

EUROPEAN COAL AND STEEL COMMUNITY
EUROPEAN ECONOMIC COMMUNITY
EUROPEAN ATOMIC ENERGY COMMUNITY

COMMISSION

**Address by
Mr. Roy Jenkins,
President of the Commission
of the European Communities,
to the European Parliament**

*Presentation of the
General Report for 1977 and
programme of the Commission for 1978*

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PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES
BEFORE THE EUROPEAN PARLIAMENT

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A year ago, Mr President, I presented the Commission's annual work programme to Parliament for the first time. Many of the issues I then marked out will be with us for many years to come. They touch on the nature of our Community and its prospects for the future.

During the year which has passed, the broad lines of our strategy have, I think, become clear. We have put forward a number of ideas and proposals; we have registered some successes; we have known some disappointments. This is not the occasion for too much retrospect. The Commission's general report has been submitted to you, and I shall be glad to reply to any detailed questions arising from it later in the debate. For the moment I want to concentrate on the future and how we would like to shape it.

Policy should begin at home. Our priority is the economic and political development of the Community itself. Not only are we guardians of a Treaty in which nine sovereign states undertook obligations with regard to each other, defined certain common purposes, and created common means to bring them about. We also share responsibility for the welfare and protection of the 260 million people who constitute the citizens of Europe. But the Europe of the Community is no island. Three other European states, each with its own ancient and proud traditions, want to join it. Beyond Europe the Community forms

an essential part of the Western economic system, and shares many of the problems which affect the industrial world as a whole. More perhaps than any of our major partners, we also have a closely knit relationship with countries all over the world which are long tied to us by history, interest and affection, and to whose development we contribute. It has become a platitude that the Community looks stronger and sometimes more imposing to those outside it than to those within. I do not think that people are easily deceived. Hence when I come to speak in more detail on the points I have just mentioned, you will find that at the end I will return to the idea we have of ourselves and to the future role of the Community as representative of the common interest of its members.

The greatest problem which now faces the Community is the state of its economy. More than any other international grouping, we live by trade, both within the Community and with others outside it. This is not an easy time for any industrial society. We face the associated problems of inflation, high unemployment and relative lack of growth. The aims of the Commission are two-fold. In the shorter term we are concerned with emergency action to sustain industries which for reasons I do not have to give are no longer fully competitive or no longer fulfil their original purposes. In the longer term we are concerned to promote the economic growth which will enable us to provide employment and prosperity for our citizens, and give us the opportunity to become once more the exemplars rather than the laggards of world economic progress.

The recovery of Community industry depends primarily on a continued assurance of the strength of the Community market.

But we must not take refuge behind a theoretical concept of the market economy in order to sidestep the responsibilities which the crisis of industry imposes on the governments and the Community. If the restructuring of the sectors in trouble were left to the play of market forces alone, or were conducted solely in markets defined by national boundaries, it would proceed in haphazard fashion and could involve social and economic sacrifices which Community action could and should keep within bounds. The initial results which have been achieved in the steel and textile industries, and the prospect of results in the shipbuilding industry, are witness of the real contribution the Community can make towards tackling the crisis, when it is given the powers and the means to do so. The problems of European industry are continental in scale. Action at Community level, therefore, can give a coherence to restructuring policy which autarchic, possibly conflicting, action by individual states alone cannot.

Equally, the Community can provide the solidarity which enables the more efficient to feel their labours will not be wasted and the weaker to know they will not be sacrificed to the over-rigorous logic of a classic market system.

The trade understandings the Community has negotiated on textiles and is in the process of negotiating on steel demonstrate its ability to combine two important elements. First the preservation of traditional trade flows. Second, the need to adjust the growth of our partners' exports to us to the

slowdown in European consumption. But industrialists should not engage in any wishful thinking as to the object of the Community's trade policy. It is not the provision of protectionist featherbedding. The relatively short breathing-space which the trade understandings can give to industry is only justified if it is used to modernise Community production and enable it to withstand international competition. The Commission's discussions with producers, workers and consumers in the crisis-hit sectors stamp on our minds that modernisation must be accompanied by reconversion to other job-creating activities in the regions affected by sectoral restructuring.

This means that the Community must launch sectors of growth which will strengthen its industrial capability through greater technological advance. The time has come, and the chance is there, to make real advance in Community ventures in the fields of aerospace, data processing, electronics components and telecommunications. We have no right to pass up these opportunities for growth. It would be quite intolerable for a Europe in crisis not to exploit its own vast market in the high-technology sectors.

