of the existing members of the Community, nor for that matter any of the applicant countries themselves, wants the Community to be weakened as a result of enlargement. We must make sure that we rise as we should to the challenge. Finally, there is direct elections to the European Parliament, now just nine weeks away. For many in this country, the whole concept of a European Parliament still remains somewhat obscure and theoretical. What significance does it have for the ordinary citizen? would we be voting for? In effect, why bother? Let me set out what are in my view the crucial arguments. First, there is the democratic argument. It has taken a long time to honour the commitment of a directly elected parliament contained in Article 138 of the Treaty but, in my judgment, if that article in the Treaty of Rome had not existed, it would have been necessary to invent it. The Community is rooted firmly in the principles of representative democracy. While its means may be largely economic, its origins and objectives have always been political. It follows that an essential element of the idea of the Community is that those who make the decisions should be subject to effective direct control by the representatives of those in whose name the decisions are made. Then there is the institutional argument. I believe that a Community Parliament could scarcely hope carry out its proper functions if it did not have the...
- popular authority, the legitimacy which only direct elections can give. It is, in my view, wrong to picture the European Parliament with its existing powers as some kind of toothless old tiger at liberty to roam in the night but any real power. Treaties. The Parliament has genuine powers under the It is, of course, a legislature nor does it The citizens of Britain, as in constitute a Government. the other Member States, not therefore be voting on alternative legislative programmes of action nor will they be electing a Government. On the other hand, they will be voting for a direct voice in the whole legislative process; they be voting for a powerful, and in some circumstances, decisive voice in the size and distribution of the Community budget; and they will be voting for democratic powers of control over how the Commission spends Community money. If the Community is to move forward, every citizen should feel that his voice can be heard in the Community institutions as well as at Westminster, at the regional level and at local level. The third level of argument for a directly elected Parliament is quite simply an argument about issues, which touch upon all Member States and all citizens those states.
I shall consider some of the issues which because we seek to tackle them on a European scale are no less real for the electors of Britain. First, unemployment. In the years ahead it is my firm conviction that the relevance of the Community system may well come to be judged by the speed and resolve with which we move to act in this area.

During the last five years between 5 and 6% of the total work-force in the Community -loCommunity has been out of work. Present trends suggest no immediate prospect of a dramatic or sudden drop in the figures. Indeed, major and sustained efforts will be required to secure a reduction in the present unacceptable levels.

And the overall figures for the Community conceal even more pressing problems with certain industrial sectors, certain categories of workers, particularly the young school leaver and women, and certain regions suffering very much higher unemployment levels than the average. In my view, it is increasingly essential to develop common approaches within Europe in this area. I have already referred to the vital role which I believe the EMS could play as a means of developing a new and stable economic climate within which to tackle these problems.

I have also mentioned the work already going on to plan and implement measures to assist the restructuring of our major industries. Last year, for example, the ECSC Budget included over 90 m euA in the form of structural assistance to help in the creation of new jobs in the steel-making regions of the Community and in the redeployment of workers affected by restructuring. to the United Kingdom. to 143 m euA. Of this, just over a third went in 1979 we plan further aid amounting Further measures are still needed and we have put forward to the Council suggestions for lowering the retirement age, reorganisation of shift work, a shorter working week and restrictions on overtime.
All these measures would need to be backed by a new injection of money to seek new ways of tackling problems. But we need to seek new ways of tackling them. Following the European Council meeting in Paris last month, the Commission will shortly be putting forward proposals for a series of integrated operations. Their purpose will be to secure an increased flow of funds to areas of particular need; better coordination of the use of Community and national instruments with funds from national sources; elimination of financial and administrative bottlenecks which hinder the implementation of much needed new investment. We are looking to areas within the Community with a particular concentration of social and industrial problems, with high levels of unemployment and a need for new investment. Obvious examples are Southern Italy, the steel areas of Lorraine in Northern France, and conceivably another possibility might be here in Glasgow. It seems to me that it makes sense to the economic impact of a coordinated work together in this field: Community approach on the reKlons concerned will to my mind inevitably be greater than the sum of a series of separate unrelated interventions, be Community level.
Another major issue is agriculture and how it is financed. Of all the policies of the European Community, the Common Agricultural Policy tends to raise most passions and feelings - and also misunderstandings. To focus on three basic questions about it. I want, therefore, what are the aims of the CAP, what are the problems which have arisen with it, and how are we trying to put them right?

Two of the most traditional fundamental duties of a government to its people are to safeguard their defence and to guarantee their food. That is why, wherever you go in the world, you will find agricultural policies designed to ensure stable supplies of food; is no exception. are very volatile.

Prices on agricultural markets It follows that there is good sense in intervening to put a floor in the market, to level off the peaks and troughs in farm production and output. An occasional small surplus is far better than a small shortage, as we found in 1974 when the shortfall of Commonwealth supplies drove up sugar prices in Britain, and the reserves of European sugar helped to alleviate a real food crisis in this country.

For these reasons I believe it is right - indeed it is essential - to give our agriculture some protection against market collapse. This does not mean that we cannot continue imports of food from traditional and reliable suppliers - as we have done from New
But it is no use pretending that we can base a long-term policy on unlimited access to world markets at low prices. We ignore at our peril the fact that the number of mouths in the world is growing at nearly 2 percent a year, and will double in less than 40 years. These aims of stability and security are very much the same as those which underlay Britain's own Agricultural Acts. Europe has encountered in pursuing them are twofold: First, the distortions are disparities that have been introduced into European agriculture by the fluctuation of national currencies and the creation of artificial green money—

and of the so-called monetary compensatory amounts; and secondly the growth of production for certain products to a point where the surpluses are no longer accidental and occasional, but almost permanent — so that their disposal is costing far too much to the EEC budget.

The first difficulty, will be greatly alleviated by the European Monetary System, which will help us to phase out the monetary distortions over a reasonable period.

The second difficulty — surpluses — is more intractable. I myself think it is wrong here to attack the CAP system.

What is wrong is not the mechanisms but the excessively high price levels that give rise to the excessive use of intervention and stock-lining of food. It is like a car, driven for too long in a low gear, which has a very high consumption of petrol. is being driven.

Not only do the high prices lead to surplus production but they also benefit the large farms more than the small ones and thus increase the income disparities within agriculture.
in the past. It is a mistake also to say that the right solution is to change to a system of guaranteed prices and deficiency payments of the kind Britain had. Such a method of farm support, where all farmers received an extra payment from the state, over and above the market price, for each ton of production, would still help the larger farms more than the small. What is more, it would be substantially more expensive even than the existing CAP. What then are we doing to tackle these problems? In the first place, the European Commission has put the accent, ever since I took office as President and Vice-President Gundelach took over agriculture, on the need for a more sensible price policy. For the coming season. In November last year we proposed a price freeze. We have said there must be a rigorous price policy for that we believe to be a realistic policy, which perhaps there will be some reluctance but in the end I believe they will as long as the surpluses last. the member countries of the EEC will accept; on the part of some Agriculture Ministers, the social and income problems facing the small farmer. And, third, we are pressing more strongly than ever for selective schemes of farm improvement and regional development, that will tackle the problem of rural poverty at its roots, in those areas where the aid is most needed. That is a change of emphasis which will be all the more necessary
with the future inclusion of Greece, Portugal and Spain within the EEC. I cannot leave agriculture without a reference to the budget. The CAP still represents a very large share—some three-quarters—of the EEC budget. It is this fact, of course, which explains why British receipts from the budget are lower than her payments, because agriculture in Britain is smaller than in the other member countries. I do not think it is useful to blame the CAP for that state of affairs. We spend more on agriculture from the EEC budget because it is the most developed of our common policies, and national farm expenditure has been transformed into European expenditure to a much greater extent than with policies for industry, employment, social and regional affairs. I could not agree that the right way of finding a better budgetary balance is to curtail or dismantle the CAP; that would be a retrograde solution. We have to look therefore for progress on both the income and the expenditure side of the budget. I do not believe that it is wise for the EEC to concentrate so much of its energy and financial resources on the one sector of farming—a sector whose share of Europe's work force has fallen from 17% in 1960 to 8% today, and which contributes only 4% to Europe's gross domestic product. For the reasons I have mentioned, I do not think that we should withdraw from our responsibilities in agricultural policy, but rather that our efforts in other sectors should increase so as to bring about a better balance of expenditure and of payments within the Community. At the same time we should ensure that the system of contributions to the budget is made more genuinely progressive—that is, based more upon the relative economic strength of the different parts of
the Community and on their capacity-to-pay. moves should be made in this

direction.

The Commission has proposed that

when the methods of financing the budget years.

come to be re-examined in the next

I have tried to concentrate in this lecture on some of the major questions that face the

Community today and which will face the elected representatives of the European Parliament over the next five years.

exhaustive list - I have not, for example, been able on this occasion to cover the crucial question of energy and our search for a concerting of national effort in that field. On the other hand, neither is it a cosy, reassuring

But in my view if the Community was to sit back into the comfortable

armchair role of tackling the lesser issues while ignoring for want of any will to push forward the fundamental concerns of Europe, it would quickly wither away.

we must not lose our appetite for aiming at the most difficult peaks. so doing may find progress is at times slow, my conclusion is clear:

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Community is ready to face the challenges of the 1980s in the same spirit that it has faced the challenges of the last two decades, with courage, with optimism

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and in the interests of Europe as a whole.

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SPEECH TO THE INSTITUTE OF FOREIGN RELATIONS, PEKING: 24 FEBRUARY 1979

It is a great pleasure to have the opportunity of speaking again to the Institute of Foreign Relations. I last addressed you on 3 September 1973 when, as I recall, my theme was world affairs. This gave me an opportunity to range very widely. This time I propose to be more specific, and to talk about the European Community and its place in world affairs. Even so, I think you will find that I shall range fairly widely this time as well.

I do not have to explain to so distinguished and learned an audience what the European Community is, how it works and where it is going. But the Community is so unlike any other institution and has so many characteristics of its own that a few preliminary words of background may be useful. I have found that those who are not members of the Community or who are far away from it sometimes tend to see it in their own image. Thus Americans—often look on it as a beginning of a United States of Europe while those who cherish the notion of the old nation state see it as just another international organisation with powers to do little more than coordinate and advise. The truth is different. Because the Community is a living organism, and evolves, like all living organisms, by a combination of slow natural selection and sudden mutation, it is less easy to describe than a student, of the Treaty of Rome might think. We are indeed rooted in a Treaty, and sometimes we have to look at our roots. But the Community which was designed for the original six countries of Western Europe, and was subsequently enlarged to nine, has developed in ways which I doubt if its founders expected. It has grown further in
some directions, and less far in others. Stated very briefly, the Community, now composed of nine states and likely to be enlarged again to twelve, consists of four main institutions: the Council of Ministers from the nine Member States; the Commission over which I have the honour to preside; the Parliament; and the Court of Justice. Outside the citadel whose foundations were established by the Treaty is what I might describe as the suburb of political cooperation, a mechanism intended to coordinate the foreign policies of the Member States. Then there is since 1974 the European Council - distinct from the Council of Ministers - where the Heads of State and Government of the Nine come together three times a year to shape the destiny of the Community as a whole.

I know that those who have to deal with the Community sometimes find it difficult to understand. There are areas of activity and policy which rest entirely with Member Governments. There are mixed areas where the Member Governments and the Community share responsibility; and there are areas where the Community has full competence. The Court of Justice is there to see that that competence is respected. In our partition of functions the Commission has the primary tasks of proposing policies and then, after the Council of Ministers has taken the necessary decisions, putting them into effect. But the Commission has an independent political role of its own and is accountable to the Parliament. It seeks to represent the European interest, which is not always the same as that of the Member States. The Commission is in a special sense the guardian of the Treaty, subject always, like the Council and the Member States, to the control exercised by the Court. I should add that the judgments of the Court have been an important element in the integration of the Community. The fundamental objective of the Community remains the same as at its creation over twenty years ago: the ever closer union of the peoples of Europe. To this end we have created a common market, based on the free movement of goods, people, services and capital, and common policies to govern the development of our economies. In the 1960s we made rapid progress towards the creation of a common agricultural policy, a common commercial policy, and the establishment of a customs union. We are now working to create common industrial, energy, social, regional and fisheries policies (to name but a few of them). Acceptance of such policies requires increasing similarity of living and working standards throughout the Community, and a high degree of mutual dependence. I will not conceal from you that, following the enlargement of the Community in 1973 and the disturbances at that time caused among other things by the drastic rise in oil prices, progress since then has been slower and more hesitant than we would have liked. But now we are entering a new phase of dynamism. There are three axes of advance for the Community. The first is the holding of direct elections to the European Parliament or Assembly in June this year. For the first time the 260 million inhabitants of Europe will have the opportunity directly to choose their representatives in the European Parliament. Previously they were nominated by the Parliaments of the Nine Member States. Thus the Parliament will acquire a new democratic legitimacy, and the link between the peoples of Europe and the institutions of the Community will be greatly strengthened. The powers of the Parliament are laid down in the Treaty and subsequent instruments. They are limited but real. They will not change as a result of direct elections, but I have no doubt that the moral authority and influence of the new Parliament among our institutions will be substantially increased.
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:-:5 Secondly there is the now imminent prospect of further enlargement of the Community to include Greece, Portugal and Spain. These countries, which have all recently liberated themselves from authoritarian and undemocratic regimes are eager and qualified to join the Community. We much welcome them. They will have a great contribution to make, At the same time there are problems of adjustment to be solved both on their side and on the side of the existing Community. One of the most important on ours will be to strengthen the central mechanisms of the Community to improve the decision making process and enable us to carry the weight of wider membership.

Community

Thirdly, and perhaps the most important, the is seeking to remedy what was, perhaps one of the defects or gaps in the Treaty of Rome, In the long run a common market without a common money system makes little sense. I do not think it would be easy to govern China today if you had exchange controls on every border between every province and different currencies, some strong, some weak, which constantly fluctuated against each other. Europe has suffered greatly from the disorders of the international monetary system in recent years, more so than countries with large internal markets free from internal monetary division. We are now seeking to put that right in creating a European Monetary System designed first to put our own monetary affairs in order and secondly to contribute to the greater stability of the world monetary system as a whole. So much for the internal evolution of the Community. I now turn to what is perhaps the most important area of Community responsibility for those who see the Community from outside. I refer to the responsibility of the Community as such for external trade. Taken together the Community forms the world's largest trading bloc, and its external and internal trade accounts for about 40 per cent of the world's total. This means that our trade is substantially greater than that of either the United States or Japan. When I hear about your plans to increase China's trade with the United States and Japan, I think it worth reminding you not only of the greater volume and greater diversity of the Community's trade, but also of the Community's greater interest in trade as a proportion of gross national product. As the Community has developed and become more cohesive, so its weight in international affairs has become more pronounced, more pronounced than many Europeans themselves always realised. We are certainly not an irresponsible giant; but a giant we are, and it may be useful to look in more detail at that trade which is the lifeblood of the giant.

Western Europe is the oldest industrial area of the world. Indeed the Industrial Revolution, which has so changed the face of human society, began in my own country and developed in Western Europe before it spread elsewhere. Yet although we may have had the advantages of being first in the field, we have also had some of the disadvantages. Indeed it can be argued that because parts of our industrial...
imported energy and raw materials, we are no longer in the same advanced category as that of the United States, the Soviet Union, or Japan. The pattern of our trade could be interpreted to supple this view, with our deficits with the United States and Japan and our surpluses with less industrialized parts of the world. Yet I believe such an analysis to be superficial. As I have already explained, the development of our economy has been impeded by monetary and other disorders in the last few years, and we have not been able to maintain the processes of growth and renewal to the extent we would like. We remain leaders in some fields, and we shall soon be leaders again in others. As you yourselves know from the equipment you are buying from us, much of our industry and our technology combines the advantages of experience with those of innovation. With the creation of the European Monetary System we shall, I trust, be moving forward again across the whole front of our economy. As a major industrial power, the Community has particular links of interest and responsibility with the other industrial powers. These have recently been recognised in the series of Economic Summit meetings, which seem to have settled into a regular rhythm. As you know these Summit Meetings are not mere talking shops. At the last one I attended for the Community in Bonn in July 1978, the participants entered into specific economic commitments in recognition of their increasing interdependence. No country is an island. The operation of each major economy depends critically on the operation of the others. Thus at recent summit meetings we have jointly considered such matters as growth, inflation and unemployment, monetary matters, energy, international trade and the relationship between the industrial countries and the rest of the world. In all these areas the Community as such has had a major contribution to make and major responsibilities to carry. I said that no country was an island. I should add that no group of countries can act as if they were an island either. The world must be seen as one. Nowhere is this better understood than in Europe. By virtue of its history and traditions and by the nature of its resources, Europe has looked out to the rest of the world for half a millennium, and remains, as I have said, more dependent on international trade than any other industrial power. Just as we have found it intolerable for the very rich and the very poor to live side by side in the same society, so we now find it intolerable that the world should contain the disparities of wealth between peoples and continents which we all know too well. The Community has accepted particular responsibilities in respect of 55 African, Caribbean and Pacific countries in the Lomé Convention, which we are now in the process of renegotiating for its renewal in 1980. We also have trade agreements and other links with the countries across the world with which we are tied by history, interest and friendship. Those links at becoming more important every day. I shall have something particular to say about our links with China, but in passing I refer to the framework trade agreement which we negotiated with you in April last year and in which we place great hopes for the future. I stress the importance we attach to working with you.
and others for a new and more equitable world

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economic order in which the resources of our planet are better used and more
justly distributed. I have not so far spoken about our relations with the
countries of Eastern Europe and the Soviet Union. This is not because we do not
want to establish normal relations with them as neighbours, nor because we do not
want to develop our trade with them as we have with the rest of the world. But you
will be aware that there are problems. Some countries - notably the Soviet Union -
have been reluctant to recognise the existence and competences of the Community.
But we are now engaged in negotiations which we greatly hope will lead us out of
our present difficulties and enable us to conclude appropriate trade agreements
with the Soviet Union and the countries of Eastern Europe for the mutual benefit
of all concerned. I have left my remarks about our relationship with China to the
end of my talk because it falls into a category of its own. I do not want to enter
into semantic dispute, but I suggest that China is neither a member of the first
world, nor of the second world, nor of the third world, but rather, at least in
its potentialities, a member of all three. Your economy, like your history and
civilisation, is rich in diversity. Your development, both agricultural and
industrial, is proceeding with great rapidity. The inventiveness, discipline and
dedication of your people are legendary. I can think of no better partner for the
Community and other industrial countries than China, which has so much to give the
rest of the world as well as to receive from it. Indeed if the progress of
industrial society is in some places and respects faltering, it may well be in
China with a fifth of the world's population where we rediscover that historic
impulse of demand which could enable us to continue and extend the rise in living
standards throughout the world which has fuelled the world economy since the end
of the last world war. China has indeed a great deal to give. I think that some
have a tendency to forget the immense debt which the world already owes China. So
much was invented here. The list is too long to enumerate. When Charlemagne was
little more than a war lord, the E-perors of the T'ang Dynasty were presiding over
the most advanced civilisation which the world had then known. Under their Sung
successors China almost achieved the point of industrial take-off which was not
attained in Europe for many centuries. If China later turned in on itself and
burnt the ships which had carried your people to Africa, the Middle East and South
East Asia, the China of today is turned resolutely outwards again. I am immensely
impressed by the scientific and technical revolution which has already taken
place. Now 30 years after the establishment of the People's Republic, in such
fields as electronics, computers, high energy physics, machine tools, seismology,
medicine, space technology and development of energy including nuclear resources,
you can fully hold your own with other industrial power. Moreover, I believe
that you are achieving something which many others still find difficult. conveyinu
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of science and technology to the people of China so that all may feel personally
and directly involved in the enterprise of industrial, agricultural and general
economic development. Such development is not of course an end or a virtue in
itself. It serves the greater aim of creating a world in which it is more
worthwhile to live, a world in which human beings can realise their full
potentialities. We have to protect and cherish our natural environment, recognise
the finite character of many of our resources, and prevent the runaway increase in
the numbers of the human species which would, if uncontrolled, lead to the
frustration of our policies and the destruction of all we are seeking to achieve. The peoples of China and Europe are the inheritors of the longest and most fruitful civilisation which the world has known. We live in a world in which the applications of science have brought all men close together in one crowded planet, and the shape of a single human society is beginning to emerge. In that society we must cherish diversity but establish a greater sense of our common destiny. We will not necessarily agree with each other on everything; but there are no deep conflicts of interest which divide us. But it is a perilous world in which we live. We all work for progress but know that progress is not always assured. We want good and prosperous relations with all members of the international family, and we want peace and stability in all areas of the world. Both China and Europe have great responsibilities: in understanding and accepting them and in working closely together, we have the prospect of a future which will shine at least as brightly as the glories of our past.

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It is a great pleasure for me to be able to address your General Assembly today - the first, I believe, since the Forum began operations earlier this year. Nine years to reach this point, nine years since the Youth Conference of 1970 agreed on the principle of representing young people at European level. Your meeting,
here this morning represents a major and important step in the process started in 1970 and in the development of the Youth Forum. Now before I speak more generally about the Community and the situation in which we find ourselves, I should just like to say a word or two about the work you have done and about the relations between your organisation and the Commission. In my letter of June 1978 to your Provisional Executive Committee, I spoke of the "great interest" with which we awaited "the initiatives that the Youth Forum will take and present to the Commission". I am therefore particularly pleased to learn that your first full year of business has been so constructive and so active. We have
sought to provide for you a permanent liaison with the Commission to enable you to discuss your ideas, and a number of your reports have been submitted to us. At the same time, the Commission has held talks with the Forum before elaborating policies in fields which particularly concern you. I hope very much that you will continue to furnish us with views and suggestions from the youth organisations.

/It is, of course, far too soon to make final judgments; but, I hope, that you feel as encouraged as I do by the contacts which have so far been made. We in the Commission are confident that the "special relationship" to which I referred in my letter will continue to be a fruitful one. I do, of course, appreciate that you, for your part, claimed "the right ... to be consulted by the Commission on questions which are of concern to the youth organisation", and I know you gave your Executive Committee a mandate to clear up this point with us. On the other hand, I must emphasise that there are no provisions for such a right in the Treaties; nor indeed is the Commission under any general constitutional obligation to consult particular bodies, be they organisations of employers or trade unions, before framing its policy. Of course, we all talk to each other in such a way that I would wish it otherwise. Of
I am committed to a regular dialogue with organisations such as the ETUC and UNICE. In the same way, we shall continue to keep in close touch with the Forum on all matters of mutual interest. With you, I am pleased.

We value the special relationship that we have seen on your agenda a programme of I wonder, activities for the forthcoming year.

however, whether at the same time you should not look further ahead. There is sometimes advantage, particularly in the early stages of examining aims and objectives in a longer perspective.

next five years would, I believe, pay you dividends. In particular, I

-3In particular, it would give not only the Commission but also the Council of Ministers and the European Parliament a clearer indication of your long-term strategies and as this is also important of your requirements. Finally, I hope very much that within the rules of your association you will permit as many organisations to affiliate as possible. With a wide and varied membership, the Forum can and should become an even more significant voice in the European debate. What will be the principal arguments in the debate at the European level over the next few years? challenges? What are the
Where should we be concentrating our efforts to find solutions and answers at Community level?

It is how we answer these questions, our collective reaction, which will determine the broad pattern of development for Europe and Which forms the agenda for the work of the Youth Forum into the 1980s. First must come the question There can be little doubt that energy supply.

energy problem, if mishandled, could bring our economy into a state of dislocation, if not collapse, within the next decade. was the first warning. heed it. 1973

When it receded, we did not greatly. We continued to go on much as before. react to the second warning in the same complacent way, we are unlikely to have a third chance or a further period of respite.

What have we achieved so far? The agreements reached within the European Community at the European Council meeting in
Strasbourg on medium-term goals for energy consumption paved the way for the
commitments by the major industrialised countries meeting in Tokyo - specific
commitments for energy dependence in 1980 and 1985. represents good progress.
international response at had a prominent role. We achieved a concerted

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a response in Which Europe

Nevertheless, it remains to translate The task is formidable.

these words into action.

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test for Europe and the Western world as

whole will be our

ability over a limited time-span to break the link between economic growth and the
consumption of oil. inherent or pre-ordained link. This is not an

It has existed only for about

25 or so years - little more than a tenth of the period since the beginning of the
Industrial Revolution. its sundering is essential. But

Those' countries or groups of

countries Which fail to do it will find themselves the dinosaurs of the future
industrial world. Over most of the troubled 1970s we have sought. without success a
dynamic impulse such as was given to our economies in the fifties and of post-war
reconstruction

first by the needs

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then by the spread of higher The

living standards to the mass of our people.

investment required for energy conservation and for exploitation of alternative
and renewable sources of energy could now contribute such an impulse. It could be
a stimulus comparable with the onset of the railway age in the middle of the nineteenth
century. It could enable us to find the
elusive key to higher investment and lower unemployment. /Secondly,

Secondly, we should consider some of the demographic trends of the next decades. Europe's share of world
population is likely to fall from around Tk to 5% by the end of the century. But it will do this unevenly. Until 1985
about a million more
young people will each year seek to These
enter the labour market than the old people leaving it.

numbers will be particularly high in the poorer regions of Europe, and ;n these
regions the growth of the labour force may indeed continue after 1985. But in Europe generally that Thereafter we will

year will mark a sharp change of trend.
be faced with an ageing population, and a stabilisation and then diminution of the
work force available to sustain the dynamism of our economies and to support this ageing population. These population trends increase the complexity In the early
years at least the difficulties. of providing employment will certainly not be diminished. But in the later years
we could find ourselves with a labour force which could be inadequate in relation to the total population whose standard of living it has to sustain.

Thirdly, we should be turning our attention to the revolution in our affairs
caused by the advance
of high technology. :-It is often said that we have no option but to accommodate ourselves to this revolution. go further. We have to master it. Already it dominates I

a whole range of industries and services - communications, vehicles, boeming and finance, machine tools, engineering, precision instrtmnts. At the moment our
major competitors-in Japan and the United States are ahead of us, and their lead is increasing. This represents a ___ _ ___ /c~a~l~ee

-6challenge to the European Community which has not yet been fully recognised. We
need a European strategy for advanced industrial technology. Its cost and range
are of an order beyond the
capacity of any one of our Member States to undertake on its own. Separate
national markets, separate national procurement
policies and duplicated research programmes are simply not good enough. We
should
develop a Community-wide research and
development programme based on a common procurement
and
an open European market for electronic goods and services based on common
standards. This is a matter which must stand as a
high priority and I hope that it will be possible to take our ideas forward
quickly. From time to time we read in the press about the imminent decline and
fall of the European Community. Self-appointed doctors make their gloomy diagnoses
and prognostications, from which we are to conclude that the patient is in

The
state of galloping consumption - or perhaps,
with the agricultural policy, we should rather say galleping production. But I have myself been in a position
to observe the patient rather closely over the last year or two, and I can tell you that he is in most ways - though not all - in a sturdy
condition.

Let me put it this way.
1979 has been the year in
which the European Community inaugurated a new Parliament, directly elected by
universal suffrage, and representing an important new democratic force within the Community institution. 1979 has been the year in which we put in place /the European

-7the European Monetary System, an instrument of significant present value and
great potential. It has already given a

substantial degree of exchange rate stability in a world of monetary turbulence -
at least, for those Member States who participate fully in the mechanisms of the EMS. 1979

has been the year when we signed the Treaty of Accession with Greece, the tenth
Member State of the Community. the same time Spain, two
opened negotiations with Portugal and candidates for accession. A Community which
new democracies are eager to join has not lost its drawing power. Finally, in the
field of trade, 1979 saw the

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a way of bridging this gap between the Parliament and the European Council, and of ensuring that the present vacuum is filled in future by dialogue rather than diatribe.

Nevertheless, subject to the two comments which I have made, I believe that the European Council fulfils an essential role, and is now indispensable in the development of the Community. Without it, 1979 would probably not have seen direct elections, and certainly not the EMS. I turn now to the Parliament itself. It is making Community of

It is early days forecast as to what will be the effect on the enlarged and directly elected Parliament. It will not be content with

One thing is certain, however.

the purely consultative role which was originally assigned to it under the Rome Treaties. Since the budgetary Treaties of 1970 and 1975 the situation has

For example,

at its budget session in Strasbourg on 7 November the Parliament voted substantial cuts in next year's budget spending on the Community's milk surpluses and coupled this with a tax on dairy farmers. At the same time Parliament voted for a big increase in spending on the non-farm policies, notably on regional expenditure. These amendments now have to go back for the approval of the Council of Ministers. What is already clear, however, is that

the new Parliament is clearly showing signs that it will use the budgetary muscles which its predecessor had already begun to flex. I
described the increasing roles played both by the European Council and by the Parliament. That leave the Commission?

Some might see us as the soft, yielding corn ground between the upper and nether stones of Parliament and European Council. I reject that view.

In a sense the developments that have described put us in a privileged but also an exposed position, having the right to be heard both in the European Parliament and in the meetings of the Heads of Government in the European Council. Our capacity for initiating and obtaining progress in the Community has therefore not been diminished. On the contrary, it has been reinforced by these developments. It remains the Commission's task to identify what can and should be done in the interests of the Community as a whole. That is a task which we shall not shirk. Indeed, we will need all our inherent strength, all our commitment to the closer integration of Europe, if we are to survive and prosper in the years ahead, as I believe we will.

In fulfilling our task, we look forward to the stimulus and cooperation of the Youth Forum and of young people throughout the Community.

Mr President, Your Excellencies, Ladies and Gentlemen,

On behalf of the European Commission I express my great satisfaction at the formal opening of the negotiations which are designed to lead to the accession of Spain to the European Communities. This is a happy day for us as well as you.

Spain is of Europe, and Europe is incomplete without Spain.

The geography, history and civilization of your country are part of the very pith and marrow of Europe, and have been so from the beginning. If in the 1970s you have need of...
of the Community, so the Community has need of Spain.

Community represents a gathering in of the European peoples at a time

their position in the world has greatly changed,

is in some respects diminished, but has a new cohesion and underlying strength

which comes from our growing unity.

membersh?-will

Your

add to that cohesion and strength, and enrich

the Community, in the same way that I believe the Community will strengthen and

enric-

Spain.

Ym.- come to this table with the immeasurable asset of full

support from your people and all the political parties

through which Spanish opinion is expressed.

I pay tribute

not only to your Government but also to your sovereign for the remarkable and

peaceful way in which Spain has undergone profound constitutional change in such a

short time.

The new institution of parliamentary democracy in Spain and your respect for

human rights have together created the conditions for Spanish membership of the

Community. I recall the declaration of our Heads of State and Government

in December 1977 that "respect for and maintenance of representative democracy and

human rights in each applicant CO\lntry are essential elements of the European

Community." •

The Commission rests on the foundation of the original Treaties but it is an

organism in evolution rather than a static construction.

Even if we are far from having attained
our objectives, I know of none which has been abandoned and none to which we are not closer than we were just over 20 years ago. We are, I think, all agreed that enlargement of the Community should not cause either its dilution or the enfeeblement of its institutions. The Commission sees in enlargement the opportunity to concentrate our common political, economic and social interests and to strengthen our common institutions. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System. Hence the particular importance of the forthcoming elections to the European Parliament by direct universal suffrage, and the early establishment of a European Monetary System.

Just as you will have to look own economy and your own institutions, so we in the existing Community will have to look to ours. I will not go over the detailed points made in the excellent speech by the President of the Council. I would like simply to affirm and reaffirm that we in the Commission will do everything in our power to bring negotiations for the accession of Spain to a timely and successful conclusion. There will be difficulties. But we are convinced that it is possible to find arrangements satisfactory to both Spain and the Community as a whole. Your considered decision to seek Membership of the Community has made possible the opening of these negotiations today, a day that I trust may be recalled with deep satisfaction by future generations of Spaniards as of all our European peoples.

*/year_1979 *date_1979-02-20 *place_Brussels*

**Speech by the Rt Hon. Roy Jenkins President of the Commission of the European Communities. 9th Anniversary of Copa/Cogeca[CEJA]

Mr President de Caffarelli • Mr President Maher • Mr President
BHge, Ladies and Gentlemen, It is a source of pleasure, but also of trepidation, for me to address your anniversary gathering here this morning. This is the first occasion that I have had the opportunity of addressing the agricultural organisations at the European level. Before coming to the Commission, my experience of dealing with your problems was principally that of a finance minister, a background that you may not find wholly reassuring. Since I have been at the Commission, my understanding of agricultural problems has deepened, and improved. At the same time, my respect for the work of the agricultural organisations has strengthened. I am therefore delighted to pay tribute today to your twenty years of work. My colleague Finn Gundelach, who is more specially responsible for your affairs, joins me in that greeting. You, Mr President of COPA, and your predecessors, have carried out a remarkable task in nurturing and shaping the common agricultural policy, through your continuing dialogue with the Community institutions. You in COOECA have greatly advanced the opportunities for farmers through your efforts for cooperation; at the same time your activities have helped to support and implement the agricultural policy; and you have contributed notably to regional economic development. For its part, CEJA has done outstanding work to promote the cause of young farmers. The future of Europe's agriculture lies in the hands of young. It is on their education and training that progress must depend. I salute therefore the success of your three organisations, each in their own field; and in saluting the work you have done for agriculture, I add a special word of praise for the work you have done through agriculture for the wider cause of European unity. We hear from time to time today the discordant, even strident, tones of partisan and national interest. But you in the agricultural organisations have always pointed to the wider and deeper interests of Europe as a whole. It is proper that you Twentieth anniversary year should see the advent of direct elections to the European Parliament, an event that will strengthen and validate the political ideal of Europe to which your organisations have rendered such honourable service. In the time at my disposal this morning I want to touch on some aspects of agricultural policy that are a matter of interest and debate. But, first, I must speak of the European Monetary System. It is no secret that the Commission was greatly disappointed at the failure to introduce the new monetary arrangement on the first of January this year. A system that can lead to greater monetary stability, to higher demand in the economy and to lower inflation, offers us all the chance of a better future. You in the agricultural sector realise, perhaps even more than others, the way in which divergent moneys have in recent years frustrated our aims of economic stability and progress in the common market. You in the agricultural sector have so much to gain from a new monetary framework, in which monetary compensatory amounts can be better avoided and finally eliminated from agriculture. It would therefore be an unhappy paradox if agri-monetary problems continued to block the advent of the European Monetary System. I myself do not believe they will. It can only be a matter of time - and, I trust, a short time - before the EMS will be introduced. I am optimistic that, on the basis of our latest proposals, the Council of Ministers will reach an agreement on the outstanding problems. For eliminating future new monetary compensatory amounts, the Commission has devised what should be an acceptable system of what we may call 'controlled automaticity'. For the existing MCAs, we advocate progressive elimination over a short period of years.

