

1.

THE ROYAL INSTITUTE FOR INTERNATIONAL AFFAIRS, CHATHAM HOUSE.
SPEECH TO BE GIVEN BY MR. IVOR RICHARD, MEMBER OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES.

Ladies and Gentlemen,

449(81)

I am very pleased to be here today although I must admit that I approach the question of Will the European Community succeed in a somewhat tentative manner. If the question I was discussing was Cught the Community to succeed then I think one can answer with a resounding yes because I believe that not only Europe but the world would benefit from an increasingly united Western Europe.

2.

There can be little doubt that the overriding problem facing the Community at the present time is the severe economic recession we are experiencing. This presents the Community with problems that were not perceived when it was originally created and our ability to adapt the institutions of the Community to deal with this new range of problems will determine in large measure how successful our efforts will be.

As I have said, the need to reform the Community stems basically from its history. When the Community was first established the problems facing Europe were agricultural and rural. The need to stabilise agricultural production and maintain farm incomes at an acceptable level was then regarded as a major political imperative. And therefore the institutions that the Community devised were principally aimed at tackling those

./.

problems.

problems. Consequently the Common Agricultural Policy was developed and it is interesting to note that this is still the only common policy which the Community has. Of course the Community was created at a time when Europe was going through a period of economic growth it had never experienced before and which was to continue for the next two decades, and therefore the need for the Community to involve itself in broad economic and social questions was not realised.

But the situation has now radically changed. The problems we face in Europe today are urban and industrial. Indeed in my view the overriding problem facing all of us is the question of mass unemployment. At the present time Europe has over nine million people unemployed and it has been estimated that this figure could rise to fifteen million in 1985 unless there is a major change of economic policy. Our traditional industries

4.

are both run down and obsolete and the need to establish and develop new high technology industries is both critical and urgent. Yet against this changing economic and social background the institutions of the Community have remained essentially the same. Thus today we still spend some 65% of the Community's own resources on the Common Agricultural Policy and only some 11% are spent on the so-called structural policies like the Regional Fund and the Social Fund.

If we are going to be able to make any significant contribution in solving the problems of mass unemployment then clearly we must reform our institutions so as to tilt the pattern of our expenditure away from the Common Agricultural Policy towards the structural policies. As many of you know the Commission is currently engaged in attempting to restructure the Community's Budget with a view to achieving this type of reform. I am optimistic that some progress will be made though I must say frankly that this has been a very difficult exercise with all

./.

sorts of vested interests

sorts of vested interests fighting tenaciously to retain the advantages that they have from the old system. This struggle goes on and the successful outcome is still by no means certain. Whilst the ability of the Community to become more relevant in terms of its attitudes and programmes to the real problems facing Europe is now being faced - at least inside the Commission - there are a wide range of other problems facing us.

One of the most important can be categorised under the heading "Enlargement and Withdrawal" for at the present time the Community faces both the promise of enlargement and the threat of withdrawal. In the case of Spain and Portugal their admission to the Community is to be greatly welcomed. It is I think a most welcome development that the three countries in Europe which have most recently been able to defeat dictatorships and start to re-establish democracy have all regarded membership of the Community as an important early step in this process.

6.

These countries have recognised that involvement in a united Europe provides strength for their developing democratic institutions. It would however be quite wrong to pretend that the process of enlargement does not present new and difficult problems for the Community and this is particularly so as the new members will tend to be countries who are less developed economically. Apart from the specific problems that enlargement will produce, for example the problem of Mediterranean agriculture, one can discern difficulties which will develop when the Community consists of countries at vastly different stages of economic development.

Some people are suggesting that the Community should divide itself as it were into first and second division countries with the weaker nations not having to meet the full rigours of a common market and an open economic system. It would appear that it is this type of problem which is at present exercising

./.

the minds of the

7.

the minds of the new Greek Government for as Mr. Papandreou said recently "We cannot with the present state of our economic strength be a full member of this Community ... is it necessary to go so far as leaving the EEC? We have not reached that stage yet. We do not even ask for the simple status of external member. We are ready to remain close by our partners but on a basis which should be established with us. It may be necessary to negotiate a special status for Greece which takes into account its special economic needs".

From this and other statements of the Greek Government it would appear that they are not so concerned with withdrawing from the Community as with renegotiating their membership so as to avoid having to assume greater economic burdens than they feel they can shoulder.

8.