At the same time we must recognise that the attempt to restore competitiveness to declining industries will not, in itself, or in the short-term, tackle the problem of unemployment. Now it is not, of course, the Community's function to intervene massively and directly on the labour market. We do not have the powers to do so. But on a smaller scale there are Community funds directly available for re-training policies. These must be fully used. The main impetus, however, for tackling the problem of unemployment will

not come from such policies despite their utility. Indeed, the very size of the problem guarantees that it cannot be tackled in that way: it overshadows all our industrial and economic activities. The present reality is of 6½ million unemployed. The future reality, between now and 1985, is of a further 9 million young people added to the Community labour force and looking for jobs. This is not merely an economic problem: it is tragic for individuals and it could threaten the foundations of our society, and its institutions. We cannot be complacent about our existing means of tackling this problem. The alarm bells need to be sounded. No national economy in the Community is exempt from the prospect of present levels of unemployment persisting, or indeed growing. No national government offers, in my view, a long-term solution and this in itself is a hindrance to any general economic revival.

What in these circumstances can the Community do? First, our sectoral and regional policies must be put together in a coherent way, and we must build on last year's successful steps. We have created the new Community borrowing power which can underpin new investments. We have pushed forward plans of action to deal with structural problems in several industrial sectors: we must turn to the best possible account the new appropriations for industrial restructuring and the extra funds allocated to the European Coal and Steel Community. In addition we have strengthened the Community's other financial instruments, in particular by improving the operation of the Social Fund and developing the Regional Fund. The pursuit of these policies and their coordination is essential but they will never in themselves be a fully satisfactory medium-term answer to our economic difficulties.

difficulties. Hence there must in our view be a second level of operation, not just supplementary to the first, but different in kind. Our need is for a new economic impulse on an historic scale, and we believe this can be given in the Community by a re-defined and faster move towards economic and monetary union.

I do not intend today to rehearse again the arguments which have led us to this view. Last month Vice President Ortoli and I set them out before you in Luxembourg. I will only emphasise two points today. First, we should not allow ourselves to be deluded by temporary economic improvements in some Member States into believing that a fundamental economic turn-round is, for the Community as a whole, simply a matter of time. In the long run we know we are all dead; in the medium term a lot of European citizens will, while they wait, be without work. Second, a Community which lives by trade both internally and externally needs international monetary stability, for its own health and for that of the world as a whole. A Community monetary union could play a major international role. Last year saw the reaffirmation of the avowed Community objective of economic and monetary union. In the past few months we have developed the arguments in support of a renewed effort to realise the objective. In 1978 we shall push forward the programme to which the European Council gave a "fair wind" at the end of last year. The first stage of our five-year plan - that for this year - has been presented. We shall follow through these concrete proposals as well as encouraging public debate on the basic issues involved.

I have spoken so far of our industrial and economic objectives. I should like to turn to two other sectors of high priority - energy and agriculture.

Energy policy is of vital importance for the Community economically and politically. This in itself is hardly a remarkable statement. Calls for a Community energy policy in the face of import dependence and balance of payments deficits are a stock-in-trade of politicians' weekend speeches. But reality is still a long way from aspiration. What the ordinary citizen sees now is that there is an actual oil surplus in the Community. It has even induced a relative reduction in energy prices. He may, therefore, find the talk about the risk of a future shortage of energy both confusing and irrelevant. He also sees, from time to time, demonstrations over the construction of nuclear power plants. I believe that in 1978 we have two obligations. First, to make the Community picture a more comprehensible one; and second, to take some useful decisions at a Community level. To do both we need political impetus more than rhetoric.

Four years after the oil crisis of 1973 all governments are clear that increasingly stringent limits must be set for energy consumption; our awareness of our limited resources and longer-term needs is sharper than it was. Economic and environmental constraints block off the path of unlimited expansion of domestic energy production. The pressure of the oil producing and exporting countries on the one hand, and the need to minimise the risks of nuclear proliferation on the other, set additional limits. In the long term all the countries of the Community, even if they possess some temporary abundance, are in the same boat.

What should be the shape therefore of a Community energy policy for 1978? We must see it in two different time scales, up to 1985, and beyond. The Community objectives for 1985, now under revision in the Council, are ambitious - reduction of oil imports, more energy saving, and development of internal sources of oil, gas and coal. Energy saving measures taken so far, especially in comparison with the United States, are significant, but they have not so far involved a fundamental change of habits. Further progress will be harder and will involve real sacrifices. In this area we can build on national initiatives at Community level, but for this we need decisions not delay.