Europe has more than once seen how the Agriculture Ministers have been able to
create success from apparent deadlock. We have the right to demand again that the Agriculture Council, and not least the Presidency of the Council, should assume their responsibilities and reach a fair and durable agreement very soon, and if possible at their next meeting. If they fail, and if the European Monetary System continues to be blocked, history will judge the Council severely—At the last meeting of Heads of State and Government in the European Council, in December, I presented on behalf of the Commission a report on the future development of the common agricultural policy. You and your members, Mr President$, will be familiar with the central themes of that report. The Commission took the view that the Community should follow a prudent - in fact, a rigorous - price policy for as long as is necessary to rectify the market imbalances from which we have been suffering. For the coming season, indeed, we proposed a standstill in the common prices.. I want to devote a few minutes this morning to explaining to you the underlying reasons why we came to this conclusion. We did not: do it simply for the benefit of the consumer or the housegife - though obviously the Community must take reasonable account of their interests in its decisions on agricultural policy. We did not do it for the benefit of certain sections of society, or of certain member state. We did it for the reasons which must always prevail with the European Commission - that is, in order to preserve and safeguard the common policy, in the long-term interests of the Community and of agriculture in particular. I am absolutely convinced, both by intellect and by political instinct, that the greatest threat to the common agricultural policy today is the existence of increasing surpluses, and the increasing budgetary costs to which they give rise. Let us be under no illusion that the growth of FEOGA from 4 billion units of account in 1973 to 10 billion in 1979 can be ignored. This is a huge proportion of our Community budget. With increases in

With increases in production for the main products, combined with virtually static consumption, there is every risk that expenditure from FEOGA on surplus disposal will rise to such levels that fundamental changes will be forced upon the agricultural policy. You, as responsible agricultural organisations, must be prepared to accept the logic of the situation. We in the Commission have drawn the conclusion that the proper way to handle the problem of market imbalance is through the price mechanism, in order to safeguard the system of guaranteed prices. After all, what distinguishes the agricultural policy from policies in other sectors is that there are mechanisms of active intervention and support, so that farmers are largely protected from price fluctuations caused by climate or economic circumstances. You have a great privilege with this system of guarantees. Do not let your short-term interest in increased prices put at risk the long-term future of the system. In concentrating on this problem of prices and markets the Commission is not abandoning the income objectives of the agricultural policy, It is in no way an attempt to escape the Community's obligations under the Treaty. A growing realisation on our part that, in a modern agricultural economy, price policy alone cannot satisfy the objective of assuring incomes for farmers that are fair and comparable with other sections of society. I do not want to engage here in the discussion, which is currently so active, about what can properly be called agricultural net income, how it has developed over recent years, and what
represents a comparable income. I do not pretend they are not important questions. But the main point which I put to you is that it is not the present price policy, or any other price policy - even if we increased common prices substantially each year - that is going to solve the very real problems of low incomes on small farms. They are structural and social problems, not price problems. Higher represe-ts

On the contrary, it /prices would not prices \-!l\'0\ Ul:i 110t only aggrav;:.f; our surpluses, but intensify the income disparities that already exist within agriculture itself.

We have therefore begun to develop further, in our latest price proposals, some important elements of the agricultural policy. First, there is the completely remodelled coresponsibility levy for milk, f-amend in such a way that the income-problems of small enterprises are explicitly taken into account through a system of exemptions. Some would argue that the exemptions are wrong, and that the levy should be applied . to all producers. Yes, we could do that. But it is obvious that, to respond to the social p-oblems of small farmers, we should then be obliged to give them direct aid in some form or other- precisely the same result as is obtained by our pr-sent proposals. The second element is a greater emphasis on structural policy. Already we have taken new steps for Mediterranean agriculture, and we have made it clear that public aid for structural improvement should not be allowed to aggravate the problems in su.rplus sectors. This year we propose to make the benefi.ts of l"ll"lbdecnisa.ti011. g. rants available to more of the small.-- scale farm- which have hitherto been excluded. We want to concentrate the aid on regions that are less welldeveloped, rather than disperse it generally as at present. We want to go further, ar.d S '..lbume agricultural projects in the wider regional ef:onomy through integrated development plans in rural areas. I believe that is how we can best make progress in reducing the wide gap between the different agricultural regions of the Ce-r-r.r.n.t.m:iity - an aim on which I laid particular stress -when I became President of the Commission. Economic and social events of the last two years have not made things easier. But the Commission is keeping to its word. Finally, I turn to enlargement and the subject of Mediterranean agriculture. Enlargement of the Community to include Greece, Portugal and Spain is one of the great I -challenges of the challenges of the next five, ten, fifteen years. It is politically essential. Otherwise we would betray our most fundamental European and democratic purposes. But it poses major issues for our Community as an economic enterprise, and for the development of the Community's institutions. For the agricultural policy, its impact will be of the first importance. The addition of the three new countries will add 55 per cent to the number of persons employed in Community agriculture and 25 per cent to Community agricultural production. But I do not draw from these statistics the gloomy conclusions of today's Cassandra_s ' who spread alarm and opposition to enlargement. I draw more positive conclusions, and I believe that the Cassandras will be proved wrong, both politically and economically. Politically, because a Community that refuses to admit qualified and eager new members is a frozen Com-nity. Economically, because agriculture benefited from the creation of the common market, benefited from the first enlargement, and will
certainly benefit again in the long term from the addition of new members. I remind you that Spain and Portugal are substantial net importers of agricultural produce. The new members offer bigger markets and richer markets for the existing Community as they increase their standard of living. At the same time, enlargement will of course mean more specialisation within the common market, and increased competition. There will be a risk of over-production for certain products —nd in certain regions. I say a risk, because it is far from a certainty: we must deal effectively with that risk through adequate transitional arrangements. Policy-makers, researchers, farmers and not least the agricultural organisations must find the means of adapting to enlargement. Above all, we must not adopt a defensive approach. Let me give you two examples here of what I mean. First, is it not true that we have much to learn from agriculture in the future new members who, being for long outside the Community, have had to face hard disciplines and improve their competitive capacity? Secondly, is it not possible that those regions, at Present on the periphery of the Community and nearest to the frontiers of Spain, Portugal and Greece, could gain a new /economic

- 7 economic momentum from enlargement, becoming gateways of development rather than zones of disadvantage? That brings me to the subject of Mediterranean agriculture. Enlargement will not retard, but accelerate, the changes of policy and of emphasis that are already necessary within the existing Community. Already we have begun to redress the balance by a series of decisions on structural measures that will particularly benefit the Mediterranean. An extra thousand million units of account should be committed to these measures from the Guidance Section over the next five years. Over 40 per cent of expenditure from the Guidance Section will go to the very poorest agricultural regions — by which I mean the Mezzogiorno, Western Ireland, and Southern France compared with a proportion of only 15 per cent in the last 5 years. Those figures help to demonstrate that the Community is serious in its intention to resolve the structural problems. We shall need to do even more, but I have to remind you that we can find the financial resources only if we successfully control the expenditure on price support. In this brief speech to you this morning I have mentioned several major new developments: enlargement, the new Parliament, and the European MOnetary System. They will present great opportunities for the Community, and for agriculture: but they will demand changes and evolution, both within the common agricultural policy itself and in its relation to our society • . My desire as President of the Commission is not to limit or weaken the agricultural policy but, like a prudent manager of a vineyard, to train and prune and encourage it to gro'tv in the proper direction, in harmony with the Community's other objectives. Agriculture should not be seen in isolation, as a kind of enclave in our economy. Nor can agricultural policy stand alone, but must embrace the broader concerns that can give it the dimensions of a comprehensive rural and food policy I know that these aims are shared also by your three organisations, and that your work over the next twenty yeaf's as effective as in the past twenty years, will help to to fruition.
EUROPEAN COMMUNITIES

STATEMENT TO THE PARLIAMENT BY THE RT HON ROY JENKINS

WEDNESDAY, 18 JULY, 1979 My opening remarks, Mr. President, are to you. It is my great pleasure on behalf of the Commission to welcome you to your high office, the highest office which it is within the powers of you my congratulations; objectives; one of the Members to bestow. I offer you the warm and full-hearted cooperation of the Commission in the pursuit of our common and, on a more personal level, I welcome you to Community's smallest clubs, the union of Presidents, and look forward to working with you in the same spirit of close friendship as I have been able to undertake with your distinguished predecessor. historic task:

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Yours is a great and
to preside over, to guide, perhaps occasionnally
to chide a new Parliament, the product of the first And this week the
lected
by over 100 million
It comes of age, moreover, at
a crucial time for the Community, both its institutions and its citizens. While it is fitting that we should celebrate what we have achieved today, it is right
that we should recognise

that to sustain the impetus of the European ideal, to withstand the deep-seated problems which now confront us, we - whether Parliament, Commission or Council - shall need all our combined strength and inherent unity; The first task before this House, collectively and individually, is to carry to the people of Europe those issues which are of concern and of importance to all within the Community.

Your concern and your opportunity is to

ensure that Community issues, not the narrow lines of national politics, dominate the discussion. It is an opportunity to demonstrate to millions of our citizens that their votes really mattered and to convince those who abstained - my own - country comfortably carried off the wooden spoon of discredit in this respect - that the Community and Parliament are living organs of concern for the issues which touch closely on their daily lives. To achieve this, it will be necessary for this House to engage itself directly with the major problems which confront the Community and its Member States.
I do not here from this House my view that we stand on the threshold of a sombre decade. great enough a year ago. Our difficulties were

The prospects for sustained growth Now the resurgence of and employment were at best uncertain. the,energy crisis predictable in substance if not in time, has made us painfully aware of the most important constraint on the future of our economy. We have sustained a major transfer of real resources, of real income, away from us as a result of the recent oil price increases.

That is something which we cannot In these circumstances we cannot pretend has not happen4.

\ do other than, on Constant policies, predict lower growth, That is a reason, higher inflation and more unemployment. not for supineness, and then but for the urgent evolution of new policies to mitigate\OVer as short a period as possible, to overcome our present vicissitudes. I will

/return to these
return to these matters tomorrow. is that the ability of the
But what is absolutely clear to
I
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and to prosper
depends on our joint determination to preserve what we have already achieved, to build on those achievements and above all to keep a vision and commitment to make progress towards greater European unity. 'That vision - a constant reaffirmation of our will to move forward - matters far more than rather st about the exact form of political organisation at which we shall ultimately arrive. It will not in my view be something which can be found in the traditional textbooks of political science, but can only be reached by a process of compromise - and it will have an unique character of its own... arising out of the balance between our need for unity on major... and our strong and unevenly disparate national traditions. But of one thing I am absolutely certain:
there is a much greater danger
of advancing too slowly rather than too fast.

This House has an essential role to play in this

institutions of the Community are complex and create a spirit of oaiance.

No one has its prerogatives;

is dependent upon another: each has its
each has its duties;

towards actions. cf initiate

With this balance, it is the concern and duty
to act as the motor of the Community, to
policy and also to undertake the management and execution
existing policies.
rational
should not only defend the frontiers of
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competence, but also, with a sense both of adventure and endeavour to push them forward where a practical and Having said that, however, it is clear that
or
relevant case can be established.

- 4 is clear that this Parliament, resting as it does on a wide popular support
and commanding a new democratic authority, represents an important evolution for the Community. It is right that it should exercise to the fullest possible extent its powers to question and to subject to criticism the way in which the Commission exercises its powers and the way in which the Council of Ministers reaches or does not reach its decisions.

We need the spur of constructive advice and imagination, and we will welcome all your efforts. It is right too that the Parliament, as a major partner with the Commission and the Council in the direction, should assert itself in the development of the financial muscle which underlies Community policies. This is an area of potentially great significance for the internal development of the Community where this House will have an essential influence. It is right that the Parliament should aim to broaden of 'involvement in Policies.

Equally, it is right to consider the basis of popular support for the Community's institutions and create a greater sense against that background the Commission regards it as an obligation and priority to do all within its power to create and to sustain a positive and creative relationship with this House. First, I and my colleagues will make ourselves available to the fullest possible extent to the Parliament and to its committees...
We hope to have early discussions about ways and means of securing the Commission's maximum participation in and assistance at your deliberations. Second, we believe that it is important from the outset that there should be the opportunity for wider and Council.

earlier discussion of major proposals which we take to the Here it seems to us essential that there should be a greater understanding of important issues at a Community level and we would be willing to prepare, where appropriate, discussion documents as a basis for Parliamentary debate of broad policy issues in advance of formulating proposals for the Council. Third, the Commission will take the lead in seeking to improve the processes of consultation between the three institutions.

We are currently studying how to improve the conciliation procedures which resulted from an earlier Commission initiative.
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Already the Community depends essentially on its trade with the third world. The recovery of our economic system be determined from the development of the power countries and the allowable third world debt now at risk by the more substantial oil prices. Reluctantly have events already demonstrated. the essential interdependence of the modern world.
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In this paper, we identified a number of important trends. The first trend describes the growth of the Community in the world. However, it is likely to fall from 5% to 0% by the end of the century. But, it will...

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It's true that we have no option but to accommodate these revolutions.

SO far the only thing we have to worry about is the potential impact on various industries and services, including
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that is not the picture of a static or atactic operation. It is the Commission's task to identify what can be done and what should be done on a Community level in that task. We look forward to the encouragement and the support of this House in what I believe will be a partnership based on shared ideals and common objectives.
February 23, 1979

TRANSATLANTIC TIES STRENGTHENED FURTHER

Scientific and technological cooperation offers "a significant and hopeful field for future work together" between the United States and the European Community, Mr. Roy Jenkins, President of the EC Commission, believes. Delivering his annual state of the Community message to the European Parliament in Luxembourg on February 13, Mr. Jenkins said the close relationship between the two trading blocs had developed further during recent months. Apart from a steady flow of high level exchanges between Washington and Brussels, President Carter had visited the Commission early last year and he, himself, had been to the White House for a further round of discussions in December, Mr. Jenkins added. These meetings had enabled them to review the main issues conditioning the relationship between the two largest trading powers in the world and to explore the possibilities for new fields of cooperation. The other major foreign policy achievement for the Community during the past year, Mr. Jenkins said, was the trade agreement concluded with China last April. When Peking decided to open up and to increase its international exchanges, the Community was among the first to whom China turned. He said he was confident that during the current year the Community could "develop its trade and understanding with China still further."

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MULTILATERAL TRADE NEGOTIATIONS In some other sectors of foreign policy, however, the Community still faced "difficulties and dilemmas", Mr. Jenkins said. "These have been underlined in two vitally important negotiations which are now coming to a conclusion -- the multilateral trade negotiations and the talks to conclude a new trade and aid treaty with developing countries in Africa, the Caribbean and the Pacific which will replace the existing Lome Convention. The Community had to ensure that any new trade system contained its own checks and balances. The Community had, for example, found it necessary to introduce measures to protect employment in certain industries like textiles, steel and shipbuilding which suffer acutely from overcapacity and excess labor. Such measures would be acceptable to trading partners like the United States and developing countries only if they were accompanied by active and responsible policies to adapt the Community's economies to new circumstances. ECONOMIC SUMmits Needless to say the Community was not alone in facing the problem of finding its place in a constantly changing world economy, Mr. Jenkins said. The regular western economic summits had a particular significance in promoting interdependence between the world's major trading partners. Economic summits, which had now become a permanent feature of international life, were beginning to make it a major and welcome contribution to the management of the world economy. The Community had and would continue to play a significant role in these summits. Mr. Jenkins said he hoped that during future summits the Community, fortified by the new European Monetary System (EMS) would be able to play a more positive role in discussion of international monetary problems. While he was in no sense suggesting a down-grading of the role of the International Monetary Fund, a greater degree of understanding among summit participants about the management of their currencies would be beneficial. THE EUROPEAN MONETARY SYSTEM Mr. Jenkins said it was a matter for profound regret that the EMS had not been launched at the beginning of this year as originally planned. Nevertheless he believed that the political will existed for a solution to the problems besetting the system and that it would soon be found. New efforts
were required, he said, to reinforce and sustain the EMS and to make an impact on
the Community's deep rooted economic problems. First, member states of the
Community must act to improve coordination of their policies as they had promised
at last year's heads of government meeting in Bremen. Second, improvements must be
introduced to ensure

- a better balance of economic activity inside the Community. The as to increase
the flow of goods and services between member states by, for example,

further reducing non-tariff barriers. The Community needed to deal with
the special problems of the less prosperous member states. The Commission was
looking closely at the various ways in which it could help narrow the gap between
the affluent and the less well-off member countries. AGRICULTURAL POLICY Turning

to the common agricultural policy, Mr. Jenkins said the situation was worse than a
year ago. "Milk production is accelerating, while consumption is static. Every
third ton of sugar that we produce is exported with the aid of an all too
substantial subsidy," he said. That was why the Commission was this year insisting
"on the need for a rigorous price policy" for as long as the market imbalances
lasted. "That means a general freeze in the common prices for the coming season," he said. A YEAR OF CHANGE FOR THE COMMUNITY The coming twelve months would be a
more momentous year of change for the Community than it had seen for some time,
Mr. Jenkins predicted. It should see the full establishment of EMS, the first
direct elections to the European Parliament, the completion of the first stage of
the Community's further enlargement (the signature of a membership treaty with
Greece), and the successful conclusion of major international trade negotiations
like the Geneva talks.

**** *year_1980 *date_1980-06-06 *place_Liege

EMBARGO: 6 JUNE 1980

15H 00

ADDRESS BY THE PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT THE

ACADEMIC SESSION ON THE OCCASION OF THE SEMINAR ON EUROPE AND THE REGIONS: 1000TH
ANNIVERSARY OF LIEGE - FRIDAY 16 JUNE 1980

Madame le

Président,

Monseigneur le Président,

Monseigneur le Ministre, Monsieur le Gouverneur, Monsieur le Bourgmestre, Ladies and

Gentlemen. It is a great pleasure for me to be here today on this special European
day organised as part of the celebration of the Thousandth Anniversary of the
Principality of Liege. The fact that you have organised a seminar on Regional
Policy is a clear demonstration that your region is moving in the right direction.

Even as you celebrate 1000 years of history,

you have decided to concentrate your thoughts and effort today on the future of
the region rather than on its past and glories.

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achieve Lenec-

welcome that emphasis and I know that this

morning your seminar was devoted largely to discussion and debate on the European
Regional Policy. I do not myself I thought

wish to cover the same ground again in detail.
that you might nevertheless welcome some general comments on future developments in the Community's regional policy and the place of this region of Liege within that general picture. There

in my view, no doubt at all that regional policy is going to occupy an increasingly large place in the economic policy of the European Community. The Commission has for some time been aware that structural and regional imbalances are at the root of the political, economic and social tensions, which hinder the proper activity of the Community and all real progress to integration. If, for example, the European Monetary System (EMS) .. be more

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mo-e convergence in the trend of the economies of It seems to us essential Member States.

that the C-unity should take a growing part in the efforts of Member countries to solve their structural and regional problems.

We need to f-find ways and means on the one hand to avoid any increase in the present disparities in wealth and prosperity between regions and, on the other hand, to promote steady growth in those regions with structural weakness.

Community activity in relation to the regions as therefore ""-complementary s="", ;""
a dual function.

First, it must be financially
to the relevant activity of Member States.
that is to say its financial assistance must be effectively added to state aids. Second, it must ensure real and
effective coordination between national regional policies to avoid those policies actually increasing the imbalances existin-

between Community regions. Against this general, but in my view quite
essential background perhaps I may turn briefly to some of the comments and indeed criticisms sometimes expressed in your region on the subject of European regional policy. First, there is the problem of setting limits to development areas. As you already know, so far as Belgium an-

its regions are concerned, these limits are in the first place a national responsibility. Within the framework of the EEC Treaty, a decision had to be taken by the Commission on 24 April 1972 with a view to taking better account of problems in your country.

A new note was sent on this matter by the Commission to the Belgian Government on 19 December 1979. I fully understand that the political situation in Belgium:

has not enabled the Government to reply as yet.

I should,

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however, stress that the Commission ta'ke-

this matter very seriously and intends that full account should be taken 'of the serious problems of conversion and structural unemployment in the coal and steel basin of Liege. Second, let me make clear the Commission's view that the resources available to the European Regional Fund are at present
inadequate and do not enable it to comply with the vast investment needs of those Community regions, which are less developed or declining. With the support of the European Parliament, we intend to go on pressing for an increased level of resources not only to account of inflation and Community enlargement but also to assist aid on a larger scale. The European Commission will continue to try and convince Member States that the financial contributions of the Regional Development Fund should supplement their own financial measures in this field of regional policy. Finally, within the "quota free" section, as we call it, of the European Regional Development Fund, measures have been planned to assist the conversion of certain steel areas, the Liege steel region in particular. The Commission is aware of the problems in your region and will spare no effort to help you to overcome them. There is one further important aspect of the regional policy to which I draw your particular attention. That is the concept of regional programming. It is a relatively new aspect of the policy but nevertheless one to which the Commission attaches considerable importance. In accordance with the Regulation creating the European Regional Development Fund, Member States must send the Commission development /programmes for those regions deemed eligible for financial aid from this Fund.

The aim is to achieve real regional whereby the Community, the Member States and the teaions may undertake joint investment programmes .:period f."ched ensure of several years that priority invesement is
for the purpose of regional development.

- hope that

- region of Liege

take all the necessary steps to

- a programme of this kind so that it can participate

in the general debate and argument on the role of the

regions within the European Community. It is thus a matter of great satisfaction for the European Community to be associated with the celebration of the 1000th anniversary of the Principality of Liege. Whereas

the States of Western Europe have been exploring a new path towards unity for a fraction over 30 years, the Principality of Liege has shown how to achieve a measure of territorial organisation over a period now stretching back 1000 years. Only now are beginning to define and to apply a measure of regional policy; you established long ago a transfrontier this little "Europe of We

region in relation to present States.

the Meuse", the Principality of Liege, which stretches from the Netherlands to the French Ardennes, has shown the possibilities and advantages of regional organisation long before there was any question of regional programmes or policies. In recalling your distinctive and distinguished past, may I at the same time pay tribute to the people of Liege, who have so often led the way for others to follow.

Among them perhaps I may be allowed to single out

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for their major contribution to Europe: Jean Rey, former President of the European Commission and, as he recently demonstrated in the debates of the new European Parliament, still contributing enormously to the cause of Europe; "ld Professor Fernand Dehousse, Who played such an influential role in furthering the idea of a European Democratic Assembly. It seems to me entirely fitting that, among all those who have worked so hard in the creation and development of the European Community, two of the most remarkable
and the most influential should have had their roots here in Liege. That is just one
more demonstration of the deeply rooted European spirit which is so much a
characteristic and a strength of this region •

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the community...
it was always my intention, as president of the European Community, to pay an official visit to India during my term of office. I think it was always my intention to pay an official visit to India during my term of office. I think it was always my intention to pay an official visit to India during my term of office. It was always my intention to pay an official visit to India during my term of office.
turned out to be in many ways a useful one in relation to the three main areas of discussion which formed both the purpose and the content of my visit. these were a bilateral eec-india relations re wider north-south question - general political questions relating to south asia. as you know, i met president reddy, the prime minister, the foreign minister, the minister of commerce and a number of their colleagues. i also called the speaker of Lok sabha and met a number of members of the house. m talked with the prime minister covered all three areas, but particularly regional political question and north/south relations. on the former i explained the initiative of the nine governments of the community countries for a possible guaranteed return by afghanistan to its traditional position as a natural and nor-aligned state. this proposal was made in february and reaffirmed at the european council in luxembourg five days ago.

i discussed the north/south dialogue and the related question of the report of the brandt commission with both the prime minister and the foreign minister. we exchanged views on the prospects for the special session of the united nations general assembly in the european community. i ty attachee great importance to an effective in relation to the north/south dialogue, as do the major industrial countries as a whole. i believe that the western economic summit in venice from 22 to 23 june - which brings together the european council, four of its member states, the united states, canada - will give very substantial attention to north/south issues. this recent concentration of international minds is quite right, and is any case made necessary by the timetable of the special session of the un. there are, however, two particular points which must make us concentrate even more seriously both on the substance and the form of the dialogue.

first: as i explained in my speech last evening to the indian council of world affairs, we face the threat of a crisis in the international economic and financial. system. the effects of the 1979 rises in oil prices on the economies of the industrial countries has been damaging but or the poor countries has been crushing. unless we find some way of recycling the funds involved and increasing investment particularly outside the industrial world, i fear we risk the collapse of the present structure.

second: recognition of the problem is only the first step towards solution but an important aspect. the most impressive feature of the brandt commission report was indeed its comprehensive nature, and its recognition of the interconnection of the problems. we must find an effective way of following it up, all in particular the need for a more equitable and effective world economic system.
i concluded my talks this morning with a round of discussions on bilateral
question with the minister of commerce, during which we reviewed in particu-
lar the prospects for the new commercial co-operation agreement. the
council of ministers of the europear. commur.1 ty adopted negotiating directives
for an 22 april, and we eKpect to opeTl negot1 atior.s wi thir. ·a month,. Iii&.~ I
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inc-easir.gly .successful efforts to create;'; a broad industrial base, and her
status as a major economic partner ~ of the community on a basis oft eQuaLity. the
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delhi, zmd 1 believe this prospect is welcomed by the inalan government. i have
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a Little more of this country during the remainder of my stay.

in answer to questions on afghanistan, mr. jenkins explLained the (P'"'fj.
difference between neutralisation ( which implLied a status imposed from out side
and was not t-e intention of the nine) and neutrality and nor-aLL1gnment ·after
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saw the distinction. he added that the proposal remained or. the table~ . j i the nine~would push it forward when the time appeared right. i J the president was asked about the investment protection clause 1r. t u the new agreement. he did not believe there would be difficulty ~ 111 negotiating this points the Quest lor: was more whether after ~;~ i I ~c;;...11. signature , conditions of confidence would exist for the desired investment. he elaborated on the point about recycling ( covered all. D 1 t. p .. in his speech to the indian cour.c1l of worLd affairs on 2nd may), stressing his wish to see the opec countries sharing ir. increased investment, particuLarly in devoLopir.g cour.tries. for this, however, a good inve*... ... ment climate was reQired. ...." f ..... ...: mr. jenkins defended the community against accusations of
It is no "aff.Y ta.tsc to look :fo:wvaro 20 year.a to aseees our future energy needs. A. measure of the d.ifficu:t:ty can be seen by looking ba.ol.: at what. we were Ba3i-g only ten years ago. 1970 :reproel!ohnad a.'bou.t the last B"\III:Iier almo!!lt as 1913 - of an age now past Md beyond re-w.-rection. Whether or not we can oha.rt a pNOise course of event!! for the nt-rli:wo decs.d.kee, the neoessa.ey direction of our effortB is no\'ll a-bundantly elea.r. It will be the primacy ta-k for us all t.o encourage the prooess of social ohange tows.nete a n_e.ew low enel"gy age.. This will r-\'-q-~""r"8 f'u.Ad-enta.l ohangas in attit1,..:deEl-

and growing part. i.:r r our proaparity to be b-..dl on imporhd on. If we &re to maintain the co-etitheness of OU.l' ecol\'\Omi6 1, if we are to NBUne growth, if we are to preeel"V$ and erletd 1rt:m1dar-~ of living, we trust now begin tho difficult transition prooe:ss sn<\ ga\' V fr om cildol'\li.lna.ted supply patterns. The srt.emal oil bill of the Co1:W.D.lliity h.a lie'n from ~50 billion in 1978 to P75 billion- in 1979, and it will most lik$ly exceed /hOO billion th1a year. This represents continuing, and indeed fa- l'ising drain of___-ealth e.-y f'rom the Europea:l eoo-oey.

We h&Ye - allowed a massive

The col"lerfftone of our policy must be energy conser-....-ation_ Re:r:t we 3ha.11 need ~e_w4 _large-soalo investment both for-- 't-h- subrillation of oil by cmergy 1'rom source-- such as. coal s.ng_ nuclear power and for th-L development- of ff{f'lthet ~ o fueis and ot renewable resources.. On pl"i'.i'.isent - plan.ning1 allout - of Community GDP is H-hy to l' e spent on enBr(S investment. Such a level of inv '!i::r.;:ll:lei1"i: silll!I>e"y will not be suff'ieient to la4mch us upon a nerl wad towa-nin the g:r:-0::ts:ter energy eelf~ependence -hich mum be 0!lr aim.

At present t.he --fforts of NernBaN r'ha.tea in rneseting the energy C:ti.t.-it> -ey","l- wi<ely. Th6ro are enormous variations in energy prioing and t.a...-ation pol Jds, and the .di.-fferent -la.tion-hilJ \h-h-1Ben t.he va.rious forms of ' enel'gy url:-d.; ,<-v<:>- oreated trade distorlionn s.nd distortious.. of eon.S\Ulfiction •. lt is the OomrnissioN la vi eN that the distorting effects of these s.noma.li:s$ and differences make it cno-sential to achieve a prog-ressive harmoni-Uon of energy prioees -d taxeR wi thin the Clot:!!mUj"ity. This 't(OUl'd enable th- Oomm..n..n..i.:l,-; to mea.sui'S and control the ef:f'ec't s of aner-gy prl er ee it\ creases of_ inflation f1/ ;i unemployment ttnd give the Commruni't-.r the inrlnMsnte of macro-economic ma.na.gemcnt which will help it to rea.pend to challenges from inside and out.

lt may aem somewhat contrndioTory to argue f'or higher energy prioees. 'I'he fact is, howe'v.<er, 'hat the l"-rHl -price of energy to the contrumer haa actually dttclline\1 in some Member States since 1973. If, as I believe ~'s nue, we use the prooeedB ot biaher energy prioeJ to achieve- less oil-dollillated consumpion patterns, there ie the prospeot of greater ecol:omic fttaba.ility, a atimulue to gl""k-hh Md employment, and incNa.sed and more secure longer-term prosperity. We need to fa.c.- the energy eri sis w1 'th a. new ener(!)J crusa.de de operq.,ting at every $\'l'$l of' soei. e.y. 'l'icle is nwning short. 191?.0 might be .the last-breathing space we 'W'll have in whioh 'to ta.ok.-t the -energy problems lyi-ning ahead of ue, and to do so in a.n orderly onnuotri ve f'alahion.
STATEMENT BY PRESIDENT JENKINS BRUSSELS: 4TH DECEMBER 1980 ITALIAN EARTHQUAKE.

RELIEF As you know, the European Council in Luxembourg on 2 December expressed its strong sympathy and solidarity with the people in Southern Italy affected by the recent earthquake. It invited the Commission to propose, in addition to emergency aid, exceptional measures of assistance to the work of reconstruction of the afflicted areas. There are therefore two lines of action being taken. First, the Commission yesterday agreed to propose, in the Community's general budget, interest rebates on loans of up to 1000 m. EUA from the Ortoli facility and the European Investment Bank. The rebate will be of 3%. A budgetary line has been opened; and Commissioner Tugendhat is sending the necessary rectificatory letter in respect of the 1981 budget to the budgetary authority. The Commission has also forwarded a draft regulation to the Council in respect of the proposal. The budgetary line will be of the order of 20 m. EUA in the first year, covering the cost of the 3% interest rebate on the first tranche of the loan. The amount will increase in the second year in order to support an expected increase in the flow of loans to Italy. The total cost is likely to reach a level of 190-200 m. EUA over the whole period. Second, as far as direct and emergency aid is concerned, you are aware that the Commission decided immediately after the earthquake to put 1.5 m. EUA at the disposal of the Italian Government out of the 1980 budget as a preliminary contribution. In addition, the Commission decided yesterday to grant a further sum of 40 m. EUA in emergency aid to the Italian Government under Article 59 of the budget. The use of this aid will be determined by the Italian Government, whose representatives are in touch with the Commission services today to give further details of the likely uses to which the aid will be put. It will primarily cover the immediate provision of transport and temporary housing. It will also cover the costs of 15,000 tons of cereals, 1p00 tons of meat and 900 tons of olive oil—which we have already indicated our
willingness to supply. Nothing can make up for the human and material losses so tragically suffered by the people of the afflicted area. The Community and the Commission wish by the actions we are proposing and taking to demonstrate our feelings at this difficult time and to bring immediate relief of the needs of the population, in addition to the contributions of national governments.

