

No. 30/1980

December 2, 1980

TIME FOR TRANSITION

Roland de Kergorlay, Head of the European Communities Delegation to the United States, addressed the Mid-Atlantic Club on Wednesday, November 26, 1980 in Washington D.C. The topic of his talk: "Time for Transition."

The European Community has faced recently and will confront in future a number of basic challenges linked to the development of the CAP and its consequences on the EC budget - especially in the context of the Community's enlargement. In turn, the enlargement of the EC towards the South poses difficulties for Europe's relations with the developing world. These problems can only be solved through worldwide free trade.

Despite the economic and social crisis of the past 4 years, the basic structures on which the European Community rests have held firmly under great pressure. "The prophets of doom were to be proved wrong" Ambassador de Kergorlay pointed out, "on the internal front the European Community did not disintegrate. On the contrary, we made substantial steps forward. The direct election to the European Parliament, the creation of the European Monetary System, the enlargement of the Community to Ten, soon to be twelve.

On the external side, we registered the successful conclusion of the MTN negotiations, of the Lome II Agreement which links sixty developing countries to the Community, a cooperation agreement with the ASEAN countries, the multi-fiber agreement, and last, but not least, we have seen the gradual implementation of political cooperation between the Nine member states of the Community.

Most important, in the face of a global recession, we successfully held out against the worst evils of protectionism, both amongst one another and between ourselves and the rest of the world."

## The EC Budget

The EC Ambassador outlined some of the challenges the Community will face in the near future. In this respect: "in the coming years, the Community will have to face the delicate task of trying to resolve the related problems of the size of the budget, the question of who gets what out of it, the proportion spent on the Common Agricultural policy. This furthermore will directly involve the Parliament with its powers over the budget, powers which already last year it showed a determination to exercise."

## The Enlargement

This budgetary issue assumes even sharper significance given the imminent prospect of the Community's enlargement to include three new Mediterranean members. "In economic terms, the three countries that are about to join the Community - Greece, Spain and Portugal - lag some way behind the rest of the Community. A quarter to a third of their workforce is still engaged in agriculture.

The decision to include these countries was taken for political reasons. Its purpose was to strengthen democracy in these countries - its corollary will be to stabilize the southern flank of Europe.

It will, however, imply a massive transfer of resources from the wealthy members of the Community to these countries. The CAP can help to do this in an orderly way.

In the same way, many of the industrial problems which the Community has been facing in sectors such as textiles, shoes, steel, etc. will be exacerbated because these new members of the Community are most efficient in those sectors.

If the basic tenets of Community life continue to be observed, i.e. free movement of labor and goods, we shall find exports to the remainder of the Community of textiles, shoes, steel, increasing. And this is a good sign. It is by this means and this alone, that the economies of these countries will expand faster than those of more developed areas of the Community. It is by this means that the gap in real income per capita can be filled."

## North-South

The danger we have to watch for is that a successful policy to stabilize the Northern Mediterranean area might increase the chances of destabilisation, for economic reasons, of the Southern Mediterranean.

The Community is faced with a daunting task and one which is common to the entire western world. It is the task of transferring increasing amounts of resources to the developing countries. This can only be done against the background of an international free trade system.

## Free Trade

"Maintaining a global free trade system is a common responsibility of the United States, Japan and the Community. In the last few years in our direct relations with the United States, we have been successful in spite of increasing pressure on both sides, in continuing to practice the principles of free trade.

And I would here to acknowledge the unflagging help that we received from the present Administration. It has to continue in the future. We, like you, may have problems with Japan. I do not doubt that we shall, from time to time, have problems with one another. The temptation will be to resort to temporary trade restrictions in an effort to solve such problems. We all know of the various means available to us to limit one another's exports. The weaponry of impediments to trade is housed in a well-stocked arsenal.

Our trade deficits may appear at times to be gigantic and to warrant the use of this armory. Our own deficit with the United States may soon this year reach \$20 billion, while with Japan, it has reached some \$10 billion. This does not, per se, either justify or excuse restricting or hampering trade.

Protection by one side would inevitably lead to a spiralling series of retaliatory measures which could only do damage to the fabric of the economy of the Western world.

The temptation to resort to protectionism has to be firmly resisted."

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