The second timescale concerns investment with long-term returns, principally in research and development. We already have a multi-annual research programme concentrating on energy matters: we have at last settled the issue of JET. But in the field of new sources - such as solar, geothermal and wind and wave power - and in the development of existing sources, especially indigenous sources, there is, in my view, good scope for a Community lead and a more ambitious programme. For example, Community-backed demonstration projects would be of both real and symbolic value.

We have two other obligations at Community level. First, and of major importance, we must defend Community interests in the energy field vis-à-vis third countries. The Commission is well placed to do this, particularly in view of our role under the Euratom Treaty in nuclear energy and nuclear supply. Second, we have to build bridges of explanation between various aspects of Community energy activity. In particular we should make

clear the connections, as we see them, between energy policy and our reinvigorated approach towards economic and monetary union. Our future standards of living, style of life, and growth prospects depend on both. Energy policy should not take place, or be seen to take place in a vacuum.

I turn now to agriculture and fisheries. The aim of the common agricultural policy is to ensure security of supplies to the consumer at reasonable prices, and a fair standard of living for the producer. Our achievements in both directions have been considerable. For the agricultural community, our system of guaranteed prices and regulated markets has provided a degree of security which has been enjoyed by few other sectors of the economy - and this has been particularly significant for farmers during the general economic turndown from which Europe has recently been suffering. For the consumer, there has been in the last year a period of stable supplies, with price rises lower than the rate of increase in most other sectors.

Nevertheless, we have still not succeeded in mastering the problem of surpluses in European agriculture. For several important products the long-term supply trends are still tending to move ahead of demand. One of the most sobering documents I have recently seen was the series of graphs, showing trends of production and consumption in the main farm products, which we submitted to you with our price proposals in December. These graph lines mark out clearly how difficult is the market situation. This very serious prospect continues to preoccupy the Commission and, as I foreshadowed in my speech last year, we take the view that a very prudent policy for prices is the only way to handle this problem. If we are faced with persistent

for example, surpluses of milk, or sugar, or wine - which we have to dispose of through expensive internal measures, or export with the aid of large subsidies to any available markets - it is not because the mechanisms of the CAP are at fault: it is rather because the price levels at which we operate the mechanisms have been imprudent.

Last year, therefore, we proposed only modest increases in the common prices. For the next season we have followed the same course; and we shall follow it for as long as is necessary to check the surpluses. That long-term policy will not be an easy or a popular one with the farming sector. I recognise that it is already causing difficulties. But I must say that in our view it is the only policy which can avoid the introduction of even harsher measures to bring excess production under control, or ultimately the disintegration of the common policy itself.

Another aspect of the agricultural policy where we have made modest progress in the last year is the dismantling of the monetary compensatory amounts. Here we are moving back towards the unity of the market - over a reasonable period of time, for a sudden abolition of monetary compensatory amounts would compromise our basic policy of price moderation. We have to continue this process so as to restore a fair basis for competition between agricultural producers in the different Member States. Of course, the monetary fluctuations which have overtaken the agricultural policy are in no way the fault of the agricultural sector. They are symptoms of an underlying lack of economic and monetary integration in the Community. Progress towards monetary stability is essential for the long-term future of our farm policies.

In the Fisheries sector the Community has yet to decide how to apply its common policy to the vast areas of sea within 200 miles of our coasts. Because of overfishing and threatened stocks of fish we must limit our catches and adopt strict conservation rules, both for our own fleets and for those of third countries. In negotiating for reciprocal fishing rights we have made good progress in the last year, and opened up important new dimensions in the relations between the Community and the rest of the world. On the internal regime there has also been substantial progress. The Commission has put before you, and before the Council, all the necessary elements for an equitable share-out of the catch, and for effective conservation of the resources. I do not believe that a solution is far away. It will require political courage from the Council. Ministers have to take their responsibilities. But we have the right to demand that courage. Both the rules of the Treaty, and the need to manage Europe's fishery resources, demand a common solution in the common interest of all.

In the case of Mediterranean agriculture, we have become increasingly conscious of the need for improving the situation of rural communities in the regions of Italy and Southern France - not forgetting the perspective of an enlargement which would bring in three more countries in the South. In the last year the Commission has submitted detailed proposals for Mediterranean agriculture; they will be one of our priorities for action in the next year. Our emphasis will be on methods of help which avoid the build-up of wasteful surpluses of Mediterranean products, whether in the Community of Nine or the future Community of Twelve.