LECTURE BY THE PRESIDENT OF THE COMMITTEE OF THE EUROPEAN COMMUNITIES TO THE KUNST- EN KULTURVERBOND ASSOCIATION,

MONDAY, 24 MARCH 1980

I am pleased to have this opportunity to address an association which has such a central place and major influence on the cultural and artistic life of Brussels. Many thousands who have come to Brussels to work and live within the city, I am already conscious and deeply appreciative of the work that your Association does to preserve, develop and extend the cultural vitality and strength of Brussels. Thousand years on, the artistic and intellectual life of this city flourishes with an intensity as strong as at any time in its history. I believe that this is in very large measure due to the work of associations such as Kunst- en Kultuurverband. The survival of a culture depends upon a process of exchanging ideas and information: it is not just an inheritance but requires a permanent creation and recreation. It must be accepted, lived and shared by the people. In Brussels, through associations like your own, the Flemish culture bears powerful testimony to the active role of the Flemish people in the artistic and intellectual life of the city; their readiness to adapt and develop; their capacity to assimilate changes and the influence of other cultural currents; and their readiness to live their culture, not just to defend a language and a tradition. I therefore welcome...
this occasion to address you today about the prospects for Europe and to do so
with your agreement in my own language. In my view the essence of the Community
today lies in its institutions. The first priority of those such as Monnet,

Monnet, Schuman and Spaak was to lay a new foundation on to rebuild Europe out of
the ashes of civil war. achievement was a new legal
framework

Their

based on specific
treaties which formed and still forms the essential oasis for our joint European
venture. That legal
framework found its
expression in the establishment of a common set of institutions. Their reality can
be seen nowhere more clearly than here in Brussels. Indeed, it is particularly
fitting to look at

institutional issues in this city. It is not merely that the Community and its
institutions are part and parcel of everyday life. are more European than Brussels
with-

Few places
institutions,
its numerous
its thousands of civil servants, diplomats and representatives of European
economic and social interests. in rna;-

It is also the case tilat
Belgium was the start.
The first post-war sessions Indeed, the beca-ne the Community

are to be found here in the pioneering developments that started in
September 1944 with the declaration that led to the Benelux Customs Union,
beginning in 1948. In a real sense,

Belgium and its partners - the Benelux countries - forrr. the heartland of the
Community. And this is symbolised for me by the The
existing sites of the Community's principal institutions.
Commission and Council here in Brussels; the Parliament which sits astride
Luxembourg and Strasbourg as well as meeting in Committees here in Brussels; the Court of Justice in Luxembourg. Whatever the challenges before us, the Community's strength, its underlying vitality lies in the basic structure of its institutions - the essential symmetry of Council, Commission, Parliament and Court of Justice. We must guard and preserve that essential symmetry and the unity that it has brought to the Community in all that we do. What does that mean in the context of Europe today? Here I make three points. "Within the law. First and foremost, it means living there together which would be put at risk if it were ever accepted that national convenience or a particular national interest could override the basic rules of the Community enshrined in the Treaties. In international affairs, the example of Iran and more worryingly the flagrant abuse of international law by the Soviet Union in its action in Afghanistan has brought home to us the price of a no law.

Our towards the world in the world generally, as well as our position in the world generally, as well as our coherence as a Community, will be immeasurably weakened if we neglect or abuse the basic rules on which our Community system is based. We depart from them at our peril. I do not perhaps need to elaborate the point further.

I would only say that the whole carefully-balanced edifice of powers and responsibilities on which the Community is based could be damaged irreparably once we accept a position where any Member State for whatever reason can simply ignore or reject a decision of the Court of Justice. The Court interprets the law on the basis of the Treaties of which the Commission is the guardian. The duty to which the Commission attaches more importance. Second, none of this implies that Community law is immutable. our system. Nothing is or should be fixed for all time under We cannot stand immobile and static in a world which is changing and developing. In that past, we show ourselves capable of adapting our rules and regulations to changing circumstances and ideas.
process, however, we must proceed by agreement and within the basic institutional framework of the Community. Here I see the Benelux countries with their long European traditions crucial role to play. They are, as it were, the sheet anchor holding the Community in place and in conformity with the vision and the reality of the original treaties. Third, as the recent report of the Three Jise Nen on the Community's institutions made clear, the institutional framework of the Treaties depends on a creative partnership perhaps I should say creative and constructive tension between independent bodies each respecting the other and 1- vi th its own defined responsibilities. A certain level of tension and rivalry is natural in every great organisation and is indeed a condition for progress. time to time. the Community There will be clashes fro~ That may be inevitable. fraue-urk Essentially, ho\:ever, Each is based on interdependence. institution relies for its daily functioning on the contributions made by others. Thus, the basic process of Community legislation involves Commission proposal, Parliamentary consultation and Council enactment. process. It is a shared It follows therefore that,for each institution, a prerequisite of efficiency is the pursuit of good and balanced relations framework. w- th other bodies ~thin the Community Finally, the Community ~urks only where all the
institutions, operating within their own defined responsibilities, are ready to act and work in the interests of Europe as a whole: that means defining objectives and policies on which all institutions and all Member States can together.

It is against this background and these general principles that we need to examine the changing and emerging institutional pattern of the Community. Perhaps the most significant and far-reaching achievement of 1979 was the first direct elections of European power. No-one can doubt that this has brought a new and democratic dimension to Community affairs. before us. The evidence is already Indeed, there was never any question but that Members of Parliament, their legitimacy sanctioned by the votes of a European electorate, would not be willing to sit passively in an assembly content with purely consultative powers. So it has proved. This new actor on the European stc-ge It is alrea.dy The is not content with a small bit-part. demonstrating its strength and political cohesion. decision which it took last December to reject the 1980 Community budget was an act of political responsibility and of political courage which, while it obviously causes certain practical difficulties, was fully w-thin the Parliament's powers and helped to underline its determination to play its appointed role within the institutional fr6uew6rk of the Community. Its decision was thus much more than a mere act Parli6-ent of presence: it was a clear warning that this intends to exercise its Parliamentary rights to the full and, in particular, its right to monitor, to control and to approve budgetary expenditure. This is a new
fact which

all the institutions of the Community must recognise, understand and face up to. It is not a question of

conceding powers or relinquishing responsibilities to a new institution: it is a question of enabling the European Parliament to exercise its full and legitimate responsibilities within the creative partnership envisaged by the Treaties. It

It is, in many ways, remarkable that

Parliament, was elected only 9 months ago and did not form its Committees until September, should have been in a position to exercise its budgetary powers in December by refusing to approve the Budget. It is not altogether easy to predict Parliament's attitude towards the new budgetary proposals which the Commission has recently put forward. I think, is clear is that, Parliament has taken the opportunity provided by the decimalisation of the budgetary procedure to seek control over the distribution of agricultural expenditure. The delay in the adoption of the Budget has meant that, for the first time, the budgetary procedure can be linked to the decisions on farmer prices. In the past, the farm price decisions taken by the Council have invariably obliged the Commission to submit a revised Budget in the course of the financial year, to take account of the budgetary consequences of those decisions. Now, for the first time, it is possible to envisage a single, all-purpose budget providing for an overall control of expenditure. I welcome such a prospect. Parliament is

There will be difficulties about new involvement in the farm price debate, which Nevertheless, on balance, this is complicated enough already.

a development in the right direction bringing Parliament closer and into more direct contact with the central internal issues facing the Community. Another
A considerable advance in the political decision-making process of the Community has been the confirmation and permanent establishment of the European Council as a regular forum for Heads of State and Government. This is in many ways a welcome and beneficial development. As the report of the Three Men underlines, the European Council has become indispensable in the overall operation of the Community and illustrates the Community's capacity for self-renewal in difficult times. It has been able to give a new political impulsion to issues which in other circumstances have tended to get submerged in a discussion of technicalities at the level of the Council of Ministers. Some issues - I believe that the EMS was one and the development of a common position on energy imports was another - raise such important and politically sensitive questions that they can perhaps only finally obtain the necessary political acceptability within the Community as a whole after they have been treated at the level of Heads of Government. The European Council is becoming increasingly and rightly selective about what they tackle. Its effectiveness depends on avoiding the trap of becoming a kind of Court of Appeal for any and all unresolved matters.

There is a balance to be struck between its role and the continuing business of the Council of Ministers. "Nevertheless, broadly speaking the experience so far is that the European Council has come to play an essential and constitutive role." Within this changing perspective, what does stand of the t::'~ Gc:r:r.~:L:--i----'

What is its position between the emerging strength of the Parliament and the weight of the European Council?

It was
encouraging to note the remarkable similarity of the reports of the Three Wise Men on the Community as a whole and in the Report of the Spierenburg Group on the Commission.

Both they pointed to external factors and internal weaknesses, developing over a decade or more, which have led to some dilution of the Commission’s effectiveness, stressed that the Commission should continue to exercise its political powers of initiative in full independence. The tasks and the...,

... and we will not shirk. They represent a task and an obligation. Of course, like all organisations, we need to adapt and renew its response to changing circumstances. Just as the Community must adapt with the times, so must its institutions.

That is why in 1978 we acted to set up an outside review body under Spierenburg to examine how the Commission’s organisational staff resources could be adjusted to meet future needs. Based on that report, the Commission has taken steps to streamline its administration, better inter-departmental coordination and planning, and a greater control over the use of staff resources. We have already taken a number of decisions on these lines and more...
Our success in ensuring that we hand over to our successors the best possible administrative structure to enable the Commission to fulfill its role through the executor and the proposer of policies. On this analysis I see no reason to be pessimistic or gloomy about the future. The basic structure of the Community are sound.

Foundations of the Community are sound.

To storms and arguments in the past; they can and will do so again. We have the mechanisms at our disposal; we have the ins titutional framework; we have all the necessary apparatus to reach decisions and to react positively and imaginatively to the challenges ahead. This basic structure has already served us well in the development of a com mon EC.

Community has been able to make its presence felt as a major force in world economic matters.

1979 saw the conclusion of years of difficult and patient negotiation in the multilateral trade negotiations under GATT throughout which Europe negotiated and spoke with one voice. The conclusion of the Tokyo Round now offers us the reasonable prospect, despite difficult economic circumstances, for a further development of the free-world trading system. In 1979 we also reached agreement at Lome on a renewed convention enhancing and strengthening our relationship with the now 58 ACP countries. time, we have been able to assert a common economic voice. At the same time, our appearance in the world has grown stronger.
Industrialised countries have come together to seek and a consistent approach to broad economic strategy. Particularly important that.

It

Last year, the Community should have been able to correspond position allowing it to lead the way towards establishing a new apparatus of cooperation in the

field.

All this is demonstration of our strength and solidity in dealing with the external world on matters of trade, economic cooperation and development. But Europe's responsibilities should be those of a trading partner.

The Community is much more than the organisation of a large common market and we owe it to to take action in other fields. In particular, the momentum of a large common market and we owe it to take action in other fields. In particular, to develop strong and coherent internal policies on currency matters; on energy; and on industrial matters. Our credibility externally will in the end only be sustained if we face up to the need for strong internal policies capable of meeting the requirements of the 1980s. These require:

/...e ....,l ;:::,.,..<,....:..._,.... **...

real and they are increasingly daunting.

Most of the economic indicators are bad and there is no immediate prospect of reversing these trends. Economic growth is declining sharply; unemployment is still rising; inflation in the Community is accelerating; and
the Community's current account deficit on external trade has soared under the impact of last year's 65% increase in oil prices. change in our society. We can see the signs of irreversible

They are visible in the impact of new accelerating technologies on our daily lives; in the
decline of some of our older industries; in the changing field of our trade. Let me look briefly at three fundamental areas

where the attitudes and policies that we work out and adopt within the Community will have a major influence on the way in which Europe is regarded by its partners. First, economic and monetary matters. It seems to me absolutely clear that if we are ever to attain the influence we seek, it is necessary to give us credibility in the eyes of our major partners. That process, the European Monetary System, agreed in Brussels just over a year ago represents a first and important step. During a difficult year for the not only survived, it has buttressed a valuable buttress of greater monetary stability in Europe.

work towards a steady extension of the work of the EHS, for example through closer internal coordination and the working out of common policies with regard to third countries and other currencies.
Second, we should now aim to make rapid progress towards the establishment of a common energy policy.

The Commission has been working to this end for some years but our words have tended to outstrip what has actually been achieved. As in other fields, I am doubtful whether the Community will in the future be able to defend its interests in the rest of the world - whether in relation to the oil-exporting countries or in relation to other oil-importing countries - unless and until it has laid down the foundations for a consistent internal policy.

The Commission is currently looking at a number of ideas and we aim to bring our conclusions forward to the European Council. The fact is that energy accounts for so important an element in the management of our economies that there could scarcely be a true common' market without common policies in the field of energy. We need to examine urgently some of the major anomalies and differences which have arisen between Member States in their pricing and taxation of energy. The distorting effects which these anomalies have produced make it irrecusibly essential to reach agreement on the progressive harmonisation of energy prices and taxes within the Community.

This should enable the Community to measure and control the effects of energy price increases on inflation and unemployment and would give us the instruments of macro-economic management to cope with challenges from inside and from abroad. At the same time we must step up planned investment in energy over the next decade and beyond. Our present effort falls far short of requirement.

It is the Commission's view that we need a Community to support the efforts of Member States to promote energy saving, to substitute oil by energy from other sources and to...
develop synthetic fuels and other renewable sources. The third area concerns industrial policy. Already faced with an urgent need to develop a -like are Go-nunity response to the challenge of the new electronic technologies. Our effort so far has been dispersed, ill-coordinated and disappointing. Although Europe provides about a third of the world market for electronic goods, we produce nothing like a third of the products themselves. The gap which separates us from our Japanese and American competitors is still growing. But the industrial challenge is not just confined to advanced technology where Europe is lagging behind. Direction we are also faced.

From the o-ryosite a gro-i_ng challenge in many traditional sectors from newly-industrialised countries procucing at lower cost. This double challenge bri:pgs a ris-

we act now we shall become in a relatively short period a kind of industrial depressed lower middle class. We shall neither be abI::

to compete with the industrial innovators nor survive the competition in traditional areas. There are thus two essentials. First, the Community must develop a policy for innovation so that we may create new industrial sectors and branch out into new activities based on research and modern management techniques. That is why the Commission attaches such importance to progress being made on its ideas for development in the new advanced technologies. We have proposed that the Community should establish a single and homogenous market for telematic equipment and services; should foster the growth of a European information industry; should promote industrial and user cooperation; should enhance existing national and European programmes for communication by satellite; and should above all apply the new technologies to the /activitieE c£
activities of the Community itself on the continental scale open to us. At the same time, the other essential is that we should adapt our existing industrial structures and means of production to meet the new competitive threat to our traditional areas of industrial activity at a time when internal demand is levelling off. These are formidable challenges. time left in which to act.

And there is little

The Community mechanisms and basic framework already exist; there is an institutional vitality which must give cause for hope; the policy options are there. we have to find now is the well

What It is and determination to act.
determine

now at the start of the 1980s that we shall or not the objectives of those \\

so with the Community idea: it is not enough to sit back to defend what has been achieved; the Community idea must be a process of continuous creation and

if we are to survive in the world of the 1980s we dare not falter.

Introduction It is a heavy responsibility to present the Commission's programme
for the first time to this new Parliament, but it is a responsibility which my colleagues and I welcome at the beginning of this the fourth and last year of our mandate. The introduction of the Commission's programme for 1980 fits naturally into the proceedings of a well-established and working Parliament. I look forward to the debate which will follow on Thursday on the main lines of that programme.

Today I intend to concentrate on what we see as the central issues confronting us. I do not intend to say something about everything or attempt a Cook's tour of the horizons of the Community.

In 1979 and its achievements it would be right to look back briefly at what the Community achieved in 1979. In many ways I believe that 1979 should be seen as a year of major Community advance. We saw substantial success on a number of major fronts.

First, we put in place the European Monetary System after less than a year of discussion, and have seen it establish itself gradually amunspectacularly. We will need to do more to strengthen and support the EMS but its creation is, in my view, an important landmark in our development. Second, we have agreed the accord with a new European partner, Greece, and have started to welcome her into the Community. This accession - and the other two which are likely to follow - emphasises the underlying vitality of the Community and the attraction which it holds for the reborn democracies of Europe. concluded.

Third, we years of difficult and largely
unglamorous negotiation, the Tokyo Round, achievement offers us the reasonable prospect for a further development of the free world trading system on mutually beneficial lines, despite the new and more difficult circumstances that face us. Fourth, we reached agreement at Lome on a renewed convention enhancing and strengthening our relationship with the 58 countries of the ACP, Fifth, at the Strasbourg European Council and subsequently at the Economic Summit in Tokyo we led the way towards establishing a new apparatus of cooperation in the energy field, Above all, we saw elected, bringing a new and powerful democratic dimension to our affairs.

I make these points to this House because the essential vitality of the Community can sometimes be obscured by the dust of short term problems and difficulties. Within the dark of our common institutions there remains a deep reserve of invention, imagination and sustained cohesion which can be brought to bear in the common interests of Europe. It is well to remember what we have already achieved together when we contemplate the problems that we have to resolve together in the future.

Looking ahead, we face no less than the break-up of the established economic and social order on which post-war Europe was built. The warning bells have been sounding for a decade. We have seen the collapse of that long period of monetary stability founded on the Bretton Woods agreements; that process began even before the rise in oil prices in 1973. Energy price increases may not have been the only cause of our present misfortunes but they have been the main catalyst. We have built our industrial society on the consumption of fossil fuels, in particular oil, and it is now certain that if we do not change our ways while there is still time and 1980 could be almost our last opportunity - our society will risk dislocation and eventual collapse.

Most of the economic indicators are bad.

Whereas in 1979 growth of the European economy amounted to about 3.3%, in 1980 it could fall substantially below even the 2% which we were forecasting in dispirited
Unemployment rates, fashion at the end of last year. I

which in the early 70s averaged under 3% for the Community as a whole, rose to 5.6%, in 1979 and are forecast to rise to well above 6.0% this year. Average inflation can be expected to increase from 9% last year to nearly 11.5% in 1980. The current account deficit on external trade is estimated to rise from almost $8 billion in 1979 to more than $20 billion this year under the impact of last year's 65% increase in oil prices. We may once have hoped that the waves of our recent discontents would quietly recede and that the easier world of the 60s would optimism is now totally re-emerge. I

Such facile untenable. The signs of irreversible change are now visible in the accelerating decline of some of our older industries; in the impact of new technologies in many areas of our daily lives; in the changing pattern of our trade.

The essential question for 1980 and the years ahead is therefore simply this: how do we adapt our society to the new economic realities?

Energy I turn first to the question of energy which was a central issue for the meeting.
of the European Council in Strasbourg last summer, and subsequently for the
Economic Summit in Tokyo. It was, let us recall, the
first time the Community had fixed and defended a global target figure for our oil
consumption and imports. Yet since then

Yet since then progress seems to have faltered. You will be debating this matter in many of its aspects tomorrow but I nevertheless believe it is right to emphasise the main points now.

In the short term, energy conservation must be the cornerstone of our policy since it forms the quickest and the cheapest way of contributing to a restoration of the balance between supply and demand. Some progress has already been made. Thus the total energy consumption of the Nine fell by about 8% between 1974 and 1977. But the potential for further savings is immense: recent studies have shown that over the next two decades there could be savings of 20-35% in the transport sector; 15-35% in industry and agriculture; and up to 50% in the housing and service sector on the basis of currently available technology. It is the Commission's view that with wider use of best practice in energy saving equipment and in design, energy savings by 1990 could be as much as 100 million tons of oil equivalent in excess of Member States' forecasts:

in other words over 20% off our import needs.

Second, we believe throughout the Community we should rapidly raise the levels of our investment in new ways of saving energy, in exploiting out native resources, and in developing new sources of energy.
This cannot industry
be left entirely to the market place.

Of course
must make the investments it thinks profitable and contribute to the common effort; but a big responsibility inevitably rests with each Member State and with the Community as a whole.

'must make the investments it thinks profitable and contribute to the common effort; but a big responsibility inevitably rests with each Member State and with the Community as a whole.

in giving a lead to investment in areas of high risk or high technology, particularly where there are big initial costs and long pay back times. There are three obvious areas to which I draw brief attention. First, we need to reverse the downward trend, experienced through the 1970s, in the consumption and production of coal. Investment is needed for new production capacity; for the construction, modernization and conversion of power stations using coal; and for demonstration projects in coal liquefaction and gasification. Secondly, the Commission believes that the delays which have occurred in the development of nuclear energy in different parts of the Community should be made up as soon as possible. Thirdly, we need to devote far more time and attention to the development of other sources of energy, those sometimes called new and exotic, but in fact often old and well tried.

What we get out of such sources is in direct proportion to what we put into them. We must not fall into the error
of supposing that because a source is apparently cheap, simple, and small scale it cannot be as good as that which is expensive, complicated, and large scale.

Fourth • we need to put greater efforts into our research and development programme.

At present only two to three per cent of the Community budget is devoted to energy, and only about four per cent of energy investment is provided from Community sources. There is much that we can do to concentrate-national efforts, to stimulate planning, to avoid unnecessary duplication and give the direction of advance. In all these areas we have to reckon with the need to protect the environment, to limit and assess the consequences of pollution of land, sea and atmosphere, and to make what we do as safe as we humanly can.

Concern about the consequences of developing new and existing sources of energy has been somewhat unfairly focussed on the nuclear aspect. There are hazards connected with the greater exploitation of coal, in particular in effects on the atmosphere; there are hazards in our continued high consumption of hydrocarbons; there are hazards in the development of nuclear energy, among which nuclear waste disposal is conspicuous; is sometimes forgotten, there are also hazards in the use of wind power, wave power, and solar power in its many forms.
forms.

In working out our
prog4a---e
we must see the
hazards as a whole and deal with them honestly and openly. I think that we have made progress in recent months towards fuller appreciation of these problems. It is now six years since the first warning and I fear we have missed many more opportunities than we have created. The lesson of recent developments in the Middle
East is that we shall not have another such period of grace. Our efforts to
overcome these problems will require time, money, and determination. is money.

Hence the Commission is looking at possibilities which include the idea of some form of energy tax or levy. Such a tax or levy would of course need to be consistent with our international obligations and should have regard to macro-economic as well as energy considerations. We shall keep this House closely informed of the progress of our work, and look forward to full discussion with you when our thinking is more precise. When I was in
Washington in January, I found that similar ideas were also under examination there. The effect of any Community initiative would be all the greater if it were undertaken in co-operation with our major industrial partners. Ne\-7 c:dvanced technology Energy problems may have been t4e catalyst in quickening the pac-

of economic change.

But I am

convinced that the ultimate test of success or failure in the next decade will be the attitude we adopt to the challenge

The developments

now rapidly unfolding herald a new industrial revolution. The first effects of these developments can already be seen reflected most starkly in the loss of jobs in traditional industries. The results are sudden, sharp and devastating.

For example in the traditional watch industry in the Federal Republic there was a drop in employment of some 40\/. in the mid-1970s. In printing and publishing, where composition direct from the key-board has cut out traditional skills, we are now witnessing the prospect of a fall in establisher!

employment which could amount to 70\/. But these dramatic effects tend to hide the gains to be had from 'the same technologies. . Such gains come from the demand for the new products available, either wholly new products o;th- spin-off effects of increased demand for the productsof existing technology.

They also arise because

of the more efficient use of resources leading to lower costs and the release of resources for investment elsewhere. The introduction of new data processing techniques in accountancy gro"
for example, has coincided with a substantial increase of some 300,000 jobs in France in the past seven years. These are real gains. But because they do not always arise in the same regions or industries as those affected by unemployment, they often go unnoticed. Not only to exploit these new developments but to contain their social effects and provide far more information than has hitherto been available about them.

What is certain is that our major competitors will not hold back. They have worked out more consistent and wider scale strategies than we, and the technological gap between 'Jn' and S·ca'"s Japan on one hand, and Western Europe on the other is if anything increasing. In November last year the European Council was informed of our ideas for the development of a this field. sets this out.

You will already have seen the paper which was Info-med of strategy in You will already have seen the paper which We-------->

proposed that the Community should develop a social policy to prepare the way for innovation, create a homogeneous European market for telematic equipment and services, foster the growth of a European information industry, promote industrial and user collaboration, enhance existing national and European programmes for satellite communication, and above all apply the new technologies to the Community itself on the continental scale open to us. We were invited to develop at that European Council more fully the main lines of the strategy we had proposed "in order that we may act in 1980 11 •

The Commission will rapidly so act. I regard such as
vital to the health of our economies, the adaption of our society and the economic vigour of the Community over the next decade.

Transport Before I leave this look at the future, I want to mention one other point of great importance for the Community. This is to underline the need to improve the organization of transport facilities within the Community both on its own merits and to serve Community as well as purely national needs. I can think of few areas of more importance to the cohesion of the Community and the convergence of the economies of its Member States. You already have before you a draft financial regulation for transport infrastructure, and you will have seen our Green Paper on the subject.

Without wishing to go into details here, I should like simply to commend our ideas and seek the support of this House for them.

External policies I turn now to the increasing inter-

dependence within the industrial world in which these changes are embedded. Our western economies and societies are rooted in the twin concepts of competition and cooperation. is a prospect of a
Without competition, there gap between our achievements and those of our major we risk, rivals/ partners and Without cooperation, each other - > and losing sight of the It is on the basis of realistic interests we hold in common. but humane policies within the Community that our competitive position can be safeguarded; and on the attitudes we adopt towards international cooperation that the essential interests of the Western world can be advanced. It has been a Community interest to play an active role in the series of Economic Summits. last at Tokyo. in 1979 next at Venice this June. The way in which the Summit countries are working increasingly together is one of the more
encouraging developments of our time.

But the industrialised countries account for only a small proportion of mankind; and the Community more than any other industrial group is linked by history, culture, interest and trade with the developing countries.

The recovery of our economies cannot be dissociated from the development of the poorer countries and the growth in world-wide demand. There is an essential interdependence in the modern world which the energy crisis has reinforced.

We shall soon engage in a further round in these discussions the Community must be able to speak with a single voice not just, as is sometimes suggested, at the technical level, but at the top. Economic interest is political and in establishing consensus and cooperation
clear.

------------------- negotiations/

Three themes will run through the J and form the basis of the greater stability in international economic relations which we all seek. First the need to ensure a better balance between energy supply and demand; second the steady growth of the economies of the poorer countries, and third the provision of special help for those in most need. Within the Community and among the other industrialised other industrialised countries, progress in this area is a high priority for 1980. Employment Concern for the rest of the world should not obscure concern for what is happening here within the Community. I refer to the disfigurement which present rates of unemployment represent not only for the functioning of our economies but for the equilibrium of our society. About all I think we must adopt new attitudes. Here I make three points. First our people
must be informed about the changes that are occurring. They must be able to see beyond their immediate horizon to the totality of the changes that affect them. Otherwise we can expect little but defensive and restrictive attitudes to changes from workers who see only that their industry is contracting, or that their firm is closing. Second if we are to make the necessary but difficult changes in our society required by changing technology, our policies must encourage greater mobility and willingness to change jobs. In that process temporary unemployment may sometimes be part of the price of progress, but people must be given the means to adopt to new opportunities and to learn new skills.
to the minimum the average period of unemployment.

Tha-

requires that we must put more effort into training and retraining; act to ensure a better match between available skills and job opportunities in different sectors.

and pursue further our discussions.

Last month this House had an important debate on unemployment. The Commission has taken careful note of your resolutions. Our policies in 1980 will take full account of them.

Here I mention some central points.

As Vice-President Ortoli mentioned in last month’s debate, the Commission has proposed the maintenance of a relatively high level of public spending to sustain growth. Next we are coming forward with specific ideas about how to cope with the social effects of the telematic revolution to which I have already referred. Suggest ten areas for action. In our paper we look forward to discussion. Next we shall try to extend Community action to help in the reorganization of industrial sectors in particular difficulty. I have in mind shipbuilding, steel and textiles particularly in mind. Finally we are looking again at our policies for young people and for women. Young people under twenty-five make up less than 25% of the whole population, but nearly 40% of the registered unemployed. I can think of no
more serious problem for our society as a whole. The Social Fund committed some 800 'million ECUs for
~raining
and job creation last year.
The total should be more this year.
But we still have to find up to 800,000 new jobs a year until 1985 when the demographic pattern is likely to change. Community institutions and Community funds cannot deal with issues of this order of magnitude alone. But they should have a catalytic effect on the policies followed by the Member States.

European Monetary System
We need to get the balance right. The Community
provides the framework within which national economies have the major role but within which Community funds have nevertheless a significant function. The framework was greatly strengthened last year by the introduction of the European Monetary System. If I had foreseen a year ago the stormy waters on to which this frail craft would be launched - a year in which the yen depreciated by 4(1/2) against the dollar; the dollar by 31/2 against the ECU; and gold set off on its wild and unpredictable course - I would not have been confident of its survival.

Not only has the system survived, it has worked well involving only two small adjustments to central rates and providing a valuable degree of monetary stability in Europe at a difficult time of international turbulence. I regret the continued absence of the United Kingdom from full participation in the system.

I hope the experience we have gained in the EMS will encourage the ninth Member State to co-operate, and make its contribution to the good health of the system. Without sterling the system and fortune of the system is frankly incomplete.
At Dublin the European Council confirmed the time-able I, already laid down for progress in the System the in particular toward-creation of a European Monetary Fund, The Commission is playing an active role, notably in the discussions with the Monetary Committee and the Central Bank Governors, and will be reporting on progress to the next European Council. I would like to see a steady extension of the work of the EMS, for example through closer co-ordination within it and elaboration of common policies with regard to third countries and currencies. In saying this I in no way wish to detract, for the foreseeable future
from the role of the dollar which is and will remain the
principal medium of international exchange.
Rather it should be seen as part of a common effort with our major trading partners to
rebuild a framework within which the monetary turbulence we have experienced in recent years can be effectively contained. has a major role to play. Budgetary and convergence issues I turn briefly to internal issues relating to the budget. These issues have dominated Community discussion I do not complain. They are of importance But let us In that process, the EMS.

They are essentially part of Once settled
the process of putting our house in order.

we can get down to the much bigger and more important issues affecting the future development of the Community.

We cannot afford to spend much more time on family squabbles.

As the House knows, the Commission will decide on its proposals for a new budgetary document for 1980, and Commissioner Tugendhat will present them to Parliament on Thursday. I hope that on the basis of these proposals it will prove possible to move rapidly towards agreement.
The Commission towards agreement between the Community institutions on the 1980 budget. It is in no-one's interest for these difficulties to be prolonged. is at the disposal of both parts of the budgetary authority to give any further help which may be required. A vital element in our budgetary proposals will be the related issue of agricultural prices which Vice-President Gundelach presented to you yesterday. Obviously our proposals must be considered on their merits, but they also need to be seen in the light of the mounting agricultural surpluses of recent years and the structure of the 1980 budget. achieved overnight. Fundamental change cannot be But the proposals we have made could if adopted by the Council mark a significant step towards stabilizing expenditure and thus putting out agricultural policy into a better relationship with our other Community policies. For the first time in the history of the Community we should have a Lower Level of expenditure on agriculture - in money Let alone real terms - than in the previous year. Failure to act now could in view have consequences for the continued existence of the common agricultural policy in its present form. I now turn to the complex of problems which go under the label of convergence and budgetary questions. The
House will recall the specific mandate given to the Commission by the European Council at Dublin. The result was the paper we sent to the Council on 1 February and to this House on 5 February. This is not the occasion for going through our paper, but I like two. We cover two broad issues: structural questions affecting the less prosperous Members of the Community, and budgetary questions affecting the United Kingdom. We believe that the proposals we have made under both heads could provide a solution to both sets of problems. This way we hope that we have, as it were, cut these problems down to size, and made their solution one of practical and specific negotiation. Letterophysical but unrewarding argument.

Let us not have too much. Next we believe that what we have proposed would be good not just for the countries directly concerned but for the Community as a whole. is one thing: To remedy an imbalance it has to be done, and we are doing it; but to reinforce the direction of our structural policies and thereby promote genuine convergence is another, and in my judgment much more valuable and important. at least is our purpose. That We now have to work out the detailed programmes to give effect to it. As you will see from our paper we have taken good care to avoid disturbing existing Community policies. Instead we have focused the temporary, special and ad hoc measures which we a solution of the problem requires. There will now be a further period of discussion. --irl-- here and in the Council of Ministers. discussion should be short. That period of
It is time now for us to set these issues and put them behind us once and for...

My final points are about our institutions.

These been under scrutiny in the report of the Three Wise Men on

Men on the Community as a whole and in the report of the Spierenburg Group on the Commission. There was remarkable similarity of view in both reports about the role and responsibilities of the Commission. While both pointed to external factors and developing over a decade or more,

I have three points

internal weaknesses which had led to some dilution of its effectiveness, there was no dispute that the Commission should continue to exercise its political powers of initiative in full independence, prime responsibility. This is indeed our

The Commission is neither the servant of the Council nor the secretariat of the Parliament. The institutional framework of the Treaties depends on a creative partnership, perhaps I should say creative tension, between independent bodies each with its own defined responsibilities. Within those responsibilities the Commission must be allowed to get on with the job, and to fulfil its role as the executive of policies as well as the proposer of them. Like all organizations the Commission needs to adapt and renew its own response to changing circumstances. For this reason we took the initiative in 1978 to appoint an Independent Review Body to examine how the Commission’s organization and staff resources could best be adjusted to meet future needs.

This report will be acted upon. We will

We regard it as our responsibility

successors a sound administrative structure.

shortly
be considering a range of proposals designed to secure streamlining of our administrative services, improvement and strengthening of our internal co-ordination and planning, and better control over the use of staff. In giving effect to these reforms we shall need the understanding and support of the budget authority. We would welcome an early debate on our proposals in the appropriate Committees of this House. Last, the Commission hopes that there will be rapid consideration leading to action on the wider institutional issues raised in the reports. Decisions will soon be necessary.

Our experience does not lead us to think that it should necessarily be smaller than the present one; but nor do we think it should be larger, as the logic of a Community of twelve might suggest. Although I cannot commit the new Commission, we think it right that it should, as it were, submit itself to this House on taking up office. I am not proposing anything so formal or precise as a vote of confidence; but I know that, to fulfil its functions as it should, the next Commission must be in a position to know that it has been accepted by those who represent the people of the Community.