It seems to me that the Community is likely to face this type of situation more frequently in the future and indeed one could say that this has been a feature of British membership ever since 1973. We need to ensure that the economic relationships between member states and the Community and amongst themselves achieve some form of reasonable balance. I believe it is a fair criticism of the Community to say that its institutions are too rigid and the criteria it lays down for continuing membership is too severe to adequately meet the needs of the weaker member states. I hope that we will be able to introduce a greater flexibility and pragmatism in acknowledging and dealing with the real economic problems that member states are periodically faced with. It therefore seems likely Mr. Chairman that in the course of the next two or three years Spain and Portugal will join the Community and Greece will remain a member - - which brings me to the question of Britain's possible withdrawal.

./.

I turn to this question

I turn to this question with some reluctance because as most of you know the Party which wishes to leave Europe is the Party to which I belong. And can I say at the outset that whilst I continue to believe that the Labour Party is the organisation most likely to bring about the fundamental social and economic changes which I want to see in Britain I consider it to be profoundly wrong on the question of Europe just as I believe it to be equally wrong on the question of unilateralism. Fortunately the Labour Party is still a democratic organisation and I together with many like-minded comrades intend to exercise our democratic rights in trying to persuade the Party that on these two major issues it is not only wrong but that it is proposing policies which could place Britain in the greatest peril.

10.

Ironically the Labour Party's policy on Europe is something of a side issue. What the left wing have managed (temporarily I hope) to commit the Party to is its so-called "alternative economic strategy". Essential to this alternative economic strategy is the imposition of a system of massive import controls. They say they need these import controls to provide a breathing space for British industry so that it can develop its competitiveness and they anticipate that these controls will be an almost permanent feature of our economic system. They are of course absolutely correct in saying that the rules of the EEC will not permit a member state to institute such a policy and this is one of their principle arguments for wanting to leave Europe. But what they do not say is that even if Britain was not in Europe it could not in practice impose massive import controls without the most damaging effects on our economy. Such a policy of import controls is totally incompatible with the General Agreement on Tariffs and Trade.

./.

GATT only allows

GATT only allows import restrictions for reasons connected with the balance of payments or as an emergency measure in certain specifically defined cases where an industry is threatened with serious damage as a result of foreign competition. It does not provide for massive long term import controls imposed for the general purpose of building up domestic industry as envisaged in the alternative economic strategy. Thus; leaving Europe totally aside, such a policy would require Britain to renege on its international obligations, to turn its back on the very trading system on which we depend for our existence. The consequences of this would certainly be a massive and widespread retaliation by our trading partners throughout the world.

The left of the Labour Party do not seem to understand how sensitive countries are to import restrictions, yet two recent examples readily establish this point. In 1980 the United States Government gave public notice that if the British

12.

continued their restrictions on certain U.S. exports of synthetic fibres they would respond by imposing punitive tariff barriers against British wool exports to the U.S. Britain felt obliged to back down. In similar terms the Indonesian Government retaliated last year against British restrictions on Indonesian textiles. As a consequence of this we faced the immediate loss of some five hundred thousand million pounds worth of exports in an attempt to prevent one hundred thousand million pounds worth of imports. For a country like Britain to be involved in a policy of protectionism which produced retaliation could deal our economy a mortal blow. So as I say Europe will have little to do with preventing the introduction of the alternative economic policy as it is presently conceived: it will be the realities of world trade that will defeat it.

./.

I should also I think

I should also I think Mr. Chairman comment briefly on the allegation that the EEC is a capitalist club determined to prevent member states from introducing progressive policies. If they seriously believe that this be the truth then I can only suggest that they go and talk to President Mitterand and his Socialist colleagues in Paris. Far from believing that the Community prevents the introduction of Socialist measures the new Socialist Government in France believes that by acting on a Community scale their policies stand a greater chance of success. To give only one pertinent example: one of the central planks of President Mitterand's policy is the phased introduction of the 35 hours working week. Yet President Mitterand has insisted all along that such a policy can only be successfully introduced if it is on a Community wide basis as this will enable member states to maintain the essential competitiveness one with another.

14.

To the other major criticism made by the left that Britain pays far too heavy a price for its membership I think that is something with which most of us here would agree. But the fact of the matter is that the current Budget restructuring exercise is attempting to deal with this precise point and I very much hope that the days of "unacceptable financial situations" will shortly be a thing of the past, at least as far as Britain is concerned. Ironically, because of the vagaries of the pricing mechanism of the Common Agricultural Policy, it is even conceivable that for 1981 Britain could be a net beneficiary - that under the present rules. But nonetheless I accept there is a strong case for sharing the financial burden between Member States more fairly and I am confident that this will happen.

./.

