

The President

PRESIDENT JENKINS'
ADDRESS TO THE KATHOLIEKE UNIVERSITEIT LEUVEN
THEO LEFEVRE LECTURE

Friday 2nd February, 1979

I am deeply conscious of the honour that this great 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 gently ironic terms of a friendly critic, as being "so unravaged by the fierce intellectual light of our century, so serene". But Matthew Arnold's description of 19th century Oxford as "the home 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.

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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 are 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 impulse.

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 as 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 ourselves, 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 new 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 back 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

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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 spread 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, geographically tight Community/^{of Western}Europe. 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 efforts 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.

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First, we need further to strengthen the basic underlying structure of the internal market. Last year the Commission brought forward a 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 free movement of intra-Community 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 receded - 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 ship-building 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 now 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 true of the opportunities and the challenge presented to us by EMS, it is, in my view, equally true of the other two great issues which now face the Community - the challenge of direct elections

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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 not, of course, the same questions, but they are nevertheless closely related.

It is in my view particularly appropriate to start an examination of the institutional question here 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 astride 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 to preserve that essential symmetry and the unity that it has brought to the Community in all that we do. And here I 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 not to say that adjustment is not necessary, but to state firmly that adjustment should take place within the basic institutional framework of the Community.

I 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 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, 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

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 institution, its original torches of endeavour 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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