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Press Release*

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The following is the speech by Mr Christopher Tugendhat, Member of the EEC Commission with responsibility for the budget, to the City Conservative Forum in London, June 1, 1978.

The Nature and the causes of the Community's recent progress

The European Community is at present urgently preparing itself for two meetings of crucial importance for Europe's future economic prospects: first, the European Council meeting of the Community's Heads of Government which is to take place in Bremen on July 6th and 7th and, second the Western Economic Summit in Bonn on July 16th and 17th. Against this background I would like this afternoon to draw your attention to the very substantial assistance which the European Community is currently contributing to the attempts being made to tackle the grave economic and industrial problems confronting all its Member States. I would also like to analyse some of the political factors which have permitted the Community to make this contribution; and in the light of that analysis to draw some conclusions about how the Community's future progress can best be secured.

The European Council

Of the various developments which have taken place in the Community in the short time since I have been a European Commissioner the most exciting - and potentially the most significant - unquestionably occurred at the recent European Council in Copenhagen when the Community's Heads of Government instructed the Commission and the Council of Ministers to prepare detailed proposals, to be considered at Bremen for two major European initiatives in the sphere of economic policy.

Growth

The first is to be for a concerted Community strategy to stimulate economic growth. It is, I believe, no exaggeration to claim that the adoption of such a strategy in an appropriate form would radically transform Europe's economic prospects; for it would greatly ease one of the major worries in the minds of the Member States so long as they contemplate reviving growth by purely national means - namely concern about the effects of growth upon their balance of payments.

All the Community's countries are trading nations which must, if they are to remain viable, offset the cost of their imports by selling exports of broadly equivalent value. Moreover, they each trade more with their Community partners than with any other individual market. So long, therefore, as the demand for goods and services in the rest of the Community remains severely depressed, they are rightly very reluctant to reduce unemployment by a domestic reflation, since such a course would inevitably greatly add to their imports, while leaving the constraints upon their exports entirely unchanged.

What the Heads of Government now appear to have grasped - and this is a point to which the Commission has been endeavouring to draw their attention for some time - is that if the Member States were to synchronise the implementation of the national growth measures which most of them would like to apply, they would to a great extent avoid this difficulty by providing each other with the additional export opportunities which all require.

The additional export opportunities arising from a synchronised growth policy also mean that such a policy would cost the Member States much less in Budgetary terms than would reliance upon exclusively national measures for the purpose of tackling unemployment. Indeed the Commission has recently estimated that the cost to the Member States of securing a given level of economic activity and employment may be as much as halved if their separate national measures are properly linked together in a suitable Community strategy.

Monetary Policy

Obviously a concerted strategy for growth will be very difficult to achieve, however, unless ways are first found to restore order to the international monetary system. The Heads of Government have therefore also asked the Community's institutions to prepare measures designed to help achieve precisely this objective.

The most important present source of instability in the world's currency markets has been the uncertain performance of the dollar. The role of the dollar remains almost as great as it was under the Bretton Woods system. But the United States economy is no longer as pre-eminent as it was in the years just after the war, and the dollar is correspondingly less immune from the kind of dramatic fluctuations with which sterling is only too familiar.

Recognising that this is so, the Heads of Government have concluded that the Member States must try to deal with the problems which have arisen in consequence by joint Community action. In particular, they have agreed to seek ways of establishing greater stability in the relationship between their own currencies with a view to creating improved conditions for trade within the Community and, at the same time, providing a strong basis on which to deal much more effectively in exchange rate policy with non-Community countries in general, and the USA in particular.

To this end, the Community's institutions are now actively examining a variety of possible measures including the extension of the Community's exchange system beyond the present "snake" currencies, the use of the European unit of account for repayment of "snake" intervention debts and other transactions between the Community's central banks, and the enlargement of the functions and resources of the European Monetary Cooperation Fund.