This brings me to enlargement itself. The way in which the Community now handles this issue is the hinge on which turns the relation between our internal and external policies. 1978 will be a crucial year for this. The Commission has already made the first of a steady stream of proposals for dealing with certain problem areas in the negotiations with Greece. We must aim at least to break the back of these by the end of this year. The Opinion on Portugal's application should be ready by the end of March. Spain made its application rather later than the others. Talks are now beginning and the formal Opinion may be expected at the beginning of 1979.

It is clear from this timetable that the phases of the negotiations with the three applicant countries will not be concurrent. Indeed, it is accepted that the negotiations cannot be lumped together. But inevitably similar problems affecting all three will arise. There is, for example, the transitional period which will be required after entry, and the problems of transfer of resources, the adaptation of the Treaties, and the working of the Community institutions. Insofar as these questions are interlinked, the Commission will be bringing forward ideas at the time of the presentation of the Opinion on Portugal, that is by the end of March.

The world outside the Community knows that enlargement will be for us a test of our political will and capacity for economic integration. It wants us to succeed because the Community has a substantial position in the world and any weakening of our strength would have damaging consequences. For just as the Member States of the Community are economically interlocked, so that, as I have argued, a major new initiative of Community

scope is required for a generalised economic revival, so the Community itself is an integral part of the world economy, on which also we are to a considerable degree dependent for the permanence of any economic upswing we may be able to achieve. As the world's largest trading bloc it is essential that we are clear about the results we wish to obtain in bilateral or multilateral forums. The multilateral trade negotiations are now beginning their crucial phase in Geneva. They are of fundamental long-term importance as they will set the pattern of trade over the next ten years. At the same time we need urgent progress to avoid any short-term slip into protectionism.

Of equal importance are the Community's relations with the developing world. In my recent official visit to the Sudan - a country which will have the crucial dual role as Chairman of the Arab League and of the Organisation of African Unity in the period of renegotiation of the Lomé Convention, - I had the occasion to set out our approach to our relations with the third world. I then said that there was a need to reconsider the relationship between the industrialised nations and the rest. We cannot allow our relations to be falsified by the historical hangover of an approach of inequality. The reality is one of greater reciprocity in establishing more realistic contemporary economic relations. We need a just international division of labour and resources because there is a close interdependence between the economies of the industrialised world and the rest. We need to ask ourselves how our economic relations should be adapted to growing industrial development in third countries at a time when the problems of inflation and unemployment in the

industrialised nations hamper our ability to stimulate renewed growth. The impulse of the third world has, in my view, a major part to play in improving the position.

Decisions will be required in 1978 on the establishment of a Common Fund, and concrete progress must be made on commodity agreements. We must also deal with questions of the transfer of resources, in particular the debt problems of the least developed countries.

This year will also witness two important events. First, our Southern Mediterranean agreements in the Mashrak and Maghreb will come into force. Second, we shall begin to renegotiate the successor to the Lomé Convention. I do not want to anticipate the discussion of the first proposals for directives which we shall put forward but I think it right to emphasise our pride in the first Lomé Convention. It has proved to be exemplary for relations between the industrial countries and the developing world. In carrying it out we have acquired a good deal of valuable experience. But we must not simply rest there but take fresh initiatives.

This will require intensive consultation among the three main economic groupings of industrial countries. It is fortunate that our relations with the United States continue to be excellent. Our frequent contacts at official level were recently consolidated by President Carter's visit to the Commission on 6 January. It was a visit of great symbolic and practical value. At the President's invitation, I shall myself be paying another visit to the United States later on this year.

The Community's relations with Japan, which have been difficult in the past, are now taking on a new pattern of more direct and regular consultations. I found my visit to Tokyo last year extremely useful. We have followed it up with two recent meetings with Mr Ushiba, the Japanese Minister for External Economic Relations.

I am also glad to recall that last year was the occasion of the first Western Economic Summit at which the Community itself was represented. As I told the House immediately afterwards, we greatly welcomed this important advance. The President of the Council and myself will continue to represent the Community at future Western Economic Summits to deal with matters within the competence of the Community.

Mr President, I have marked out for you some of our internal and external priorities for the coming year. I have not, and cannot, deal with every aspect of policy of interest to each Member of the House. But there are two additional points which I should like to make to you.

