

EUROPE 1978

SPEECH TO BE DELIVERED BY VICE-PRESIDENT BERKHOUWER

Rotterdam, 26 January 1978

DIRECTORATE GENERAL FOR
RESEARCH & DOCUMENTATION

18 January 1978.

Introduction

It was once said, I think by Sir Winston Churchill, of the appearances in the House of Commons Chamber of one senior Member of the House, that he used to 'blow in, blow up and blow out'.

I hasten to assure you that, having come here this evening quietly and, I hope, courteously, I have no intention of either 'blowing up' during my speech or 'blowing out' at the end of it.

But I do want to put before you a New Year Survey of Europe, by which I mean in particular, the Europe of the European Community. In order not to outlast my welcome here this morning, I have concentrated my survey on five main themes.

They are -

- the position of the Nine in the world
- the Community's internal difficulties and its attraction to outside countries
- enlargement of the Community
- the dangers of a return to protectionism and nationalism
- elections to the European Parliament

Position of the Nine in the World

Let us first consider briefly the position of the Nine in the world. We are well placed to do this, here in Rotterdam, which has had as many links over the years with the rest of the world as any part in Europe - indeed since the Treaty of Rome was signed, more links than any other European port!

To discuss first the Community's economic position in the world, we should recall also that in the Treaty the Community Member States, by establishing a customs union, aimed to contribute to -

'the harmonious development of world trade, the progressive abolition of restrictions on internal trade, and the lowering of customs barriers'.

(Article 110)'

The Community has sought to achieve these aims by following three broad lines of negotiations. The first is within GATT, which has led to a general lowering of tariff protection. The second is in agreements concluded with groupings of third countries, such as those with the countries of the Mediterranean, of the Lomé Convention and with Arab countries. The third line is to seek economic agreements with individual third countries, such as China and the USA.

The latest GATT negotiations - the Tokyo Round - were described recently by Mr Roy Jenkins, the President of the Commission as being decisive for the world trade system,

certainly for a decade and a half, and therefore of great importance for the medium-term future. The Community plays crucial part in them, being the largest importer and exporter in the world.

There has been a fair measure of agreement between the parties to the Tokyo Round, but also disagreements of some importance. These were, however, discussed between President Jimmy Carter and the European Commission in Brussels only three weeks ago when both sides were cautiously optimistic.

Since then the Commission has asked the Council of Ministers for a mandate to negotiate on behalf of the Community the final phase of the Tokyo Round, on the basis of an average customs reduction of 40% in the industrial sector. So we are entering the 'last quarter of the game' as they say on the football field.

Another difficult international negotiation in recent times has been the Conference on International Economic Cooperation, or the North/South Dialogue, as it is generally known. This was launched at the suggestion of the French Government, and the Community has so far acted as one unit at the conference table - a feat of considerable significance.

The object of the Dialogue was to seek methods for the richer countries of the 'North' to build up the economies of the poor 'South' countries, thus creating wealth for them and at the same time, hopefully, ensuring for the 'North' vital supplies of scarce raw materials, chiefly of oil.

I don't need to go into the reasons why the Dialogue has been, temporarily, broken off, as they are many and detailed. Suffice it to say in summary that on the one hand, the 'South' countries demanded larger concessions from the 'North' in trade and aid; while on the other hand, the 'South' were often unable to agree on what type and size of concessions to demand. The main specific problems were the debts due by developing countries, and the concept of a stabilisation fund for raw materials.

The future of the Dialogue was discussed also between President Carter and Mr Jenkins in Brussels. The immediate needs are for more aid for the developing countries, particularly from states such as Japan, and for some arrangements to deal with debts due by developing countries to countries of the Northern hemisphere. These problems have been taken in hand by the UNCTAD Trade and Development Board and OECD, which are both in quest, working closely with the Community, of a solution.