Conclusion. I conclude. Following the events in Afghanistan, tension in the world is perhaps closer to danger point than at any time over the last two decades. The gravity of the situation was recognised by the almost unanimous view expressed by this House in its resolution last month; in the serious and important discussions within the Political Committee and in the series of actions which the Community has taken together in condemnation of Soviet aggression. These events come on top of the difficult economic and social problems which already are exercising pressure on the Community system. We can achieve nothing unless we act in the spirit of solidarity. That solidarity depends on respect for the rule of law, not only in our own society but in the world as a whole. Our Community institutions - the Assembly of Parliament, Commission, Council and Court each operating within a common framework - are our foundation. We depart from it at our peril. With the law, there can be no bargaining.

If we flout our own rules for whatever
reason, we can hardly expect to command authority or influence anywhere else. No consideration of temporary advantage or national self-interest can transcend our common interest in an orderly world in which rules are respected until there is agreement to change them. The Court interprets the law on the basis of the Treaties of which the Commission is the guardian. There is no duty to which the Commission attaches more importance. is the rock on which the Community stands.
PROGRAMME SPEECH TO THE EUROPEAN PARLIAMENT BY PRESIDENT JENKINS (EXTRACTS)

Strasbourg, 12 February 1980

THE CRISIS AHEAD

We face no less than the break-up of the established economic and social order on which post-war Europe was built. We have built our industrial society on the consumption of fossil fuels, in particular oil, and it is now certain that if we do not change our ways while there is still time society will risk dislocation and eventual collapse. The signs of irreversible change are now visible in the accelerating decline of some of our older industries; in the impact of new technologies in many areas of our daily lives; in the changing pattern of our trade. The essential question for 1980 and the years ahead is therefore simply this: how do we adapt our society to the new economic realities?

ENERGY

In the short term, energy conservation must be the cornerstone of our policy. The potential for savings is immense: by 1990 they could be as much as 20% off our import needs. Second, we should rapidly raise the levels of our investment in the new ways of saving energy, in exploiting our native resources, and in developing new sources of energy. We need to reverse the downward trend in the consumption and production of coal; the delays which have occurred in the development of nuclear energy in different parts of the Community should be made up as soon as possible. Third, we need to devote far more time and attention to the development of other sources of energy. We need to put greater efforts into our research and development programme. Our efforts to cope with these problems will require time, money, and determination. The most tangible is money, hence the Commission is looking at possibilities which include the idea of some form of energy tax or Levy.

NEW ADVANCED TECHNOLOGY

The ultimate test of success or failure in the next decade will be the attitude we adopt to the challenge of the new electronic technologies. We need not only to exploit these new developments but to contain their social effects. Our major competitors have worked out more consistent and wider scale strategies than we, and the technological gap is increasing.
EMPLÖYMENT Our :oppeople must be informed about the changes that are occurring, to see beyond their immediate horizon. Otherwise, we can expect (in a) positive and estri'i:ie.tlîrre attitudes to changes from workers 'Who see~:llllnly that the'ir industry is con. tl'a<-ti.ng, or that their firm is closing. Second-f.f. we are to make the nee. essay but difficult changes in our society, our polici:es must encourg -ge greater mobili:-y and people must be given the means to adapt to mew opportunities and to Learn new skills. Third we must reduce to the minim:::Jm the average period: of une:mplo]·'ment. That requires more training and retraining and further discussions on the different aspect of time-sharing. EUROPÉAN MONETARY' SYSTEM The syst.em has worked well, providing a valuable degree of moFi.tetary stabili l:ity in Eu:co:fe) at a difficult time of international turbulence. I hope the experience gained will encourage the ninth Member State to come in. Without steriling the :system is frankly incomplete. I would like to see a stea:Qy extension of the EMS, for exam- le through closer .co-ordination within im and elaboration of common. policies with regard to third countries and currencies, as. part of a . common effort to rebuild a framework within which monetari:turbulence can be,effectively contained. BUDGETARY AND CONVERGENCE ISSUES If;io.ur paper on structural questions affect'ing the tess prosperous \members. of the community, and budgetary questions affecting the-.ur:.dted Kingdom, we have cut tJreese r::mobtems down to size, and made their solution ofle' of practical and specif:~: nego tiation. Let us not hav- too much metaphysical but.unrewarding argument0 :rt it is tme now for US to settle 'these issues and put them behind US.0r:`l'C'e'ci<ltld'-for:i,;:;;Li.. iNSTITUTIONS "fbere .was remarkable sim'i,larity of view in both the reports df tAt' and, of the Spierenburg Group about the role and responsibilities of the .G-lm'li"'iis!!";,,;vitt-- There was no dispute that the Commission should continue to exercise its:.pot-1 :pawers of initiative in full indep.endence t. t.'il!le:allorganisation: the,Comm:issdon aeqeats to adapt and renew its own re.sponse to, cha14g-ir.;tn c::i rcumstance. ·The~ 3Jllldecen'bttlfg'btttlfg' report will be acted upon. We will shorty:.:be::onscieeri'l19 a napge of.-pcop:G-s.a:ls .des;jigned. to secure streamlining a-f our admiilistrati'ne:ser;io;:o, i:improve<ep- and str.engthening. of our internal co-ordination and: planning, and~:-:ta-ter control :over t:he:ose of staff. "'h<e<er.commission hopes that there will be r:ap.id col:l:sedration te:ading to action, on the,<,wi:der institutional issues raised in the reports. DecisioNAs will :soon·be ne'E!'essary on the composition of the next Commission. :Our e)fer:ience do.es oat lead us to think that it should: necessarily ,,be smaller th:an tee: present Of'le; b.u t oor do we think it should be larger. Although I cannot commit the oew .. £o•mi.ss:on, we· think it right that it should, as it were, submit itself to this House .on:::taking up ..office. I am not. proposing anything so formal or:"pr.ecise as a vote of cofif,]:dence; but the next Commission must be in a position to know that it has. been ac.cep!Eed by those. who represent the people of the Community. CONCLUSION we can achieve nothing unless we act in the spirit of solidarity. That solide~ity depends on r.espect for the rule of Law. There can be no bargaining with" the .li.a>-<. No cor-ideration of temporary advantage or national self-interest can-tr.,anscerrd our common interest in an orderly world in which rules are respected until .there is agreement to change them. The Court interprets the law on the basis of the Treaties of which the Commission is the guardian. There is no duty to which the Commission attaches more importance. It is the rock on which the Community stands.
Introduction

C'est une lourde responsabilité de présenter pour la première fois au nouveau Parlement le programme de la Commission, mais c'est une responsabilité que mes collègues et moi-même sommes heureux d'assumer au début de cette année, la quatrième et dernière de notre mandat. La présentation du programme de la Commission pour 1980 s'inscrit de façon naturelle dans les procédures d'un Parlement bien établi et en pleine activité. Je me réjouis à la perspective du débat de jeudi prochain sur les grandes lignes du programme. Aujourd'hui, je concentrerai mon propos sur les problèmes centraux auxquels nous sommes confrontés. Je n'ai pas l'intention d'aborder tous les sujets ni de faire un tour d'horizon rapide des questions communautaires.

1979 et ses réalisations

Il est bon de jeter tout d'abord un bref regard rétrospectif sur les réalisations de la Communauté en 1979. Je pense que 1979 a été, de bien des façons, une année de progrès majeur pour la Communauté. Nous avons enregistré des succès substantiels sur plusieurs fronts importants.

* * * I * * *
efforts pour consolider et soutenir le SME, mais sa création représente, selon moi, un jalon important dans notre développement. En second lieu, nous nous sommes mis d'accord avec un nouveau partenaire européen, la Grèce, que nous avons commencé à accueillir dans la Communauté. Cette adhésion et les deux autres qui devraient suivre soulignent la vitalité sous-jacente de la Communauté et l'attraction qu'elle exerce sur les démocraties rénaissantes en Europe. En troisième lieu, nous avons mené le Tokyo round son terme après de nombreuses années de négociations difficiles et, le plus souvent, laborieuses. La conclusion de ces négociations commerciales multilatérales nous ouvre des perspectives raisonnables pour un nouveau développement des échanges dans le monde libre sur la base de profits reciproques, en dépit de la situation plus difficile laquelle nous devons faire face. En quatrième lieu, nous sommes parvenus à un accord à Lomé sur une convention renouvelée qui renforce nos relations avec les 58 pays ACP. En cinquième lieu, nous avons ouvert Lavoie, lors du Conseil européen de Strasbourg et du sommet économique de Tokyo, à l'établissement d'un nouveau mécanisme de coopération dans le domaine de l'énergie. Et, surtout, nous avons assisté à l'élection de ce Parlement, laquelle a conféré à nos affaires une dimension démocratique nouvelle et puissante.

Si j'ai tenu à rappeler ces événements devant vous, c'est parce que la vitalité intrinsèque de la Communauté peut parfois être obscurcie par l'ombre des problèmes et des difficultés.
court terme. Dans le cadre de nos institutions communes, il subsiste une réserve abondante d'innovation, d'imagination et de cohésion qui peut être mise au service des intérêts communs de l'Europe. Il est bon de nous rappeler ce que nous avons déjà réalisé ensemble au moment d'envisager les problèmes que nous devrons résoudre ensemble à l'avenir.

La crise qui nous menace, c'est rien moins que la rupture de l'ordre économique et social établi sur lequel l'Europe de construite. La sonnette de l'après-guerre d'ici eti retentit depuis une petite, nous avons vu disparaître la longue pêriode de stabilité monétaire basée sur les accords de Bretton Woods; ce processus a même commencé avant l'augmentation des prix des pétrole l'énergie de 1973. Les augmentations n'ont peut-être pas été la seule cause de nos malheurs actuels, mais elles en ont été le principal catalyseur. Nous avons

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construit notre société industrielle sur la consommation de combustibles fossiles, notamment le pétrole, et il est aujourd'hui certain que, si nous ne changeons pas notre façon d'agir pendant qu'il est encore temps - et 1980 pourrait bien être notre dernière chance - notre société risque de se disloquer, voire même de s'effondrer.

La plupart des indicateurs économiques sont mauvais. Alot's qu'en 1979, la croissance de l'économie européenne a été de 3,3% environ, elle pourrait bien, en 1980, tomber nettement au-dessous des 2% que nous avions avancés comme prévision, sans enthousiasme, l'année dernière. Le taux du chômage qui, au début des années 70, était inférieur à 3% en moyenne pour l'ensemble de la Communauté, a atteint 5,6% en 1979 et devrait, selon les prévisions, dépasser largement 6% cette année. Il faut s'attendre à une aggravation du taux moyen d'inflation, qui risque de passer de 9% en 1979 de 8 milliards de dollars en 1979 pres de 11,5% en 1980. Le déficit du commerce extérieur passera, selon les estimations, de pres...
plus de 20 milliards de dollars

cette année, par suite de l'augmentation de 65 % des prix du pétrole survenue l'an dernier. Nous avons pu espérer, la vague de nos revers refluerait petit des années 60 s'offrirait de nouveau

un certain moment, que et que la vie plus facile

a petit

nous. Mais cet optimisme facile

n'est plus du tout de mise aujourd'hui. Les signes d'une mutation irréversible sont aujourd'hui visibles dans le déclin accéléré de certaines de nos plus anciennes industries; dans l'impact que les technologies nouvelles exercent dans de nombreux domaines sur notre vie quotidienne; et dans la modification de la structure de nos échanges.

La question essentielle pour 1980 et les années aux nouvelles réalités économiques ?

venir est done

tout simplement la suivante : comment allons-nous adapter notre société

Energie

examinerai en premier lieu la question de l'énergie, qui a figure

au centre des discussions lors du Conseil européen de Strasbourg, l'été dernier, et du sommet économique de Tokyo. c'était la première fois, permettez-moi de le rappeler, que la Communauté avait fixé et défendu un objectif global pour notre consommation et nos importations de pétrole.

Mais, depuis lors, les progrès ont, semble-t-il, faibli. Vous examinerez cette question sous ses différents aspects au cours de votre débat de demain, mais je crois néanmoins souhaitable d'en évoquer des aujourd'hui les principaux éléments.

A court terme, la conservation de l'énergie doit être la pierre angulaire de notre politique, étant donnée qu'elle constitue la manière la plus rapide et la plus économique de contribuer au rétablissement de l'équilibre entre l'offre et la
demande. Des progrès ont déjà été réalisés. La consommation totale d'énergie des Neuf a diminué de quelque 8% entre 1974 et 1977. Mais les possibilités de réaliser des économies supplémentaires sont immenses : de récentes études ont montré qu'au cours des deux prochaines décennies, il devrait être possible d'économiser de 20 à 35% dans le secteur des transports, de 15 à 35% dans l'industrie et l'agriculture et jusqu'à 50% dans le secteur du Logement et des services sur la base des technologies actuellement disponibles. La Commission estime qu'en recourant plus largement aux techniques les plus avancées en matière d'équipement visant à économiser l'énergie et de conception des produits, les économies réalisées d'ici 1990 pourraient être supérieures de quelque 100 millions de tep aux prévisions des États membres ; autrement dit, nos besoins en matière d'importations pourraient être réduits de plus de 20%.

En second lieu, nous pensons que dans la Communauté, nous devrions relever rapidement le niveau de nos investissements visant nouvelles et façons à trouver de d'économiser l'énergie,

a exploiter les ressources locales a développer des sources d'énergie nouvelles. On ne peut pas s'en remettre exclusivement aux mécanismes du marché. Il vade soi que l'industrie doit faire les investissements qu'elle juge profitables et contribuer à l'effort commun ; mais une grande responsabilité incombe inévitablement à chaque État membre et à la Communauté dans son ensemble lorsqu'il s'agit de promouvoir les investissements dans des secteurs ou à haut risque la technologie poussée, notamment dans les cas où les coûts initiaux sont élevés et les délais de récupération longs.

C'est évident pour trois secteurs sur lesquels j'attirerai brièvement l'attention.
En premier Lieu, nous devons renverser la tendance et la production de charbon. Il est nécessaire de procéder à

La baisse qui s'observe depuis le début des années 70 dans la consommation a des investissements dans l'aménagement de nouvelles capacités de production, dans la construction, la modernisation et la transformation de centrales fonctionnant au charbon et dans des projets de démonstration concernant la Liquefaction et la gazéification du charbon. En second Lieu, la Commission pense que les retards qui sont survenus dans le développement de l'énergie nucléaire dans plusieurs États membres de la Communauté doivent être rattrapés le plus vite possible. En troisième Lieu, nous devons consacrer beaucoup plus de temps et d'attention au développement d'autres sources d'énergie, qui passent parfois pour nouvelles et rares, mais qui sont bien souvent anciennes et éprouvées. Ce que nous retirerons de ces sources d'énergie sera directement proportionnel à ce que nous y aurons investi. Nous ne devons pas commettre l'erreur de croire que, parce qu'une source d'énergie est en apparence bon marché, simple et exploitable sur une petite échelle, elle ne peut pas être aussi bonne qu'une source coûteuse, complexe et exploitable sur une grande échelle.

En quatrième Lieu, nous devons accomplir des efforts accrus pour notre programme de recherche et développement. À l'heure actuelle, 2,3 % seulement du budget communautaire sont consacrés à l'énergie, et 4 % seulement des investissements énergétiques proviennent de sources communautaires. Nous pouvons faire beaucoup pour concentrer les efforts nationaux, stimuler la planification, éviter la duplication des travaux et orienter les progrès dans la bonne direction.

Dans tous ces domaines, nous devons tenir compte de la nécessité de protéger l'environnement, de limiter et d'évaluer les conséquences de la pollution du sol, de l'eau et de l'air, et d'assurer des conditions de sécurité optimales.
préoccupations au sujet des conséquences du développement de sources d'énergie existantes et nouvelles ont été concentrées, de
quelque peu injuste, sur le nucléaire. La poursuite de
L'exploitation des mines de charbon présente des risques, notamment par ses effets sur l'atmosphère; la poursuite de notre consommation élevée d'hydrocarbures présente des risques; le développement de l'énergie nucléaire présente des risques, le plus évident étant lié des déchets radioactifs; mais, on a un peu tendance à l'oublier, à l'utilisation de l'énergie éolienne, de l'énergie maremotrice et de l'énergie solaire sous toutes ses formes présente aussi des risques. En élaborant notre programme, nous devons envisager les risques dans leur ensemble et les traiter avec franchise et honnêteté.

Je pense qu'au cours des derniers mois, nous avons accompli des progrès vers une meilleure appréciation de ces problèmes. Mais la première mise en garde remonte déjà à six ans, et je crains que nous n'ayons manqué davantage d'occasions que nous n'en avons créée. La décalage de grace.

Nos efforts en vue de surmonter ces problèmes nécessiteront du temps, de l'argent et de la détermination. C'est l'argent qui fait le plus défaut. C'est pourquoi la Commission recherche des solutions, parmi lesquelles une nouvelle forme de taxe ou de prélèvement sur l'énergie. Une taxe ou un prélèvement de ce type devrait, bien entendu, être compatible avec nos obligations internationales et tenir compte de considérations macroéconomiques aussi bien qu'énergétiques. Nous tiendrons le Parlement au courant de l'évolution de nos travaux et nous espérons avoir avec vous une discussion approfondie à ce sujet quand nos idées seront plus précises.

Lars demon sejour à Washington, en janvier dernier, j'ai constaté que l'on y étudiait des projets similaires. Les effets d'une initiative
communautaire n’en seraient que plus grands si elle était prise en cooperation avec nos principaux partenaires industrialises.

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Nouvelle technologie avancee

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Les problemes energetiques ont peut-etre servi de catalyseur dans l'acceleration du rythme de La mutatior: f-economique.

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Mai.s j’a; La conviction

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que Le veritable test du succes ou de L'echec au cours de La prochaine decennie sera L'attitude que nous adopterons face au defi des nouvelles technologies electroniques. Les developpements rapides qui se produisent actuellement annoncent une nouvelle revolution industrielle. Les premiers effets de ces developpements se refletent deja avec une extreme vigueur dans Les pertes d'emplois des industries traditionnelles. Les resultats sont soudains, profonds et desastreux. Dans L'industrie horlogere traditionnelle de La republique federale d'Allemagne, par exemple, on a observe une perte d'emplois de quelque 40% au milieu des annees 70. Dans L'imprimerie et L'édition, ou La photocomposition a porte un coup brutal aux techniques traditionnelles, nous sommes aujourd'hui confrontes a La perspective d'une perte d'emplois de L'ordre de 70 %.

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Mais ces consequences dramatiques tendent a masquer Les avantages que nous pouvons retirer de ces memes technologies. Ces avantages decoulent de La demande pour Les nouveaux produits disponibles, qu'il s'agisse de produits entierement nouveaux ou des retombees d'une demande accrue pour Les produits des technologies existantes. Ils decoulent egalement de L'utilisation plus efficace des ressources, qui se traduit par une diminution des couts et La possibilite d'investir dans d'autres secteurs Les credits ainsi degages. L'introduction de nouvelles techniques informatiques en comptabiLite, par exemple, a coincide avec un accroissement substantiel de L'emploi, de L'ordre de 300.000 emplois nouveaux au cours des sept dernieres annees rien qu'en France. IL s'agit La d'avantages bien ree. Mais ils passent souvent inaper-us

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parce qu'ils ne sont pas toujours sensibles dans Les

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regions ou Les industries qui sont affectees par Le chomage. Nous devons non seulement tirer parti de ces nouveaux developpements,mais aussi controler Leurs effets sociaux et fournir a Leur sujet davantage d'informations que cela n'a ete Le cas jusqu'a present. Ce qui est certain, c'est que nos principaux concurrents ne marqueront pas Le pas. Ils ont deja elabore des strategies plus coherentes et plus ambitieuses que Les notres, et Le fosse technologique entre Les Etats-Unis et le Japon, d'une part, et L'Europe occidentale, d'autre part, ne fait que s'elargir.

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En novembre dernier, le Conseil europeen a pris connaissance de nos idees

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concernant le développement d'une stratégie communautaire dans ce domaine. Vous avez déjà pu examiner le document qui présente ces idées. Nous avons proposé que la Communauté développe une politique sociale en vue de préparer la voie à l'innovation, de créer un marché européen homogène pour l'équipement et les services de telematique, d'encourager le développement d'une industrie européenne de l'information, de promouvoir la collaboration entre les fabricants et les utilisateurs, d'améliorer les programmes nationaux et européens exis-tdans

le domaine des communications par satellites et, surtout, d'appli-
quer les technologies nouvelles à la Communauté elle-même sur l'échelle continentale qui s'offre à nous. Lars du Conseil européen de novembre, nous avons été invités à développer les grandes lignes de la stratégie que nous avions proposée en vue d'une action en 1980. La Commission agira rapidement. Je considère que c'est essentiel pour la santé de nos économies, l'adaptation de notre société et la vigueur économique que de la Communauté au cours de la prochaine décennie. Transports Je tiens encore à
voquer

un autre

point

qui revêt une grande importance

pour la Communauté : la nécessité d'améliorer l'organisation des transports dans

la Communauté, tant pour leur valeur intrinsèque que pour répondre aux besoins communautaires et nationaux. Rares sont les secteurs qui ont plus d'importance pour la cohésion de la Communauté et la convergence des économies de ses États membres. Un projet de règlement financier pour les infrastructures de transport vous a déjà été présenté et nos idées et

avez pu prendre connaissance de notre Livre Vert

sur ce sujet. Sans entrer ici dans les détails, je tenais simplement à défendre

à

obtenir le soutien de cette Assemblée.

Politiques extérieures J'en arrive

à

l'interdépendance croissante au sein du monde indus-

triel dans lequel ces changements se produisent. Nos économies et nos sociétés occidentales reposent sur les deux principes de la concurrence et de la coopération. Sans concurrence, nous courons le risque de voir s'élargir le fosse entre nos réalisations et celles de nos principaux partenaires et rivaux. Sans coopération, nous risquons de nous nuire mutuellement et de perdre de vue les intérêts que nous défendons en commun. C'est sur la base de politiques réalistes, mais humaines, à l'intérieur de la Communauté que notre compétitivité peut et être sauvegardée; et c'est sur la
La base des attitudes que nous adopterons à l'égard de la coopération internationale que la défense des intérêts essentiels du monde occidental pourra progresser. C'était l'intérêt de la Communauté de jouer un rôle actif dans la série de sommets économiques dont le dernier s'est tenu et le prochain se tiendra à Tokyo en 1979 à Venise au mois de juin. La coopération de plus en plus étroite entre les pays qui participent développements encourageants de notre époque. Mais les pays industrialisés ne représentent qu'une faible proportion de l'humanité; et la Communauté, plus que tout autre regroupement industriel, est liée aux pays en développement par l'histoire, la culture et le commerce. Le redressement de nos économies ne peut pas être dissocié du développement des pays plus pauvres et de l'augmentation de la demande mondiale. Il existe dans le monde moderne une interdépendance fondamentale que la crise de l'énergie a mise en lumière et renforcée. Nous entamerons prochainement une nouvelle série de discussions dans le cadre du dialogue Nord-Sud. Dans ces discussions, la Communauté doit être en mesure de s'exprimer d'une seule voix, non seulement comme on le suggère parfois au niveau technique, mais également au sommet. Notre intérêt politique et économique dans l'établissement d'un consensus et le renforcement de la coopération est évident. Trois grands thèmes dominent ces négociations et sont.

La base de la stabilité accrue que nous recherchons tous dans les relations économiques internationales. En premier lieu, la nécessité d'établir un meilleur équilibre entre l'offre et la demande d'énergie; en second lieu, le développement régulier des économies des pays plus pauvres, lequel s'opère aussi bien dans notre intérêt que dans le leur; et, en troisième lieu, l'aide spéciale aux pays les plus nécessiteux. Dans la Communauté comme dans les autres pays industrialisés, des progrès dans ce domaine constituent l'une des grandes priorités pour 1980.
Emploi

Notre intérêt pour ce qui se passe dans le reste du monde ne doit pas nous faire perdre de vue ce qui se passe ici dans la Communauté. Je fais allusion au danger que les taux actuels de chômage représentent non seulement pour le fonctionnement de nos économies, mais aussi pour l'équilibre de notre société. Je pense que nous devons adopter des attitudes nouvelles dans tous les domaines.

J'insisterai sur trois points. En premier lieu, les citoyens doivent être informés des changements qui se produisent. Ils doivent être en mesure de voir au-delà de leur horizon immédiat pour embrasser la totalité des changements qui les concernent. Dans le cas contraire, nous ne pourrons attendre des travailleurs qu'une attitude défensive et restrictive face aux changements, car ils ne verront rien d'autre que le déclin de leur secteur d'activité ou la fermeture de leur entreprise. En second lieu, si nous voulons procéder aux changements nécessaires, mais délicats, que la technologie en évolution rend indispensables dans notre société, nos politiques doivent encourager la mobilité et inciter les travailleurs à changer d'emploi. Dans ce processus, le chômage temporaire peut parfois faire partie du tribut à payer au progrès, mais il convient de donner aux travailleurs les moyens de s'adapter à des emplois nouveaux et d'acquérir des qualifications nouvelles. En troisième lieu, nous devons ramener à un minimum la durée moyenne du chômage. À cette fin, il est indispensable que nous accomplissions des efforts accrus en matière de formation et de réadaptation; que nous agissions en vue d'assurer un meilleur équilibre entre les qualifications disponibles et les possibilités d'emploi dans différents secteurs et différentes régions; et que nous poursuivions nos discussions sur les différents aspects du partage du temps.

formation et la création d’emplois. Cette somme devrait être dépassée cette année. Mais nous devons encore trouver quelque 800 000 emplois nouveaux chaque année jusqu’en 1985, époque à laquelle la structure démographique devrait changer. Les institutions et les fonds communautaires ne peuvent pas résoudre seuls des problèmes de cet ordre de grandeur. Mais ils peuvent jouer un rôle de catalyseur pour les politiques suivies par les États membres.

Nous devons trouver un juste équilibre. La Communauté fournit le cadre dans lequel les économies nationales jouent le rôle principal, mais dans lequel les fonds communautaires ont néanmoins un rôle significatif. L’an dernier, le cadre communautaire a été grandement renforcé par l’introduction du système monétaire européen. Si j’avais pu prévoir, il y a un an, que ce frele esquif serait lancé sur une mer aussi tumultueuse - le yen ayant perdu 40 % de sa valeur par rapport au dollar, le dollar 10 % par rapport à l’ECU, et le cours de l’or ayant suivi une courbe totalement imprévisible - je n’aurais pas donné cher des chances de survie du SME. Or, non seulement le système a survécu, mais il a même bien fonctionné; il n’a connu que deux petits ajustements par rapport aux taux centraux et il a assuré à l’Europe un degré de stabilité monétaire appréciable en cette époque difficile de perturbations internationales. Je déplore que le Royaume-Uni ne participe toujours pas pleinement au système. J’espère que l’expérience que nous avons acquise dans le SME encouragera le neuvième État membre à y adhérer et à apporter sa contribution au bon fonctionnement et à la prospérité du système. vraiment incomplète. Sans la livre sterling, le système est...
instrument dans les échanges internationaux. Cette extension doit plutôt s'inscrire dans un effort commun visant à truire, avec nos principaux partenaires commerciaux, un cadre réconstruit duquel il sera possible de contenir efficacement les désordres monétaires que nous avons connus au cours des dernières années. Dans ce processus, le SME a un rôle majeur.

Budget et convergence

J'évoquerai brièvement les problèmes internes en rapport avec le budget. Ces problèmes dominent le débat communautaire depuis six mois. Je ne le déplore pas. Ce sont des questions importantes qui doivent être abordées de façon appropriée. Mais il convient de les placer dans une perspective juste. Elles font partie intégrante du processus par lequel nous mettons de l'ordre dans nos affaires. Quand ces problèmes seront réglés, nous pourrons passer aux questions beaucoup plus importantes qui traitent au développement ultérieur de la Communauté. Nous ne pouvons pas nous permettre de consacrer trop de temps à des querelles de famille.

Comme le Parlement n'est pas sans le savoir, la Commission prendra demain une décision sur ses propositions relatives à un nouveau document budgétaire pour 1980, et M. Tugendhat présentera lesdites propositions au Parlement jeudi. J'espère que sur la base de ces propositions, il sera possible de progresser rapidement vers un accord entre les institutions communautaires sur le budget de 1980. Personne n'a interêt à prolonger ces...
difficultés. La Commission se tient pourraient souhaiter.

La disposition des deux parties de l'autorité budgétaire pour leur apporter toute l'assistance qu'elles

Un élément essentiel de nos propositions budgétaires sera le problème connexe des prix agricoles, que le vice-président Gundelach vous a présentés hier. Il est evident que nos propositions doivent être considérées selon leurs merites, mais il faut aussi les envisager en fonction des excédents agricoles qui n'ont cesse d'augmenter au cours des dernières années et de la structure du budget de 1980. Il est impossible de réaliser des changements fondamentaux du jour au lendemain. Mais

propositions que nous avons formulées pourraient, si elles étaient adoptées par le Conseil, marquer une étape significative vers la stabilisation des dépenses et, par conséquent, vers l'instauration d'un meilleur équilibre entre la politique agricole et les autres politiques communautaires. Pour la première fois dans l'histoire de la Communauté, les dépenses agricoles seraient en diminution par rapport à l'exercice précédent, non seulement en valeur nominale, mais aussi en valeur réelle. Si nous ne parvenions pas prendre une décision maintenant, cela risquerait, selon moi, d'avoir des conséquences pour la survie de la politique agricole commune sous sa forme actuelle.

J'en arrive maintenant à l'ensemble des problèmes que l'on designe globalement sous les termes de convergence et questions budgétaires. Le Parlement se rappelle les termes du mandat spécifique que le Conseil européen de Dublin a donné.

La Commission. Cela a abouti au document que nous avons transmis au Conseil le 1er février et au Parlement le 5 février. Il n'est pas question d'entrer ici dans les détails de ce document, mais je tiens faire deux observations.
Nous couvrons deux grands domaines : les questions structurelles qui affectent les Etats membres moins prospeurs de La Communauté et les questions budgétaires qui affectent le Royaume-Uni. Nous pensons que les propositions que nous avons formulées peuvent apporter une solution deux séries de problèmes. De cette façon,
a
ces
nous espérons avoir ramené ces
a
leur juste dimension et fait en sorte que leur solution ne de limiter les discussions métaphysiques sans grande utilité.
soit plus qu'une affaire de négociations pratiques et spécifiques.

Nous pensons que ce que nous avons proposé sera profitable non seulement pour les pays directement concernés, mais aussi pour La Communauté dans son ensemble.

Remédier

un déséquilibre est une chose; il faut Le

faire et nous Le faisons; mais renforcer l'orientation de nos politiques structurelles et, ce faisant, promouvoir la véritable convergence, c'est une autre chose que je considère comme beaucoup plus importante. Tel est, du moins, notre objectif. Il nous reste maintenant terez

élaborer Les pro-
grammes détaillés qui permettront de l'atteindre. Comme vous le consta-
a
La lecture de notre document, nous avons fait en sorte de ne pas
perturber celles des politiques communautaires qui fonctionnent bien. Au contraire, nous nous sommes attachés aux mesures temporaires, spéciales et ad hoc qu'il est, selon prob leme-
nou-nécessaire
de prendre pour résoudre le

IL va maintenant y avoir une nouvelle période de discussions au Parlement et au Conseil des ministres. Cette période sera brieve. Il est temps pour nous aujourd'hui de régler ces problèmes une fois pour toutes.

Institutions

Mes dernières remarques ont trait à nos institutions. Ces institutions ont été examinées dans le rapport des Trois Sages sur la Communauté des... I...  

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Il y a une remarquable identité de vues entre les deux rapports au sujet du rôle et des responsabilités de la Commission. S’ils ont tous deux attiré l’attention sur des facteurs externes et des faiblesses internes qui se sont développés depuis plus de dix ans et ont entraîné une certaine diminution de son efficacité, ils n’ont ni l’un ni l’autre contesté que la Commission devait continuer d’exercer ses pouvoirs d’initiative politique en toute indépendance. En fait, c’est notre responsabilité première.

La Commission n’est ni le serviteur du Conseil ni le secrétariat du Parlement. Le cadre institutionnel des traites dépend d’une relation créatrice entre partenaires, peut-être même devrais-je dire d’une tension créatrice entre des organes indépendants ayant chacun des responsabilités bien définies. Dans le cadre de ces responsabilités, la Commission doit être membre de poursuivre ses travaux et de remplir son double rôle dans la conception et dans l’exécution des politiques.

Comme toutes les organisations, la Commission doit adapter et modifier sa façon de réagir à des situations changeantes. C’est pourquoi nous...
avons pris, en 1978, l'initiative d'instituer un groupe de personnalités indépendantes chargées d'examiner comment l'organisation et les effectifs de la Commission pourraient être adaptés en vue de répondre aux besoins futurs. Le rapport de ce groupe sera suivi d'effets. Nous estimons que nous avons la responsabilité de transmettre des propositions visant à nos successeurs une structure administrative saine. Nous envisagerons prochainement une série de rationalisation de nos services administratifs, afin d'ameliorer la structure administrative saine. Nous envisagerons prochainement une série de rationalisation de nos services administratifs, avec l'objectif de rationaliser nos services administratifs, améliorer la structure administrative saine et renforcer notre coordination et notre planification internes et mieux contrôler l'utilisation de notre personnel. La mise en œuvre de ces reformes nécessitera la compréhension et le soutien de l'autorité budgétaire. Nous serions heureux que nos propositions fassent rapidement l'objet de discussions au sein des commissions compétentes du Parlement.

Enfin, la Commission espère que les questions institutionnelles plus larges soulevées dans les rapports seront examinées dans des délais rapides et que des mesures seront prises. Notre expérience ne nous amène pas à penser qu'elle devrait nécessairement être plus petite que la Commission actuelle; mais nous ne pensons pas non plus qu'elle devrait être plus grande, contrairement d'une Communauté.
ce que la logique a douze pourrait suggérer. Je ne peux certes pas prendre d'engagements pour la nouvelle Commission, mais je pense qu'en tout état de cause, elle devrait se présenter devant le Parlement lors de sa prise de fonctions.

