

Luxembourg, Wednesday, 15 December 1976

C O R R I G E N D U M

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Page 4

The following should be added to the second paragraph beginning 'In terms of Community solidarity...' and ending '... to Ireland and Italy'. 'There have also been two breakthroughs: the setting up of the Regional Fund and the substantial extension of the Social Fund'.

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The second paragraph beginning 'In the wake of these agreements...' and ending '...agricultural policy.' should be replaced by the following:

'In the wake of these agreements the Community's financial aid was substantially increased - European Development Fund, emergency aid, food aid and other forms of assistance for specific purposes. Aid to the developing countries today accounts for a larger share of the Community's budget than anything other than the common agricultural policy.

In its relations with the industrialized countries the Community has demonstrated its outward-looking approach, in conformity with the conclusions of the Paris Summit; witness, for example, the agreement on economic and commercial cooperation with Canada, the first of its kind with a developed country'.

ADDRESS BY PRESIDENT ORTOLI TO THE EUROPEAN PARLIAMENT

Wednesday 15 December 1976

Mr President,

Ladies and Gentlemen,

This is the last time that I shall be addressing this House as President of the Commission of the European Communities. Although this is an emotional occasion for me, it is not my intention to make an emotional speech. I simply want to take stock with you of the state of Europe.

When the Commission took office in January 1973 it had a twofold task: to bring into operation an enlarged Community that now included Denmark, Ireland and the United Kingdom, and to implement the programme drawn up at the Paris Summit by moving on to the second stage of economic and monetary union on the basis - need I add - of fixed but adjustable parities, establishing the Regional Development Fund and preparing social, industrial and scientific, and environmental action programmes. Other no less ambitious proposals were also put forward: defining an energy policy, facing up to Europe's responsibilities in the world, improving political cooperation, strengthening the Community institutions and striking out on the road to European Union by 1980.

Set these targets against the current state of Europe, and you might be tempted to conclude that the Community institutions have often failed in their task and that the Commission, like the others, must take its share of the blame.

I won't deny that we have had our difficulties and our failures. But I will not have it said that the Commission's role has withered in a Europe that has nothing more to offer than disillusion and pessimism. I believe, as you do, that Europe is needed now more than ever. And,

in the midst of an economic crisis whose consequences cannot as yet be fully gauged, the Commission has been striving to maintain the Community's internal cohesion, to preserve what has been achieved, to move on to joint action in the world at large and to play its part in developing Europe's institutions.

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At the beginning of 1973, the Commission rapidly reorganized itself to take account of the realities of a nine-member Community and started work straight away in the economic and monetary field by setting up the Monetary Cooperation Fund and proposing pooled reserves. In other areas, too, the Commission prepared a report on regional problems in the enlarged Community, set in motion a policy to protect the environment and the consumer, pushed ahead with the social policy and turned its thoughts towards the new association policy. Many of these policies, which I won't mention again, were successfully promoted during our term of office.

The year was not over and the Community was faced with the most serious crisis in its history, a worldwide crisis with disastrous consequences and persisting uncertainty, in sharp contrast with the twenty-five or thirty years of uninterrupted growth we had experienced since the end of the Second World War.

As a result of the crisis the Member States lost no time in looking to their own interests: solidarity disappeared at the threat of a cut-off in oil supplies, the second stage of economic and monetary union went by the board, the Regional Development Fund was frozen.

The Commission changed its strategy: undaunted by its lack of power or the inadequacy of its resources, its main purpose now was to overcome the effects of the crisis.

I was convinced then, as I am convinced now, that the changed international circumstances compelled the Member States, even more than in the past, to look beyond their own individual concerns and work out Community solutions - the only solutions with sufficient authority behind them. Our continent is short of space, lacking in raw materials, without sources of energy, and the crisis is no passing phase that will soon come to an end and readily give way to a low-cost expanding economy once more. It involves fundamental questions on which our whole future depends:

How can we maintain the major economic equilibria in Europe, particularly growth and employment?

What is Europe's place in the new international equilibrium now evolving?

How can we see to it that a spirit of solidarity will prove stronger than national selfishness and provide a solid basis for a union of our peoples?

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Both now and in the immediate future there are harsh realities we must face up to. The quadrupling of oil prices has caused a transfer of resources with two lasting consequences: it encroaches upon our purchasing power - the substance of our economy - and, in many Member States, has engendered payments deficits which cannot be dealt with reasonably promptly by conventional economic measures. This is a formidable external constraint that affects our standard of living and leaves us with less room for manoeuvre.