The Japanese, in their turn, have agreed with the United States Government to reduce considerably their balance of payments surplus over the next two years. They will also, from 1 April, reduce customs duties on a large number of products, in advance of a Tokyo Round agreement,

liberalise trade in several other ways. All these measures will help the EEC considerably, and represent something of a breakthrough for the Community and the USA in their trade relations with Japan.

But the Community has not been content to seek liberalisation of trade in detachment from political considerations. One of its most recent series of agreements, which has had strong political connotations, has been with the countries of the Mediterranean basin.

The Community has for about 15 years had Association Agreements with Greece and Turkey, giving them special trade advantages. 5 years ago Cyprus was associated in this way with us too.

In the last 5 years however, trade and economic cooperation agreements have been signed with the Maghreb countries of North West Africa and the Mashrak countries in the East Mediterranean. To obtain a proper political balance, you will understand that we had then to seek agreement with Israel, on the same basis as with its Arab neighbours - and we succeeded!

Equally we have links with Yugoslavia, whose political and economic importance as a link between Greece and the Community cannot be under-estimated.

So the Community's economic influence is now being built up over the whole Mediterranean basin. With the North Sea virtually a 'Community pond', perhaps we can echo the Romans and call the Mediterranean Sea 'mare nostrum'. The economic significance of this development is matched only by its strategic and military importance.

There is an English saying which runs -

'It's an ill wind that blows nobody any good'.

The oil crisis which broke in October 1973 was for the Community an ill wind, but out of it is now at last blowing some good. The North South Dialogue is an example, and I now wish very briefly to offer you another.

In December 1973, while the Heads of Government were meeting in Copenhagen, two emissaries from the Arab countries knocked on the door and asked to be heard. They brought an offer of Euro-Arab cooperation, which consisted in a proposal that the Arabs would pay for economic and technical assistance from the West, using their huge stocks of petrodollars. They saw an opportunity to industrialise and develop their countries, using the know-how and experience of the West.

The Arabs' offer was accepted and the Euro-Arab Dialogue was born. The Arab side consists of the 21 countries of the Arab League, including representatives of the PLO. The Commission mainly represents the Community, with the Council handling political discussions.

So far progress has been uneven, partly because the Arab countries are divided into the oil-rich 'haves' and the agricultural 'have-nots'. The former are interested in industrialisation and in gaining favourable financial arrangements with the Community. The latter seek technical assistance to build up their agriculture and to introduce in some cases health and welfare services.

Despite this dichotomy - and it has other aspects - in the Arab position, the Dialogue continues. Think for a moment of the immense political significance to the West of developing economic and technical links of this sort with the Arab League countries, particularly in the Middle East. Imagine the possibilities opening to the Community, through the Dialogue, of trade with Arab countries, and eventually, perhaps, of securing oil supplies at less inflated prices.

You will, I believe, quickly realise the huge potential for the EEC countries of the Dialogue. And it is entirely a Community affair - the Americans, Japanese and Russians are firmly excluded!

Finally, in this survey of Community agreements with groupings of third countries with the aim of trade liberalisation I offer you what is perhaps the brightest jewel in the Community's crown - the Lomé Convention of 1975.

This Convention unites 54 countries, for the most part former British, French or Portuguese colonies, scattered over Africa, the Caribbean area and the Pacific Ocean. Lomé States vary in size from huge Nigeria to tiny Fiji, but they all win the same economic advantages from the Convention.

What, then do the Lomé countries stand to gain?

First, 99.2% of products from Lomé countries enter the EEC tariff free and without restrictions as to quantity. Second, under the STABEX system, the EEC is to set aside \$45 million in order to protect Lomé States against shortfalls in production or falling prices of 29 primary products. Over 5 years, the Community will grant financial aid of 3,400 million European units of account for investment in production and infrastructure and for social purposes.