Other Community actions

If the radical proposals agreed in principle at Copenhagen are, in the event, put into practical effect, future historians will rightly come to regard

the Copenhagen summit as a major landmark, both politically and economically, in the Community's development.

Yet, that being said, I must immediately emphasise the importance of keeping the Copenhagen Summit in perspective. For the work which has been put in hand in consequence of the decisions which were taken there does not, by any means, represent the Community's sole contributions towards the task of resolving the daunting economic difficulties currently faced by all its Members. On the contrary, the Community has for some time been actively assisting its Members in a variety of ways which deserve much greater recognition than they have so far received.

External relations

Take the field of external relations. Precisely because relations between the Member States and non-Community countries are now handled jointly at Community level rather than by the Member States individually, this subject is rarely given front page coverage in Britain's national newspapers. Yet the significance for Europe's hopes of economic recovery of the arrangements which she makes in matters of external trade is hard to overstate. Moreover, there can be no doubt whatever that by acting together through the institutions of the Community, the Member States have been able to ensure that such arrangements are much more advantageous to them than would be the case if each was to negotiate separately.

Textiles

It is by negotiating as one on a Community basis, for example, that the Member States have been able to secure a set of trade agreements concerning textiles which the British Secretary of State for Trade has been generous enough to describe as "an historic turning point in the fortunes of the UK textile and clothing industries".

For some time, the position of the textile industry both in the United Kingdom and in the rest of the Community has been becoming increasingly precarious, mainly because of the inability of European companies to compete with low cost producers particularly in the developing world.

The consequences for the men and women who work in the textile sector have been dramatic and dismaying. The Commission estimates that every thousand ton increase in the Community's deficit in cotton thread means the loss of 160 jobs in weaving; that every additional thousand ton deficit in cotton cloths means a loss of 160 jobs in spinning and 300 in weaving; and that every increase of a thousand tons in the deficit in shirts and blouses means 160 redundancies in spinning, 300 in weaving, and 1200 in manufacturing.

Against this dismal background, the European Commission entered negotiations in the latter half of last year with all the Community's major textile suppliers for the purpose of securing their agreement to limit the future growth of their exports to us. In return for a voluntary limitation on their part, the Community offered the supplying countries security in the administration and application of the ceilings agreed upon.

The prospect of enjoying such security in relation to a market as large and as important as the Community's was one which the supplying countries could not but find attractive. In consequence, satisfactory agreements with virtually all the countries concerned were completed in time to come into effect on the first of January this year. The new arrangements to which these give rise will ensure that the overall annual increase in textile imports over the next four years will be limited to about 6 per cent - in contrast

to an average increase in the last four years of about 22 per cent.

Steel

The Community has had similar success in another industrial sector in a state of acute crisis throughout the Community, steel. It was only in December that the Council requested the Commission to suggest that all countries which export steel to the Community should conclude with it bilateral arrangements designed to ensure that steel import prices are stabilised at a level which does not exert a downward pressure on the Community's domestic prices. Yet Europe's bargaining power is such that it has already been able to secure agreements along these lines with the EFTA countries, with Spain, with Czechoslovakia, with Hungary, with South Africa, and with Japan.

Restructuring

The restrictions upon imports which the Commission has secured in steel and textiles will not of themselves solve either of these industries' problems. But by providing an external shield, they are helping to provide the more stable conditions which both industries need in order to plan and carry into effect the massive restructuring which is the necessary prerequisite of their survival in changed world conditions. This restructuring is of course primarily a task for the industries themselves and for national governments. But here too the Community is already playing a very important role by coordinating the measures taken by the Member States, by the intensified use of its own financial instruments, and by the promotion of the appropriate scientific and technological research.

Japan

Yet another vital service which the Community is rendering its Member States takes the form of its participation on their behalf in continuing trade discussions with the Japanese, mainly with a view to persuading the latter more fully to open up their markets to European goods. As yet progress has been slow, but having just returned from Japan myself, I am confident that, so long as the Community continues to bring the maximum pressure to bear, the eventual benefits flowing from these discussions will be substantial.