In these circumstances the Commission's first concern has been to preserve the internal cohesion of the Community. Its endeavours have not been entirely fruitless: in February 1974 the Council decided that there would be increased concerted action on economic policies (the "convergence" decision), though, sad to say, the victory here was procedural rather than anything else. But where the Commission has been most successful is in its constant vigilance to see that each Member State was discouraged from taking protectionist measures, and in its efforts to ensure that what protectionist measures were taken were kept under Community scrutiny. The protectionist tendency has been contained, and so far there has been no serious threat to the customs union.

In terms of Community solidarity, our first shaky steps were at least taken in the right direction. Credit facilities under the medium-term support arrangements have been strengthened; Community loans machinery has been set up, and assistance has been given twice already - to Ireland and Italy.

Despite all this, after three crisis years the Member States are still as far out of step as ever. Annual inflation rates currently vary from 18.5% to 5%. Balance-of-payments situations differ sharply from one country to another and growth rates still lag below their pre-crisis levels.

But in recent months things have been looking up. Gradually our Member States are coming round to seeing the economic situation in the same way and are showing the same vigour in getting to grips with the inflation problem. Gradually they are beginning to realize that they must work out a common medium-term economic strategy with the two sides of industry, in order to restore the major equilibria, especially on the labour market.

I have no hesitation in hailing this new convergence of diagnoses and remedies as a factor of great importance, a prelude to genuine common action.

The Commission's proposals will open the way towards this new growth, with a short-term economic policy centred to some extent on budgetary policy but also on joint efforts to curb the growth of money supply, and by means of common instruments such as the Monetary Cooperation Fund and the European Unit of Account, which can help to stabilize exchange rates. At the same time we must think seriously about the nature and scale of the transfers which need to be made in a spirit of genuine solidarity, rooted in the common interest and supported by the efforts which recipient countries will themselves be making. But there is much more to be done if we are to make the Council face up to its responsibilities.

These attempts to get economic and monetary union moving again must go hand in hand with the more general efforts of the industrialized countries to set the Western economy on a new footing and to help develop the new international order within which a more united, more steadfast Europe, speaking with one voice, will be able to make its weight felt. In the policy we will have to pursue I see no real distinction between progress made in purely internal matters - harmonization of policies, structures and conduct - and the dialogue with our major partners elsewhere in the world, where our influence will exactly reflect our unity.

Our attempts to work for general economic improvement have been accompanied by more specific measures to iron out the imperfections in individual policies, and chiefly the agricultural policy, which is perhaps one of the most important.

I admit that the cost of the common agricultural policy is high, but it is not exorbitant. Anomalies like the present system of monetary compensatory amounts must be removed as soon as they can. The structural surpluses of certain commodities in a world where hunger is still very much a problem are all the more preoccupying in that despite them the farmer is still left with a frankly unsatisfactory income. In both areas something will have to be done, and we have made the necessary proposals, but we have never lost sight of the objectives of the CAP. The fact remains that the CAP has played a stabilizing role in these times of crisis and that consumers have been assured of regular supplies at steady prices despite some enormous leaps in world prices. In the light of the Commission's reports of 1973 and 1975, we must continue our efforts to improve and consolidate a policy which is, after all, one of the pillars of the Community enterprise.

The feeble response of the Member States to calls for a common energy policy to meet the tremendous challenge now facing the industrialized nations makes me wonder whether our peoples really do have the determination to guide their own destinies.

I find it hard to believe that we have not learned enough from the lessons of the last three years to make us devise a bold, ambitious policy aiming at the same time to develop alternative sources of energy, to maintain and expand our indigenous supplies, and to make real, significant progress in rationalizing our use of energy.

The Commission has not lost all hope of success; one day Europe may yet realize the plain fact that, as regards energy, its fate is in its own hands, that it must resolutely get down to coherent, joint action and convince its partners, notably the USA, that we are all on the same side. More than anything else we must construct a balanced energy policy, open to outside considerations but solidly organized at home. The Community dare not meekly sit back and accept being dependent on the outside world for over 60% of its energy supplies without doing something about the problem.

But if we wish to control our future energy situation we cannot shirk the task of setting up Community-wide instruments of nuclear policy. We need to ensure that nuclear power can be developed under conditions that are safe and acceptable to our people and that the specific interests of Europe are defended in the world at large. This means that the Community must be in a position to state, in this area also, what its interests are and what constraints it is able to accept. To neglect Europe's strength in this field will be to put ourselves at the mercy of decisions taken by others.

