

European BACKGROUND INFORMATION Community

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BACKGROUND NOTE

No. 19/1977

July 7, 1977

JENKINS: ECONOMIC, ENLARGEMENT ISSUES KEY TO COMMUNITY FUTURE

The proposed enlargement of the nine-nation European Community and the continuing drain on European economies by inflation and unemployment are the two issues of "overriding importance" for future Community action, Roy Jenkins, president of the Commission of the European Communities, told the European Parliament in Luxembourg yesterday.

In a speech reporting the Commission's work during his first six months as president and outlining its activities for the months ahead, Jenkins described the Community's approach to the questions of economic rejuvenation and Community enlargement as essential also in stimulating European voter interest in expected direct elections next year to the European Parliament.

On enlargement -- the anticipated accession during the 1980s of Greece, Portugal and Spain -- Jenkins said a "politically acceptable response" should also include a reform of "already creaking" Community institutions, a special approach to Mediterranean agriculture and recognition of the economic and structural problems involved. "We cannot complain," said Jenkins, of the existing dangers of economic divergence within the present Community, fail to do anything as a Community to tackle them and then unthinkingly accept the prospect of enlargement."

Calling the current economic malaise "one of the most debilitating political diseases we have suffered since the Community began," Jenkins offered two possible choices for combatting it: "either the pseudo-solution of national protectionism -- and we know where that led in the 1930s -- or a disciplined Community approach."

The Commission president said that a better coordination of Community financial instruments and a proposed program of borrowing more than \$1 billion on international capital markets should strengthen the Community approach. Seeking support for the Commission's borrowing program, Jenkins reminded the Parliament that "the main levers of economic decision remain for the immediate future with national governments." "But their responsibility is twofold," he said, "to coordinate their measures in the general European interest and to give to the Community itself the tools to do the job required."

Belgian Foreign Minister Henri Simonet, new president of the European Council of Foreign Ministers, also emphasized in his speech to the Parliament the necessity for curing Europe's economic ills to speed political unity. "Something must be done," said Simonet, "if the faint hopes of those responsible for leading Europe to full economic integration and real political union are not to be extinguished altogether."

A full text of the Jenkins speech before the European Parliament follows:

First, the European Council. Either too much or too little is expected of European Councils. It is rare that one enters them in the context of a balanced public expectation of the results that might be achieved, but the heads of government and the president of the Commission ought to have such a balanced view. I have personal experience of only two such councils, at Rome in March, and at London last week. I approached neither expecting miracles, but I believe it reasonable each time to expect some advance in dealing with major European issues. At Rome we did make some advance, particularly in putting in hand some useful work. In London we discussed some of the results of that work, but, to my regret, there was more talking than decision-making.

I must first express my disappointment that a decision was not reached on the site for the JET (Joint European Torus) project. The Commission fully shares the concern which this Parliament has frequently expressed about the inability to reach agreement on this issue. Such agreement is vital both for the credibility of the Community and for the inherent value of the project. That it should be done is more important than where it is done. It is not yet lost, but time is now very short. The Commission, with, I believe, your support, will do everything in its power to cut the knot and get a decision from the Foreign Ministers' Council at the end of this month. We must also get a decision on the multiannual program of the Joint Research Center, which was agreed in principle last November and accepted in referendum by all governments in March, and should have been implemented as from 1 January.

There was also the question of a new Community loans mechanism, to deal particularly with the sectoral employment problems. Most governments were in favor, but not all. We shall, however, continue to pursue this. The Commission must be practical, but it must also be forward-looking, and it must not either be put off or cast down if a novel idea does not immediately command unanimous support. That, I am sure, is the attitude which you would wish us to adopt. I will discuss this idea further in the context of our general work program.

In the past six months the Commission has made a start with a wide range of practical proposals and reforms. We believe they are balanced and constructive. We have tackled agriculture and steel, the Social and Regional Funds and the Community budget. Let me offer a brief comment on each, for these topics have been raised this afternoon, and each forms a part of our longer-term strategy.

Our proposals for agricultural prices were low, properly so in view of the need to master the problems of inflation in the Community. We also proposed further reductions in Monetary Compensatory Amounts to open up the way for a gradual return to the unity of agricultural markets. Although the Council fixed prices higher than we would have wished, the eventual settlement was one of the lowest in the history of the CAP (Community Agricultural Policy). We also insisted on, and the Council adopted, an action program to curb the surpluses of milk. The overall movement of the Commission's proposals was, I believe, firmly in the right direction of beginning to find a solution to some of the proposals of the CAP. We will build on this start. The Council must do so, too.

On steel, we have presented and have had accepted a wide range of measures. They are designed to insure the survival of the European steel industry -- nothing less is at stake. It needs a viable base for the future and this can only be given by assistance with restructuring. This is essential for the industry, for jobs, and for the economic health of the Community.

On agriculture and steel, decisions have been taken and are being implemented. The Social and Regional Fund, and the budget, are on the Council agenda. First, we have made proposals to increase the effectiveness of the funds. I hope the Council will match them with effective decisions. The Council has indeed made a start on the Social Fund. We have tried to cut out the red-tape which had encumbered the fund, to intensify

its use in the most needy sectors and regions, and to open it up to a range of labor market policies beyond the accepted but relatively narrow vocational training functions. Second, in our Regional Fund proposals we open up a part of it which would not as in the past be locked in by national quotas. We also propose to strengthen its links with other Community financial operations. Let it also be clear that the purpose of the fund is not a mechanism for national governments to cut their own regional expenditure. It is a much needed supplement, not a much welcomed substitute. Third, the 1978 budget - the first to be financed from our own resources - reflects key Commission priorities, particularly in proposing substantial increases in the reformed funds to assist in easing unemployment and in getting more effective, and forward-looking, Community energy policies under way.

