

INTRODUCTORY REMARKS BY MR GASTON E. THORN,
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COMMUNITIES, AT A PRESS CONFERENCE TO MARK
THE TENTH ANNIVERSARY OF THE UNITED KINGDOM'S
MEMBERSHIP OF THE EUROPEAN COMMUNITIES,

LONDON, NOVEMBER 25 1982

1.

Ten years ago, the United Kingdom - together with Denmark and Ireland - stood poised to join the European Communities. It was the biggest constitutional change in Britain for 300 years. It marked the culmination of a debate which had enlivened British politics for a decade or more.

I was among those who believed that without Britain, the Community was incomplete. And we worked hard to bring

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about British membership. As we saw things, a European Community without the United Kingdom missed an important element and might even have been short-lived. World politics make a united West Europe essential.

Looking back over the last ten years, it is possible to identify a number of ways in which Britain has been instrumental in helping the Community to enlarge and

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consolidate its world role. Your great experience in world affairs has helped give the Community a new dimension. Let me mention just three areas of policy which provide a clear illustration:

- Our relations with developing countries;
- Our unified voice on foreign policy;
- Our reinforced stance against international protectionism.

- The Commonwealth still has close ties with the United Kingdom. But, after enlargement, it was possible for the Community as a whole to share some of Britain's responsibilities to the developing countries of the Commonwealth. The Lomé Convention, which now links the Community with more than sixty developing countries of Africa, the Caribbean and the Pacific, was an achievement of the best kind of creative politics, transcending what member

countries could have achieved individually. UK experience was a key element in devising this new relationship between North and South.

- Political cooperation over foreign policy matters has taken on growing significance. The development of political cooperation reflects the conviction

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that the Community must be in a position to express the political dimension of its world role. British governments have long been strong advocates of effective political cooperation and have given it powerful political impetus. Britain was able to reap the benefit when, thanks to such cooperation, the Community was able to make a united response to the Falklands crisis. The progress made over the last ten years has been considerable.

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- The Community as a whole is heavily dependent for its economic well-being on its capacity to sell its goods, services and expertise on world markets. We must strive to avoid the competitive protectionism that characterised the 1930s. Events at that time showed that "beggar-thy-neighbour" trade policies brought terrible consequences for all.

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In this endeavour we count on the firm support of the United Kingdom.

These changing aspects of the Community are of benefit to all our member countries, including the United Kingdom. They enhance our capacity to act in an unpredictable and difficult international scene.

The original Community has gained much, then, from Britain's membership. But Britain too has gained.

Apart from the benefits of our more unified political

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approach, you have marked up concrete economic advances.

Britain's entry into the Community coincided with the first oil crisis, accompanied by unprecedented peacetime shortages on world food markets. Since then, the United Kingdom has been hit by the economic recession that has now fastened its grip on the rest of the Community.

Against this background, the economic benefits of

Community membership seemed a long time coming. The unified market seemed more of a burden in the early years than an advantage. No longer is this so.

Let me highlight five of the facts contained in the document "Britain and the Community 1973-1983: the impact of membership". Together these show that benefits are flowing towards Britain.

- The Community takes 43 per cent of British exports and is your fastest growing customer.
- Community membership has helped attract considerable investment from foreign companies anxious to place a subsidiary inside the Common Market. In 1980, Britain received 30 per cent of the United States' world-wide investment.

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- The Community has helped to soften the blow of industrial restructuring.
- Your own CBI estimates that 2,5 million jobs in the United Kingdom depend on the European market.
- British farmers now produce three-quarters of your temperate food needs.

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But it would be dishonest to pretend that your membership has been problem-free. Integrating the United Kingdom into the Community - or the Community into the United Kingdom - has been more difficult than we ever imagined.

At first the difficulty seemed to be related only to the United Kingdom. Now we can see it as something more

general. In Britain and Denmark, Community membership remains an issue, even ten years on. The same is true for Greece after two years. It will doubtless be true for Spain and Portugal.

We must accept that only rarely will the choice between "Inside or Outside?" be as clear-cut as it has seemed in Ireland. Normally, it will be a keenly debated question.

for years after the original choice has been made.

The insistent question will be "What is the Community doing for me?" To the first generation of Europeans, it is a sufficient answer that it has made unthinkable another European Civil War. But increasingly people look for concrete economic advantages.

I have just mentioned, as examples, a number of ways in which the Community is helping the United Kingdom both politically and economically.

Similar benefits flow to all our member countries.

But, if we are to exploit the Community's potential to the full, we must press ahead and develop policies in new areas. This is made more than ever necessary by

the depression which is gripping all our economies.

A united response to these difficulties will be much more beneficial than isolated national efforts. We need more Community not less.

It is vital that we break the habit of improvising temporary solutions to our existing problems. We must

somehow break free of the short-term and concentrate of the very considerable economic problems that we shall face in the next decade.

