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THE EUROPEAN COMMUNITY : NEW INSTITUTIONAL DEVELOPMENTS

Introduction

- There are lots of people - inside the Community as well as outside - who look upon it as an organization whose institutions are frozen solid. Nothing could be farther from the truth.
- The last six years have seen these supposedly ossified institutions absorb three new Member States and prepare to absorb a further three.
- Simultaneously the institutions have coped with a vast growth in the scope of Community activities, both internal and external.
- Meanwhile there have been some major institutional or semi-institutional developments.
- The European Parliament has acquired new budgetary powers.
- The European Council has been set up.
- The first direct elections to the European Parliament have been carried through. The European Monetary System has been created.
- Looking slightly ahead, the Community is rapidly approaching the point at which it will require additional budgetary resources.
- Finally, a high-powered group, appointed to study the Commission's structure and operation and chaired by M. Dirk Spierenburg, has just made proposals aimed at making it stronger. These include most notably proposals to strengthen the position of the President and to reduce the size of the Commission by having only one member from each Member State.
- I want to speak to you today about some of these points. But I shall not be able to go into detail on the Spierenburg report because I have not been able to study the text.

The European Parliament

- The Parliament, which is meeting in Strasbourg this week, is clearly at the start of a dynamic and formative period of its existence.
- The direct elections of last June transformed the situation. First, the number of Members went up from 198 to 410, giving much increased opportunities for contact between each Member and his constituents.
- Second, the new system brought more stability into Parliament's membership. Previously Members were designated by their national Parliaments, and as a result were frequently changed. Now, all Members are elected for the same five-year term of office.
- Third, the elections produced a situation in which MEP's, taken as a whole, can devote much more attention to European duties.
- Previously, all Members were simultaneously Members of their national Parliament, and the demands which the latter made on their time took precedence over the requirements of the European Parliament.
- Today only about 140 out of the 410 Members have a dual mandate.
- Last, but certainly not least, the elections gave to MEP's a direct democratic legitimacy which was lacking before.
- Previously, it is true, most MEP's had been elected. But they had been elected for a national purpose.
- Now, all MEP's have been elected to represent the interests of their voters in the European Parliament itself.
- The European Parliament is in no doubt at all that this direct democratic legitimacy gives it an authority, and a right to be heard and heeded, which its predecessors were not able to claim.
- Now, 3 1/2 months after the elections, MEP's are beginning to discuss how and to what ends this authority should be brought to bear.
- It is far too soon to say exactly what conclusions they will reach. But various things have happened which give pointers towards possible developments.
- Last July, on the first day of its inaugural session, the new Parliament elected Mme Simone Veil as its President.
- This was an important political act.
- By choosing someone who was already a major and colorful personality in her own country, Parliament showed that it wanted to be chaired, and to be represented outside, by a political heavyweight.
- But the choice was also important in that it demonstrated the strength of the center right groups who supported Mme. Veil. In the new Parliament the struggle between right and left is likely to be sharper than in the old, where consensus politics were more in evidence.

- In the July session, Parliament also took an important procedural decision.
- It decided to increase the number of its standing committees from 12 to 15.
- Committee work is as important in the European Parliament as it is in the U.S. Congress. Having more committees will mean that each one of them will be able to dig deeper and thrust harder in its own sector.
- Already we in the Commission have seen proof of this in terms of the number, extent and penetration of the questions and demands for information addressed to us.
- One particular change in the structure of standing committees is worth special mention.
- Parliament has created two budgetary committees where there was only one, before.
- One will deal with the establishment of the budget: the other with the control of its execution.
- Given that some of Parliament's most important powers lie precisely in the budgetary field, this could have significant consequences for the Community.
- One of the main political groups in Parliament, namely that of the Christian Democrats, is already talking of rejecting the whole Community budget for next year if the Council does not agree to one which properly contributes to European integration.
- Parliament is entitled to reject the budget; but it has never contemplated this step seriously up till now. Rejection would not bring the Community to a grinding halt. In the absence of a new budget, those responsible for spending can spend, in any succeeding month, up to 1/12th of the amounts available in the last year's budget. All the same, it would provoke a major inter-institutional row.
- Since July, the committees have all met at least once, and one can begin to form some judgement of their temper.
- In many of them a striking, if predictable, new development has occurred. The elected MEP's see themselves as speaking for their constituencies or electoral areas. This was not so before.
- Moreover the new committees, and the new Parliament generally, are showing that, while they want to build forward from the achievements of the old, they are nevertheless going to break some important new ground.
- The old rules of procedure of Parliament are to be completely reviewed. Moreover, there is a trend towards holding committee meetings in public: indeed, the Social and Employment Committee will hold the first such public meeting on 1 October.
- This reflects the determination of the new Parliament to attract more attention from the media.

- Particularly striking was the first working meeting of the Political Committee, which is responsible for institutional questions.
- Its membership includes some particularly eminent personalities.
- Its Chairman is Emilio Colombo, President of the last Parliament.
- The meeting was dominated by contributions from two other leading Members. Willy Brandt made a wide-ranging speech on the CSCE process and proposed that the committee should organize a public hearing on preparation for the Madrid meeting next year. And Jean Rey, a former President of the European Commission, stimulated a wide-ranging discussion on the role of Parliament itself.
- The work program of this committee promises to be of great interest.
- It is likely to include, amongst other things:
 - * preparation of proposals for a uniform electoral procedure for the European Parliament in time for the next elections in 1984. (This would replace the present system, in which Members are elected essentially by national procedures).
 - * a report on the choice of a definitive seat for the European Parliament (to replace the existing provisorium).
 - * a review of relations between the European Parliament and the political cooperation.
- As one looks at these first effects of having an elected Parliament, it seems reasonable to suppose that the longer-term consequences will include some shift in the balance of forces between the institutions of the Community, and perhaps also in the balance between the Community and the Member States.