I would like now Mr. Chairman

I would like now Mr. Chairman to turn to the difficult problem of Euro-Japanese relations. In recent months the Commission like many member states has been engaged in protracted negotiation with the Japanese over the unsatisfactory nature of our mutual trading relationships. The outcome of these discussions have not been very successful. The Japanese seem to refuse to acknowledge that their piling up massive trade surpluses is one of the major factors for instability in world trade at the present time. They don't seem to understand the essential truth that one country's surpluses are another country's deficit and because of this one is hearing, more and more in Europe, allegations that the Japanese are not engaged in free trade but rather in unfair trade. If this belief continues to grow then it is going to strengthen the arm of those who urge that protectionist measures should be taken against the entry of Japanese goods into Europe.

16.

Such a policy would have an overall debilitating effect on world trade and should be avoided if at all possible. But I am bound to say that if the Japanese believe that they can continue to get away with pursuing the same trade policy that they have pursued for the past twenty years then they will by their own actions be hastening the day when Europe will be forced to consider very seriously some form of protectionism. This will not be an easy decision - they rarely are - but I am profoundly disturbed at the seeming inability of the Japanese authorities to recognise the scope of this problem - and the strength of feeling in Europe that now exists.

Since I have been in Brussels one of the things that has greatly pleased me is to see how well political co-operation between the member states continues to develop. The Community of course does not have a common foreign policy and the existence of

./.

vital national interests

vital national interests will probably prevent such a policy emerging for a long time to come. Nonetheless on a whole range of issues Europe is starting to speak with one voice. This is an encouraging development. In my time as British Ambassador to the United Nations I saw the increased influence that Europe had in the Councils of the U.N. when it spoke with one voice, as opposed to competing national voices. I very much hope that we will see similar success from Lord Carrington's current trip to the Middle East. But perhaps the principle benefit that we will obtain from increased political co-operation is that it might accord to Europe more of the strength and status of a mediator between the superpowers. With the world becoming increasingly dangerous with the intensified weapons competition between the United States and the Soviet Union the world desperately needs some method of bridging the gap between these two world powers, and while I would not argue for one moment that Europe should cut itself loose from the American alliance,

greater co-operation in Europe would give us greater possibilities of objectively assisting a process of lessening tension.

I referred earlier in my remarks to my opposition to the Labour Party's policy on unilateral disarmament. I have opposed for many years and will continue to oppose unilateral nuclear disarmament. I regard the prospect of a nuclear free and inevitably neutralist Europe as a major threat to our security. Whilst one understands and indeed sympathises with the motivation of many involved in CND and other organisations I have never believed a deep perception of the horrors of war should necessarily lead one to becoming defenceless against possible aggressors. All wars are horrible but often the capacity to wage war is the best guarantee that one will not be called on to do so.

./.

I take the same view

I take the same view as Chancellor Schmidt in regarding with horror the proposal to abolish nuclear weapons in Western Europe whilst at the same time we are faced by a large and growing Soviet preponderance of medium-ranged missiles; that is those that can hit all of Europe from Soviet territory but not reach the United States. That is the heart of the threat faced by Europe and I do not believe that there is any sensible or practical alternative to the NATO twin-track approach to counter this threat. I believe that we should at one and the same time negotiate with the Soviet Union for an agreed reduction in nuclear weapons but at the same time deploy those new missiles in the West that will ensure that an approximate military balance can be restored and maintained. It is because I believe in the strength of NATO and in the maintenance of its nuclear shield that I hope that political co-operation among the member states of the EEC will grow and eventually come to cover matters of defence and security. It seems to me absurd that at a time

20.

when Europe is growing closer it should deny itself the opportunity of discussing these major issues.

I recognise this presents problems because even the European part of NATO is not the same as the European Economic Community. Within the EEC the Irish Government for example has real problems given its traditional position in involving itself in defence matters. But nonetheless I hope that with greater understanding and increased experience we can refine and develop our methods of political co-operation so as to provide opportunities for the European Community to play a role in these areas.

./.

In spite of

In spite of all the economic gloom; in spite of all the instability in international trade and financial institutions and particularly in spite of the darkening international situation I remain an optimist about the future of Europe. To me the concept of a united Europe based on democratic practices and committed to common objectives remains valid. But we must above all recognise that we live in a rapidly changing world and if the Community is to survive then it must develop the capability to modify its institutions and policies to meet changing circumstances. I believe that the process of introducing this necessary flexibility and pragmatism is now under way but perhaps above all we must never forget that Europe is not simply about trade and economics. First and foremost the European Community must be about people.

-----o0o-----