The Community budget is no doubt the greatest of our present preoccupations. It gives rise to twin concerns:

- Community solidarity is weakened by the imbalance in

benefits flowing from Community policies.

- Community development is stunted by the limit imposed by present financial resources.

Both these concerns must be met in the construction of a new resource base for the Community. We must agree on new sources of Community finance in order

that we can develop the policies and advantages of the Community in a balanced way.

This new resource base must be such that it puts an end, once and for all, to talk of a "Just return".

The Community has not been created to act as a clearing house for national government cheques.

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- The size of Britain's contribution to the Community budget has become a matter of concern in this country. I have already indicated that the lasting solution to this problem must be found in the creation of the Community's new resource base. But, to get matters into proportion, let me point out that in 1982 the United Kingdom's contribution - as a result of the recent agreement - will amount to three hundred and eighty seven (387) million pounds - which is equal to less than 3 per cent of your defence expenditure.

The Commission is developing ideas for a new resource base that would achieve these objectives. It will come forward with its proposals in the first three months of next year so that we can be ready for the Community's enlargement to include Spain and Portugal.

Enlargement makes it necessary to look again at the operation of the common agricultural policy. I am convinced that the objectives of the policy are as valid today as they were when the policy was founded. But some of the policy's mechanisms undoubtedly require adjustment.

Demands for common agricultural policy reform have been insistent in the United Kingdom ever since your entry.

At first UK opinion urged the adoption of a generalised deficiency payments system. We have built deficiency payments into several of our agricultural market support systems. Indeed, about 30 per cent of our total expenditure in the agricultural sector now goes on some kind of deficiency payment like that for sheep or else on consumer subsidies like that for UK butter. But to generalise the system of deficiency payments would

lead to very considerable increases - tenfold on some estimates - in our agricultural expenditure. The growth in British self-sufficiency since 1973 has been such that it would even be too expensive for the UK on its own.

The adaptation of the common agricultural policy is a problem that has to be faced. The Community has

already shown that it is prepared to tackle the problem of structural surpluses. For five major commodities, including cereals, milk and sugar, we have set up a system to discourage unreasonable increases in production. When production exceeds a certain threshold, producers must expect either a reduction in their guaranteed price or to have to contribute financially to the cost of disposing of the additional production. This is a major

development which has perhaps not been sufficiently appreciated in this country.

One can only be impressed by the way in which, despite the difficult economic background, Britain has sought to take advantage of the economic and political opportunities created by Community membership.

ADDENDUM REPLACING PAGES 27-30 OF THE INTRODUCTORY REMARKS BY MR. GASTON E. THORN, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, AT A PRESS CONFERENCE TO MARK THE TENTH ANNIVERSARY OF THE UNITED KINGDOM'S MEMBERSHIP OF THE EUROPEAN COMMUNITIES, London, November 1982

The British government has seized upon and used Community instruments wherever they were available. In one sector, however, you choose to go it alone. I refer, of course, to monetary and exchange rate policy.

Until now, the British Government has considered it inappropriate for the £ to participate fully in the European monetary system. This is explained by the importance given to monetary policy as an economic instrument in recent years. It is also linked with ^{the} status of the £ as a petro-currency. So far so good. But now you are faced with the task of maintaining the advantages that you have fought so hard to gain.

The time is now ripe, in my opinion, for Britain to join the European Monetary System. The advantages of participation would outweigh the costs. In particular, a stable exchange rate would make the overall economic environment more favourable for investors and would help structural adjustments of the U.K. economy.

Recent movements in the £'s value may illustrate some of the problems that may lie in store. I believe that Britain will exert greater control over the value of its currency within the European Monetary System. British membership of the European Monetary System would also benefit the Community as a whole. It would be a real contribution to the development of the System. And it would come at a time when the Community was seeking ^a concerted approach with its main international partners towards the stabilisation of exchange rates and interest rates.

It is also important for the Community to fight as a team against the international move towards protectionism.

It is important that the Community can work together to slim down old staple industries. It is equally important that, together, we take steps to relaunch our economic activity.

The present recession is not a temporary downturn in our economies. Let there be no mistake about that. We are in a period of fundamental transition. We cannot

base our collective future - as we have our past - on the success of our heavy industries.

There is a desperate need to develop new industries in the service and high technology sectors. This is best done at the Community level rather than country by country.

We believe that coordinated Community-wide investment programmes will, even if only modest, produce far greater benefits than isolated attempts in different member states. Moreover, if such investments were accompanied by greater economic policy coordination as a result of the development of the EMS, the multiplier impact would be so much greater.

In the last ten years, then, we have come some way

together. And in Britain one can see initial suspicion giving way to a cautious acceptance that Community membership does, after all, bring benefits.

But we must go further. The Community must develop if it is to respond to our present economic circumstances.

Only in this way can the Community prove its importance to our second generation as it has done to our

first generation Europe. The Community provides, I believe, the only political and economic framework in which we can realistically confront the problems that will face us in the years ahead.