The Convention has met with widespread approval in the developing world. Since 1975, five new countries have joined in, not least because it is -

'a new model for relations between developed and developing States, compatible with a more just and more balanced economic order.' (Preamble of Lomé Convention)

One of my particular interests in the last few years in the European Parliament has been the Community's relations with China. I paid a visit there in 1975 and had a splendid opportunity, as a Vice-President of the European Parliament, to build up links between the Community and China.

My visit followed closely on that of Sir Christopher Scames, then Vice-President of the Commission especially responsible for external relations. During it, the Chinese Government indicated its wish to appoint an Ambassador to the Community, which was accomplished in 1976.

As a direct consequence of this advance, the EEC signed a trade agreement with China in 1977. Trade relations are now thus firmly established.

As to political relations, I can do no better than quote the Chinese Foreign Minister of the day, speaking to the UN General Assembly in October 1976:

'The strategic focus of the rivalry between the two super-powers, the Soviet Union and the United States, is Europe, and this is determined by their fundamental interests. We support the union of Western Europe, we want to create a powerful Western Europe'.

At the risk of imposing my interests too strongly upon you, I would like to bring before you a regional grouping of independent States about which little is known in the Community. This is the Association of South-East Asian Nations (ASEAN), which comprises Indonesia, the Philippines, Thailand, Malaysia and Singapore.

Their combined population in 1975 was 230 million, and the total payments by the EEC to ASEAN, in public development aid and capital from the private sector was \$413 million in 1973. Of this, the largest proportion went to Indonesia.

Since - perhaps encouraged by - the visit of a delegation from the European Parliament to the ASEAN countries in the summer of 1975, the EEC has opened a dialogue with these countries. A first meeting at Ambassador level was held in November of last year, when the ASEAN countries expressed their concern at Community restrictions on exports from ASEAN countries, and asked for a STABEX scheme for their exports.

Thus, the Community is building up both economic and political relations with countries in the Far East, of which China is, of course, by far the most important, in the interest of development aid and trade liberalisation.

II. Internal Community difficulties put attraction to other countries

I would now like to put before you a paradox which is often spoken about in the European Parliament and its Committees, and indicated by political leaders, but which is little discussed elsewhere.

It is simply this: why, when the Community is beset with grave economic problems, do countries outside find it so attractive?

You all know how often newspapers and magazines dwell on the serious problems which the Community is facing. It is useless to deny that we suffer from

- a tragic rate of unemployment,
- a continuing recession in economic activity,
- too high rates of inflation,
- a chronically unstable currency situation,
- serious imbalances between rich and poor regions,
- lack of a common transport policy, and
- a crisis-hit steel industry.

We have no clear idea what sort of Community we wish to build, what the distribution of powers between its institutions should be, or how we are to meet the challenge posed by enlargement.

Yet third countries wish to join us - for example Greece, Portugal and Spain and they wish to trade with us: the Mediterranean and the Lomé countries, China and ASEAN for example. Equally, they accept our leadership at international negotiations, such as the European Security Conference and the North/South Dialogue.

Why does this paradox exist? How is it to be resolved?

I believe that outside countries looking at the Community from all over the world find that we possess three cardinal qualities which are acceptable to them.

We are not a power bloc, we use our economic power responsibly, and we are democratic. Taking these together, we are unique. Most of the world believes that the Community will continue to be founded on these essential qualities; and I am convinced that they are right.

You may wonder how I can express this conviction with such certainty. It is founded mainly on a study of the Community's first 20 years of life.

There have been no signs that the Community will ever develop into a military power in itself. As long as NATO continues, this is unthinkable, and NATO has no intention of putting up the shutters, as far as I know!

My brief survey of the Nine in the world will, I hope, have convinced you that the Community has used, is using and will use its vast economic power in a responsible manner.

Our record at international economic negotiations, in liberalising trade, and in offering economic cooperation and aid to developing countries is unequalled. Our fault here is that we don't tell enough people what we are doing for them!

