

SUMMARY OF A SPEECH TO BE GIVEN BY MR. DAVIGNON AFTER THE ANNUAL BANQUET
OF THE BRITISH CHAMBER OF COMMERCE FOR BELGIUM AND LUXEMBOURG

Embargoed until after it has been delivered.

To be checked against delivery.

Subject: Industrial Development in Europe and Britain's Role therein

Danger of Protectionism

Europe is faced with great changes in international competitiveness - energy prices - developing countries. Some traditional industries are faced with decline. This provokes a natural defensive reaction - from employers, workers and politicians.

But for an economy as dependent on the ability to import as that of the Community - and this is even more true of the UK - a retreat into protectionism would be suicidal.

On the top of the immediate damage that a protective trade war would do to our vital exports, the psychological damage of permitting, even of indulging a defensive reaction among our workers and entrepreneurs would stifle the very spirit we need if our industries are to be revitalised, and would ensure for Europe a long period of decline.

Need is to hasten change

In order to pay for vital imports we need industries capable of exporting competitively. Our need then is to hasten, not prevent the changes that face our industrial structures.

Some traditional sectors must be helped to shrink. If they are not to disappear altogether, and they need not - the UK has areas of excellence, for example, in woolen textiles or quality shoes - these sectors must reduce employment by more than capacity. This is the only way to become more productive. And that is the only way to preserve the jobs that can remain. Safeguard measures and protective subsidies can play a useful limited and temporary role in ensuring that a sector is not swept away before it has time to change. But to preserve uncompetitive firms, as such, or to perpetuate overmanning as could result if the UK Temporary Employment Subsidy, for example, were allowed to be repeatedly renewed, means decline.

How to hasten change?

What is necessary to encourage the innovative spirit - in which the British have led the world - and overcome the defensive tendency ?

First we must provide support for those who lose their jobs. The continuation of profitable employment for many workers - and finally this is true for all - depends on some colleagues in being put into a position that they can leave unproductive jobs and look for something better. It behoves society and the Community to ensure they do not suffer. It helps overcome resistance to change to promise to do so.

More important is to offer the prospect of a new job. Retraining can help. But above all to see vacancies arising in new activities, to believe that governments, employers and other unions have the will and the skill to bring new activities into existence, is what is needed.

CREATING THE ENVIRONMENT FAVOURABLE TO NEW ENTERPRISE

Legal and financial framework

One thing that we as a Community can do to encourage the creation of new activities is, in fact, to do what we have always sought to do - that is to create the Common Market.

We want to make it easier for a new entrepreneur to set up and profit from the market throughout the Community just as easily as in his home town. We want to make it possible for large Community wide firms to come into existence, where there are economies of scale to be gained, without the legal and psychological barriers that exist. We have various proposals in company law and concerning access to financial markets to this end. And here the British have a lot to offer, or a lot to teach us - the services of the City are unequalled elsewhere in the Community - and perhaps a lot to gain.

One example - we have been studying the market for venture capital. It seems that whatever may be lacking in the UK it is not a want of venture capital companies. In Italy the researchers found none. In Germany one. In France three (but one has now gone out of business). In the UK less than 12.

Technical Harmonization

Another area is that of technical harmonization. Where standards are required by the state, these must be harmonized if the market is not to be subdivided. This creates an opportunity. Our society needs many new processes or products, to prevent environmental pollution, to save energy, to protect the consumer. These could create many jobs, and if we start first, we can give our new industries a lead in say the US or Japan. But an individual Member state cannot act alone for fear of advantaging the industries of the others. The Community must act for the good of all. In this I appeal to all of you for support. Hasten our work. Do not put the longterm general good at risk for short term sectional or national advantage.

Research and Development

Another area where the Community might help the European industries of the future is in R & D. In part this will come about through the existence of the Common Market.

ICI, or Siemens or Philips, even IBM, have more funds available for R & D, and can make better use of the results through access to the larger market. But each Member state feels it necessary to supplement private finance. Yet each Member state has limited means and but a small national market. We are trying to concentrate these efforts.

Public Purchasing and advanced technology

Another area related to the last is the field of public goods, or the things largely bought by public bodies. I speak of aeroplanes, trains, computers, power stations. No amount of subsidies can grow large goldfish in small bowls. We need the Common Market here. The UK can make a double contribution. It has many areas of technical excellence that could benefit from access to a larger market - aeronautics, ICL. It could take the lead in abandoning nationally oriented policies, in demanding that the larger market become a reality, and in contributing, where necessary, these excellences to Community groupings.

Financing Investment

One other way that we can help, but our resources in this respect have much less weight than those of the Member states, is directly with the financing of industrial investment or infrastructures. The Regional Fund has just been renewed and enlarged. The European Council before Christmas gave the green light for, and we are preparing to launch Community loans - the "Ortoli facility" - for projects of Community interest.

A few figures relating the UK to the Community

Statistics are to be avoided in after dinner speeches but two figures are worth quoting.

The first is to support ^{the} contention that the Common Market has been a good. All the Member states have seen a growth in their exports to the others. For the UK these represented 26.6 % of total export in 1967, against 35.6 % in 1976 (Source EUROSTAT).

The second figure relates to the measure of productivity - GDP per person employed - where the UK lead the nine after the war (and indeed before - it was not because it had not suffered occupation). In 1974, the UK ranked 8th, ahead of Ireland alone, and trailing Germany by more than 40% (Source OECD). This might be interpreted as a sign of decline. I prefer to see it as a challenge, or an opportunity. It measures the amount that the UK can contribute to growth in the Community simply through making up lost ground.