Je ne propose rien d'aussi formel ou d'aussi précis qu'un vote de confiance, mais je sais que, pour remplir convenablement ses fonctions, la prochaine Commission devra avoir la certitude qu'elle a été acceptée par ceux qui représentent les citoyens de la Communauté.

Conclusion

J'en arrive à la conclusion. À la suite des événements d'Afghanistan, la tension dans le monde est peut-être plus proche du point de rupture qu'elle ne l'a jamais été au cours des deux dernières décennies. La gravité de la situation a été reconnue par l'opinion quasi unanime exprimée par le Parlement dans sa résolution du mois dernier; dans les discussions sérieuses et importantes au sein de la commission politique, auxquelles j'ai assisté...
La Cour de justice opérant dans un cadre commun- constituent notre fondement. Quand nous nous en écartons, c'est

nos propres risques.

On ne saurait marchander avec La Loi. Si nous bafouons nos propres règles pour quelque raison que ce soit, nous pouvons difficilement prétendre exercer une autorité ou une influence ailleurs. Aucune considération d'avantage temporaire au d'intérêt national ne saurait transcender notre intérêt commun pour un monde ardenne dans lequel les règles sont respectées jusqu'à ce que l'accord se soit fait pour les modifier. La Cour de justice interprète la Loi sur la base des traités dont la Commission est la gardienne. Il n'y a aucune tâche

laquelle la Commission attache une importance plus grande.

C'est le roc sur lequel repose la Communauté.
Or very clearly our first priority is to expend expenditure and curb costs. But I do the latter, which is the rationale for the agreements which should seal it off and stop it from rising. Of G6mronity GNP. But I do believe that we should seal it off and stop it from rising.
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Speech by Mr. Roy Jenkins

1-1EETING OF THE PRESIDENT OF THE COMMISSION WEDNESDAY, 12 NOVEMBER 1980
SPIERENBURG AND REFORM OF THE COMMISSION

It is not often that virtually the whole of the Commission's senior management has been gathered together in one place at one time. While this is a not wholly unprecedented occasion, a meeting of this kind has been rare enough in recent years. I am grateful to you all for attending. The issues which I intend to deal with this afternoon are basic to the future health, efficiency and success of this institution. wider than that. But they go on the health of the Commission depends in large measure the health of the Community as a whole. "Without the European Men's report: "Without the European Commission, the Community could never have been constructed. Without the Commission, the Community could not function even with the limited efficiency that it does today". concern of this Commission over the last t-u It has been a central years to ensure that this institution is in the best possible condition to carry out its essential functions under the Treaties in full political independence. My purpose in calling this meeting is threefold. First, I wish to recall and underline the objectives of this Commission in establishing an independent review body to examine our present organisation, structure and management policies. Second, I wish to review with you what this Commission has done, is doing and intends to do to carry forward a necessary programme of reform based upon the analysis presented to us by the Spierenburg Group. In that context, I will have someth-ng to say about the essential elements of the package of measures now before the Council on which much of what we have sought to do depends. Finally, I wish to seek your help as the permanent management of this
Commissioners may come
management of this institution to ensure the detailed implementatic of what we as a Commission have decided.

and go, but it is you who finally determine the character, the style and the effectiveness of the Commission. Why Spierenburg? I start with the decision to establish an independent review body. It was an unprecedented decision. There had never been a full-scale and independent assessment of the Commission. Why when the plant has been flourishing for over twenty years should we decide to pick it up by the roots? I believe that there are a number of reasons which go to the heart of the capacity of this institution to perform the duties laid upon it by the Treaties in the future as it has done in the past. First, in twenty years the Commission has grown and developed from a small group of pioneers in the High Authority to an organisation of 8,300 officials, excluding staff paid from research funds.

We are not the sprawling bureaucracy so frequently imagined by the popular press.

compared with the tasks and obligations which we have to carry out. But neither are we the small and tightly-knit institution which started off as the High Authority some two decades ago. Our number has increased; our tasks have multiplied; and to some extent the character of our work has changed. Today, we have to combine the development of new policies and initiatives with the efficient and practical administration of resources. We have both a sizeable management task and a continuing duty to innovate in the interests of Europe as a whole. After more than twenty years, does the Commission’s structure and organisation, developed piecemeal over that period, properly reflect its present needs and tasks? We needed an answer to that question and we asked Spierenburg to report. Second, looking ahead, it is apparent to all that the Community will be faced with new challenges and new
The Commission as an institution cannot afford to remain static and immobile in a changing and developing Community. I have sought during the lifetime of this Commission to identify some of these new challenges. Our work on the development of an overall Community strategy for energy; on new ideas for a Community initiative in the field of advanced technology; on the establishment and further development of the EMS - all this will lead to shifts in the emphasis of our activities. I need to be certain that the Commission's resources are capable of flexible adjustment.

Third, there was the obvious and immediate challenge of enlargement. That raises basic questions of organisation and was the Commission in the best posture to cope with enlargement, its extra demands and its new problems? Here we had to consider not just the accession of Greece, now less than two months away, but also the eventual accession of Spain and Portugal. Fourth, and of major importance, the Commission was conscious then, as now, of its basic duty to consider ways of improving the career structure and conditions of work of its existing staff. The lack of an adequate career structure; a tendency for officials to remain too long in the same often very specialised jobs; weaknesses in opportunities for career development have all tended to sap the morale of our staff. We cannot expect that all our officials should remain satisfied for ever on a diet of European ideals and the principles of a worthy cause: those who work for the Commission also deserve the prospect of a reasonable career and work which is genuinely rewarding. If the concept of a permanent Community civil service is to have any reality, it demands that we can not only recruit the best but hold the best with a guarantee of a satisfying career. Such a service of the highest quality? Finally, we must avoid a natural temptation to try to insulate the Commission from what is happening in the Community as a whole. An era of easy growth is over.

How can we ensure that we are making the best possible use of our resources; to be ruthless in the eradication of waste; and to demonstrate that we are
cost-effective in all we do. Are we
achieving maximum efficiency in working methods and the redeployment of staff? These were all questions which we felt it was essential to examine and for which we sought an independent view. They
are basic questions. They are questions which all organisations Left to themselves, They become fat and
need to ask themselves from time to time. institutions tend to let themselves spread. • paunchy.
But in a rapidly changing world, the Community cannot We must adapt and adjust
stand still, nor can the Commission.
if the Commission of the future is to hold the vital and unique role which is ours among the institutions of the Community. /VJhat has been achieved?

What has been achieved? Given these clear objectives what have \ve been able to achieve? The most important consideration was that This is
what \ve should
have a concise and clear analysis.
Ambassador
Spierenburg and his colleagues gave us.
They started their work towards the end of January last year and their report was published on 24 September 1979. As you know, the Commiission
welcomed the report and, at its meeting at Villers-le-Temple in October that year, committed itself to a programme of reform based upon its proposals. We asked a Group of Commissioners
chaired by Vice-President Ortoli to undertake the task of examining the Spierenburg proposals and of turning them into practical action. There are four main sets of considerations which I wish to single out and emphasise this afternoon. They concern
management; coordination; the use of staff; and staff policy. The key to the efficient working of the Commission lies in a greatly increased emphasis on management qualities. was Spierenburg's view and it is the Commission's view. react depends crucially on you. That

You are not only the chief
policy advisers of the Commission, you are also its principal line-managers. First. That second function is just as important as the bes~

If we are to get the

out of the considerable talent

and resources available to the Commission, we need to take conscious steps to manage our staff better. That means improving

arrangements for the transmission of information \llithin the hierarchy; it means making certain that each official clearly understands what is expected of him ~nd

has a precise definition

of his duties; it means devoting time and effort to questions of career development, mobility, training, promotion and staff reporting; it means a more realistic attitude towards the /deployment of staff

... -6deployment of staff and the planning of the work-load of your departments. will follow. If we can get these things right, then much else The Commission has taken on~y

this area but exhortation will

become action if you as A response from you will

managers accept your responsibilities. find a response from your staff.

I have no doubts about that.

Second, Spierenburg emphasised the lack of central coordination and planning structures which have resulted in certain failings of structural coordination among Directorates-General. itself. Coordination does not take place by

First, we need appropriate arrangements and then we need Externally, we have set up
to make certain they are used.

arrangements for a better coordination with the Council in the context of the work programme of the Presidency. Internally,

we have decided upon a procedure designed to allow the Commission to decide annually on a list of priorities. will then form the basis for departments to fix their timetables and priority objectives and will feed through into our internal procedure for drawing up the preliminary draft budget. It will also enable the Commission to monitor more This

effectively on a continuing basis whether the work which it is carrying out is being appropriately relat.ed to the priori ties which it has set itself. This work is already in hand and is
being prosecuted by a small working party under Emile Noel's chairmanship. I hope that you will all take a personal interest in it and indeed use Emile Noel's group as a means of making your colleagues and the Commission more aware of your particular preoccupations and priorities. What we are aiming at is an active dialogue among Directors-General and between Directors-General and the Commission and the Commission of a kind which we have not really had hitherto. At the same time, one of the conditions for improving internal coordination and to ensure the best use of staff is, in our view, to concentrate our resources into larger and more logical units. Thus, we have now carried through a major exercise to reduce the number of basic administrative units. 50 divisions and specialised services have been abolished, some 15% of the total. The reorganisation should be lasting: there should be no need to create new administrative units merely to take account of enlargement. Such a reorganisation has inevitably been behind us. He now need to get painful and difficult.
on with ensuring the success and effectiveness of our new structure. Here again I believe that you have an important responsibility as managers within the Commission. Third, there is the theme running through Spierenburg that we lack the means, or perhaps the will, to exercise fully our responsibility to allocate staff among different sectors according to our priorities. As Spierenburg pointed out, "the staff of the Commission does not appear to be excessive in number but it is badly distributed among different sectors". It is quite clear that we cannot expect to secure more staff from the budget authority unless we can demonstrate beyond any doubt that all our existing staff are fully employed. The Commission has therefore set to so that our house can be seen to be in order. Departments have been instructed to cover new activities by reassigning existing staff.

-7 bis-
by reassigning existing staff.
If that is not possible, the Management and Organisation Division of DG IX will make a special study to see if staff already in the Department are sufficient and properly deployed in view of the priorities set out in the Commission's outline programme and of the priority objectives of the Department itself. Before giving an opinion in favour of the request for additional staff, the Management and Organisation Division
will make sure that the activity is in fact a priority activity and that the requirement cannot be covered either by transferring staff from other Departments or by some other means, for example, the use of study contracts or consultants. force. These rules are now in

Now and for the future we need to be every bit as careful and as rigorous about our use of staff as we are about the disbursement of money. This implies a much more careful examination of priorities and a new effort of management to make the best possible use of available staff. Now let me turn to questions of staff policy. In many I wish ways, this is the most important aspect of Spierenburg. It is to be clear

The Commission's objective is to encourage the efficient functioning of its services by maintaining a body of officials of high quality; by ensuring that officials' careers progress normally; and by enabling the Commission to benefit from outside experience. These are the principles which we have sought to put into practice. The Commission is not presiding, and does not intend to

preside, over the destruction or the weakening of the concept of a European civil service. On the contrary its proposals are designed to give a greater meaning and reality to that concept. Against this background, the Commission has made a series of decisions on recruitment, on mobility, on careers development, on promotions, and on recourse to outside experience. I shall deal briefly with each of these aspects. On recruitment, we have decided that the basic recruitment grade should be A8. In order to make sure that the best recruits are not lost to the Commission because of delays in recruiting, we have proposed to the Budgetary Authority that a limited number of "training posts" should be created to permit immediate recruitment of a proportion of candidates who have passed the open competition. We have at the same time decided to allow university graduates to take part in open competitions for grade B staff and to make special arrangements for promotion from B to A. decisions will take effect in 1981. On mobility, the Commission approved at the end of October detailed arrangements to put into effect the principle stated in the Spierenburg report, that mobility must be a right and a duty - a right for any member of staff in the interests of his career development; a duty for the Commission in the interests of the efficiency of the service. I am convinced All these
that the future effectiveness of our services will in large measure depend on how we ensure that staff achieve a greater width of experience, knowledge and interest within the house. I thus attach considerable importance to the decision that promotion to A5 and A3 will only be possible after one or two significant changes of assignment respectively. More fundamental still is the Commission's concern to improve career prospects. We will not have an effective European civil service unless the officials who constitute its members have a reasonable guarantee of an effective career. For demographic reasons and because staff were recruited in successive waves, present career prospects are far too bad and much worse than those in other Community institutions. Example, the average age of promotion ~o For A4 last year was 46. I doubt that such a situation applies or would be acceptable in any national civil service within the Member States. He need, on the one hand to solve the career problems which will present themselves up to 1986 when the rate at which officials retire will begin to pick up. On the other hand, we have to ensure that in 1986 the Commission will not be obliged to approve a large number of promotions to catch up the backlog, thus once more creating similar problems for the future. To meet this objective we have proposed a new career profile for A grade staff and made proposals to the Council for the temporary upgrading of certain posts and for special arrangements for early retirement. On promotions, additional measures have been necessary to guarantee the clarity and openness of our procedures. He regard it as fundamental that every official can feel that his claims to promotion are fully and fairly judged. Therefore, extended the competence of the g~ade We have, A Promotion /Committee to cover -10- Committee to cover promotion from A6 to A5; established a ne-v Consultative Committee to advise the Commission directly on the claims of candidates for A2 and A3 posts; and proposed to the Council changes in the staff regulations which ~x>uld lir:1it
to established officials admission to internal competitions. Beyond these measures, the Commission has also thought it right to propose to the budgetary authority provision for recruitment of outside experience. that we need such arrangements. I am in no doubt at all

We must be able to recruit directly such expertise that we may require on specific questions they arise.

Hm. v else could we be certain that we had all the necessary special expertise to carry through, for example, the arrangements decided a few days ago for the steel industry under Article 58? Equally, in my view, we must be able to recruit directly staff who have acquired professional experience outside the Commission in order to encourage the exchange of experience. To allow ourselves to become a closed and inward-looking organisation would fatally damage this institution. remote from Je cannot afford to become introspective or is happening

To shut our doors to any effective outside influence sooner rather than later, the Commission ensure that, cease to be equipped to reach judgments relevant to the needs of the Community. On the other hand, we must ensure a proper balance so that the career prospects of existing permanent staff are not adversely affected. In the light of these general considerations, the Commission has therefore proposed to limit outside recruitment at A3 level to a maximum of 20% of the posts to be filled each year and to recruit staff at A4/5 level on temporary posts for a maximum of 4 years. These temporary staff would be recruited on temporary posts in a separate column of the authorised staff list and there would be no question of any extension of contract or establishment on these posts.
lapse as each contract expired. The posts would

next 4 or 5 years within the system as the Commission has now designed it, there should be some 200 of these temporary posts. That is to say, not more than 20% of the present staff complement at the A4/5 level. What remains to be done? In the last year, the Commission has gone as far as it reasonably can to implement those parts of the Spierenburg report which fall directly within its competences.

This has involved extensive discussions; considerable administrative upheaval; a measure of uncertainty for our staff; and difficult decisions. But the Commission cannot go further, nor yet ensure the implementation of what it has already decided upon, without the assistance of the Budget Authority. In our 1981 budget proposal we asked the Council and Parliament to assist in four ways, each of them essential to the overall package of reform on which the Commission has embarked.

First, we asked that there should be examination on their merits of the already modest requests for new posts in the 1981 budget. Beyond what we have already done to reorganise the internal structure of the Commission and to strengthen our capacity to monitor the use and deployment of staff, we carried out a stringent enquiry into the Commission’s staff needs with the help of external experts as a basis for the submission of our 1981 submission of our 1981 staff budget.

Je have sought extra staff only where new and additional responsibilities, including the consequences of Greek accession, cannot be met by redeployment or internal reorganisation. Second, we asked authorisation for a pool of recruitment (10 posts) to enable the Commission to recruit exceptionally able candidates sufficiently fast to prevent them being lost – as happens at the moment – to other employers. The future quality of our service depends on our ability to recruit high quality staff. we can do so. Third, we asked for the temporary conversion of a number of posts to higher grades to enable the Commission to ensure reasonable career development for its officials. I

This is a modest step to ensure that
already described the factors which make this so important for the morale of our staff and for the continuing effectiveness of this institution. Fourth, we sought token entry provisions in the budget for Commission proposals for early retirement of A3 and A4 officials in order to accommodate Greek officials, to deal with the effects of restructuring and to adapt our staffing to the new tasks,...,-"bien confront the Community. Let me emphasise here that the early retirement proposals that we have put forward are based, as regards their application on the exact terms of the 1972/73 early retirement measures. The element of choice or compulsion Our proposals provide for is no more and no less than in 1973.

the Commission to draw up a list of officials for early retirement after having obtained the opinion of the Joint Committee. Before drawing up the list the Commission would, as in 1973,

in 1973, make known the provisions of the regulation to staff are eligible to be considered so that they might volunteer if they so wished. Under the terms of the draft regulation, officials aged 60 and over automatically on the list.

volunteered would be placed.

We are entitled to a serious response from the Budgetary Authority. the Council. So far, that has not been forthcoming at least from At its first reading of the 1981 Budget, the Council refused the necessary budgetary support for every single one of these requests. Indeed, the Council went further. It also cut the new posts requested for Greek officials in a way which can only be considered arbitrary, despite the need to see that a substantial number is recruited in the first year after accession. In recent years it has been a complaint of the Council that staff demands made by the Commission have been unrealistic, related neither to defined priorities nor to a proper assessment of how to use existing manpower more effectively. Now that we have taken the initiative to reform ourselves, the least that we expect is to be allowed the very modest means to do the job. And the means are, indeed, modest. Leaving aside the cost of new posts, what we propose some 1.5 meua in the first year.

That is a small enough price for securing, as I believe, real improvements in the operational effectiveness of the Commission. I therefore expect the Council...
to consider further and in detail what we have proposed and to reflect this in the second reading of the Budget. The Parliament in its first reading has already given a lead by the constructive attitude it has adopted towards our requests for new posts and in particular in particular as regards the conversion of posts at various levels. In this speech I have concentrated perhaps inevitably on what we as a Commission could do rather than on wider issues, also touched upon by the Spierenburg report, which are the responsibility of others. In particular, I have not looked at the range of issues raised in Part II of the Spierenburg report about the size, composition and overall structure of the Commission. In the immediate future, these issues no longer Thus, the size of the next Commission is not perhaps arise.

settled and with a total of 14 Members it will not be significantly or qualitatively different from the present Commission. What is more doubtful, however, is whether in the longer-term the Commission will gain from being significantly larger. I am sure that there will need to be more thought before it is agreed that the Commission should grow automatically as a result of further enlargement, to 17 Members. an important issue for the future. That remains It will be important that fuller consideration be given to the weighty evidence presented by Ambassador Spierenburg and his colleagues about the number of portfolios that the present and prospective workload of the Commission could reasonably bear. Conclusions I end by drawing together some conclusions for management. I invite you as the principal managers of our services to consider them and to adopt a programme of action for the future. First, management information.

First, management information.

Directorates-General should see what steps can be taken to improve their internal procedures to ensure that their officials at all levels understand clearly what is expected of them and are helped to make the best possible contribution they can to the \work of their department. This means more time and more thought spent on ensuring a proper flow of information within the structure. The lead must come from the top. Second, coordination. Directorates-General must consider how to secure better coordination within and between departments. The machinery exists but it is not properly used.
There are still too many papers submitted from the services which are inadequately prepared. It is not surprising that in such circumstances the Cabinets appear to take upon themselves excessive responsibility for policy matters. It lies, as it always has, in your hands. Third, line management of staff. Directorates-General But the solution need to make a greater and more consistent effort to assist and sustain the general staff policy of the Commission. This involves a partnership between DG IX and the Directorates-General: not, as might sometimes appear, a state of cold war. It is for Directorates-General in particular to plan a programme of genuine mobility for their staff; to make certain that there is a consistent and objective system of promotion and staff reporting in operation; to encourage appropriate training; These are not tasks which can and to assist career development.

be delegated; they are the collective responsibility of senior management. Each Directorate-General should review its action in these fields and decide upon a plan for the future in conformity with the Commission’s decisions and objectives. Fourth, policy planning and review.

Directorates-General must institute effective internal arrangements and regular review of their policy priorities.

the systematic machinery has been put in place at Commission level; it needs its counterpart at departmental level.

In the last four years we have achieved much together on many fronts. The staff of the Commission can take pride in these achievements.

They demonstrate the vitality of this institution; the quality of its work; and the way in which we can and do continue to find practical and realistic ways of promoting and advancing the Community’s objectives. It has been the work and duty of this Commission to underpin and strengthen the basic fabric of this institution so that
it can rise to the challenge of the next decade. I look to you for practical and
constructive support

in this endeavour.

**** *year_1980 *date_1980-02-07 *place_Brussels

European Community

No. 7/1980 February 7, 1980 STATEMENT ON AFGHANISTAN BY E. C. COMMISSION

ROY JENKINS Roy Jenkins, President of the EC Commission, told the
European Parliament last week that the European Community should not allow a wedge
to be driven between the United States and itself. President Jenkins outlined the
EC's position on Afghanistan in a statement to the Parliament's Political Affairs
Committee in Brussels on January 31. This was the week following his visit to the
United States during which he met with President Carter, Secretary of State Vance,
other members of the US Administration and Congressional leaders. The text of
President Jenkins' statement follows:-

'There has been agreement in all institutions of the Community and throughout the
Western world in condemning the Soviet takeover of Afghanistan. I do not therefore
think that I need to repeat the almost unanimous views which we hold about the
events of a month ago. The European Parliament passed an impressively worded
resolution on the subject which I know from my own visit to Washington prepared a
joyeuse entree for your President, Madame Veil, a few days later. You know that at
their first meeting after Christmas the Member States of the Community on 15th
January issued a strong declaration condemning the Soviet intervention in
Afghanistan. This was unambiguous and demonstrated the solidarity of the West in
general and the Community in particular towards the Soviet Union. The Community as
such has also wasted no time in reacting within its area of competence. Already in
the first week of January the Commission exercised its responsibility for managing
the market, in close consultation with the Member States, by stopping the food aid
programme for Afghanistan as the conditions

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for its distribution to the population, rather than to the occupying forces, could not be guaranteed; - taking administrative action, pending confirmation, which was
subsequently forthcoming by the Council, to ensure that there is no replacement
from Community stocks of agricultural products whose export to the Soviet Union
the United States had banned; - considering immediately favourably the urgent
demand presented by the U.N. High Commissioner for Refugees for immediate aid for
Afghan refugees in Pakistan. The Commission is proposing to the Member States that
10 MUA ($14.5 million ) should be set aside for this purpose. These decisions as
you know were confirmed by the Council of Ministers of 15 January, who laid down
the principle that the Community would not replace either directly or indirectly
United States' supplies for the Soviet market. The Council requested the
Commission to take the necessary steps to ensure the implementation of this policy
and to propose measures for other agricultural products, while respecting
traditional patterns of trade. Let me now turn in more detail to the action we
have taken in the agricultural field. I make two preliminary points: First, we must bear in mind that in certain respects our situation is different from that of the U.S. in agricultural trade with the Soviet Union. The Americans actually have a bilateral agreement on grains, and they export virtually no other agricultural products to Russia. For them, therefore, the benchmark is relatively simple: it is the figure of 8 million tons, which they are respecting. We, on the other hand, have no bilateral agreement, our exports to Russia include several different crop and livestock products, and the volume of these exports has varied greatly over recent years. It is therefore far less simple to fix a benchmark for our policy.

Second, there is a distinction to be made between the mechanisms for monitoring the destinations of our exports, and the limits which we wish to put to our export to those destinations. The first is a question of administrative practice, and the second is a matter of political and commercial judgment. On the administrative practices, I am not going to recite to you a catalogue of the different measures, such as export certificates, prefixation of restitutions, or adjudication, that we have adopted for the different products.

I am simply going to say that I am satisfied, and Finn Gundelach (Vice President of the EC Commission with responsibility for agriculture and fisheries) is satisfied, that, for all the products where it is necessary, we have the necessary instruments to monitor exports and if necessary to keep them within limits. We shall keep these administrative measures under review, and adapt them as the situation demands. For example, this week we are tightening up the milk products system in various ways. There will no longer be export restitutions for fresh butter to the USSR, but a system of export tenders for stockpile butter. This will permit us to keep a strict control, and in fact we anticipate no exports of butter to the Soviet Union in the near future. On the targets at which we are aiming, let me recapitulate what our recent agricultural exports to the Soviet Union have been. I limit this to the Soviet Union in order to simplify matters, but it is obvious that we must take account in our monitoring system of the other Eastern European countries, through which the Soviets might try to obtain additional supplies from us indirectly. I also leave out the year 1979, for which full statistics are not yet available. For wheat, we exported negligible quantities of a few hundred tonnes in some of the years 1974-78. For barley, we exported quantities varying from 440 thousand tonnes in 1976 to 200 tonnes in 1977. We exported small quantities of other cereals, such as rye and maize, in some years. We supplied significant quantities of malt, varying from 109,000 tonnes in 1974 to 31,000 tonnes in 1977. We exported 89,000 tonnes of beef in 1974, but less in subsequent years. Poultry has varied from zero in 1975 to 62,000 tonnes in 1977. There were exports of 2,000 tonnes of butter in 1974, 49,000 tonnes in 1977, 21,000 tonnes in 1978 (and 140,000 tonnes is estimated for 1979). There were small quantities of wine in 1974-77 and rather more in 1978. You will see from the statistics which I have quoted that our trade pattern with the USSR has been highly erratic. Indeed, both we and the Americans have suffered commercially from the unreliable and unpredictable nature of Soviet demand for these products. It is not therefore useful to pick out a figure for a particular year, or an average figure for a period of years, and to say that it represents the traditional level or target to which we should adhere. It will be a matter of judgment for each product. What I will say is this. Unless and until the Soviet aggression in Afghanistan is ended, our exports of agricultural produce to the USSR will not exceed what we judge to be traditional quantities. In no case will there be large export deals at special prices, of the type which happened in 1973. We shall ensure that sales are made in controlled quantities and at realistic prices.
The U.S. Reaction

As you know, I was able to visit the United States last week for talks with President Carter and members of the Administration at a time when the Americans are already considering the next steps in their reaction to Afghanistan. I am happy to be able to tell you that the United States expressed satisfaction with the action taken so far by the Community, particularly in the political and agricultural fields, but did express the hope that we consider further steps, notably in the field of common action to control the granting of official export credits to the Soviet Union. This, the Commission and the Council are currently studying. The United States regards the consequences of the Soviet invasion of Afghanistan as a serious threat to world stability. They naturally look to the European Community for political, moral and practical support. In Washington I was able to demonstrate that the Commission, the Council and the Parliament had offered a clear demonstration of Western solidarity. While sharing the same view of the seriousness of the Soviet Union action, we do nevertheless have a slightly different point of view when it comes to the practical application of some aspects of our policy. Just as the United States wishes to continue arms limitation talks with the Soviet Union, so do we wish to pursue detente on tolerable terms. What we need is: Community solidarity and cohesion, not to allow a wedge to be driven between the Community and the United States, not to let the Soviet Union believe things will not change but to make it clear that economic cooperation depends on mutual confidence, which their action has undermined.
The problems which were besetting the Community and their repercussions for our relations with third countries Three years on I think it would be useful to have another look at the role of the Community in the world, and to selection of the major issues - which -

demonstrating how that changing and developing -

The role of the Community in relations with third countries is governed partly by the Treaties, and partly by the case law of political co-operation.

There are the external responsibilities defined by the Treaties to the Community's institutions. not only the Economic. This concerns Community but also the Coal and Steel Community and EURATOM the major part. These external responsibilities extend from framework agreements for economic co-operation, to trade questions, scientific and technological co-operation, environment and transport matters, and fisheries agreements. /They

They range from the renegotiation of the Lome Convention with 59 African, Caribbean and Pacific countries to the conclusion of an agreement with one country to suspend a tariff reduction on tomato concentrate. Naturally
the policies promoted by the Treaties have more general consequences and repercussions.

As our common policies have developed, so their impact on the rest of the world has developed too.

On the other hand there is political co-operation.

Political co-operation is now some ten years old, half the age of the Community, itself a very young institution. It does not depend upon Treaty but is the result of decisions by Foreign Ministers. It does not have institutions; it has no infrastructure or permanent staff;

and its decisions,

which are taken by consensus, represent political not legal commitments. But in its brief life political co-operation has already done much to bring together the foreign policies of the nine Member States, and to ensure an effective co-ordination even in areas where Member States prefer to operate individually. There is also what might be described as the grey area of mixed competence where some part of the responsibility rests with the Community and some part rests with the Member States. Over recent years co-ordination between the work of the Community and the work of political co-operation has greatly improved. That is important. After all, both are emanations of a single thought, the desire of the Member States of the Community to work together and speak to others with a single voice or at least in chorus. /This evening I take three subjects to illustrate how all this works. First our trade policy and, in particular, second the North/South dialogue, our relations with Japan; with its many implications for the whole world economic system; and last that traditional area of European concern the Middle East. Trade is the Community's business. It stands four-square within its responsibilities under the treaties. A year ago, we were congratulating ourselves on the
Only successful conclusion of the Multilateral Trade Negotiations, the Tokyo Round, achievement. That was in many ways a remarkable

... Throughout these negotiations, which were conducted in the framework of the Generalised on Tariff and Trade (GATT), the Community voice.

spok-

,..:.f.th one Even though it is the Member States and not the Community which are parties to GATT, it was the Community, represented by the Commission, which negotiated and concluded the agreements binding the Member States. These negotiations were perhaps the most ambitious and certainly the most complex ever launched. Five and a half years of painstaking argument. They took place during a period of economic retrenchment, much less favourable to free trade than perhaps any since the war. In times of economic expansion it is relatively easy to secure reductions in obstacles to trade. For example it is less likely that imports will create fears about unemployment or the failure of local enterprises. To resist the pressures of protectionism is far more difficult in times of recession combining high unemployment with high rates of inflation. Add to this soaring energy costs, and 1979 was not the most propitious year for the conclusion of a major world-wide trading agreement. The Community, the United States and Japan were the prime movers in giving genuine momentum to the negotiations from mid-1977 onwards. It falls primarily to them to give full and fair effect to the results we eventually achieved. The significance of the Tokyo Round lies in setting new and more stringent rules for world trade, and within this new framework substantial trade liberalisation. By this I mean the lowering of customs duties and the enactment of codes aimed at reducing non-tariff barriers.
The Community remains committed to maintaining an open world trading system. Once protectionism is allowed to take a grip, the temporary and short-lived relief that may result for some hard-pressed sectors will not prevent a continuing industrial decline. Protectionism does not cure recession. Ultimately it tends to accelerate it. It is often self-defeating with the effect not of saving the life of an enterprise but of postponing its death.

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Protectionism does not cure recession. Ultimately it tends to accelerate it. It is often self-defeating with the effect not of saving the life of an enterprise but of postponing its death.

It maintains high and uncompetitive prices on the domestic. It destroys incentives the international market, and therefore fuels inflation. For innovation and modernisation. On level it provokes retaliation and loss of foreign markets. The arguments are nonetheless difficult to bring home to those who, faced with competition from third countries, are losing their jobs within the Community and have to witness the closure of factories which gave them their livelihood. At present the Japanese seem to be carrying much of the blame for the problems which have arisen. There has been a marked increase in the penetration of certain Japanese goods, in particular cars, into our market, and our deficit with Japan has grown so fast that it could reach nine or even ten billion dollars by the end of this year.

I should say clearly at the outset that in our view it would be quite wrong to make the Japanese the scapegoats. The development of the Japanese economy has been remarkable, and the priorities the Japanese have placed on advanced technology, and the conclusions...
tbcy have drawn for their economic management, cor:tcin

for us all.

I wish that European industry 'ras

equally energetic, ingenious, determined and far-sighted. Nevertheless an

imbalance has developed in the economic

relation-hiup between the Connnunity and Japan which can no

longer be

igno-ed.

It has political as well as economic

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implications, and cannot be left simply to right itself. I do not have to draw

attention to the effects on certain sectors of the European market with

corresponding effects on employnrnent. In some cases the fault can be

attribut-d

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to lower European productivity, higher manufacturing costs and insufficient

marketing efforts. always the case. But this is not

We could more easily tolerate the success

of Japanese goods in our market if we were able to claim corresponding success for

our goods in the Japanese market. /Here

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Here we are n·Jt alwayf, given a fair chance to compete. The

Japan-f,e

market is not completely closed, but there

are barriers to trace, usually of a non-tariff kind, which have the effect:of

blocking off parts of the Japanese market; where Cor.mrunlty goods could

reasonable compete.
The Commission is doing all it can to underpin the efforts of our business-men and traders in Japan, for trade missions and market studies. We have programmes we will do our best, and we look for a Japanese response. Co-operation with Japan in political as in economic matters is of increasing importance. The Japanese have come to play a bigger role in the management of the free world economic system.

That was evident in the Tokyo Round negotiations. Understanding between the major industrial powers applies as much to is vital to the health of all co-operation between us as to co-operation with regard to If the relationship between the United States, Japan and the Community can be described as a triangle, we want the line which links the Community to Japan to be strengthened all the way along. Obviously we could not accept discrimination which seemed to favour the Japanese trading relationship with the United States at the expense of the Japanese trading relationship with the Community. Only on a stable and non-discriminatory economic base can we build that closer political relationship with Japan which I believe to be greatly in the interest of both.
Here I would like to say a word to our Member States. The Japanese sometimes tell us that they do not know to whom to address themselves in Europe. Should it be the Community through its executive agent the Commission? Or should it be the Member States, some of whom still have complicated and in our view out of date bilateral arrangements with Japan? I feel strongly that the reply is that the Community should work out a more co-ordinated approach to Japan in the interests of Europe as a whole. In this way the Japanese will be less tempted to play one Member State off against the other, and the Member States will be less tempted to seek meagre national advantages in dealing with Japan. It rarely does them good. Indeed it should be firmly established that what goes for one Member State must go for all.
the North/South dialogue.