The brief catalogue of some of our proposals provides an important element of the agenda for decisions over the next six months. They spring out of the normal rhythm of the Commission's program of work, but in each of them we have looked forward to produce the necessary reforms I have described. But there are two other issues which have been raised which are, in my view, of overriding importance for the Community-enlargement on the one hand, and the economic and human complex of divergence, inflation and unemployment on the other. We began with these in January, they were with us in London last week, they will remain of overwhelming priority not just for the Belgian presidency, but also for the Danish and beyond. They will be central to our capacity to interest the voters of 1978 in the Community of the next five years.

I do not want to set out again the detail of the Commission's approach to the question of enlargement. It must be a politically acceptable response to sustain democracy. That is fundamental. It must also be economically responsible in facing up to the practical consequences. And to make a reality of the democratic commitment we must solve them. I want to emphasize three. The first is institutional. The adaptability of our decision-making machinery was stretched in the move from six to nine. The move to ten or more will further strain the system, which is already creaking. Commission, Council and Parliament have a duty to use the possibility of enlargement to make the Community work better and to turn the commitment to European democracy into a more communautaire decision-making system.

The Community interest must be first in solving Community problems. The Council has started to consider this matter. The Commission will make proposals to meet this need. Second, we must deal in the context of the issue of Mediterranean agriculture, which itself extends beyond the purely agricultural dimension. On this, too, the Commission has undertaken to produce. Third, we must recognize that the structural differences and difficulties of the emerging democracies of Southern Europe are an extension of the Community's own present economic problems. We cannot complain of the existing dangers of economic divergence within the present Community, fail to do anything as a Community to tackle them, and then unthinkingly accept the prospect of enlargement.

The future of European integration and the strengthening of the Community's central economic mechanism are here linked. Their implications go beyond the period leading up to direct elections, but in that time we must demonstrate to our peoples that we see the logic of the position and know what our political response must be. The stagflation since 1973 has been one of the most debilitating political diseases we have suffered since the Community began. We have a straight choice in combatting it: either the pseudo-solution of national protectionism - and we know where that led in the 1930s - or a disciplined Community approach. The Commission's policy is to meet this need. First, we have organized the better coordination of the financial instruments at our disposal. Second, we have proposed a development of Community loans mechanisms, modest now but potentially powerful, to start to fill the gap in our financing capacity, which I re-emphasized to you in my program speech in February. As a Community, we have untapped sources of credit in international capital markets. There is a job to be done

by way of financial intervention and investment in the most hard-pressed sectors of the European economy. It cannot be claimed that they are overambitious. We are asking for a one billion unit of account (about 1 billion dollars) authorization for this new instrument spread over rather more than one year, compared with a current rate of borrowing by all Community institutions of 2½ to 3 billion units of account.

I do not claim for these measures more than they will bear. The main levers of economic decision remain for the immediate future with national governments. But their responsibility is twofold. To coordinate their measures in the general European interest and to give to the Community itself the tools to do the job required. The Commission has now broken fresh ground. This was necessary and right if we are to start to regain a sense of momentum and purpose and put before the European electorate a program of proposals that demonstrate that Europe is worth voting for.

I should like to conclude this intervention by replying to the two oral questions with debate which have been put down for this morning.

The first about employment among young people raises one of the most worrying problems of our time. It was anxiously debated both at the Downing Street summit in May and at the European Council last week.

I cannot pretend that any government or organization has any global answer but in the European Community its member states are taking valid and specific measures to create jobs, provide vocational training, and help areas or sectors which have been particularly hard hit.

The question falls into four parts. With your permission, Mr. President, I shall deal first with the second and third, which call for certain studies. Work of this kind has already been undertaken from time to time by the Commission. I refer particularly to the detailed reports of the Standing Employment Committee prepared in 1975 and 1976, to our working paper of November 1976, to our analysis of what is being severally done by member states, and to our periodic reports on youth unemployment. To assist the appropriate parliamentary committee, I shall be happy to circulate copies of our working paper of November 1976, and of the last in our series of reports on youth unemployment.

As for measures taken or planned by the Community, I mention four categories. First, by modifying the regulations of the Social Fund we have committed over 200 million units of account to programs for unemployed young people. Since July 1975, over 100 million people have benefitted. Secondly, our recommendation on vocational preparation, which the Parliament discussed last November, is about to be published. Thirdly, the Commission has proposed two new initiatives to the European Council. The first would permit grants from the Social Fund to support recruitment and employment premiums in particularly hard-hit sectors or regions. The second would enlarge the range of opportunities available to young people by supporting the extension of general training schemes, providing work experience within firms, and meeting some of the needs for additional workers in areas of special benefit to the Community. Obviously the success of such measures depends to a large extent on the quality of national vocational guidance and training. Finally, therefore, we have proposed that the Community should increase its technical assistance to member states to help in this respect.

As the House will know, the European Council has invited the Commission to continue this work on the subject and has asked the Social Affairs Council to meet in the early autumn to decide what further common action can be undertaken.

I now turn to the second question which has been put down about relations between the Community and the members of the European Free Trade Area. On behalf of the Commission, I should like to welcome the important development in relations between the Community and the members of EFTA which took place on 1 July. The agreements

which have now come into effect have every possibility of further evolution, as can be seen in the working of Article 32. Besides these agreements, there are other agreements, notably in the field of transport, with some members of EFTA, or involving EFTA countries, which also provide opportunities for closer cooperation. While the core of future relations between our two institutions as such must remain the safeguarding of the development of free trade, there are no limitations on further cooperation "at different degrees of intensity", as the heads of government of member states expressed it in London. We for our part would like the closest collaboration between members of the European family.