A common response to a common threat

By any standards this by no means exhaustive list of relevant Community actions in addition to the initiatives launched at Copenhagen comprises a formidable practical contribution to the solution of the Member States' main economic problems.

My object, however, is not merely to advertise the importance of what is happening today in the European Community. I also want to examine the political conditions which are enabling the Community, which, after all ultimately is only able to act in the manner which its Member States ordain - to assume the very significant role which it is now playing in the sphere of economic and industrial policy.

It is tempting but profoundly mistaken to suppose that either the decisions taken at Copenhagen, or any of the other examples of Community activity which I have catalogued, reflect a sudden upsurge in the Member States of enthusiasm for the European ideal in abstract. Nor can it be convincingly claimed that they are the consequence of the systematic implementation of an agreed grand design or blueprint for the Community's future development - although there is certainly no shortage of blueprints on offer.

Instead, all these developments should be seen as pragmatic and ad hoc responses by the Member States to their current domestic difficulties. In each of the areas of policy that I have mentioned the Member States have found themselves unable on their own to solve urgent and politically sensitive problems which they cannot afford to ignore. In these circumstances their attention has been drawn to the fact that some of these problems are shared by their Community partners, and eventually they have perceived that by acting in common with their partners in these areas they can secure national benefits not obtainable in any other way.

It has been interesting to observe that there has been no difference in the capacity to recognise these advantages, nor in enthusiasm for securing them, between those governments thought to favour the swift development of Europe towards a united Federal state, and those governments which are associated with a more reluctant attitude towards the pooling of sovereignty. Thus, for example, the British have been pressing at least as hard for Community initiatives concerning steel and textiles as have the West Germans or the Belgians. Whatever the differences in their vision of the Europe of tomorrow, all the Member States prove equally willing to allot new tasks to the Community today, where they judge it to be in their national interest to do so.

That the Community is advancing in an empirical fashion in response to perceived needs as they arise rather than upon the basis of systematic blueprints prescribing detailed developments for many years ahead, should be regarded as a source of satisfaction. Detailed blueprints have their uses in the political sphere, especially during the very early days of a new constitutional enterprise. But their great disadvantage is that they are necessarily static and immutable, and therefore liable swiftly to be outdated by the continuous change which usually characterises the economic and political environment in which they have to be applied.

Yet while I welcome the adoption of an empirical approach towards the development of Europe, I must also express my concern at how often the opportunities available to the Member States to obtain mutual benefit from using the Community's institutions in this fashion have been lost. All the policies which I have listed have been examples of the Member States responding in common to a common and very severe threat. Sadly, it is very difficult indeed to find instances of the Member States also recognising the many practical benefits to be gained by common action in areas of policy not characterised by crisis conditions.

If the Member States continue to turn to the Community only to help them deal with emergencies, then the latter's future development is inevitably going to be seriously distorted. This is something which the European Commission is obviously very anxious to avoid. But what can be done? Part of the answer is obvious: the Commission must ensure that all its proposals always serve real practical needs not abstract theories, and it must make every effort to explain how they will do so to those responsible within the Community's national administrations. But I am increasingly convinced of the importance of the Commission doing more of this. If they are to persuade national governments to discard the blinkers which they too often put on when they survey the Community scene, then Commissioners must not restrict themselves to private discussions behind closed doors with the representatives of national governments. They must also be prepared as often as possible to step outside the corridors of power, and robustly to enter the domain of public debate.

In the final analysis, the conduct of the Community's national governments is largely determined by their perception of the attitude and expectations of the national electorates to which they are responsible. Commissioners must therefore try to explain to those electorates directly, by all the appropriate methods available to them, the full range of concrete benefits which the development of the Community can bring them. We must persuade national voters themselves to bring pressure to national governments to make proper use of the opportunities which the Community offers.

This, of course, is a political tack requiring political skills. But then Commissioners are - and should be - practising politicians.

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