Let me conclude these remarks, which are partly a review of prospects and partly a summing-up, by reiterating my main theme - that priority must be given to the internal development of the Community, to reducing the differences between us, to framing an economic policy for Europe which will use growth and employment to make the most of our range of assets and qualities, and of our spirit of solidarity, and provide proper support for our efforts to reorganize the economy. We must not let Europe die from within for lack of the support that integration will provide. We must not let the divergence of our economies weaken Europe's external influence and its political potential.

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Just think of the opportunities we have! Just think, if you will, how eminent Europe's place in the world could be! Testing though it has been for the Community's internal development, the crisis has reminded Europe of the international role it has to play. It has increased Europe's awareness of its involvement in a complex of interdependent relationships. We would not want the Community to act like a great power in splendid isolation. But at least it has begun to realize the benefits that flow from presenting a united front! That is one of the things we have achieved over these last four years.

Certain aspects of interdependence have made themselves felt very forcibly, and I have already referred to the abrupt revelation of our vulnerability in the field of energy and raw materials. Although less dramatic, other kinds of interdependence are no less powerful. For instance, there are the links binding Europe to the developing countries, where the privileged relations established by Member States have now been taken over by the Community and are being developed on a footing of partnership and cooperation. The Community also has a role to play in establishing with all these countries relations based on the need to use to the full the capacities for economic development available on both sides. At a time when the situation of certain developing countries was worsening, dramatically in some cases, the Community could not shirk this role nor fail in this responsibility.

Internationally, this policy has given rise to two developments:

- (i) the progressive involvement of the Community in development aid - the generalized preferences, a start towards financial help, food aid, the attempts at coordination of national policies;
- (ii) the growing responsibility of the Community as such in the dialogue which has begun on world economic problems, especially those of the third world.

In one of these areas, our aim must be to extend the scope of the Community's development activities: in the other, to consolidate our unity in the effort of economic organization that is now being made.

The North-South Dialogue, though it has been adjourned, is still essential to the establishment of enduring and harmonious world relations based on expanding trade and growing economies and restored stability. And it requires our unstinted participation if it is to succeed. To this end the Commission has made an exceptional effort in the field of study and analysis, is very active in presenting the Community's views and will do all it can - both in its own sphere and in its relations with the Council - to ensure that the few months between now and the ministerial meeting are employed in effective preparation.

Alongside these important activities, the Community has consolidated its relations with privileged partners - the Mediterranean countries and the ACP States. The Lomé Convention has made possible the systematic, large-scale implementation of original and innovative instruments - such as Stabex, which came into force this year - whose effects are already apparent, not to mention the interest they have aroused worldwide. The Lomé policy, in the development of which Parliament has such a large part, has already been the subject of extensive commentary, but at the risk of being repetitive I would say that in launching so wide-ranging, so comprehensive and so new a form of action, on the basis of equality, Europe has expressed in concrete terms both its political capability and the genuine nature of its involvement with the third world.

The conclusion of a whole network of agreements with the Mediterranean countries, opening up our market to them and laying a stable foundation for cooperation, is another aspect of the Community's global policy. The development of our system of generalized preferences and the agreements with South American and Asian countries bear witness to the Community's commitment to a greater solidarity with all the developing countries.

In the wake of these agreements the Community's financial aid was substantially increased - European Development Fund, emergency aid, food aid and other forms of assistance for specific purposes. Aid to the developing countries today accounts for a larger share of the Community's budget than anything other than the common agricultural policy.

If we turn to the Community's part in trade expansion, we must in all objectivity recognize the Commission's contribution to keeping trade flows open. In a world threatened by protectionism, the Commission was the first to call on everyone to keep a cool head. It has used all its political influence to forestall protectionist tendencies within the Community itself, thus enabling the Community to participate with no loss of authority in all the major rounds of negotiations aimed at a better organization of free trade, particularly in the OECD and GATT, and to defend with maximum effectiveness its own interests in its relations with most of the major economic powers of the industrialized world, particularly the United States and Japan. Here, our record is a good one. At all events, the Community's economic diplomacy is operating successfully.

Europe's place in the world will depend on its economic and political cohesion. We were well aware of this at the time of the renegotiations. We shall be mindful of it again when a further enlargement of the Community takes place - an event which will oblige us to strengthen our internal structures. This need for cohesion and for effectiveness is what gives meaning to our discussions about the Community's institutions. The first essential here was to start people thinking, to give them food for thought and to guide them in the right direction: this was the aim of our report on European Union and of the Tindemans Report.

