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COMMISSION  
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Over the next nine weeks, the people of this country face an unprecedented succession of elections with their own accompanying retinue of programmes, manifestos, speeches and appeals. The campaigns and the elections are at local level, national level, and, for the first time at European level. After the events of this past week in Westminster and after the events in Scotland over the last few weeks, you may find it strange for me to talk to you about the next election but two. But I make no excuse for doing so. The issues which are of concern at the European level are also the issues of concern for Scotland and for Britain as a whole. Equally, the issues that are raised at national level about our role in Europe have a relevance for the forthcoming European elections. This inter-relationship makes it in my view not too soon to start discussion on the European themes which to form part of the debate for the Direct Elections to the European Parliament in June. The fact is that in nine weeks' time over 180 million electors of Europe will have the chance to cast their votes for the first time to elect their own representatives in the European Parliament.

But it might be said that, interesting though the concept of a multi-national election for a multinational parliament may be, it is in effect merely an internal development of an institutional

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structure which began without Britain and still seems remote to many British people. I therefore start by examining a number of questions, which perhaps go to the root of British attitudes towards Europe.

First, why is Britain in the Community at all ? We have been members for six years. We were rebuffed twice: once in 1963, the second time in 1967 and we did not join until 1973. We went through the difficulties with our European partners of a renegotiation of the terms of entry shortly after joining; and we then submitted the whole issue to the British people in the first British referendum. Against that long and arduous background, it might be thought that the question hardly needs posing. But it is in my view right to remind ourselves from time to time of the fundamental answer. The central economic reasons - there are other political reasons - why Britain needs the Community is because now and in the foreseeable future there are basic aspects of our economic life which we cannot effectively manage on our own, acting in isolation. What is true for Britain is true for virtually any other state of our size or even larger.

Let me offer some examples. Our objectives of economic growth, reduced unemployment, and low inflation - the search for a high productivity high income economy - have been thwarted in the past partly by our own internal shortcomings but, in equal measure, by monetary and / commodity price movements

commodity price movements beyond our own national control. We have found that our own best endeavours - involving often painful internal adjustments - have foundered in the face of chronic inflationary disorders and monetary instability which is at least in part externally created. As we have seen so often in the past, floating exchange rates can carry with them sudden and dramatic inflationary impulses. They may strike at a country at any time, each new impulse feeding and stimulating the inflationary process. That is why, within the Community, we have been seeking to create, and have in the last few weeks put in place, a new system for concerting exchange rate movements within Europe. What has been devised provides the potential and the starting point to enable us jointly to create forms of discipline which could hold back inflation in a way which is beyond the scope or powers of nearly every Member State alone. The EMS is a Community system and in my judgment one of the most important developments in the life of the Community. The British are not yet full participants in it but I hope, in their interest and in the common interest, that they will be soon.

Then again, there are major sectoral problems where the sheer scale and dimension of the issues put effective solutions beyond the reach of most Member States. In the steel sector, for example, it has been widely recognised that following the recession in 1973, restructuring of such a key industry required planning on the widest possible scale in view of the enormous

/industrial and

industrial and labour problems involved. The lessons I believe that we are jointly learning in relation to the steel sector have relevance to other equally pressing problems, whether we look at textiles or shipbuilding. I will return to some of these problems later.

The second question that I would pose is that, if one accepts the need for interdependence within Europe, does it therefore follow that everything needs to be done from Brussels ? There is the concern, which I understand, that if any concession is made to the idea that some matters can be more effectively dealt with at the Community level, gradually more and more functions at present exercised by national governments will be taken over, leading to more and more of the details of national life being decided in Brussels. But I do not believe that either has, should or will happen.

/For the Community

For the Community to survive, for it to fulfil its aims, it is essential it should be selective, concentrating on those aspects which elude the effective control of national governments anyway. My thesis is that there are aspects of policy which have a deep-grained European content; that they have more chance of resolution if they are considered by Member States acting in concert; and that the Community exists to provide the essential institutional framework within which such solutions can be found. It follows that I see no conflict between the objectives of the Community and differences of approach between and even within countries of the Community on many aspects of policy. The Community is not therefore in conflict with or antipathetic to the widespread view that government should be brought closer to the people at more local level rather than increasingly centralised whether in Westminster or Brussels. It has its place rather in the contribution that can be made at the European level to problems whose very dimensions place their solution beyond the reach of national governments, not to mention regional or local authorities.

But then, it might be argued, how can the Community tackle these largescale problems when it is cast in the rigid mould of a Treaty which defines competences and at the same time places restrictions on its freedom of manoeuvre? It has been suggested that, notwithstanding the need to solve admitted common problems Europe has become increasingly frozen in a juridical straitjacket, its machinery grinding to a half. I think that there may have been times in recent years when there was at least some superficial evidence to sustain such a view.

I do not believe that is so today. A year in which we have a European Monetary System in place after only a year of discussion; in which we hold direct elections for the first time, international elections for the first time in history indeed and in which three new democracies eager to join, cannot possibly be regarded as one of stagnation or rigidity.