And we are composed of nine democratic states, probably to be joined soon by three more democracies. We believe in democracy, we practise it, and I hope that soon we will begin to export it, particularly to Africa.

I hope, then, that I have said enough to resolve the paradox of a Community of grey skies seen from inside, and of blue skies from outside. I would now like to say something of how we might lighten the gloom of our grey skies.

III. Enlargement

I doubt if many - or even any - of you present here tonight would have laid any money at all in March 1974 on my next statement coming true, at least before 1984;

'That by June 1977, Greece, Spain and Portugal would have returned to democracy'.

It is almost incredible that, in just over three years from the 'Revolution of the daffodils' in Portugal in April 1974, all three countries have returned to civilian governments and democratically elected Parliaments.

Yet it has happened, and I rejoice in it.

But the challenge to the Community presented by the applications for membership lodged by the three countries is almost too great to grasp. It is much easier to describe than to comprehend, but I will attempt, again very briefly, to give you some conception of it.

Let us first recall the three years of preparation which were necessary before Denmark, Ireland and Great Britain joined in 1973. Although their accession brought two new languages into the Community, the commercial, cultural and political links between the old Six and the new Three were close.

The accession of Greece, Spain and Portugal will in theory bring three new languages into the Community, and will add to it three Mediterranean countries with economies almost entirely, or, in the case of Spain, largely, based on Mediterranean-type agriculture.

50 years' dictatorship in Portugal and 40 years in Spain have weakened political links with the Nine; but they are quickly developing now.

But this merely by way of background. The central problems posed by enlargement are -

- the cost to the Community,
- the effect on existing Community policies;
- the need to adopt the Community institutions,
- the effect on Community agreements with other Mediterranean countries.

The cost to the Community of enlargement can be considered under three headings. These are foreign trade, deficits, the equalisation of taxes and the need for investments.

In the years 1974-1976 the foreign trade deficit accumulated by the Community amounted to \$20,000 million, while that of the Three was \$17,200m, (Spain \$11,000m., Portugal \$2,800m. and Greece \$3,300m.)

In the case of Greece and Spain, it is likely that these deficits will continue to be covered mainly by recourse to foreign private capital. This is much more doubtful in the case of Portugal.

The Commission are studying the problem of equalisation of taxes and have not yet produced any figures. All I can say this morning is that equalisation of taxes will only be possible over a lengthy transitional period.

On the need for investments, the Commission are trying to calculate the direct investments needed to achieve the desired growth rate in the economies of the applicant countries. This calculation can be based, first, on the difference in development between the Three and the Nine and, second, on the growth rate of the Nine, which is estimated as being between 3.5% and 4%.

To bridge the gap between the two, the growth rates of the Three will have to be higher than the Community average. These higher levels of growth can only be achieved by supplementary investments, probably considerable in volume.

To meet this challenge, President Jenkins has proposed a new 'Marshall Fund' to aid the applicant countries. We shall know the Commission's proposals on this next month: let us hope that they meet the challenge head on and will provoke a response from the national Governments in the Council of Ministers.

The second major problem to be thrown up by the prospect of enlargement is its effect on existing Community policies, particularly on the Common Agricultural Policy (CAP). We have already heard warning shots fired by French and Italian farmers, who are fearful of Spanish, Portuguese and Greek competition with their products of wine, olive oil and citrus fruit in particular.

This is again under urgent study by the Commission, who will be reporting to Parliament next month. Suffice it to say that there will have to be some protection for farmers of the Nine, together with a fair chance for farmers from the Three to sell their products, as long as they observe the Community's rules of fair competition.

The effect of enlargement on the Commission's proposal for Economic and Monetary Union is a huge subject in itself.

The third main ~~area~~ of problems which we can foresee as a result of enlargement is its effect on the institutions of the Community and their working. I have mentioned the language problem. But the sheer size of the Council, the Commission and the Parliament will create major difficulties.

How can they be resolved?