The European Council

- After direct elections, the most important institutional event in the European Community since the first enlargement has been the creation of the European Council, the thrice-yearly gathering of Heads of Government of the Nine.
- This body is four and a half years old.
- By now, a fairly clear pattern of behavior and practice has emerged.
- From the start, the Heads of Government have given their meetings a distinctly personal character. They have also maintained a firm control on their agendas, ensuring that discussion is focussed on a small number of topics.

- The number of people present is very limited - normally only the Heads of Government themselves; the Foreign Ministers; the President and one other Member of the Commission; and one or two officials to help in recording the conclusions.
- All this has contributed to making the European Council effective in terms of injecting impetus and momentum into Community affairs.
- When it was first established, many feared that the new body would usurp the functions of the existing Community institutions.
- I do not think it has done so.
- Instead, it has given added depth to the stage on which Community events take place.
- It has also involved the Heads of Government much more directly in the conduct of Community affairs than was ever the case before.
- I will not weary you with a list of its achievements. But I would like to give you just three examples:
 - * in Dublin, in 1975, the European Council found a political solution to the British "re-negotiations",
 - * in Brussels, in December of last year, the Heads of Government agreed the basis on which the European Monetary System would be established,
 - * in Strasbourg, last June, they adopted a Community position on energy questions which had a big and positive impact on events at the Western Economic Summit at Tokyo a week later,
- The third example is particularly interesting because it marks a trend.
- It shows how the Community can adapt to a challenge - in this case the challenge of the new series of Western Economic Summits which began in 1974.
- At an early stage in the life of these Summits, which are of course attended by the leaders of the seven principle industrialized countries of the western world, it was generally agreed that, since matters of European Community competence were often going to be at the heart of the discussions, it would be wise to arrange for the Community as such to participate. The U.S. played an important role in promoting the decision.
- The Community subsequently decided to be represented by the President of the European Council and the President of the Commission.
- To undertake their task, these two men must of course have a mandate.
- So the habit has grown up in the Community of holding a meeting of the European Council a week or 10 days before each Western Summit.
- This happened last year, when Bremen immediately preceded Bonn.
- It happened in 1979. I expect it to happen again before the Western Economic Summit in Venice next June.

EMS

- Compared with direct elections and the establishment of the European Council, the creation of the European Monetary System, as we now have it, is not in the same institutional ballpark. It is valuable, and has worked well. But its aim was limited.
- Nevertheless it has interesting potential.
- The fathers of EMS saw it, not as the end of the road, but as a substantial first step.
- In Brussels, in December 1978, the nine Heads of Government pointed the way to something much bigger.
- They decided that, by the Easter of 1981, the EMS should be consolidated, inter alia by the creation of a European Monetary Fund and by full use of the ECU (European Currency Unit) as a reserve and as a means of settlement.
- The timetable is perhaps ambitious; but the aim is clear.
- Moves of this kind would require the creation of new decision-making machinery, and would therefore have big institutional implications.

Budgetary resources

- My last point is the impending need for new budgetary resources.
- The existing sources of Community finance are two-fold.
- About half of the budget is financed by the product of customs duties and levies on imports. The size of both of these sources is dictated by considerations of trade policy; they cannot easily be geared to revenue needs and indeed customs duties are tending to be reduced rather than increased.
- The balance is financed by the transfer by Member States to the Community of a proportion of the money they have collected from the application of Value Added Tax. When this system of own resources was established in 1970, a ceiling of 1% was placed on the VAT rate, the proceeds of which Member States could be required to transfer to the Community.
- With the steady growth of expenditure at Community level, we are bumping our heads on that ceiling.
- In 1979 we have reached a proportion of 0.74%.
- For the 1980 budget, which is not yet established, the Commission expects that we shall approach 0.89%.
- On current projections, we are very likely to go through the ceiling in 1981.

- The Commission will therefore, later this year, be putting forward proposals for the creation of new budgetary resources for the Community. I cannot predict just what these will be.
- In a green paper, published in 1978, the Commission talked around the various alternatives. The simplest of these was to raise the ceiling above the figure of 1% (other possibilities included taking a share of the product of other national taxation).
- But, if the content of our proposals remains at this stage shrouded in a degree of mystery, one thing is certain: they will be a matter of controversy.
- The Member States of the Community do not like, any more than you or I, digging deeper into their pockets.
- The fact that, at national level, all of them are having to pursue austere budgetary policies, makes them even more reticent than usual.
- One further point before I leave budgetary resources. The European Parliament has virtually no power over revenue-raising. Yet it has some power and much influence over expenditure. On this front, therefore, Parliament has power without responsibility. It may well feel that an adjustment of the revenue-raising arrangements would be a good occasion to alter this unusual situation.
- As I was reflecting on the question of budgetary resources I came across a passage in H.A.L. Fisher's "History of Europe" which seemed to have a certain relevance. Writing of the Hundred Year War he said this. "There is nothing so efficacious in breaking the hard crust of custom as a sudden enlargement in the scale of state expenditure. The need for state money creates new problems, opens new horizons, establishes new dreams, brings new men to the forefront of affairs..... The fiscal necessities of Edward III were.....the constitutional opportunities of his English Parliament".