I would like to say something about each of these main areas. First the EMS which I have already mentioned. In my view, the potential for good within the Community of a carefully introduced and properly managed monetary system is overwhelming. A zone of European monetary stability can in my view help to achieve a change in the prevailing economic climate of Europe. Let me offer four main reasons for this claim. First, it offers a better chance of a more efficient and developed rationalisation of industry than is possible under a Customs Union alone. European business managers need a framework of more certainty to make essential longer-term investment decisions. But in a Europe full of major and varying inflation uncertainties as between Member States, full of exchange-rate risks, they have not been able to afford to plan in a European context. Second, as I have explained, it offers a better chance for the Member States, acting together to break free into a new era of price stability away from our present chronic inflationary disorder. Third, it offers a potential new framework for us to begin to tackle the major structural problems which have

/combined with

with past monetary fluctuation to bring the present unacceptable levels of unemployment. Finally, and perhaps most important, it offers the chance to throw the combined spread and strength of the Community on to the side of a stabilisation of the world monetary order. I believe that the development of the EMS could assist to relieve us of many of the short-run balance of payments problems that have plagued Europe's past and could help to reduce the major exchange rate and external financial risks which have so constricted macro-economic policy.

What was launched in 1977, consolidated at Bremen, finalised in Brussels and eventually put in place at the European Council in Paris last month is not the end of a road; it is, in a real sense, only the beginning. Because if this new instrument is to make that impact on our deep-rooted economic problems that I believe it can and which it is imperative that it should, it is essential that continuing thought, new efforts and new policies should be available to underpin it and sustain it. That is one of the principal challenges before us now and for the 1980s. We need to find ways to strengthen the basic underlying structure of the internal market; to press ahead and give greater shape to our plans for a basic and long-term restructuring of the ailing industrial infrastructure of the Community; and to reinforce the framework within which national economies can be brought to converge seeking in particular to tackle the special difficulties of the less prosperous Member States. In all of these areas, the Commission is now working and will be bringing forward ideas and proposals during the course of the next few months.

The second major axis of advance, the second challenge for the 1980s is the imminent prospect of the enlargement of the Community. Three new democracies in Southern Europe have applied for membership. Greece is now almost at the point of signing a treaty of accession; with Spain and Portugal the formal processes of negotiation are underway. Their applications were made partly because they wish, quite legitimately, to share in the economic advantages which the Community can give them. But their motives are not primarily economic, any more than were the motives of those who founded the Community. They are seeking membership because for them, as for us, the Community represents a gathering in of European civilisation with its commitments to representative democracy and human rights. In my view, to reject European countries entitled and qualified to join would not only be a betrayal of the Treaty, which is the foundation of the Community, but also make a mockery of the underlying principles to which the Community is dedicated.

That is not to say that enlargement does not carry many perils. If it failed, it could have incalculable effects on the future of Greece, Portugal and Spain, and not least ourselves. If it succeeded without accompanying measures to strengthen our institutions, it could damage the functioning of the Community, in particular its decision making process, and over time cause a creeping paralysis and loss of will which could lead to a gradual disintegration. On the other hand it could bring about reinforcement of our institutions and stimulate economic growth and necessary change, and advance the evolution of the Community in

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accordance with the purposes of the Treaty. The result is far from certain. None of the existing members of the Community, nor for that matter any of the applicant countries themselves, wants the Community to be weakened as a result of enlargement. We must make sure that we rise as we should to the challenge.

Finally, there is direct elections to the European Parliament, now just nine weeks away. For many in this country, the whole concept of a European Parliament still remains somewhat obscure and theoretical. What significance does it have for the ordinary citizen? Who would we be voting for? In effect, why bother? Let me set out what are in my view the crucial arguments.

First, there is the democratic argument. It has taken a long time to honour the commitment of a directly elected parliament contained in Article 138 of the Treaty but, in my judgment, if that article in the Treaty of Rome had not existed, it would have been necessary to invent it. The Community is rooted firmly in the principles of representative democracy. While its means may be largely economic, its origins and objectives have always been political. It follows that an essential element of the idea of the Community is that those who make the decisions should be subject to effective direct control by the representatives of those in whose name the decisions are made.

Then there is the institutional argument. I believe that a Community Parliament could scarcely hope to carry out its proper functions if it did not have the

popular authority, the legitimacy which only direct elections can give. It is, in my view, wrong to picture the European Parliament with its existing powers as some kind of toothless old tiger at liberty to roam in the night but without any real power. The Parliament has genuine powers under the Treaties. It is not, of course, a legislature nor does it constitute a Government. The citizens of Britain, as in the other Member States, will not therefore be voting on alternative legislative programmes of action nor will they be electing a Government. On the other hand, they will be voting for a direct voice in the whole legislative process; they will be voting for a powerful, and in some circumstances, decisive voice in the size and distribution of the Community budget; and they will be voting for democratic powers of control over how the Commission spends Community money. If the Community is to move forward, every citizen should feel that his voice can be heard in the Community institutions as well as at Westminster, at the regional level and at local level.

The third level of argument for a directly elected Parliament is quite simply an argument about issues, which touch upon all Member States and all citizens within those states. I shall consider some of these issues - issues which because we seek to tackle them on a European scale are no less real for the electors of Britain.