I take this as an exam. of the complexity of the relations with which the Community and the scarcity of rav7 recession

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the geo-politics of the 'l.-.ur define the terms.

The first difficulty is to

The North-South dialogue -"l.nd its product the Global Negotiation cover a no tidy geographica.i We live in a r:1Ultip0 1 ar m~.Jltitucl:? 

of a dialogue lx::: t'I-V2e": (L::ve).c::ped and dev"= loo.Lng co'.mtries, or Some of the

so-called developing countl:ies have created in recent years tre::: . ?::dously ::;successfu.L iE'-Lc---tries; v..hile 11.1 s0r::c o:l:. the and soms of their

'The truth tote"" is
So far the international negotiations for some sort of new economic world order have been frustrating. Diplomats and politicians have exhausted themselves in long-drawn parleys. Many have become irritated and disappointed. This is partly because of the wide differences of approach, and still more of expectation. It is no good the industrial countries thinking that things can continue broadly as they are, and that disbursement of aid in its various forms can play a major or even a minor part in curtailing with the enormous and growing problems of the greater part of mankind.

We live in one small vulnerable planet in which the problems of one are the problems of all. It is no good the poorer countries thinking that they can change the rules of the international economic order overnight.
to their advantage, above all at a time of industrial recession and unemployment. It is no good the oil producers thinking that they can safely invest their profits in the industrial countries while leaving to the industrial countries the responsibility for recycling revenues from oil. It is no good the Communist countries thinking that the problems of the third world are a kind of capitalist plot and confining their own efforts to sale of armaments and the struggle for power and influence. The Community has a special role to play. By history, tradition and interest it is more linked than any other industrial grouping with the rest of the world. It already has a treaty relationship with E.E. relatively poor countries through the Lome Convention.

It neither wishes to cling to the old order, nor to endorse some of the cruder blueprints for a new one. It has a specific contribution to make not only in terms not only in terms of aid and trade but in helping to devise that new worldwide economic system which is clearly necessary. But if it is to be effective, it must speak and act as one. We need an approach of the kind which proved so useful at the Conference on International Economic Cooperation at Paris in 1977. We also need better mutual understanding and coordination between all industrial countries.

I hope very much this will be one of the products of the the Economic Summit meeting at Ottawa next year. My third example is the Middle East.

The Declaration on the Middle East which was adopted by the European Council in Venice last June had more significance yet recognised.

On the one hand it served to mark the place...
of Europe in an area now as ever critical to European interests; and on the other it gave a new dimension to the coordination of European foreign policy within political cooperation. I do not want to go too far into the substance of the matter. I would say· simply that there is much common ground between the process launched at Camp David and the ideas set out in the Venice Declaration. Both look for a comprehensive settlement based on Security Council Resolutions No 242 and 238. Both call for recognition of the right to existence within secure borders of all states in the area, and of the legitimate rights of the Palestinian people. But at Venice we went a little further than was possible at Camp David.

spoke of borders being guaranteed and of the readiness of the Nine to participate in a system of guarantees. We spoke of the need for involvement of all the parties, including the Palestinian Liberation Organisation. Liberation Organisation. of Jerusalem. to action. We drew attention to the problem But the real novelty was to move from words to action. At the end of the Venice Declaration the Nine announced their intention to make contact with all the parties concerned with a view to ascertaining their views and, in the light of the results, to determine the form which a European initiative could take. This meant that the Nine undertook an operation which confronted the machinery of political cooperation with a need to conduct sustained diplomatic initiative.

The Foreign Minister of the country holding the Presidency - Gaston !ho.cn, my successor as President of the Commission - took responsibility for a mission of remarkable if not unique importance. We hope to
H. L.; now completed his round of contacts.

Reflect on the results and consider further what kind of initiative we might take. This leads me to consider the nature of political cooperation as it has evolved so far. The success we have achieved should not blind us to the real limits and constraints under which political cooperation operates.

This is territory where governments are at their most sensitive: that of political sovereignty. Does not in practice extend to political cooperation foreign policy questions although the range of subjects covered is constantly expanding. The process remains primarily one of cooperation and not of integration.

Consensus, and in the absence of a consensus Member States are free to act individually. There are practical difficulties, in particular, the absence of a permanent infrastructure.

Political cooperation has no seat. Every six months its meetings switch to the capital of the Member State taking over the Presidency. Nevertheless, over the years, governments have developed a kind of Community reflex and political cooperation has established itself increasingly well. That basis. What are the prospects for future development of political cooperation? This has been a subject of considerable debate already.

I believe we must build on a distinguished book on the subject by the Chef de Cabinet of the Belgian Minister of Foreign Affairs. Some Ministers have also expressed themselves on this subject. Of course primarily for governments, but I thought it might be worthwhile to set out some of my own views, based as they are on some experience over the last four years. As so often in matters of political
importance a

procedurcil and administrative problem masks problems of tvider political significance. principal difficulty In the first instance the political cooperation is that

the machinery risks becoming over-loaded by increasing responsibilities. remedial action. There is a range of possibilities for At one extreme we could bring political cooperation into the Community itself and give it a treaty basis. My fear is that

without

a Community Ministry of Foreign Affairs and a Community Foreign Service such a scheme would prove difficult to v.;ork. In any event I doubt whether

the Governments and Parlia.ments of Member States vvould be ready to contemplat-

such a development in present circumstances.

Another possibility would be to create

a regular Secretariat, with a permanent seat, and relative /constancy of

constancy of chairmanship.

A good many people favour this.

But I see a risk that such a Secretariat would soon tangle with the other Community institutions, and by taking powers away from national Ministries of Foreign Affairs, tangle with them too. Its creation might also dilute the inestimable advantage political cooperation now enjoys of drawing on the knowledge and wisdom of the diplomatic services of Member States. The course which I personally favour would be to improve the present machinery against the day when a major ::,;_%.,,~

forward in the construction of Europe becomes possible. This ~;ould

be a less formal and

more-

pragmatic approach.

lol();; could develop the present troika arrangements by which
people of the outgoing Presidency help those of the Presidency and those of the forthcoming Presidency to run the machine. This would help create greater continuity. Like-wise we could try and move towards a permanent seat, complete with permanent archives, for political cooperation. The present gipsy system by which it moves from one capital to another every six months is good for tourism and no doubt educational in many ways. But it has its obvious drawbacks. I also think that Community embassies in third countries should be used even more now for European as well as national purposes. Finally I believe that political cooperation should make more use of other Community institutions, in particular the Commission. At the end of the day the separation between economic and political interests is artificial, and indeed scarcely sustainable in practice across the range of major issues with which the Community is faced. Hence in the long term I think that political cooperation and the Community institutions should proceed less in parallel than on convergent lines. How this can be achieved remains to be worked out. For the moment the important thing is to develop all practical means for making political cooperation more effective and to set its longer-term objectives. As I said earlier the Community is a very young organisation. It has already achieved an immense amount, not least in the role it has created for itself in affairs. I conclude with the words of Jean Monnet to President Kennedy in 1961: "As European union progresses the European Community will make a more and more efficient contribution to the solution of the problems besetting the world." It is in this spirit that the institutions of the Community, working with the Member States, will manage and project the role of the Community in the outside.
Almost to the day three years ago I made a speech in Florence. I then argued that the time had come for a new push towards the monetary integration of the European Community. Within nine months the European Council at Bremen took the decision in principle to create the European Monetary System; and another nine months after that, in March 1979, the system came into operation. In my judgement the arguments I set out at Florence have lost none of their validity. I believe that monetary union favors a more efficient and developed rationalization of industry and commerce: would help produce a new era of price stability in Europe and achieve a decisive break with our present chronic inflationary disorders: would help in coping with the present economic recession and one of its ugliest aspects, unemployment: would promote a more equitable distribution of economic welfare within the regions of the Community supported by a properly balanced Community budget and a greater transfer of resources through the Community institutions, and would promote that political development of our institutions which is our common European faith and objective. To these ends, the European Monetary System is an important means and indispensable practical beginning. Real improvements have already been achieved.

An area where results have so far been disappointing has been our failure to develop coherent policies towards currencies outside the System. We should be in a position to manage the ECU*/dollar exchange in a coordinated fashion so as to avoid or at least minimize the strains. It is in our power to do so. Another disappointment is that although sterling is formally included in the European Monetary System, it is an outsider so far as existing exchange rate arrangements are concerned. I continue to believe that this is a great mistake, both for the Community and still more so for the United Kingdom. If the British do not become full members of the System, if they do not accept the same risks and responsibilities and enjoy the same advantages as the other members, then they must not complain if the System evolves in a fashion which does not necessarily take account of the particular characteristics of sterling and the particular underlying economic circumstances of the United Kingdom. There is much flexibility in the exchange rate system of the EMS. Other countries--have found it possible to reconcile pursuit of their economic and monetary objectives with full participation in the exchange rate system. There is no reason why the United
Kingdom should not do the same. Greater exchange rate stability would be much welcomed by British exporters, and would be good for the British economy as a whole. There are two features of the EMS for which further development was explicitly planned. These are the European Currency Unit and the European Monetary Fund. The ECU is now firmly established as the unit in terms of which the official business of the Community is conducted. Use of the ECU in the private sector has begun. But so far the scale of operations has been small. This is something which must be left essentially to the market. Within the realm of official use of the ECU, it seems to me that there are at least two things which need to be done without delay: First, it should be the center of the European Monetary System. The intervention of Community central banks in the foreign exchange market continues to be predominantly in dollars. Then there are limitations to the acceptability of the ECU. At present a creditor central bank has only to accept repayment of 50% of its claims in ECU. I think this should be changed forthwith.

ECU - the European monetary unit.

- The second change which I believe necessary concerns the relationship between the ECU and gold. The price of gold has been extremely volatile since the EMS came into operation. This was not of course foreseen. Unless a revision takes place, the quantity of ECUs on the market will partly depend on the price of a commodity which can oscillate wildly in response to extraneous and irrelevant factors. In my judgement we should revise the present rules in such a fashion as to ensure that the quantity of ECUs to be created over a given period is based on an objective assessment of the Community's needs. In spite of these disabilities, the ECU exists and is flourishing. The same cannot be said for the projected European Monetary Fund. It would be premature to claim that the European Monetary Fund should spring into existence as a kind of central bank for Europe. On the other side it would be a wasted opportunity if it were to be no more than a revamped version of the European Monetary Cooperation Fund under a grander name. In my view, the new Fund should from the beginning have at least some of the features and functions of a central bank. First it should determine the quantity of ECUs to be issued and control the timing of issue: secondly it should have the task of coordinating the monetary policies of individual Member States; and thirdly it should control intervention policies with regard to third currencies. Decisions on these and other matters should go before the European Council next year. The question now is to maintain the sense of priority which led to the decision of Bremen in 1978, and not to prevent day-to-day difficulties obscuring our more distant objective.

SPEECH TO THE ASSOCIATION OF EUROPEAN JOURNALISTS BY THE RIGHT HON ROY JENKINS, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES Rome, 24 October 1980 THE EUROPEAN MONETARY SYSTEM: RECENT EXPERIENCE AND FUTURE PROSPECTS Almost to the day three years ago I made a speech in Florence. I then argued that the time had come for a new push towards the monetary integration of the European Community. Reactions were mixed. Many were sceptical. Some were hostile. Unrealistic.
I was described as impractical and "A Bridge Too Far" was the title of the Economist commentary.
the problems which gave rise to my speech, the political leaders of the Community soon came to take a different view. Within nine months the European Council at Bremen European took the decision in principle to create the Monetary System; another nine months after that in March.
1979, the System came into operation. It has now been in existence for just over eighteen months. This may be a short time. But I think it is long enough, at least for those who have been involved in the System since it began, to have formed some impression about how it is working and which way it is going. My purpose today is to undertake that preliminary stock-taking. I do not intend to go over the arguments which I set out at Florence for an eventual monetary union in Europe. But I want to underline that in my judgment they have lost none of their validity.
I believe that monetary union favours a more efficient and developed rationalization of industry and commerce. I believe that there is solid advantage in creating a major new international currency backed by the economic spread and strength of the Community. I believe that a monetary union would help produce a new era of price stability in Europe and achieve a decisive break with our present chronic inflationary disorders. I believe that a monetary union would help in coping with the present economic recession and one of its ugliest aspects, unemployment. I believe it would promote a more equitable distribution of economic welfare within the regions of the Community provided it were supported by a properly balanced Community budget and a greater transfer of resources through the Community institutions. Finally I believe it would promote that political development of our institutions which is our common European faith and objective. To these ends the European Monetary System is an important means. It represents that indispensable Today
I will start by looking at the real improvements in our situation which have already been achieved. Next I shall turn to its less complete or satisfactory features. Finally I shall suggest in broad terms and without going into technical detail the direction in which I believe the system should evolve in the future. /'First

First then about the progress we have made.

It is I believe no coincidence that the exchange rates between the currencies of the eight countries ~yp-ticipatmg the System have been considerably more stable than before it was set up. I add that they have also been more stable than the exchange rates of such other international currencies as the US dollar, the yen and the Swiss franc. I know that there have been occasions when Community central banks have intervened in the foreign exchange markets to maintain exchange rates within the limits prescribed in the EMS; but stability has been achieved without those violent and disruptive speculative attacks on this or that currency which have occurred in the past. Thus the fears of those who prophesied that the EMS would simply lead to a new and different kind of exchange rate instability have proved to be unfounded. Equally unfounded have proved the fears of those who believed that return to a system of fixed but adjustable rates would lead to rigidity and that the authorities would insist on defending exchange rates that were unrealistic. In my opinion this was never a serious danger. of the 60s and early 70s have been well learned. The lessons Under the new System there were two small-scale realignments at the end of last year. In both cases these changes were clearly justified by the underlying economic circumstances of the countries concerned. They were carried out prompt-

ly, without acrimony and without resulting disorder in the foreign exchange markets. /I add

... I add in passing that the special arrangements which were made for the Italian lire have proved their worth. I remember that when the EMS was launched there were many who professed scepticism about the ability of the lire and the deutschmark to live together within the System for more than a few months without a major realignment. In fact the wider margins of fluctuation which the lire was attributed within the System as a temporary measure have worked well, allowing a gradual exchange rate depreciation in orderly fashion over eighteen months without unduly heavy intervention by the Bank of Italy. This has been achieved in spite of...
Italy's relatively high rate of inflation, in spite of the conversion of a balance of payments surplus into a deficit, and in spite of the uncertainty caused by political developments in Rome. Exchange rate stability is not of course an end in itself. It is the result - the balance achieved - of the interaction of the underlying economic circumstances of the countries concerned.

But firm official commitment to a measure of exchange rate stability can itself contribute towards an improved economic performance. It would be wrong to neglect economic performance for the sake of exchange rate stability; to neglect but equally wrong exchange rate stability in the belief that in my view it does not affect economic performance.

There is now wider recognition in Europe, especially in those countries which have suffered from the vicious circle of exchange rate depreciation and inflation in the past, of the contribution which a stable exchange rate can make towards controlling inflation. The right balance of stable exchange rate and internal economic policy now seems nearer achievement. In this respect the creation of what has been called the divergence indicator in the EMS has proved useful. It has acted as a kind of early warning system to point the need for corrective action before a country's external situation deteriorated too far. Again I do not believe it to be a coincidence that since the System came into operation there has been better co-ordination and cohesion in the economic policies of participating governments. All are now going in the same direction:

That is to say towards restraint with the priority given to control of inflation.

Divergencies in national balance of payments have become less wide. At present largely for oil price reasons both the Community as a whole and almost all its individual members are running current account deficits; but if the Community and its members face a common problem with regard to the outside world, they face much less of a problem within and between themselves. Less good has been the continuing differences in the inflation rates of Community countries. Unless these differences are reduced, obviously the exchange rate stability we have enjoyed cannot be permanently sustained. These differences
reflect deep-seated differences in attitude towards inflation and unemployment in participating countries and not just to differences in the determination of governments and central banks to pursue anti-inflationary policies. Hence I fear that in this area where we face a psychological as much as an economic and political problem, we shall need time and patience as well as effort. Another area where results have so far been disappointing has been our failure to develop coherent policies towards currencies outside the System. In many ways this is a potential rather than a current source of trouble. Although there have been some fairly large swings in exchange rates between the European Currency Unit and the dollar (and even larger ones between the ECU and the yen), they have not in the last eighteen months caused major difficulties for the Community or upset exchange rate relationships within the EMS. This is perhaps due more to accident than design. The deutschmark has recently been relatively weak on foreign exchange markets, largely as a result of Germany's current account deficit. But while there has been switching out of deutschmarks into dollars and other third currencies, there has been little switching out of deutschmarks into other EMS currencies. The reason is, I think, that in view of Germany's low inflation rate and underlying economic strength, no foreign exchange operator seriously entertains the prospect of a deliberate deutschmark devaluation against the other member countries. But if operators were to start to switch out of dollars into deutschmarks again (and this could easily happen) the deutschmark would rise against the dollar which could in turn lead to a scramble out of other Community currencies into deutschmarks. before and could happen again. This has happened If it did it would put the current stability of exchange rates under strain. The lesson for us is, I believe, that we should be in a position to manage the ECU/dollar exchange rate in a co-ordinated fashion so as to avoid or at least minimize the strains which might otherwise arise. to do so. While on third currencies, this is perhaps the moment for me to say a word or two about sterling. Altho-gh It is in our power sterling is formally included in the European Monetary System, it is an outsider so far as existing arrangements are concerned. exchange rate,<
I continue to believe that this is a great mistake, both for the Community and still more so for the United Kingdom. If the British do not become full members of the System, if they do not accept the same risks and responsibilities and enjoy the same advantages as the other members, then they must not complain if the System evolves in a fashion which does not necessarily take account of the particular characteristics of sterling and the particular underlying economic circumstances of the United Kingdom. I know that there can at times be a conflict between adherence to a domestic monetary target and the observance of limits on exchange rate movements with its effects on domestic money supply. There is more than one way to deal with the impact of unwanted inflows or outflows of foreign currency. In any event there is much flexibility in the exchange rate system of the EMS. The United Kingdom could, like Italy, opt temporarily for wider margins; or if the inflow and outflow of foreign currency were to become intolerably large, it could adjust its exchange rate within the System as other members have already done. It is because of the existence of this safety valve that other countries have found it possible to reconcile their economic and monetary objectives with full participation in the exchange rate system. There is no reason why the United Kingdom should not do the same. In my judgment the benefits would be substantial. Greater exchange rate stability would be much welcomed by British exporters, and would be good for the British economy as a whole. The EMS is of course more than an exchange rate system. There are two features to which the European Council drew attention in December 1978 and for which further development was explicitly planned. These are the European Currency Unit and the European Monetary Fund. The ECU is now firmly established as the unit in terms of which the official business of the Community is conducted. Old habits die hard and people still refer th-s
to the European Unit of Account.

It has the advantage

only of being an acronym for European Currency Unit /but

It has the advantage

only of being an acronym for European Currency Unit /but

but also of recalling one of the ancient European units of currency. The ECU is

now used in all the Community's internal finance, accounting and statistical

functions: the budget,

the Investment Bank, the Development Fund and the Common Agricultural Policy.

Within the EMS it is the unit in which It

exchange rates are expressed and it is a reserve asset.

may well be that the Community will shortly float a new balance of payments loan

denominated in ECUs. The use of the ECU in the private sector has begun. :Many

of the major European commercial banks now accept current account deposits in ECUs

and some have granted credits in them. The Commission holds ECU accounts and has

placed But so far the This is something Financial

short-term paper denominated in ECU. scale of operations has been small.

which must be left essentially to the market.

enterprises and their clients cannot be compelled to substitute ECUs for other

instruments, although they can

be encouraged so to do, and unnecessary obstacles to the

use of the ECU can and should be removed. Within the realm of official use of the

ECU, it seems to me that there are at least two things which need to be done and

could be done without delay. The first relates

to the role which the European Council declared at Brussels in 1978 that the ECU

should have: that is to say it should Frankly

be the centre of the European Monetary System. that is not yet the case.

be.

But it should

The intervention of Community central banks /in


- 10 -
in the foreign exchange market continues to be predominantly in dollars. There has indeed been some increase in the use of Community currencies for intervention purposes, but I think it fair to say that it is the exception rather than the rule. Then there are limitations to the acceptability of the ECU. At present a creditor central bank has only to accept repayment of 50 per cent of its claims in ECU. The remainder can be settled by the transfer of other reserve assets. second class status to the ECU. changed forthwith. The second change which I believe necessary concerns the relationship between the ECU and gold. One of the reasons why certain central banks originally insisted that limitations should be imposed on their obligation to accept ECUs in settlement was that they were afraid that too many ECUs might be created, and that if there were an open-ended commitment by creditors to accept payment in ECUs, they could end up by holding far more than they wanted. To understand this difficulty we have to look at the way ECUs are created. the twenty per cent of member countries' dollar and gold reserves which central banks are required to deposit with the European Monetary Co-operation Fund. As a result the quantity of ECUs which each receives is a function of the ECU/dollar rate and the ECU price of gold. The ECU/dollar rate has not been too unstable over recent months;, but the price of gold has, as you all know, been extremely volatile. When the EMS came into operation in March 1979, the free market price of gold stood at US $240 an ounce: today it stands at about $650 an ounce having touched nearly $850 an ounce early this year. This was not of course foreseen when the EMS was set up and some revision of the rules is clearly necessary. Unless such a revision takes place, the quantity of ECUs on the market will partly depend on the price of a commodity which can oscillate wildly in response to extraneous and irrelevant factors. In my judgment we should revise the present rules in such a fashion as to ensure that the quantity of ECUs to be
created over a given period are based on an objective assessment of the Community's needs. In spite of these disabilities, the ECU exists and is flourishing. The same cannot be said for the projected European Monetary Fund.

be divergencies of views between member countries about the functions of the Fund and the degree of independence it should enjoy. These differences have their roots in the different economic philosophies, institutions, and experience of the Member States. It would be premature to claim that the European Monetary Fund should spring into existence as a kind of central bank for Europe. On the other side it would be a wasted opportunity if it were to be no more than a re-vamped version of the European Monetary Co-operation Fund under a grander name. In my view the new Fund should from the beginning have at least some of the features and functions of a central bank. These could be developed and enlarged over time in the light of experience.

I do not wish to enter here into a technical debate about the Fund but I think it should have the following three main functions. First it should determine the quantity of ECUs to be issued and control the timing of issue; secondly it should have the task of co-ordinating the monetary policies of individual Member States; thirdly it should control intervention policies with regard to third currencies. Decisions on these and other matters will be made in hand, and the Commission is playing its due part in it through such bodies as the Monetary Committee. I attach the highest importance to the fact that the European Monetary System, with the European Currency Unit and one day the European Monetary Fund, is a Community institution, and forms part of the construction of the Community as a whole. The world today faces an uncertain and forbidding economic future, characterized by high inflation, slow growth, and large payments imbalances. The Community cannot of course solve these problems by itself. The Community has a formidable weight in the world economy. We account for a third of the output of the free world industrial countries, more than half of their...
exports and about two-thirds of their reserves. We therefore have not only the power to help in resolving the world’s ills but also a heavy responsibility so to do. By creating greater financial stability and advancing the economic growth of the European economy, the European Monetary System represents a major contribution to the better functioning of the world economy as a whole. I end as I began. The

By creating greater financial stability and advancing the economic growth of the European economy, the European Monetary System represents a major contribution to the better functioning of the world economy as a whole. I end as I began. The

Monetary System represents an indispensable practical beginning towards the creation of that European monetary union which I continue to believe should be our aim. We have come a long way since I spoke at Florence in October 1977. The difficulty now is to maintain the sense of priority which led to the decision of Bremen, and not to prevent day-to-day difficulties obscuring our more distant objective. make this speech as a contribution to that end.

I KOMMISSIONEN FOR DE EUROP. EISKE F.IELLESSKABERS- KOMMISSION DER EUROPÄISCHEN GEMEINSCHAFTEN-1 COMMISSION OF THE EUROPEAN COMMUNITIES COMMISSIONE DELLE COMUNITÀ EUROPEE - COMISSION DES COMMUNAUTÉS EUROPÉENNES COMMISSIE VAN DE EUROPESE GEMEENSCHAPPEN

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e e e e e t I I I t e e
Almost to the day three years ago I made a speech in Florence. I then argued that the time had come for a new push towards the monetary integration of the European Community. Within nine months the European Council at Bremen took the decision in principle to create the European Monetary System; and another nine months after that, in March 1979, the system came into operation. In my judgment the arguments I set out at Florence have lost none of their validity. I believe that monetary union favours a more efficient and developed rationalization of industry and commerce; would help produce a new era of price stability in Europe and achieve a decisive break with our present chronic inflationary disorders; would help in coping with the present economic recession and one of its ugliest aspects, unemployment; would promote a more equitable distribution of economic welfare within the regions of the Community supported by a properly balanced Community budget and a greater transfer of resources through the Community institutions, and would promote that political development of our institutions which is our common European faith and objective. To these ends the European Monetary System is an important means and indispensable practical beginning. Real improvements have already been achieved. An area where results have so far been disappointing has been our failure to develop coherent policies towards currencies outside the System. We should be in a position to manage the ECU/dollar exchange rate in a co-ordinated fashion, so as to avoid or at least minimize the strains. It is in our power to do so. Another disappointment is that although sterling is formally included in the European Monetary System, it is an outsider so far as existing exchange rate arrangements are concerned. I continue to believe that this is a great mistake, both for the Community and still more so for the United Kingdom. If the British do not become full members of the System, if they do not accept the same risks and responsibilities and enjoy the same advantages as the other members, then they must not complain if the System evolves in a fashion which does not necessarily take account of the particular characteristics of sterling and the particular underlying economic circumstances of the United Kingdom.
There is much flexibility in the exchange rate system of the EMS. Other countries have found it possible to reconcile pursuit of their economic and monetary objectives with full participation in the exchange rate system. There is no reason why the United Kingdom should not do the same. Greater exchange rate stability would be much welcomed by British exporters, and would be good for the British economy as a whole.

I.

There are two features of the EMS for which further development was explicitly planned. These are the European Currency Unit and the European Monetary Fund. The ECU is now firmly established as the unit in terms of which the official business of the Community is conducted. Use of the ECU in the private sector has begun. But so far the scale of operations has been small. This is something which must be left essentially to the market. Within the realm of official use of the ECU, it seems to me that there are at least two things which need to be done without delay. First it should be the centre of the European Monetary System. The intervention of Community central banks in the foreign exchange market continues to be predominantly in dollars. Then there are limitations to the acceptability of the ECU. At present a creditor central bank has only to accept repayment of 50 per cent of its claims in ECU. I think this should be changed forthwith. The second change which I believe necessary concerns the relationship between the ECU and gold. The price of gold has been extremely volatile since the EMS came into operation. This was not of course foreseen. Unless a revision takes place, the quantity of ECUs on the market will partly depend on the price of a commodity which can oscillate wildly in response to extraneous and irrelevant factors. In my judgment we should revise the present rules in such a fashion as to ensure that the quantity of ECUs to be created over a given period is based on a objective assessment of the Community's needs. In spite of these disabilities, the ECU exists and is flourishing. The same cannot be said for the projected European Monetary Fund. It would be premature to claim that the European Monetary Fund should spring into existence as a kind of central bank for Europe. On the other side it would be a wasted opportunity if it were to be no more than a re-vamped version of the European Monetary Cooperation Fund under a grander name. In my view the new Fund should from the beginning have at least some of the features and functions of a central bank. First it should determine the quantity of ECUs to be issued and control the timing of issue; secondly it should have the task of co-ordinating the monetary policies of individual Member States; and thirdly it should control intervention policies with regard to third currencies. Decisions on these and other matters should go before the European Council next year. The question now is to maintain the sense of priority which led to the decision of Bremen in 1978, and not to prevent day-to-day difficulties obscuring our more distant objective.

**** *year_1980 *date_1980-11-20 *place_Luxembourg


THE FUTURE OF 'mE EUROPEAN COMMUNITY I am honoured to give the seventh in the series of Churchill Memorial Lectures. have
distinguished predecessors

spoken, directly or indirectly, on matters of That indeed was the concern to the future of "Europe. principat concern of the great European to whose memory the lectures are dedicated. It is therefore fitting that I should have chosen as my own theme the specific question of the future of the Community. Some people have even asked Four years as President whether the Community has a future. Of the Commission have given me a certain view about what its future might be, rather of the choice of futures which its members will have to make. yet realise the nature of the choice . have. to make it soon. I do not think all Nor that they will.

In this place and before this audience I do not have to talk about the origins and subsequent history of the Community. I limit myself to a few underlying points. First we should never forget that the institutions of the Community were born of a political need to reconstruct a Western Europe devastated by war and diminished in influence; and of an economic need to pool resources and establish the base of a modern industrial economy. The constitution which was drawn up as a result is the Treaty of Rome as subsequently amended. Thus the Six founding members, whose traditions were rooted in the Latin legal system, gave themselves, as was natural, a written constitution in which powers and competencies were worked out in intricate detail. struck between a certain balance was respect for the sovereignty of the
participating states and the grant of powers in economic, legislative and judicial matters to the four Institutions. But the Treaty of Rome is also the product of a political heritage which goes back to Plato for Whom the form and the idea have almost as much reality as reality itself.

An underlying difference within the Community,

particularly between the founding members and the new members, was- and is- over-the institutions. attitude towards

The influence of the Latin world reached the North and North-West, but it was relatively feeble and soon overlaid by parts of Europe

In these

and hallowed practice had more Practical reality was

importance than the written word.

regarded as a deeper although more obscure guide to action than forms or ideas. The Community is thus ·a meeting place of the peoples of the book and the peoples of custom. The differences between them have extending down to day-to-day affairs.

oxsequences,

For examples the people of the book attach particular importance to clarity of objective /and

and written texts to correspond to it.

Sometimes they feel that agreement on a formula deals with at least half the problem it is designed to solve. If it proves impossible to live up to the text, then exceptions to it must be found. But the text retains its purity and is By

the ideal and objective to which all should aspire.

contrast the peoples of custom attach more importance to the working of things to which texts are no more than an operational guide. than an end. For them a text is·a beginning rather
They seek to give precise fulfilment to it. But if and when so long as it corresponds to reality, it ceases to do-so,

they prefer to change it or leave it. Hence they prefer inevitably behind rather than make exceptions to it.

to avoid texts of more than general character.

the Commission is a frontier area between these traditions, and in the last four years"! have seen both irritated incomprehension and fruitful interaction between them.

My compatriots did not participate in the composition of the Treaty of Rome. They could have done so, and it was a major error of judgment and was soon recognized as such. They joined in 1973, the shape of the Community had become

the time that the British; the Irish and the Danes eventually set, and it was too late for them to make the contribution which might have been theirs fifteen years earlier. The negotiations for enlargement from 1970 to 1972 were less concerned with fundamentals than with the balancing and satisfaction of limited political and economic interests. Thus the enlargement Treaty was in many ways a bed of Procrustes: that is to say some things had to be stretched

and others had to be compressed if the fit of the three new Member States was to take place.

As we all know, the fit was not right in all respects. The negotiators on both sides did what they could, and when the stretching or compressing would have been too great, they wisely left it to the future. One of the problems of the Community of 1980 is that that future has now arrived. Before considering how to make the Community more comfortable for all its members, and better blend its component traditions, I want to emphasize its youthfulness in the context of history. such has only We sometimes forget that the Community as for twenty-th-e
years, and that Americans

its present membership is only seven years old. Sometimes complain

out

the difficulties they have in

dealing with the Community, in finding where the seats of power really are, and how its To

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really work.

I reply that they have a Constitution 204 years

old.

They speak a single language,

in spite of By

regional variations, they have a common way of life. Contrast the Community

represents a coming together of Nine, now Ten Member States, whose history goes

back thousands rather than hundreds of years, with all their particularities, languages, and traditions.

This new organism which is our Community has a skeleton represented by the

Institutions, and flesh and blood represented by the policies which give it life. In looking

at the way in which the organism may grow in the future, it is as well to see how

it has grown in the past and something of its present

atomic

shape.

First of course are the Institutions set up by the Treaty, our written

corstitution. The Council of Ministers

brings together representatives of the Member States. In the early days some

believed that the Council of Ministers might turn into a kind of Senate of the
Community to work in partnership with a directly elected parliament in the guise of a lower House. That. Things have not worked out like

At the beginning the Ministers of Foreign Affairs, and below them the Permanent Representatives, moved forward under the powerful impulse of European dedication. Counter-pull of national interest was less strong. The perhaps

Inevitably, the business of the Council has now become more of a routine, and the earlier sense of direction has diminished. On the one hand Ministers have shown themselves increasingly anxious

to main-ain national authority over -tting of Community business, and, without too fine a point upon it, increasingly reluctant to give the Commission the scope to allow it properly to discharge its executive tasks; and on the other they have lost some of their power of decision, partly to their specialised colleagues in the fields of agriculture, energy, economic affairs and the rest, and partly to their Heads of State /or Government meeting three times a year as the European Council. The result has been that Ministers themselves show less and less inclination to attend meetings of the Council, and send their junior Ministers instead. This compounds the problem as junior Ministers often feel hesitant to take the sort of decisions which would have come more easily to Ministers. For their part the Permanent Representatives Their lines of communication to national capitals are all too good, and experts have become too thick on the ground. Thus the process by which Member Governments interact within the Community risks
becoming choked. comes to the same conclusion. Nearly every observer

The Council should delegate

more executive action to the Commission, and restore to each level of its own
hierarchy the decision proper to it. Next I turn to the Parliament. Direct

election of

the Parliament is an essential element in the development of the Community. It was
foreseen in the Treaty of Rome, Yet the

and more recently willed by the .Member States. Parliament has

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o--y

limited powers:

influence over the

obligatory part of the budget;. part;

powers over the non-obligatory

powers of superintendence over the and two weapons, or rather
block-busters, the power to reject the budget, Unfortunately

Commission;

to demonstrate displeasure:

and _the power to dismiss the Commission.

these powers do not measure up to .the aspirations of a directly elected

legislative body. There is a good deal /that

that Parliament could do which it has not yet done, even within the existing
rules, and it has yet to make its weight felt on European issues as national
parliaments do on national issues. The Commdssion greatly welcomes the

existence of a democratic body to which on the one hand
we are accountable and from which on the other
we derive

a measure of legitimacy.