I regard it as a promising sign, because it is a sign of courage and lucidity, the fact that, despite the crisis, a genuine search for ways and means of strengthening European integration is under way - for the first time since the Treaty of Rome was drafted. This has shown us that if we are to develop it must still be on the basis of the Treaty and the institutions laid down by the Treaty - institutions which must be strengthened, not changed.

In the past four years there have also been some highly significant advances:

- (1) The participation of the Heads of Government and the President of the Commission in the administration of Community affairs within the European Council now makes it possible to determine the priorities of European policy at the highest level. Though it still has to improve its procedures and the manner in which its meetings are prepared, the European Council has on a number of occasions provided a political impetus which has carried European policy to new heights.
- (2) The second major step forward is that the election of the European Parliament by universal suffrage, envisaged throughout the twenty-five years that we have had the Treaties of Paris and Rome, has finally been approved. This will be an opportunity for the people of Europe themselves to debate Europe's procedures and powers and for the political parties to draw up European political platforms.

I now come to the Commission itself. What is its situation at the end of these four years?

We shall not be leaving an enfeebled Commission behind us. Over the years, issues which used to exercise the critics have been settled with a minimum of fuss: the Commission's place in political cooperation, its full participation first at summit conferences, then at European Council meetings. The Commission plays a fully fledged part in the work of the Council, as initiator, catalyst and guarantor. There are limits which we could not overstep, but these are the very limits imposed by the Treaty. The Commission shares in the government of Europe; it is not the Government of Europe. Our institutions must live with their constraints for a long time yet. We must recognize these constraints and strive with might and main to confine their effects.

Much of what we have done remains hidden. The Commission can certainly be said to have performed its duties, played its full part in the work of the Community, made the proposals which it had to make and broadened the dialogue with all of the economic, social and political forces which go to make up Europe. It has made a special point - as you are in the best position to know - of developing and intensifying its dialogue with this House.

Ours has been a difficult task, reflecting the difficult times which Europe is now experiencing. The Commission is not like a fleet sailing proudly before you in the sunshine, decked out for the review, flags and pennants snapping against the blue sky. The Commission is rather a working fleet on the high seas, in the thick of an electric storm, ploughing its way through the towering waves.

Despite the difficulties, I have stuck stubbornly to a number of principles: that we voice the common interest of our peoples, that we preserve what has already been achieved, that we systematically explore all avenues of progress. I also wanted our team to be more than just the formulator of common policies: I wanted it to act as a catalyst too. The role of the Commission, as I see it, is to make our proposals reflect the Community interest at all times, to prod a Council often hampered by the political need to compromise towards a decision.

This view - ambitious but pragmatic too - inspired all our efforts. People say that the Commission's proposals are too theoretical, that they do not make enough allowances for national circumstances or for the political or practical facts of life. I do not share this view. The Commission does its best to appreciate everyone's legitimate interests in formulating its proposals, but it refuses point blank to come down to the lowest common denominator. The aim of the European endeavour is not compromise at any price. The Community is not content to induce each member to bargain away a little of its national substance. The Community's aim is, rather, to transcend national realities and seek that Community interest which welds its members together, which is a concrete expression of that "spirit of solidarity", the recurring theme in what I have been saying here today.

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I do not think that I have twisted the facts or exaggerated our achievements to draw up a favourable end-of-term report. Indeed I had no intention of producing a balance sheet in the conventional sense. My concern was rather to highlight some features of the past which strike me as holding significance for the future.

Today, the Community has arrived at a halfway house. Nothing has been finally achieved. But nothing has been lost either. There are dangers, like the widening economic gaps between our nine countries, continuing disorder on the monetary front and an endemic protectionism which we have failed to eradicate completely.

But when the hopes are weighed against the fears, the promise of the future tips the scales as far as I am concerned.

Think of our common concern to pull out of the slough of despond to more solid economic growth in a more cohesive Community.

Think of that clearly expressed resolve to ensure that the Community plays an active part in defining a new world economic order.

Think of the election of Parliament by direct universal suffrage.

These key areas will be the new Commission's major concern. It, like us, will have to work towards internal integration if Europe is to make its presence felt, if Europe is to exert its influence on the outside world. The new Commission will have to continue, in the spirit which inspired us, with the task in hand, moving on from a Europe hitherto preoccupied with trade to build a Europe concerned with its citizens: a Europe for Europeans.

Our Commission believes that, in exceptionally difficult times and with your support, it has succeeded in keeping the flame alive. Tomorrow you will be able to help the new Commission to carry the torch and lead the way to a brighter future.