

Luxembourg , December 13, 1978

europaean parliament

speech by president jenkins in the debate on the europaean council
13 december 1978

i welcome this opportunity to speak to you about the outcome of the europaean council last week in brussels. i will not try to duplicate herr genschler'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 europaean 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 stick to that judgment. i put then and i do now equal stress on both words. it was a success because the europaean monetary system will be set up on 1 january 1979, the date foreseen by the europaean 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 in that sense both successful and remarkable. it is most unusual for target dates to stick. that also is a considerable achievement.

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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 ingrained natural habit, not feel able to join in the proposed scheme from the beginning. However in the weeks building up to the final decision, we 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 Brussels.

I shared their disappointment, I believe that the Community could and should have been more forthcoming on parallel aid. This was not due to any lack of preparation. There were two arrangements - a special volet 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 also well 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 is true both ways. There could have been satisfaction 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 plans 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 to be in the interest of Italy as much as it is undoubtedly in that of the Community. We await the decision of the Irish government.

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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, equally a non-participating member country of the community, could participate in the conditional medium-term credit facilities. as far as the

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

seem to be sensible, is that a country that did not participate in the exchange rate intervention mechanism should not benefit from the increase in short-term facilities available and related directly 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 by ng 20 o/o of gold and dollar 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 mechanism 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

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4. participating economies. and there is a far greater measure of political commitment and will.

as i have already said most of our 20' hours of discussion was spent sorting out the final details of the ems and seeking ways to include as many member states as possible in the central mechanism 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 reasonably encouraging. the commission will on its own responsibility put forward price proposals firmly within the guidelines laid down in the paper. it will defend them equally firmly. the european 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 cap, but the agricultural council will not have reached decisions.

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

basis, 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 think that we are deceiving ourselves. but there is a clear and possible path. we would be quite wrong to react to this european council with despondency, and still more wrong to sink into debilitating 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 to member states also.

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