Already ideas are being exchanged in the 'corridors of power' in Brussels, Luxembourg and Strasbourg. One is for a smaller Commission, with only one Commissioner per country, another for a return to majority voting in Council, according to the Treaties.

The Commission will have to be restructured, the Council to delegate more decision-taking to officials - closely scrutinised by the Parliament, of course! Parliament will welcome about 80 new Members.

The Commission intends to deal with these problems in an overall manner, and will publish its proposals next month.

I have tried to ~~set~~ out the main difficulties inherent in enlargement. But I must hasten to assure you that this is not evidence of any hesitation on my part about enlargement.

My Party Federation at European level, the Liberal and Democratic Group in the European Parliament and I myself are all strongly in favour of enlargement. And I say this in full consciousness of the mountainous difficulties to be conquered before we can reach the desired peak of a Community of Twelve.

The advantages are tremendous.

First, a guarantee of democracy in Greece, Spain and Portugal, for as long as the Community lasts - what a prize to be won for their peoples. Second, a bulwark for freedom against totalitarian forces threatening the West from outside and from within.

Third, prospects of a higher standard of living for the peoples of the Three, and for more security for their families. Why should thousands of Greeks, Spaniards and Portuguese have to leave their homes and families to seek work in the Community? Surely the sensible course, both for humane and economic reasons, is to create jobs in their own countries for these young workers and their families? This is at the same time a noble objective and a sane one for the Community.

The fourth advantage is more long-term. Eventually, if the Community meets the challenge of enlargement, its individual Member States and it itself will grow stronger economically by reason of the industrial, agricultural and natural resources brought within its bounds. And I must add also the human resources of boldness, ingenuity and determination for which the three peoples are renowned.

We must do all we can to win these priceless prizes for ourselves, our children and their successors. It will not be easy, but if we have the will we have the means to achieve it.

IV. Dangers of a return to protectionism and nationalism

When hopes have been raised, only to be disappointed, not in one field alone but in several, it is natural for human beings to react impulsively and irrationally.

Following the oil crisis of 1973 and the dark years of inflation of 1974 to 1976, hopes were raised of an end to the recession in 1977. Few of these hopes have been realised and grave problems remain.

The human reaction was natural, and has taken the form of an outbreak of protectionism. Both Member States, and countries outside the Community have moved to protect their threatened industries and to protect employment in particular.

The Community has had to protect its textile industries from imports flooding in from the Far East. Electronics, shipbuilding and automobile industries have been severely hit by Japanese competition.

But the position of the United States has been crucial. One might well say that when the United States economy sneezes, the Western world catches a cold. The Community can never be strong enough to remain unaffected by the ups and downs of the United States economy.

Even individual Member States have acted to protect their own industries, particularly in the field of Mediterranean agricultural products.

But the picture is not all black, and will soon become much brighter. I have covered already the progress made in the Tokyo Round, the North-South Dialogue and in economic relations with the United States. Enlargement presents huge problems, but the Community could emerge in the long-term with reformed institutions and stronger economic prospects. It would exercise also stronger influence in the world towards liberalisation of trade even than now.

In Brussels on 6 January 1978, President Carter told the Commission -

'We are prepared to work with the Community in a wide variety of ways, in order to reach a rapid and successful conclusion to the multi-lateral trade negotiations, and thus to expand international trade, create more jobs in all countries, and help us all to resist protectionist pressures'.

In reply to President Carter, Roy Jenkins, the Commission President, stated -

'Our cooperation, together with the Japanese, is necessary both to withstand the damaging dangers of protectionism and to regenerate the still sluggish world economy'.

The US economy is now forging ahead - the growth rate is up, unemployment down and investments are improving. This will do much to restore confidence not only in the business community there but within the Administration itself.

The indications now are that we can expect a slow but steady economic upturn in the Community, so long as the steady improvement in the US economy is sustained. This is the best bulwark against further protectionism within and without the Common Market.