First, to carry through these priorities effectively the Commission has to ensure that its special place in the institutional balance of the Communities - as initiator and executor of agreed programmes - is not undermined by unreasonable staff constraints. We are continually called on to produce bold, new imaginative solutions to the Community's problems. This is what we want to do. Sometimes we succeed. But at other times our contribution is less, qualitatively rather than quantitatively, than we would wish. The reason

is simple. Many parts of the Commission's services are simply running hard to keep up with the pressure of daily events.

After a year's experience of the work of the Commission I fully accept that we have a responsibility to do all we can to put our house in order - and this is, I believe, to a large degree in hand. I know also of the resistance there is in each Member State to a growing number of officials. But we cannot ignore the relatively low base from which we start and we must recognise that the role for the Community is not contracting, but expanding. We have had in the last year much more work on fish, on textiles, ^{on steel/} and enlargement, not to mention new areas of Community activity like health and postal questions. All these have been added without taking away any other areas of activity. These, and other new activities, cannot be managed only by cutting down on others. Neither Parliament nor Council, in the last analysis, want that. This Parliament has itself criticised the inability of the Commission to provide an adequate service in some sectors. A directly elected Parliament will no doubt make further demands - but our ability to meet them will not automatically increase. I therefore ask simply for a more realistic appreciation of the need for staff resources to cope with new and developing tasks.

I have mentioned the directly-elected Parliament. We had all hoped that this would be the year of direct elections. It is, unfortunately, now clear that that will not be so. The delay is unnecessary and regrettable, for the Community badly needs the impulse which a directly-elected Parliament can give.

Nonetheless, within the next twelve months the campaign will begin. This is why in presenting to you the Commission's report on activities in 1977, and our programme for 1978, I have picked out the central themes on which, I believe, such a European election should be fought. We know we shall have a directly-elected Parliament. What we cannot be sure of is whether that election will be fought, as it should, on the major European issues. We, the Commission will do all we can to ensure that it is. We must be ready to give, especially to you, an even more thorough-going justification of our policies than in the past. You must ensure, and all the candidates for election also, that the occasion does not become a substitute for action nor a diversion into national obsessions. The issues we face are too serious for that.

With that in mind I want finally to say a word about the Community itself, its relationship with the Member States, the working of its institutions, the way in which it engages public opinion: in short ourselves in a looking glass. Recently there has been some reluctance to look too closely. I have heard it said, not least in this House, that it is better to proceed from day to day, dealing in practical fashion with practical problems, rather than to look too far ahead and define the way in which we want to go. I am not among those who want constant obsessive, introspective re-examination of fundamentals; I believe that we must see things as they are, try to map the course ahead, and sometimes lift up our eyes to the hills. If we do not do so, there is a real danger that our enterprise will go backwards rather than forwards.

The prospect of enlargement compels us to look at ourselves in just the way I have in mind. I start from the basic point that the Community is designed to represent the common interest of the states and peoples of which it is composed. In certain areas that interest has been defined, common policies have been worked out, and the necessary mechanisms for giving them effect have been set in place. That process is of course continuing. Like all living organisms the Community does not necessarily evolve in the most logical way. It may, for example, be logical for us to work out a common fisheries policy, but it is less obviously logical to find the Community giving such priority to common policies for industries in difficulty or decline. Nevertheless recent events have well demonstrated what the Community is for. It is for dealing with problems which can best be dealt with by all of us together. The institutions are there. The framework for argument, for give-and-take, for the expression of solidarity, and for effective decision exists. The means of action are there or can rapidly be created. All that is necessary is the will to use them.

During the last year I have seen from the inside how symbiotic the work of the Council of Ministers and the Commission is. Their relationship is, I think, sometimes one of constructive tension, but also and more often one of mutual reliance, mutual need and mutual respect for each other's independence and competence. Recognition of that reliance, that need and that respect should, I think, become a kind of mental reflex when problems of more than national scope arise and assume a European perspective. This is equally true of the Commission's relationship with this House. Recognition of

mutual reliance, mutual need and mutual respect should again cause a European reflex. I have already said that we hope that the direct elections of next year will be fought on major European issues. We want the European reflex to extend not only to governments and administrations and parliaments, but to the citizens of our Community.

I was much struck recently when an Irish magistrate, faced with a problem of what to do with a trawler which had been arrested for illegal fishing, concluded that the issue was too big for his court, or indeed any national court, and should go to the European Court of Justice. His reflex was right: that Court is not only a Community body but also a judicial organ of each Member State and its decisions are directly enforceable throughout the Community. Here we see Europe in the making. You may count upon the Commission playing a major role in that process of creation. Let the strength of our internal purpose be at least as great as our external power of attraction.