The Parliament and the Commission,

with their European rather than national constituencies, should be natural allies
in the years ahead. It would
be a grievous mistake for the Council and the Member States to stand too rigidly on their powers with respect to the Parliament, and to take too little account of parliamentary views in the decision making process. must do likewise. The Commission

Otherwise I would fear for the effects of an army of highly articulate under-employed on the move between Luxembourg, Strasbourg and Brussels on the good functioning of the Community. Then there is the Court of Justice. The importance The principal job of the Court is to compel respect for the Treaties and the law of the Community.

Its judgments are legally binding throughout Member States. It can override national law and pring to book. states

The Court has so far done best of all the Community Institutions in blending the traditions of the peoples of the book and the peoples of custom. In due course the Court may come to play as important a part in the history of Europe as the Supreme Court in the history of the United States.

Respect for the Court, as for the rule of law generally, is an essential condition for the development of the Community. Last I come to the Commission itself. This has not turned out to be the embryo European government to which some looked in the early days. In relation to its powers and responsibilities, it remains a tiny organization, some eight thousand hundred people (including interpreters and translators but excluding those paid from research funds) to serve the needs of 260 million Europeans. The myth of a vast bureaucracy dies hard. The Commission maintains its basic functions to propose policies to the Council, and so far as the Council allows, to put them into effect. It exercises an increasing number of management It is aWafnted by Go\eiumeuts hlt is tiE evant of
increasingly
functions, and could fully exercise more. It retains full political independence. no Government.

It regards itself as accountable
to the Parliament. particular role with
As guardian of the Treaties it has a regard
to the Court.
But I do not pretend that as an instrument of European policy the Commission is all that it could be.

It should be less hobbled by the Council, and less hobbled within itself.
During my mandate as President, I have set in hand a comprehensive scheme of internal reform, based on the analysis of an independent body, which has been carried through to the extent that the Commission can order its own affairs. I now come to the new buildings outside the original edifice of the Community. There is the European Council /which which has come to play a central role.

It has real advantages.

Without it I do not think we could have created the European Monetary System, nor perhaps maintained the momentum towards direct elections. It can represent the political spearhead of the Community and sometimes points the direction of advance. But it has its shortcomings. It is not geared for taking executive decisions;
diminish the authority of the Council of Ministers; has no direct link with the Parliament.

These are not fundamental defects, and improvements could certainly be made without excessive difficulty. Finally

there is the machinery of political co-operation in which the Member States seek to co-ordinate their foreign policies towards the outside world.

Within its self-imposed re-markable limitations, political co-operation has been a l. success. Examples range from its work on the Conference on Security and Co-operation in Europe, which led up to the Helsinki Declaration to the recent Declaration at Venice on the Middle East. It has many possibilities for

All I say here is that the distinction between political and economic is essentially artificial,

and. I would like to think that it will eventually become an integral part of the Community rather than an adjunct to it. So much for the skeleton of the Community. It has grown fast and some of it more slowly, responded to need as well as to planning. distortions and blockages have developed. Some of it has

Inevitably Yet when such distinguished people as M. Tindemans or more recently the Three Wise Men have been asked to give doctor’s advice on where and how change should take place, their excellent prescriptions have been virtually ignored. One day we shall have to return to them, although I do not think that in view of the scant respect
with which their reports have been treated we will find it easy to get figures of 

note to do such work in the future. For the moment we have the 

consolation that with all its imperfections the Community is continuing to grow, and growth sometimes imposes its own solutions to problems. I turn now to the policies and responsibilities which are the flesh and blood of the Community. First there 

are the areas where the Community is well established. Its powers over coal and steel have their origins in the federalist 1950s. Recent events in the steel industry 

show that these powers are far from defunct. They are now being used for— 

Some of Then there 

the first time. 

is competition policy which has served to set the ground rules for a fair and unified market, agriculture, of the Common 

Next there is 

However great the current problems of the consumer 

Policy, with rising costs 

and the continuing surpluses of certain products, few would, I think, deny that the Common Agricultural Policy has already gone far to meet the objectives laid down in the Treaty: to 

ensure to make the most of our agricultural resources, 

a fair standard of living for those engaged in So concerned, we have established a common /external agriculture, to stabilize markets, and to assure supplies. Far as the outside world is 

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to external tariff, and the Commission negotiates for the Community as a whole on matters of trade. Moreover we have 

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established a fruitful Treaty relationship with the sixty relatively poor countries in Africa, the Caribbean and the Pacific which are tied to Europe by history, interest and ... tradition. All this 

repre-sents 

no mean achievement.
In these areas the Community is at its most effective. Then there are what might be described as the new areas of Community activity. One of particular concern to me has been the creation of the European Monetary System and its currency unit the ECU. The future European Monetary Fund will be of crucial importance to the Community. Already Member States have greatly improved their co-ordination of macro-economic policies. Underlying them is of course the problem of energy. We have made some progress towards common energy policies, but in my judgment not nearly enough. Last March the Commission put forward a plan for a Community energy initiative designed progressively to harmonize prices and taxes throughout the Community, and establish a properly financed programme to promote energy saving, to substitute oil by energy from other sources, and to develop renewable sources. We have pursued the development of regional and social policies, small as the sums for them are, and sought to produce coherent industrial and related policies to give more practical meaning to the notion of the common market. Then we are at work on a common fisheries policy to share the resources of the sea on a Community basis. Not least we are furthering the international role of the Community as shown in the multiplicity of association and trade agreements we have made round the world; and in the elaboration of common policies towards both the third world, and towards our industrial partners at and through such events as the annual Economic Summit meetings, where it is now firmly established that the Community is represented by the President of the Council and the President of the Commission. Thus we have the traditional areas, and the new areas. In fairness I should add that there is one area in which I fear we have That is...
backwards. There the hopes of early days have been disappointed, and Member States have to some extent gone their own ways. This Commission has sought to halt this backward trend and establish in more realistic fashion the place and value of common policies in the nuclear field. Our difficulties here illustrate the point that the Community only proceeds in response to need and by consent. But I think it most important that we should not allow Community law to be brought into contempt by being ignored or flouted. If the law is defective or out of date, it should be changed rather than defied. This then is our Community: a living, growing uneven organism, responding to needs, adapting itself to new circumstances, uncertain sometimes where it is going, and increasingly, almost imperceptibly, dominating its political and economic environment. I come now to what I described earlier as the choice of futures. For the Community has defects which, if they are not put right, could stunt its growth, and lead to dangerous maladies of the spirit as well as of the body. There are three such problems which separately or together could have this effect. First there are increasing economic differences and divergencies within the Community. I will say a word about each of No-one has ever expected equality of performance or exactly the same standards of living throughout the Community. But recently the gap between the
richer and the poorer countries and regions has actually widened, and the power of the
favoured industrial areas around the geographical centre of the Community has grown
at the expense of the more distant parts. We have not been
successful in spreading prosperity more evenly, and if we do not do better in the future, I fear greatly for the cohesion of the whole. In my view we shall not reverse this trend
until Member Governments see their macro-economic problems in Community as much as national terms; and the Community
must develop instruments sufficiently strong and well endowed for the purpose.
Here the European Monetary System role and
Second I believe it to be even regrettable dangerous if the Community is called in aid by Member Governments only when something goes wrong with the older parts of industry but is not allowed to contribute to creation for the future. The Community has a far greater involvement in such industries as steel, shipbuilding and textiles than in the advanced industries of the future. Increasingly in the last four years we have been required to act as vets in devising and tying splints to the legs of lame ducks. Yet the need for a co-ordinated Community approach towards the new industrial base which Europe must have if it is to continue as a leader of industrial power has never been clearer. Here I speak particularly of the field of computers, information processing and telematics If members of the Community are to compete with the United States and Japan the Community itself should develop a single market with single standards and methods of communication, and give the necessary co-ordinated support to the development of micro-electronic technology. The same goes for the field of defence procurement. At present the European members of the Atlantic Alliance buy around ten times more military equipment from the United States than the United States buys from them. Defence is not a and as
the Americans have well shown, defence-related industries are often the catalyst for development. Third Community I come raises ad-anced
technology and industrial
to its.
the means and
by the
which the of
money pattern
its expenditure.

This is an area where the rigidity of major internal crisis
the bed of Procrustes caused a
this year, and will certainly cause new crises if change does not take place. the
British problem. The problem is sometimes called This is a misnomer. It is the
budgetary

budgetary problem, and it affects all Member States to a greater or lesser
degree. Stated briefly we have a revenue

system which was invented in 1970 before Britain, Ireland and Denmark joined. To
some extent but not entirely, it But it does not meet meets those of other

met the needs of the founding Six. those of Britain and it
diminishingly
members of the Community.

None of the sources of revenue

is fully buoyant; and two - customs duties and agricultural levies - tend actually
to diminish as trade within the Community increases. The third source - Value
Added Tax ',t,

is subject to a ceiling of one per cent, to which governments are naturally
attached. Thus there i_s a painful conflict

of objectives. : The more successful Member States are in trading with each other,
the finance itself. Then there is the

expenditure

the Community is able to

side.

Money devoted
to agriculture has taken up around three-quarters of the budget for many years. This is good for countries with a

large agricultural community but not so good for those which have concentrated their resources on other economic activities and which import of the

Co-ity

agriculture-

·products from other members. Also

or from countries outside it.

agriculture's share of the work force and economic product has declined while its share of the budget remains dominant. By comparison with agriculture, the other heads of Community expenditure are puny. The result is that we have a Community most of whose wealth comes from industry, most of whose expenditure goes on agriculture, and most of whose needs in other fields are scarcely recognized. The founders of the Community would, I think, be dismayed to see the lop-sided outcome of What they had designed. It was the combination

twenty-three years after the event.

of an undynamic revenue system with an uneven expenditure system which led to the temporary and ad hoc agreement on the British budgetary contribution last year, and gave the

Community two years in which to set itself to rights. Each of the three problems I have mentioned - economic divergence within the Community, the failure of the Community to adapt itself to the industrial needs of the future, and the deficiencies of the budget system - will be made more acute by the enlargement of the Community to

the south to include Greece and eventually Spain and Portugal. The

questi-

is how we now proceed.

Since the crisis over the budget of the spring, the Commission has been at war.
on the mandate with which it

As you may recall the Commission is
required to complete before 30 June next year an "examination of the development of Community policies, without calling into question the common financial responsibility for these policies, which are financed from the Community's own resources, nor the basic principles of the Common Agricultural Policy." In making this examination we are

of course taking into account the situations and interests of all Member States, and our aim is to prevent the recurrence of unacceptable situations for any of them.

We in this Commission are doing all the preparatory work, but the responsibility for the submission of the paper with its crucial political advice must be left for my successor and his colleagues in the next Commission. I shall not attempt to anticipate their conclusions. But as there are choice three of futures for the Community, with many

- broad possibilities

change the unitary character of the Community and lift the obligation from Member States to participate in all its affairs at the same time and in the same fashion;

- second to patch up without radically changing the present budgetary system, and to maintain the present limitations upon it; and third to embark on a more radical plan of reform
designed better to accommodate and balance the interests of present and future Member States. The idea of what has been called Europe A la carte, or two- or three- or four-speed Europe, has a certain spurious attraction. The main argument for it is the notion that the interests of the Member States, particularly in a Community of more than the original Six, are so fundamentally divergent that rather than force any on to the bed of Procrustes it would a bed of his own.
b~ bett~
to let each have
This idea has proved tempting
in the past, particularly for those who wished to enjoy the benefits of membership without accepting the necessary disciplines. In my judgment acceptance of such a notion would ineluctably lead to the end of a real Community. /Without

- 18 Without a common discipline or readiness to make sacrifices for the common good, the elaboration of common policies, which inevitably requires give and take, would be virtually impossible.

In particular the system of common financing which we now enjoy would become unworkable. Earlier this year the row over the budget threatened the common system in this sense; for if one Member State made it clear it would like to see a ceiling on its putative deficit in respect of the Community budget, then others indicated they might like to see a surpluses enjoyed by others.

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on the putative

Obviously no Member State but to have

could accept a large and permanent imbalance;

a rule whereby all countries paid in to the budget no more than they took out, or whereby their net receipts or contributions were limited to a fixed annual amount, would make an absurdity of all financial discipline by breaking the link between policies and their budgetary consequences. It would subject the sense of Community to intolerable strain. It was for this reason that in finding a temporary and ad hoc solution to the budgetary difficulties of the United Kingdom w~

firmly maintained the principle of the present budgetary system while looking to its future reform. The same point applies to agriculture.

common prices in favour of national prices would mean the creation of barriers to trade between Member States and the eventual abandonment of the common market in agriculture. This would quickly mak~

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maintain the common market in industrial goods.

/already

- 19 -

already seen the way in which the system of monetary compensation in agriculture has set up tensions and centrifugal forces which at one time threatened to tear the policy apart. Equally important is the political argument. A Community in which some states did some things and others did others would tend to produce groups of alliances within the Community, an-

a working directorate of those who some member states committed themselves to most policies.

would thus be more equal than others, and the present balancing mechanisms enshrined in our procedures would effectively be set aside, or that axis wi-hin

There is already talk of this a Community to which the Community.

Member States had different degrees of commitment would surely end by destroyin9 the Community. I would like to return to something I said in Rome on 24 Octob-r-

I was speaking of the European Monetary System and its future, and I had occasion to say how much I regretted the continued absence of sterling as a fully participating currency. This is not the place for a technical e-amination of the advantages or disadvantages.

I make the simple political po_int that if Britain does not become a full member of the European Monetary System, if it does not accept the same risks and responsibilities as the o-rs, then the British must not complain if the System evolves in a fashion which does not necessarily take account of the political characteristics of sterling.
and the underlying economic circumstances in the United Kingdom.

Here is short an example of two-speed Europe in the making. I believe it to be contrary to the interests of both the United Kingdom and the Community. The second broad possibility would be to patch up the existing budgetary system without radically changing it. There are obvious superficial advantages in this course. There is nothing so easy as to leave things as they are and let inertia continue into the future. At a time of economic recession, major changes, involving damage to vested interests already in difficulty, are not superficially attractive. Moreover I know of no government which does not wish to maintain the same firm limits on Community expenditure as it is applying to national expenditure. Yet a patching up operation could be more difficult than at first appears. The present budgetary system simply does not work to the satisfaction of all Members of the Community. To correct it sufficiently within the current limits of our financial resources would require changes in the pattern of expenditure, in particular reductions in agricultural expenditure, which would in themselves more over even if we were able substantially to reduce agricultural expenditure, we should not be able to find the funds we need to deal with the other two major problems I have outlined: the increasing economic divergence within the Community, and the need to adopt a Community approach to the renovation and redirection of European industry. There is, I am afraid, a risk that some governments will wish simply to patch things up, shrink from tackling the agricultural problem, and leave the imbalances in the budget to be settled by a continuing series of temporary and ad hoc arrangements for countries whose situation would otherwise be unacceptable. This would not be a tolerable outcome, and events would soon show it. 'The third broad possibility is at once the most difficult and the most desirable. It would conform with the mandate.

given to the Commission in that it would fully respect the principle of joint
financial responsibility and the basic principles of the Common Agricultural Policy. But it would involve a substantial reshaping of both our revenue system and our expenditure system.

On -t me say a word about both. On the revenue side we need a system of own resources which is buoyant and balanced in a way that the present one is not. This is not the occasion for setting out detailed ideas on a subject which greatly occupied members of the Community and produced much work some ten years ago, but I think we should look again at some of the ideas which were then discarded, such others as the imposition of an oil import levy (naturally to be combined with an oil production tax), and of course raising the present ceiling on the yield from Value Added Tax. There are many possibilities and I do not seek to prejudice the task of the future Commission by advocating any single one of them. As for the expenditure side, I doubt if- can achieve major That would involve whittling away at common policies, and returning at least some of the responsibility to Member States.

we can certainly make savings in the interests of efficiency, and the Commission has suggested many in the last few years. I believe that our realistic objective should be to hold agricultural expenditure in real terms at something like its present level taking account of the continuing rise in costs and of inflation generally. But if agricultural expenditure is to be held, then expenditure on non-agricultural activities should greatly increase. Here is the means by which we can on the one hand deal
with the problems of economic divergence and the future European industrial base, and on the other hand establish that better balance within the budget. Which is indispensable if the needs and circumstances of all Member States are to be respected. I am not suggesting a vast expansion of the Community into areas hitherto the responsibility of Member States. We must only give to the Community those functions which will yield significantly better results because they are performed at a Community level. We must fashion a Community which gives to all Member States the benefits which they cannot achieve so well by themselves and leave to functions which they can do equally well or better on their own. One of the European Councils next year I should like to think that there can be a discussion to identify those functions, and so chart the way ahead. In support we shall need financial policies to give the Community the means to do the job. At the moment our expenditure is less than one per cent of the Community's gross national product. Going without all the way with those economists who have suggested that it should rise to around five to seven per cent, I believe that a properly balanced Community in the sense I have sought to describe should be at least of the order of two to two and a half per cent of Community GNP. I add that although the sums this would yield would be large by current standards, they would be small by those of such classic federations as the United States where the top tier of government takes between twenty to twenty-five per cent of GNP. Such a reorganising of the Community budget would of course transform the Community. A step at once. I do not think we could take such But I strongly believe that we should set ourselves on the path which would permit the
The last few weeks have seen bewildering changes in international affairs. The crisis in Iran followed by the Soviet invasion of Afghanistan have taken precedence over developments in Indo-China and the protracted negotiations in the Middle East. It is not my purpose tonight to review these events but rather to look at the underlying partnership between the United States and Western Europe which in bad times even more than good has overriding importance for us both.

We share a heritage which determines the nature of our society, and indeed the character of the modern world. The relationship between America and Western Europe, and more particularly the United States relationship with the European Community, must like all friendships be kept in good repair. Crises have the beneficial side effect of reminding us of the underlying truths, the combination...
of friendship and interest and common destiny which holds us together.

One of the bonds is a common respect for the rule of law, not only in our own society, but in the world as a whole. If the world is to be an orderly place in which the individual as well as the nation can flourish, in which there is a reliable framework for daily living and daily conduct of affairs, in which the weak and the small, the vulnerable and the valuable can be protected, then the rule of law must be not just our guide but our foundation.

It was on such a foundation that the European Community was built out of the chaos of what we may appropriately in this context call the second European civil war. The Treaty of Rome can in many ways be compared with the Constitution of the United States. It is more by accident than by design that the document establishing the United States was labelled a Constitution rather than a Treaty. There is, for example, the supremacy clause in Article VI of your Constitution which establishes it "as the supreme law of the land ... anything in the Constitution or laws of any State notwithstanding". In the same but more limited fashion, the case law of the European Court set up by the Treaty of Rome established a primacy of Community law in areas defined in the Treaty over conflicting laws. Thus the Community has its roots in the same heritage of laws as yourselves, and for this reason if no other - and there are many others - it is the natural and practical partner of the United States in the difficult, turbulent and often lawless world in which we live.

I must emphasise that United States and the The United Community are very different creatures.

States is a federal state with all the appurtenances of sovereign power within a constitution 203 years old; whereas the Community is an association of nine ancient states or nations, some but not all of them ancient both as states and as nations, with their own individual histories, languages and particularities, brought together in a framework whose constitution is twenty-two years old and whose seven years old.
membership is paradoxically, it is we who are This calls, I think, for a new and you who are old.

certain indulgence on your part when you do not find in the Community the interlocutor in Europe on all the matters for which successive United States Administrations have looked - and looked increasingly - since the war.

Institutionally we have achieved a great deal.

We have a European Council of the Heads of Government, which meets three times a year, we have a Council of the Member Governments, which meets once a month, a Parliament directly elected by universal suffrage, a Court of the kind of which I have spoken, and the Commission of which I am President, whose job is broadly to propose policies and give effect to them. More important for you than the niceties of our Constitution and the occasional conflicts which arise within it is the practical progress we have made in creating common policies. are already your interlocutor. In some respects we

There is a spectrum which stretches from such areas as commercial policy and agriculture - I where the Community has full competence, to such grey areas as energy and industrial policy, where competence is mixed and growing, to such areas as defence or disarmament where the Community has no competence at all.

Sometimes I hear complaints that the Community is difficult to understand and deal with. Should the United States Government address itself to the Community and its executive arm the Commission, or should it address itself to the Member States? I agree that it is not always easy. But lest you should
You have to know your way around. Think that the difficulties are all on our side, let me remind you that for Europeans dealing with the different agencies in Washington is sometimes like treating with warring feudal fiefdoms, and conflicts have even been known between the Administration and the Congress. Also have to know our way around.

I want now to speak of three areas in which the practical partnership between the United States and the Community, founded on that respect for law to which I have referred, has direct meaning. One of those areas — trade — is one in which the Community has full competence; the others — money and energy — are ones where the Community has a mixed and growing competence. Cooperation is essential for us both. In all three areas.

First trade.

Here let me say how much I welcome the participation of Ambassador Askew here tonight. Just completed a tough and long drawn out negotiation to adapt, improve and extend the rules governing international trade which were invented after the war.

It is fair to say that the General Agreement on Tariffs and Trade has done immeasurable good by providing the framework for orderly trade which has served to generate increases in economic wealth beyond the dreams of previous generations. The conclusion of the Multilateral Trade Negotiations or Tokyo Round has added substantially to the edifice. Without close cooperation between the United States and the Community, and here I should also mention Japan, the final result would have been impossible. We now have the reasonable prospect for further development of the free world trade system on lines beneficial to all.

But this happy result will not follow from the documents we have signed unless we give precise, unremitting and honourable effect to our undertakings to each other. This year will be one in which the texts and codes will be under severe test by those who wish to seek sectional advantage. There will certainly be crises in the future, and the United States and the Community will have to manage these crises together if our achievements are to hold.
I give two examples from industries under threat. First steel. Throughout the old industrial world this industry is in trouble, as much in Europe as the United States. Happily we have been able to work out arrangements between us which may not be perfect but have now stood the test of time. To upset them now with beggar-my-neighbour policies would not only do us mutual hurt but carry grave risks of repercussion in other fields.

Secondly state subsidies. In the recent negotiations the United States gave great emphasis to what it believed to be the unfairness of state assistance to industry in the Community. We also have our views on the effects of state for example the spin-off from United States Government investment in aviation and electronics for military or space purposes has been a major factor in giving the United States an enviable lead in these areas. But in Europe we have a particular concern about the way in which a government-imposed price structure, itself a form of subsidy, can give a trade advantage. I am thinking of that which is given to exports of American products derived from natural gas and petroleum whose prices are much lower here than in Europe. Feelings are strong in the Community. On this I have given these illustrations simply to show that the need for practical partnership between us in managing trade policy. A mutual comprehension of how things look from the other side of the mountain is as necessary now and in the future as it was during the strenuous days of the Multilateral Trade Negotiations. Together I am sure we can succeed.

Next I want to turn briefly to the international monetary system. Again rules were made after the war in the We enjoyed a long period of stability, of beneficent dollar hegemony, which broke down bit by bit in the last decade. Whether it will be possible to create some new comprehensive system. I do not know. Ideas abound, and I am not without hope.

What I want to emphasise tonight is the contribution
which the Community as such is making to greater monetary stability. The European Monetary System, which came into effect last March, is only in its beginnings.

moving forward to the creation of a European Monetary Fund according to the timetable originally set down. Already we have the embryo of a common European currency the ecu - based on a basket of national currencies for use between European central banks. for a souvenir I even saw an advertisement ecu the other day in the Wall Street Journal.

Our purpose is not to create a regional system to the disadvantage of the United States dollar, which remains the prime medium of international exchange, nor to turn our backs on the rest of the world. It is to promote stability, entrench order, and further that practical partnership which is my theme tonight.

Third I turn to energy.

The rise in energy prices since 1973 has not been the only cause of our misfortunes but it has probably been the main catalyst. In the Community we do not have a common energy policy in the sense in which we have a common trade policy or even a European Monetary System.

But I think we are on the perhaps a little belatedly, to making one.

First let me underline how very different our situation is from yours. We are much more dependent on foreign imports of energy of all kinds, and our domestic production is minute compared to yours. Moreover we consume a great deal less, both absolutely and in relation to our national incomes. double ours. Your consumption is still more than ours. In 1978 consumption here of oil per head was just over four tons, whereas in Europe it was less than two.

Furthermore our oil imports steadily declined between 1973 and 1978 when yours as steadily rose.
Like you we would like oil prices to be as low and steady as possible. But in a market economy we should not complain too much if a commodity in increasingly scarce supply should become more expensive. Nor should we be surprised if those who possess such a commodity, which cannot after all be renewed, should be less than keen to use it up at the increasing rate which might suit consumers. We have built our industrial society on the consumption of fossil fuels, in particular oil, and it is now as certain as night follows day that if we do not change our ways while there is time - and 1980 could be the last year - our society will risk dislocation and eventual collapse.

So here again we must work together on the basis of a set of rules. I will not give a list of what has been done and should be done either in the Community or between the major industrial countries in the International Energy Agency and the annual Summit meetings. Cooperation is under construction.

An apparatus of

But we must, I think, work on the assumption that even if energy prices occasionally fluctuate, their trend is upwards; that over time the that countries supply of oil is unlikely to meet demand;

other than the present main consumers will want an increasing share for their development; and that the market will remain vulnerable to political upsets of any kind. There is no magic formula. With due regard to the environment and human safety, we have to consider a mixture of better use and saving of existing sources of energy, of the development of nuclear energy, greater exploitation of coal, and development of new or in some cases very old sources of energy. Equally we must take very seriously the problem of social adjustment to deal with a substantially higher cost of energy in all its forms. I noticed a recent report from your National Academy of Sciences, where it was said that with sufficiently high energy prices over the next few decades the United States could double the efficiency.
with

which it uses energy without significant adverse effects on economic growth. I hope this is true. If it is true

for Americans, it is true for Europeans too.

I have spoken of our practical partnership, of our common foundation in law, and of the need for an orderly world in which rules are respected until there is common agreement to change them. necessary,

I end by recalling, if it were

the society we enjoy on the two sides of

the Atlantic accounts for only a small and falling part of the population of the world and its natural resources. The problems of the 1980s are essentially problems which concern the whole world. We shall be fortified in dealing with them if we can stick and act together.

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It is in this spirit that I, standing in the shoes of those who have come before us, must now consider the impact and significance of the H-Pt.'s impact on the business world in the European (CJUr) unit which has responded to the call of the 'Cun', a fliter of sorts, in the rth-uni!r.

I should like to add that the quality of those H-Pr.'s impact on the business world in the European (CJUr) unit which has responded to the call of the 'Cun', a fliter of sorts, in the rth-uni!r.

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The Chinese and European have termed these tests, and they see it confused in today's theft, there can be national, economic, and strategic rules for the protection of their systems. And this is described.

At the same time, that when these industrial thefts of countries, and the Chinese and the European Community are opening the door to the lifting of embargoes on the one hand, it is to promote mutually beneficial cooperation and development.
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NOTE BIO(81) 3 AUX BUREAUX NATIONAUX C.C. AUX MEMBRES DU GROUPE

STATEMENT BY PRESIDENT JENKINS AT HIS FAREWELL PRESS CONFERENCE 5 JANUARY 1981

LET IT BE NOTED THAT WE LOST NO MEMBER OF THE COMMISSION FOR THE FIRST THREE
YEARS AND TEN MONTHS - AND ONLY ONE FOR II ELECTORAL REASON THEN. THIS IS A MUCH GREATER RECORD OF STAYING TOGETHER THAN YOU CAN FIND IN ALMOST ANY NATIONAL GOVERNMENT OR ANY OTHER GROUP OF COMPARABLE SIZE. WE HAVEN'T EVEN DRIVEN EACH OTHER INTO PERMANENT ILL HEALTH. LET IT BE NOTED ALSO THAT A VERY HIGH PROPORTION OF MEMBERS OF THE COMMISSION ARE ANXIOUS TO STAY ON FOR THE FUTURE. MOST OF THEM COULD FIND PLENTY OF OTHER THINGS TO DO. THIS WOULD NOT HAPPEN IF WE WERE FULL OF DISCONTENT OR LOW MorALE. I PAY HIGH TRIBUTE TO MY

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TWELVE, COLLEAGUES OF THE LAST COMMISSION. I COME NOW TO MY REASONS 'IFOR PUBLIC OPTIMISM. I A'M NOT GOING TO ATTEMPT A DETAILED CATALOGUED BALANCE-SHEET. IN ANY EVENT YOU HAVE MOST OF YOU QUITE RIGHTLY ALREADY DRAWN UP AND PUBLISHED. I TRIED IN A SERIES OF SPEECHES DURING THE 

THE WAY FOR...ARD..., HAT I BELIEVE, LOOKING SACK, IS THAT THE COMMISSION --n-H d...UC.11: HAS NOW SURVIVED ITS MOST DIFFICULT PERIOD. OF COURSE IT HAS 'GRADUALLY OVER THE PAST 15 YEARS OR PERHAPS MORE "B"f"lf- DISAPPOINTING THE 'HOPES OF THOSE WHO THOUGHT IT WOULD BE AN 'EMIRCY II GOVERNMENT OF EUROP. I DOUBT... IF I EVE'R Tii'I0J1jC6HT 'T+f' AT. 'NOR DO... I THINK THERE 'OLJ.:GHT TO BE A... INATED 'AS..."101"'1"OSEC; D T:o AN ELECTF'D...GOVERNMENT OF ANYTHING. BUT... f. RE·AL 'DA'N·GE< R.<W AS 'FAILIN-G TO II:WACHIE:EYE THAT ALWAYS OVER-T. IMIENT AN'D SOMEWHAT 11111111111 I'MAGIN'-ARY 'ROLE, IT '<1-OULD BE- LEFT WITH THE DANGEROUS ROLE OF BEING A SECRE'T RIAT OF GOVERNMENTS, A VIEW 'ORI'IICH I HAVE ALWAYS RESOLUTELY RE;SISTED. I BELIEVE THAT DANGER IS PAST. WE HAVE IN A SE'NSE COME OF AGE I I I I I I I I I I IIIII ARITHMETICALLY AND METAPHOR·UC·AU. Y. WE HAVE NOW TO LEAVE WITH A HARSHER CLIMATE - ECONOMICALLY ALLEVIOUSLY. WE HAVE TO DE/IL IN THIS KA-RSHER CLf+f+A TE. ...H A WIDER AND LESS COHERENT EUROPE THAN THH OF THE -G'R-lT-Itm.M I.S,N. "... AND THIS WILL BECOME MORE SO AS ENLARGEMENT PR'O-RE.SSES... E 'Halfthad TO lL VE IN A CLIMATE OF PUBLIC O·PITHE NON IN 'WHICH 'HE I'IU"CH OF THE ORIGINAL, EXCITING, DEEPLY FELT AND EMOTIONAL ENTI!11tj; SLAS'M F-OR A UNITED EUROPE, A LOT OF WHICH SPRANG FROM THE +1-::R:ORS OF THE THEN RECENT PAST, HAS RECEDEO. WE HAVE HAD TO ADJUST TO CERTAIN CLf.ANGE S IN THE INSTITUTIONAL BALANCE - TO THE INCREASING Emerge'NCE OF THE "HE EL:LRG'PEAN COUNCIL AS A FOCUS OF COMMUNITY DECISION-MAKING, >Ai$f> T.O LIFE WITH THE NEW DIRECTLY ELECTED PARLIAMENT. THE PORTION OF THE COMMISSION WAS TO BEGIN WITH MUCH LESS SECURE IN T:H.E EUROPEAN COUNCIL THAN IN THE TREATY-BASED COUNCIL OF MINISTERS. THAT I BELIEVE HAS BEEN RECTIFIED. EQUALLY I THINK 'WE HAVE SO FAR ACHIEVED A GOOD AND IMPORTANT RELATIONSHIP WITH THE NEW PARLIAMENT. THE COMMISSION ITSELF NEEDS FLEXIBILITY. IN T-SE CHANGING CIRCUMSTANCES. I HOPE THAT GOVERNMENTS WILL NOT ALTER... IT TO BECOME TOO BIG AFTER THE INCLUSION OF SPAIN AND PORTUGAL. IN MY VIEW IT WOULD BE TOO BIG. I HOPE THAT THE Fu:RT·HER IMPLEMENTATION OF THE SPIERENBURG REPORT - WE HAVE DONE WHAT IS WITHIN 'OUR INTERNAL POOLER - WILL BE CARRIED OUT QUICKLY... TH:E C·TI'AN:GES IT RECOMMENDED. WILL IMPROVE THE EFFECTIVENESS AND MORALE OF OUR RELATIVELY SMALL STAFF', FOR 14H'OSE .DEDICATI~,... AND IN THE GREAT
temporary eclipse, but as so often on such occasions his qualities shone all the brighter afterwards.

The Europe which Ambassador Berger knew after the war has of course changed beyond recognition. Before talking about the European Community and its role in world affairs, I want to say something about the wider Europe, some of whose characteristics remain the same as in Ambassador Berger's day.