The more pressure is brought upon national Governments to seek a Community solution to protectionism - and that means an international, liberal solution - the more chance of a positive outcome of the Tokyo Round negotiations and a move out of recession.

Direct elections

My concluding theme is the direct elections to the European Parliament planned for next year. They are of fundamental importance to the Community, despite the urgency of pressing economic problems such as unemployment and recession, which I have already discussed.

But why do people claim that European elections are so important? What is all the fuss about? May I, briefly, suggest the answer to these questions, under three headings.

First, European elections will mean that the 180 million electors in the Community will be fully represented for the first time. The European Parliament is at present only a part-time Parliament composed of 198 Members nominated from national Parliaments. With 410 Members - mostly full-time - directly elected, the peoples' views on the development of the Community, the balance between its policies and the speed of advance can be clearly heard.

Who can tell, for example, what relative importance the people attach to further European integration, or to strong regional, transport, shipping or agricultural policies, to name but a few? Do people want a strong integrated Community or a weaker confederal Community?

We don't really know the answers now. But after two years of a directly-elected Parliament the general tendency of opinion on this sort of issue should become clear. I believe people feel a real need for this to happen.

In the same way, specific problems arising from Community activity will be put by the public - and by bodies such as the Benelux International Transportation Association - to their European Members. They will press for solutions to the problems in the European Parliament and insist on satisfaction from the Council or the Commission.

The second major significance of direct elections is that the European Parliament will be able to exert more influence over the Council and closer control over the Commission. At present the Council represents all too well the national Governments of the Member States. The stronger the Council, the lower the level at which a Community consensus is achieved, and the less satisfactory the result for all.

The increased authority which direct elections will give the Parliament will enable it to press for Community, rather than national solutions to the abundance of problems facing the Community.

The Commission requires democratic control: I don't believe one Commissioner would disagree with me on this - certainly not President Jenkins. Only the Parliament can ensure that the needs and views of specialist bodies like yours ^{and} of the public at large are fully taken into account in Commission proposals for Community legislation. We do our best on this at present, but we are too few and too tied to our national Parliaments to do the job properly.

My third point is this. I wonder how some people in the Community have the impertinence to lecture the peoples of Greece, Spain and Portugal on democracy when the Community hasn't even got an elected Parliament itself! This seems at least unfair, if not indeed hypocritical.

We need direct elections to offer the three applicant countries the chance to participate democratically in the decision-making process in the Community. It is the least they can expect.

Also the existence of an elected European Parliament will offer a further guarantee to them that democracy is assured in the Nine, which in turn will help to buttress it in the 'new Three', as we hope they soon will become.

Before leaving the theme of direct elections, I would like to explain briefly the situation as regards the date of the elections. The Council in September 1976 set a target of May/June 1978. Owing to the delay by the United Kingdom Government in bringing forward the necessary legislation, Britain will not be ready for May/June 1978.

She will be ready, however, for Spring 1979, and the other Six will certainly be ready to hold elections then.

When I questioned the President-in-Office of the Council, then Mr Simonet, the Minister of Foreign Affairs of Belgium, at our Strasbourg session in November last, I insisted that the election date must be fixed soon. As the Heads of Government were meeting in early December, I asked that they should fix the actual days for the election. They did not do so, despite Mr Tindemans' efforts.

Again in December several Members, including myself, pressed Mr Simonet for an early decision on the actual date of the election. Again the Council failed to act.

The tragedy is that this continued uncertainty will soon prove fatal to all attempts to win and to sustain public interest in elections. Once again, cynicism and scepticism will prevail about the Community's failure to act.

So, battered but determined, Parliament will enter the lists once more, in February or March, with a resolution proposing definite dates, probably in (Spring 1979) for the European elections. I pledge myself tonight not to rest until the Council takes a decision and the date for the arrival of democracy in the Community will finally be fixed.