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Brussels, 7 October 1983

Summary of speech given by Mr Andriessen
to the European Cooperation League

Amsterdam, 7 October 1983

The European Community has been marking time over a wide front for the past three years. The hour of truth has again and again been put off until the next European Council meeting. We lurch from one mini-crisis to another. There is a danger of the Community wasting away if things continue in this manner. Internal cohesion and external credibility are already seriously affected.

Mr Frans Andriessen, Member of the Commission of the European Communities, expressed these views today at a meeting of the European Cooperation League held in Amsterdam. He said that the effects of this disintegration process are making themselves felt on the common market, a phenomenon which is all the more serious as 50% of Community trade is carried out within the common market.

"If we are to protect the common market from further disintegration, we must take urgent steps in the area of standardization, cooperation between firms and government action. This is a first requirement."

"The common market will remain viable in the long term only if there is greater alignment in Member States' macroeconomic and monetary policies. This, in my opinion, is a second requirement. I regard the EMS as a central element in this and firmly believe that the exchange rate mechanism should be strengthened and extended to include all Member States."

"We must not wait any longer : the Athens summit must make a start and set matters in motion".

"If we wish to keep up in the technology race, we must as a matter of urgency cooperate in the area of scientific research and the development of advanced technologies. If we wish to reduce our energy dependence in future, there is an urgent need for cooperation in this area too".

Mr Andriessen noted that, according to the economic forecasts for 1983 and 1984, growth in the Community as a whole will be below the OECD average and well below that of countries such as the United States and Japan. Growth is forecast to amount to around 0.5% in 1983 and no more than 1.5% in 1984. The imperfect functioning of the common market and the lack of a common approach within Europe are partly to blame here, said Mr Andriessen.

Mr Andriessen also criticized the increasing inadequacy of the decision-making process within the Community. "The Council of Ministers has become more and more like a diplomatic conference, with attempts to reach general agreement frequently being carried to the ridiculous. It is obvious that

this sort of decision-making process will inevitably have a paralysing effect on Community activity. It is equally obvious that we will no longer be able to operate with this sort of system in an enlarged Community".

"I therefore believe that the way in which the institutions operate and the way in which they reach decisions must form an integral part of the overall package to promote the further development of Europe".

Mr Andriessen went on to argue that "the financial and agricultural problems are posing almost too great a burden on the relatively weak European decision-making structure. There is a danger that matters might come to be viewed the wrong way around. That is to say that the distribution of burdens within a new financing system might become so central an issue that the question of additional financial resources and the use to which they are to be put would be pushed into the background".

"The key question at present is whether the Community will acquire sufficient financial elbow room to allow it to pursue existing policies, develop new Community policies and at the same time cope with its enlargement to include two new Member States. The issue is therefore considerably more than a fairer distribution of costs and benefits and retrenchment in the common agricultural policy area."

"A structural solution to the United Kingdom's budget problem can be achieved only if the Community develops further and moves into new policy areas".

"... I still detect too much of a tendency to reduce the Community's problems to stopgap measures to deal with the United Kingdom's budgetary problem and the imminent running out of own resources, i.e. cutbacks in agricultural policy".

"I would regard this as a disastrous approach. European problems are much broader and as such require efforts at solutions over a broad front, including the necessary financial room for manoeuvre. A Europe that is based on further stopgap measures will inevitably be a Europe of steadily increasing disintegration..."

"...As far as the strengthening of monetary cooperation is concerned, there is as yet little evidence of enthusiasm on the part of the Member States. The same applies to their readiness to make national decisions in the macroeconomic area dependent on or consistent with a more concerted European approach. It is precisely in these latter two areas that, in my opinion, even small steps forward, taken in a European context, can have the effect of inspiring and increasing confidence...."

".... I certainly do not wish to be unduly alarmist about the lions and bears that lie in wait for us on the road to the negotiations in Athens and thereafter. However, we must be forearmed against them, even if only mentally. If agreement should not be reached, the crisis in Europe would be here to stay. We would then be faced, within a very short period, with a renationalization of the common agricultural policy, with all the consequences this would have for free trade in agricultural and industrial products."

"This sort of situation is by no means hypothetical given the imminent exhaustion of own resources. We must not overlook the fact that when the Community coffers are empty, the money has really all been used up. We cannot resort to deficit financing in Brussels."

"The Community agencies responsible for aid, refunds and other assistance would have to put the shutters down. It would then be up to the Ministers of Finance of each of the Member States to decide how far they would be prepared, temporarily, to contribute to such payments. Quite clearly, this would mean the dismantling of the common agricultural policy..."

Mr Andriessen concluded.