Our continent - or rather peninsula Thirty five years after the war: the eastern half is maintained within the Soviet empire by troops which are at once forward offensive forces and local garrisons. The western half formed itself into the nucleus which is now the European Community, with countries to north, east and south which are associated with it in various ways. When we use the word European, we tend to mean someone from one of the ten Member States of the Community. This is an understandable mistake but it As General de Gaulle recalled from his school text book, Europe stretches from the Atlantic to the Urals; and the Europeans of the Community have not forgotten and always reckon with the Europeans to north, east and south of them. This dimension of European affairs is one which we neglect at our peril. It was conspicuous at the time of the Conference on Security and Cooperation in Europe which led to the Helsinki Declaration; and it underlines events in Eastern Europe today. How do the Europeans from this divided continent express themselves? Obviously they do so through the nation states with which all are familiar. London is no less London, Paris no less Paris and Warsaw no less Warsaw. But elements of nationhood For defence have passed to new collective institutions.

there is the Atlantic Alliance (with eleven European states participating) and the Warsaw Pact; for economic matters the Organisation for Economic Cooperation and Development (eighteen European states participating) and the Council for Mutual Economic Assistance which painfully binds Eastern Europe to the Soviet Union; and for finance the Bank for International Settlements and the Group of Ten (seven European states participating). Then there are such looser gatherings as the Economic Summit meetings (four European states and the Community participating).
Finally in a class by itself the European Community, comprising ten European states, and we hope before long twelve.

This is a complex picture with aspects which relate less to Europe and European interests than to the attitude which the Soviet Union takes towards its neighbours and the rest of the world. Moreover it is a moving picture with parts of it moving faster than others. All European nation states without exception have lost the importance they knew in the past, even as recently as twenty years ago. Some are of course reluctant to recognise it, which makes the job of those who deal with them more difficult. Those within the European Community have lost something to gain something else; those on the edges of the Community, great attention though we pay to their interests, are conscious of the draught which swirls around the big trading mass of the Community; and those on the Eastern side are locked by a combination of their own sophisticated caution and the nervous rigidity of the Soviet Union into a semi colonialism more difficult and dangerous to break than was British, French and Dutch imperialism in Africa and Asia.

In broad terms, where the Europeans have joined together, they have fortified themselves, and where they have not, they have become dependent on others and been weakened thereby. Even in areas where there is an identifiable European interest, the Europeans have not always come together. is defence. An example Americans and Europeans are of course joined in defence of the North Atlantic countries on both sides of the ocean. There is a belief that an effective European grouping might be divisive of /the Atlantic Alliance. true. I do not think this to be true. What is true is that European views on defence have at present little collective weight, and this at a time when crucial defence decisions for the next decade need to be taken. By contrast the area in which the Europeans have increasingly worked together, made the necessary sacrifices, and, often unwillingly, surrendered ancient but illusory
elements of sovereignty is that of their economic activities in the widest sense. From the beginning their aims have been political and their means economic; and in both political and economic terms the Community already exercises the weight which is more than the sum of its parts. It has thus become the most important interlocutor of the United States.

It would be intellectually tidy to see the Community as an embryo United States of Europe. But comparisons are dangerously facile.

The United States is a federal state with all the appurtenances of sovereign power within a constitution 204 and a half years old. The European Community is a partial association of ten ancient states, each with its own history, characteristics and language (or way of speaking it), whose constitution is not quite twenty four years old and whose present membership is no older than three weeks. The differences between the two are so great that analogies are virtually meaningless. It is perhaps better to refer to the uniting rather than the united states of Europe, and to say that the direction their evolution is taking is all their own and matches no federal or even confederal model. Anything I may describe today was not the same ten years ago hence. and will not be the same ten years

I would like to say a, brief word about the structure of the Community as it has been built since 1957. Our written constitution is the Treaty of Rome as subsequently amended. This represents a balance between respect for the powers of the Member States and the grant of a measure of supranationality in economic, legislative and judicial institutions. matters to our four first there is the Commission, of which I ceased to be President two and a half weeks ago. /The Commission is the executive agency of the Community: it proposes, it manages, but it does not, except in one or two areas, dispose. It enjoys full political independence; and it regards itself as accountable to the European Parliament but not to the Member Governments, although it is appointed by them. Second there is the Council of Ministers, Its main job is to take the decisions necessary to run and develop the Community. Not surprisingly,

tension - sometimes but not always creative - tends to arise between the Commission and the Council. Third there is the European Parliament with some clear cut powers
such as to reject the budget or to dismiss the Commission - but more imprecise ones of an advisory and supervisory kind. Since the direct election of its members the Parliament has increasingly exercised both its power and influence. Together the Parliament and Commission represent a European constituency which is different from the sum of national constituencies represented by the Member States. 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 judgements are legally binding throughout Member States and can override national law and bring national states to book. In due course the Court may come to play as important a part in the history of Europe as the Supreme Court in the first half of the nineteenth century in the history of the United States. Beside those four institutions there are two more flexible ones outside the scope of the Treaty. There is the European Council, or Summit meeting. The ten Heads of State or Government with the President of the European Commission meet three times a year, with a very broad agenda and together constitute the political spearhead of the Community. Second there is the loose arrangement of Political Cooperation by which the ten-Member States seek to coordinate their foreign policy towards the outside world. This description inevitably sounds rather static. machine. But I am speaking of an organism rather than a The Community is young and growing rather than old Like all organisms it is growing faster Some parts of the Community's activities, such as agriculture, competition policy and external trade, are centrally managed through common policies; others such as energy, regional development, economic policy and monetary matters are a mixture of Community and national competence; in yet other areas such as transport and the fostering of advanced technology industries, Community policies are still at an embryonic stage. There are many catalysts for
growth: I need only mention the recent creation of the European Monetary System with its currency unit the ECU, and the creation, as we hope, of a common fisheries policy, to show the continued but uneven dynamism of the whole.

It is not always easy to work with this multifarious, growing organisation with its changing competences and shifting balance of power between the Community and its constituent states. No wonder that Americans sometimes find the Community exasperating to deal with, and complain that the Europeans are either incapable of putting together a common policy or that if they have done so it becomes unnegotiable and set in concrete. All I can respond is that we in the Community sometimes have the same feeling when dealing with the agencies in Washington; and when the President has put his thumb on a policy, that too can take on the consistency of concrete. Moreover, we have an added dimension of difficulty in that your executive is subject to Congress, and Congress, particularly in the last few years, has strong views of its own. I was struck by a paper by Congressman Don Pease published in the Congressional Record of 1 December last year. In it he wrote: "It should be pointed out that the United States leaders are greatly constrained by domestic politics and that the American President cannot always act consistently and unilaterally. This fact has understandably frustrated European leaders. The American political system is unique. Constitutional structure and practice make it one which allows many actors, with Congress at the forefront, to participate in policy formulation and evaluation ....... It is by no means certain that Congress will approve a foreign policy initiative to which the President commits the nation." Just substitute the word European for United States or American, Community for President and Member States for Congress, and the same can be said of the foreign role of the Community.

So we have to learn to deal with each other as we are, and to accept that high professional knowledge and skill is essential in so doing. Here I pay tribute to the exceptional people who have been responsible for conducting relations between the Community and the United States during my time of office as President of the Commission: on the European side of the Atlantic Ambassador Hinton and now Ambassador Enders for the United States; and on the American side Ambassador Spaak and now Ambassador de Kergorlay for the Community.

I now turn to the particular political and economic circumstances which determine the role of the European Community in world affairs. In examining them I hope to convey some idea of why the Community acts as it does.

turn to what the Community does in three main areas of policy: relations with other industrial countries; relations with oil producers; and relations with the world at large. I shall conclude with a word on the kind of world with which the Community and the United States will have to deal in the
The central characteristic of Europe is its vulnerability. I have already spoken of the continuing division of Europe with its long Eastern frontier garrisoned by Soviet forces (although more to keep people in on their side than to prevent incursion from ours). Unlike the United States we have a border problem of such magnitude that American forces, by our wish, your sense of duty and our common interest, have never gone home, thirty-five years after the war. By itself Europe is not a defensible entity in the conditions of modern war. Next there is our vulnerability over raw materials. The Community has to import 75% of its raw materials. By comparison the United States imports under 25% and the Soviet Union under 10%. Like Japan, most West European countries must import not only the energy they need to power industry but also the minerals they need for industry to convert into manufactured goods. It follows that Western Europe as a whole and the Community in particular is highly dependent on external trade. The percentage of GNP devoted to foreign trade varies from Community country to country but in some cases it reaches up to -12% up to 60%. This means that Europe has an enormous interest, even greater than yours, in the stability of the world economy and respect for international rules governing trade, investment, money and other forms of exchange between states.

There have been suggestions in the past, notably from Dr. Kissinger in 1973, that the role of Europe in the world has become more regional than global. For the What is true is that neither the European states nor the Community of today exercises political power commensurate with the worldwide network of European interests and responsibilities. The Europeans are compelled by their circumstances as well as their history and inclinations to play a world role but they do so from position of vulnerability. When Europeans can accurately boast that the Community inside and out accounts for some 40% of the world's trade, that the population of the Community is substantially greater than that of either the United States or the Soviet Union, and that its heritage of civilisation, skill, technology and inventiveness is second to none, on the other hand it must be said that many of these assets are unfocussed in terms of political and economic power and that the present Community could not, even if it so wished, play that relatively independent role in world affairs which is open to the United States, the Soviet
Union and to some extent, China.

It may be different in the future as the economic integration of Europe proceeds, with its many consequences in other fields. Today I state the situation as it is.

Against this background I look now at the Community's relations with its industrial partners. I count the major industrial countries as the United States, Japan, most of the other members of the OECD, and the Soviet Union. Obviously our relationship is so complex that it defies simple definition. Community policy is trade.

is a Community competence and the Commission has major responsibilities. In the recent Multilateral Trade Negotiations,

now successfully concluded, the Community spoke with one voice, and showed what it could do as a united body. The negotiations were perhaps the most ambitious, certainly the most complex, ever launched, and in difficult circumstances - much more so than at the time of the Kennedy Round - the results fully justified expectations. Their significance lay in setting new and more stringent rules for world trade, and within these rules substantial trade liberalisation. We firmly set our faces against protectionism and committed ourselves to maintenance, indeed extension, of the open world trading system. With our partners, notably the United States and Japan, we now have to give effect to the results and build upon them together.

The role of the Community is not so precise but of increasing importance in the less tangible aspects of the relationship between industrial countries which figure on the agendas of the successive Economic Summit meetings.

They include macro-economic management generally, international monetary matters, energy in all its forms and ramifications, and relations with non industrial countries. At the Summit meeting Community as such is represented by the President of the Commission and the current President of the Council (who changes every six months); and the four biggest out of the ten Members of the Community are also represented in their own right. Looking recently through the declarations published after the four Summit meetings I have attended London, Bonn, Tokyo and Venice - I saw more clearly than perhaps at the time the developing character of the relationship between industrial countries and the in it. In the Summit framework,
of the Community
including preparation for
and follow up of meetings, we have a valuable instrument whose importance will, I believe, increase in the future.

The relationship between the Community on one side and the Soviet Union and Eastern Europe on the other is hobbled by political considerations. But lack of political progress tends to mask the growth of trade which under the umbrella of detente has been significant in recent years. for the political side, the Russians have never liked the Community. It spells to them the strengthening of Western As

Europe and the evolution of an entity with potentialities equal to if not greater than their own. They prefer Europe to remain divided, and have done their best, happily without success, to frustrate the process of integration. They do not even formally recognise the existence of the Community and have to deal with it through diplomatic subterfuges. But the way in which economic relations have developed on a bilateral basis between Western and Eastern Europe is a token both of the mutual advantage which both have found (although I would not pretend that the balance of advantage is always equal), and of that sense of a wider Europe to which I have already referred. This explains in some measure how it is that European policy towards the Soviet Union and Eastern Europe cannot be turned on and off like a tap. We saw this with painful clarity when with you we were considering how best to put pressure on the Soviet Union after the Soviet invasion of Afghanistan.

All industrial countries, of the East as of the West, have much in common. As Mrs. Gandhi once said:

"To believe that a particular ideological system at a moment of history has universal value is a superstition". I am afraid that a good deal of intellectual categorisation is superstition too, a product of past thinking and present inertia. We tend to dodge two linked issues which face all the need for industrial renewal, that

industrial countries:

is to say the process of switching effort and investment from old and declining industries to new and technologically advanced ones; and the need to accommodate the growth of industry in other parts of the world to our own economies in fashioning a world system which necessarily involves a varying division of labour. The industrial tricks which we learned Indeed it is in
in the past have now been learned by others. our interest that they should learn them.

But it requires of us readiness to accept change, and flexibility in our economies, which so far 16which so far have been lacking. Here the Community's industrial record is less good than that of Japan and in certain ways less good than that of the United States; although it should be added that our record in aid and other forms of cooperation, which we have worked out under the Lorn-

Convention which links 60 countries to the Community, puts us ahead of either in these respects. On industrial adjustment, the last European Commission did its best to alert European opinion and set in train the change in direction which is vitally necessary.

Next I look at the Community's relationship with the oil producing countries. of the Community's vulnerability. Again, I must remind you Although we are less dependent than Japan on Middle Eastern and North African oil, we still draw about 40% of all our primary energy supplies directly from those areas. States draws less than 9%. By comparison the United

The Community consumes 2.1 tons of oil per head a year, of which 86% comes from oil imports, while the United States consumes 3.9 tons of oil per head a year of which 50% comes from imports. These figures show, if it is necessary to show, why the Community is so concerned not only about stability of oil supplies but also about the problems of the area from which most of the oil comes. Our relationship In a traditional area of European interest our trade has greatly increased, particularly in the last few years. Europe-

products have found new markets and European service industries have taken deep root. As for the oil producing countries, they 17have invested substantially in Western Europe, and in economic terms our relationship has become close.

It is not therefore surprising - although it seems to surprise some people - that the Member States of the Community, working together through the process of Political Cooperation should have sought to develop a correspondingly important political relationship. There is much common ground between the process launched at Camp David and the ideas set out in the Venice Declaration of the Community Member States. Both look for a comprehensive
settlement; and both call for recognition of the right of existence within secure borders of all in the area, and of the legitimate rights of the Palestinian people. Venice and subsequently at the European Council at Luxembourg in December we went a little further than was possible at Camp David. We spoke of borders being guaranteed. But at

and of the readiness of the Member States of the Community to participate in such guarantees. We spoke of the need for

involvement of all the parties, including the Palestinian Liberation Organisation. of Jerusalem. We drew attention to the problem

Since then there has been a follow-up in the

form of talks with all countries in the area, and these are continuing. We now have to reflect and consider further what obviously, we want to work. Equally obviously, we could

kind of initiative we might take, as closely as possible with you.

not accept that Europe, with its enormous interest in the Middle East and its stability, could or should be excluded from helping in the search for a long-term and comprehensive settlement.

/Last I turn

It

is at least curious, and perhaps significant, that the relationship between industrial and non-industrial countries has never been given a fully satisfactory definition. The usual piece of shorthand is the North/South Dialogue, but the phrase is pretty misleading. Multi-polar world. We live in a

North talks to north, south to south, Even the notion of a east to west, and west to east.

dialogue between developed and developing countries, or stated more crudely, between rich and poor, is misleading. Some

so-called developing countries have, as I indicated earlier, created very successful industries; while in some of the so-called developed countries post industrial decline has set in and some of their regions have become relatively impoverished.

The truth is that there are no tidy geographical boxes in which to put the various interests involved, and no easy definitions. If this is clearer
today than it was ten years ago, it is at least partly because of the crisis in our affairs caused by the continuing rise in the price of oil. Within two or three years traditional categories were rendered out of date. Countries which had once looked at each other across the table found themselves sitting side by side. Countries previously reckoned poor perhaps now found themselves among the rich. More important countries which had always been poor now found themselves a great deal poorer, with the cost of oil alone, even with low capita consumption, consuming pretty well all their export earnings.

So far the negotiations at New York and elsewhere to create a world economic system more responsive to the changes of our time have been frustrated. People have exhausted themselves in long drawn out discussions with little to show for them. This is partly because of the wide differences of approach, but still more because of differences of expectation. In many ways the problem is too complex and goes too deep to be negotiable. We have to proceed more slowly and less ambitiously, step by practical step.

At the same time it is, in my view, no good for the industrial countries to think that things can continue broadly as they are, and that disbursement of limited quantities of aid can play a major part in coping with the enormous and growing problems of the greater part of mankind. Nor is it any good the oil producers thinking that they can safely invest their profits in the industrial countries while leaving to the industrial countries the responsibility and the risk of recycling revenues from oil. Nor is it any good the Communist countries thinking that the problems of non-industrial countries are a kind of
capitalist plot and confining their own efforts to sales of armaments and the 
struggle for power and influence. Finally it is no good the poorer 
countries thinking they can change the rules of the international economic order 
overnight to their advantage, above all at a time of industrial recession, 
continuing inflation and increasing unemployment in industrial countries. In this 
area of policy the Community has a special role to play. By history, tradition 
and interest it is more closely linked than any other industrial grouping with the 
rest of the world, and in a real sense is dependent upon it. It has 
fa close 
-21- 
a close Treaty relationship with sixty relatively poor countries through the Lome 
Convention, and other forms of treaty or association with most other countries in 
the world, including China. It neither wishes to cling to the present order of 
things, nor to endorse some of the cruder blueprints for a new one. It has a 
specific 
contribution to make not only in terms of trade, aid and other relationships, but 
in helping to promote the evolution of that new world economic system which is 
clearly necessary. Public opinion 
as well as governments in the industrial countries have yet to understand the 
scope and magnitude of what is at stake. This year will be crucial 
with the Economic Summit at Ottawa where these problems 
will be high on the agenda, and the 
projected meeting at Mexico of representative countries from all sides concerned. 
Above all we 
need more understanding and more readiness to hear other points of view. 
I 
think that the fundamental idea should 
be that of mutual advantage, coupled of course with the idea of mutual 
responsibility. Industrial as well 
as non industrial countries, oil producing countries as well 

as well as oil consuming countries, state trading countries as well as those with 
market economies, will all have to carry an appropriate part of the burden of 
change. If there will be gains for all The penalties
there will be sacrifices for all. 

of failure - social breakdown, contagious instability, violence in all its forms - are worse than any of us in his right mind would wish to contemplate.

We are all inhabitants of one small planet, and in the first as well as the last resort we have to see our problems in a planetary framework. I particularly welcome the formidable work undertaken in the United States which led to the publication of the Global 2000 Report last July. Unlike other forward looks into the future, it did not attempt to make precise predictions. It set out alternatives. It showed what would happen if certain tendencies and trends were to continue. In short it underlined the responsibility we still have in inventing our own future. alarming. Some of the possibilities are indeed Population growth, depletion of resources, pollution of the environment, deteriorating food supply prospects will anyway make this last twenty years of the twentieth century difficult and dangerous for every human being. We should I think have the philosophy of this Report in our minds as we look at the world and the problems which now beset us.

I have talked more in this lecture about global economic problems than I have about the continuing political and military rivalries which bedevil international relationships. is no accident. This corresponds with the role of the Community in the world and the priorities which are imposed on the Community by the circumstances I have descriPed. That does not mean that I under-

estimate the danger . . . the very real danger - that mankind should one day blow itself up or irremediably poison its environment. That hazard is one we have all had to face since the invention of nuclear weapons. But in facing it, we still have to carry on with the process of living, of adapting ourselves to new circumstances, of dealing with other problems and dangers, of creating a world - inventing a future - more responsive to the needs of all mankind. In this process the European Community has a major and growing part to play.

European Community

No. 6/1981 January 22, 1981

THE ROLE OF THE EUROPEAN COM?1UNITY IN WORLD AFFAIRS

Roy Jenkins, former President of the Commission of-the European Communities,
delivered the first Samuel D. Berger Memorial Lecture at Georgetown University today. Excerpts follow.

ON ATLANTIC ALLIANCE: In broad terms, where the Europeans have joined together, they have fortified themselves, and where they have not, they have become dependent on others and weakened thereby. Even in areas where there is an identifiable European interest, the Europeans have not always come together. An example is defense. Americans and Europeans, are, of course, joined in defense of the North Atlantic countries on both sides of the ocean. There is a belief that an effective European grouping might be divisive of the Atlantic Alliance. I do not think this to be true. What is true is that European views on defense have at present little collective weight, and this at a time when crucial defense decisions for the next decade need to be taken. By contrast, the area in which the Europeans have increasingly worked together, made the necessary sacrifices, and, often unwillingly, surrendered ancient, but illusory, elements of sovereignty is that of their economic activities in the widest sense. From the beginning their aims have been political and their means economic; and in both political and economic terms the Community already exercises the weight which is more than the sum of its parts. It has thus become the most important interlocuter of the United States. ON GOVERNING: It is not always easy to work with this multifarious, growing organisation with its changing competences and shifting balance of power between the Community and its constituent states. No wonder that Americans sometimes find the Community exasperating to deal with, and complain that the Europeans are either incapable of putting together a common policy or that if they have done so it becomes negotiable and set in concrete. All I can respond is that we in the Community sometimes have the same feeling when dealing with the agencies in Washington; and when the President has put his thumb on a policy, that too can take on the consistency of concrete. Moreover, we have an added dimension of difficulty in that your executive is subject to Congress, and Congress, particularly in the last few years, has strong views of its own. ON DEPENDENCE: The central characteristic of Europe is its vulnerability. I have already spoken of the continuing division of Europe with its long Eastern frontier garrisoned by Soviet forces (although more to keep people in on their side than to prevent incursion from ours). Unlike the United States we have a border problem of such magnitude that American forces, by our wish, your sense of duty and our common interest, have never gone home, thirty-five years after the war. By itself Europe is not a defensible entity in the conditions of modern war. Next there is our vulnerability over raw materials. The Community has to import 75% of its raw materials. By comparison the United States imports under 25% and the Soviet Union under 10%. Like Japan, most Western European countries must import not only the energy they need to power industry but also the minerals they need for industry to convert into manufactured goods. It follows that Western Europe as a whole and the Community in particular is highly dependent on external trade. The percentage of GNP devoted to foreign trade varies from Community country to country but in some cases it reaches up to 60%. This means that Europe has an enormous interest, even greater than yours, in the stability of the world economy and respect for international rules governing trade, investment, money and other forms of exchange between states. ON GLOBAL ROLE: There have been suggestions in the past, notably
from Dr. Kissinger in 1973, that the role of Europe in the world has become more regional than global. For the reasons I have given, I believe this to be misleading. What is true is that neither the European states nor the Community of today exercises political power commensurate with the worldwide network of European interests and responsibilities.

The Europeans are compelled by their circumstances as well as their history and inclinations to play a world role but they do so from a position of vulnerability. When Europeans can accurately boast that the Community inside and out accounts for some 40% of the world’s trade, that the population of the Community is substantially greater than that of either the United States of the Soviet Union, and that its heritage of civilisation, skill, technology and inventiveness is second to none, on the other hand it must be said that many of these assets are unfocussed in terms of political and economic power and that the present Community could not, even if it so wished, play that relatively independent role in world affairs which is open to the United States, the Soviet Union and, to some extent, China. ON OIL: Next, I look at the Community’s relationship with the oil producing countries. Again, I must remind you the Community's vulnerability. Although we are less dependent than Japan on Middle Eastern and North African oil, we still draw about 40% of all our primary energy supplies directly from those areas. By comparison the United States draws less than 9%. The Community consumes 2.1 tons of oil per head a year, of which 86% comes from oil imports, while the United States consumes 3.9 tons of oil per head a year, of which 50% comes from imports. These figures show, if it is necessary to show, why the Community is so concerned not only about stability of oil supplies but also about the problems of the area from which most of the oil comes. Our relationship with the Middle East is not of course one-sided. In a traditional area of European interest our trade has greatly increased, particularly in the last few years. European products have found new markets and European service industries have taken deep root. As for the oil producing countries, they have invested substantially in Western Europe and in economic terms our relationship has become close. ON THE MIDDLE EAST: It is not therefore surprising - although it seems to surprise some people - that the Member States of the Community, working together through the process of Political Cooperation should have sought to develop a correspondingly important political relationship. There is much common ground between the process launched at Camp David and the ideas set out in the Venice Declaration of the Community Member States. Both look for a comprehensive settlement; and both call for recognition of the right of existence within secure borders of all in the area, and of the legitimate rights of the Palestinian people. But at Venice and subsequently at the European Council at Luxembourg in December we went a little further than was possible at Camp David. We spoke of borders being guaranteed and of the readiness of the Member States of the Community to participate in such guarantees.

We spoke of the need for involvement of all the parties, including the Palestinian Liberation Organisation. We drew attention to the problem of Jerusalem. Since then there has been a follow-up in the form of talks with all countries in the area, and these are continuing. We now have to reflect and consider further what kind of initiative we might take. Obviously, we want to work as closely as possible with you. Equally obviously, we could not accept that Europe, with its enormous interest in the Middle East and its stability, could or should be excluded from helping in the search for a long-term and comprehensive settlement.
SPEAKING AT A MEETING AT THE UNIVERSITY OF NEW YORK ORGANISED
BY THE AMERICAN EUROPEAN COMMUNITY ASSOCIATION ON THURSDAY 6TH JANUARY 1973, THE
RT HON ROY JENKINS MP WILL SAY:

"The world is descending into the deepest slump for 50 years. And without a
reversal of present policies Deflation all the indications are that it will get
worse.

is breeding protectionism, and each is feeding upon the other and making the
outlook not merely bleak but menacing. If we take no action, present conditions
may in a year or two's time make today's ills seem almost benevolent. We shall
have thrown away the whole remarkable achievement of the quarter century from 1948
to 1973, which gave the Western world a greater prosperity and unity than it had
ever seen before. In these circumstances there is an immense need for imaginative
and constructive statesmanship. has so far been forthcoming. Yet little Western
leaders have either
turned inwards and concentrated upon the problems of their own countries, with
little regard to the repercussive effects of their attempted remedies. have
lectured others to be more Or, on the rare "Countries occasions when they have
raised their eyes wider, they
restricti--e.

which have overspent and overborrowed must reduce their spending and reduce their
borrowing" the British Prime Minister said in November. Taken in relation to one
country, this may sound good disciplinary doctrine. But applied widely across the
world, particularly when accompanied by creeping protectionism, it is a recipe for
the generation of a second great wave of recession. The further deflation /of
of overseas markets can spell nothing but further economic trouble. Accompanied,
as it may be, by the financial The interests of dominoes beginning to knock each
other over, it could lead to a hitherto unprecedented disaster. the world ec.onomy
as a whole 1 and of the United States and the European Community as economically
crucial parts of the world, are the same: to reject deflation and protectionism
and to. work __ together for expansion of

• world trade and the revi \tal::: 1 of growth in our domestic
economies. I believe that this is the moment for the main trading countries
jointly to proclaim a change of course.

The world was catapulted into slump by the two great oil crises, and by the
restrictive monetary policies with which governments sought to contain the
inflationary consequences. The slump has been made worse by wildly fluctuating
exchange rates which have discouraged the growth of investment and trade. It is
nonsense to pretend that these fluctuations They do nothing of the sort. How can
reflect reality.
they when the yen has been depressed while Japanese exports have been sweeping the world? It is no longer trade patterns which set exchange rates. It is, perversely, exchange This danger is intensified rates which set trade patterns.

as a result of the over-extended positions of many private banks because of their inherent desirability lending to heavily indebted countries. They are now naturally less willing or able to continue to lend and the supply of finance necessary to lubricate the wheels of trade is being withdrawn. But circumstances are changing, and as they do so a window of opportunity for effective concerted action emerges. The oil price has stabilised and is far more likely to fall than to rise significantly in the foreseeable future. The rate of inflation is declining around the world and interest rates have at least temporarily come down. As world-wide concern about unemployment mounts, circumstances have become propitious for an international initiative to save the world.

the world from the disaster which continued adherence to previous policies will bring. Here in the United States. abandoned.

Opinion is, I believe, turning

Monetary targets are effectively are increasing numbers, including some in influential places, who see the fight against inflation, while in itself necessary, as an inadequate exclusive goal of economic policy. Concern is also rising in Germany as unemployment goes over two million even there. We should seize this moment, now at the beginning of 1983, to halt the Gadarene rush towards protection and launch instead a carefully worked-out, responsible, but above all coordinated strategy for expansion of the world economy. Such coordinated action will be required on three fronts: First, joint expansion.

If countries are successfully that they should do so to expand, it is highly together.

Otherwise, if one country makes a solitary "dash for growth") its expansion is likely to be abruptly ended by balance of payment...
difficulties and the inflationary pressures which follow from a planned for exchange rate. It was

Coordinated expansion is far more easily sustainable.

at the Bonn Economic Summit in July 1978, in which, as President of the European Commission, I participated together with the heads of government of the seven Swit nations. There, previous following/expansionary moves by both the United States and Britain, Japan undertook to raise its growth rate by 1.5%. Germany in turn took action to raise its GNP by 1%. And France, Italy and Canada all undertook to make contributions of their own. The conventional view is that this exercise was misconceived. But this is a superficial view without considering the reason why it did not achieve a sustained drive to its objectives. It was quite simply aborted by the second oil crisis, which ushered in the general move towards restrictive policies and carried us all into the great slump. That lion is no longer in the path, the rationale of Bonn remains valid and shows no sign of returning.

valid, and my first proposal is that now there should be a major political effort to revive it. Relatively small adjustments to the fiscal stance of the major countries involved could produce significant increases in GNP and reductions in unemployment. The world could gradually be led out of recession by imaginative decisions such as Keynes propounde and you've it took.

There is no contradiction between concern to correct the medium term 'full employment deficit' and a willingness to apply some short-term stimulus in conditions well short of full employment.

Second, monetary stability.

Coordinated expansion will not succeed unless exchange rates are given a reasonable If they are allowed to fluctuate wildly and: often they also stimulate protectionist The economic We cannot irrationally, they become the enemy of world trade and of international investment. high. forces in those countries whose currencies are forced too But we should not be utopian. performance of countries inevitably varies in terms of growth in productivity and comparative inflation. and expect it to stick. therefore just proclaim a new regime of fixed exchange rates The simple re-establishment of the Bretton Woods system of fixed rates, great though were the benefits which flowed from it, is not a practical option today. Apart from anything else, the United States
discovered in 1971 that it could no longer sustain the solar role in this system which it had so honourably discharged for 27 years. Yet there is mounting disillusionment with freely floating currencies. Experience of these has not been that they adjust gradually and smoothly, keeping payments in balance. On the contrary, exchange rates have lurched wildly from one extreme to another - in the US/British case from a pound/dollar rate of 1.60 to 2.40 and back again. And not only have they been unstable, but they have shown a capacity to stay well out of line - in terms of relative inflation competitiveness and balance of payments. For long periods. The pound is over-valued by a good 30%. The yen is compared with its 1975 level.
The dollar has been so by about the same amount at least 12% In Britain's case, the result has been to destroy competitiveness and accelerate de-industrialisation. In the case of the United States, the effect has been to re-awaken long dormant protectionist instincts.
The markets themselves cannot and do not ensure that currencies adjust to reality so as to keep foreign payments in balance and employment reasonably full. What is required is a system of exchange rates which broadly maintains the competitive position of one economy against another and avoids the short-term fluctuations which are damaging to trade and devastating to investment decisions. I believe that substantial progress could be made on a trilateral basis between the United States, Britain, and Japan. Each bloc would define a "target zone" for its currency within which the value is constant. This should, in present circumstances, be wider than the old Bretton Woods margins. Perhaps the 6%-maroins which the Italian lira has within a target zone would be reasonable. According From time to time the central rates would be shifted upwards. 
mediurrr.-ter-_ cha!lg--- i_-- reiciff.ye_-c9-petitiveness, which would embrace inflation differentials. not be permitted to go outsid~

Monetary policy They should sp-culative would be used to keep the rates within the zones. in response to movements or short-term factors.

Adequate swap agreements, which are not difficult to secure, can iron out disruptive waves, although they cannot - nor should they obviate the need. for responding to a long-term swell of the ocean. The new tripod would form the basis of a new, stable; but not rigid international monetary system. It would be possible and desirable for other countries strongly dependent on one or other of the blocs to tie their currencies to the dollar, yen or European ECU. move in general with the ECU. Third, finance for the developing world. of course not certaimlt should not be exaggerated. chere. The risk of

To take European examples, the would obviously Austrian schilling and the S\vedish krone a knock-on collapse of the banking system cannot be ignored rt But it is And increased risks mean that private financial

If the expansionary strategy outlined above is put into operation, and growth as a result rates in the industrialised world raised by an average annual rate of about 1%, World Bank estimates suggest that large increases in the flows. of bo~~ official and "private finance to developing countries would be needed if general sustained expansion were not to be frustrated by

credit const~nts. Tnere~should be at least a doubling of International Monetary developing countries; Fu-d
quotas and a fresh issue of Special Drawing Rights - preferably angled in favour of and there should be a major extension of "co-financing", which means close cooperation between the official institutions and private banks. The private banks need sufficient confidence to continue lending on the scale required. Exports barely cover their recent one of Mexico.

This means help with debt servicing for those developing countries whose total charges for the new $20 billion IMF fund for use in cases like the Thii is not soft-hearted generosity. It is imaginative self-interest for the Western world such as was spectacularly shown by the United States at the time of the Marshall Plan which led to the most economically successful years in the recorded history of the world. It also led to the most freely accepted period of unchallenged American leadership of the West and of much of the rest of the world as well. Old form. That cannot be wholly recreated in its The past can rarely be set upon its throne again.

Leadership must now come from both sides of the Atlantic and the United States and the European Community must be careful not to let their trade differences undermine the necessary political partnership. The first two proposals would provide a context within which expansion could restart - measured, balanced, sustainable expansion - and the third would ensure that it would not run into a barrier of markets blocked by penury. The essentials are more stable currencies and a world of good neighbours. /A far-sighted recognition of interdependence served us far too well in the days of mounting prosperity, which did not start easily, for us to turn our back on it in the harsher circumstances of today. They are the keys which will unlock the gate of escape from the threatening of deflation and protectionism.

They alone can once again give us the realistic prospect of restorin~ jobs growth and the expansion of trade.

ENDS