First, unemployment. In the years ahead it is my firm conviction that the relevance of the Community system may well come to be judged by the speed and resolve with which we move to act in this area. During the last five years between 5 and 6% of the total work-force in the /Community

Community has been out of work. Present trends suggest no immediate prospect of a dramatic or sudden drop in the figures. Indeed, major and sustained efforts will be required to secure a reduction in the present unacceptable levels. And the overall figures for the Community conceal even more pressing problems with certain industrial sectors, certain categories of workers, particularly the young school leaver and women, and certain regions suffering very much higher unemployment levels than the average.

In my view, it is increasingly essential to develop common approaches within Europe in this area. I have already referred to the vital role which I believe the EMS could play as a means of developing a new and stable economic climate within which to tackle these problems. I have also mentioned the work already going on to plan and implement measures to assist the restructuring of our major industries. Last year, for example, the ECSC Budget included over 90 m eua in the form of structural assistance to help in the creation of new jobs in the steel-making regions of the Community and in the redeployment of workers affected by restructuring. Of this, just over a third went to the United Kingdom. In 1979 we plan further aid amounting to 143 m eua. Further measures are still needed and we have put forward to the Council suggestions for lowering the retirement age, reorganisation of shift work, a shorter working week and restrictions on overtime. All these measures would need to be backed by a new injection of Community aid.

But we need now to seek new ways of tackling

disposal. Following the European Council meeting in Paris last month, the Commission will shortly be putting forward proposals for a series of integrated operations. Their purpose will be to secure an increased flow of funds to areas of particular need; better coordination of the use of Community instruments with funds from national sources; and the elimination of financial and administrative bottlenecks which hinder the implementation of much needed new investment. We are looking to areas within the Community with a particular concentration of social and industrial problems, with high levels of unemployment and a need for new investment. Obvious examples are Southern Italy, the steel areas of Lorraine in Northern France, and conceivably another possibility might be here in Glasgow. It seems to me that it makes sense to work together in this field: the economic impact of a coordinated Community approach on the regions concerned will to my mind inevitably be greater than the sum of a series of separate unrelated interventions, be they inspired at national or Community level.

Another major issue is agriculture and how it is financed. Of all the policies of the European Community, the Common Agricultural Policy tends to raise most passions and feelings - and also misunderstandings. I want, therefore, to focus on three basic questions about it. What are the aims of the CAP, what are the problems which have arisen with it, and how are we trying to put them right ?

Two of the most traditional fundamental duties of a government to its people are to safeguard their defence and to guarantee their food. That is why, wherever you go in the world, you will find agricultural policies designed / to ensure stabl

designed to ensure stable supplies of food: and Europe is no exception. Prices on agricultural markets are very volatile. It follows that there is good sense in intervening to put a floor in the market, to level off the peaks and troughs in farm production and output. An occasional small surplus is far better than a small shortage, as we found in 1974 when the shortfall of Commonwealth supplies drove up sugar prices in Britain, and the reserves of European sugar helped to alleviate a real food crisis in this country.

For these reasons I believe it is right - indeed it is essential - to give our agriculture some protection against market collapse. This does not mean that we cannot continue imports of food from traditional and reliable suppliers - as we have done from New Zealand. But it is no use pretending that we can base a long-term policy on unlimited access to world markets at low prices. We ignore at our peril the fact that the number of mouths in the world is growing at nearly 2 percent a year, and will double in less than 40 years.

These aims of stability and security are very much the same as those which underlay Britain's own Agricultural Acts. The problems which Europe has encountered in pursuing them are twofold:

First, the distortions are disparities that have been introduced into European agriculture by the fluctuation of national currencies and the creation of artificial green moneys and of the so-called monetary compensatory amounts; and secondly the growth of production for certain products to a point where the surpluses are no longer accidental and occasional, but almost permanent - so that their disposal is costing far too much to the EEC budget.

The first difficulty will be greatly alleviated by the new European Monetary System, which will help us to phase out the monetary distortion over a reasonable period. The second difficulty - surpluses - is more intractable and cast a long shadow. I myself think it is wrong here to attack the CAP system as such. What is wrong is not the mechanisms but the excessively high price levels that give rise to the excessive use of intervention and stockpiling of food. It is like a car, driven for too long in a low gear, which has a very high consumption of petrol. What is at fault is not the car, but the way it is being driven. Not only do the high prices lead to surplus production but they also benefit the large farms more than the small ones and thus increase the income disparities within agriculture.

It is a mistake also to say that the right solution is to change to a system of guaranteed prices and deficiency payments of the kind Britain had in the past. Such a method of farm support, where all farmers received an extra payment from the state, over and above the market price, for each ton of production would still help the larger farms more than the small. What is more, it would be substantially more expensive even than the existing CAP.

What then are we doing to tackle these problems? In the first place, the European Commission has put the accent, ever since I took office as President and Vice-President Gundelach took over agriculture, on the need for a more sensible price policy. In November last year we proposed a price freeze for the coming season. We have said there must be a rigorous price policy for as long as the surpluses last. That we believe to be a realistic policy, which the member countries of the EEC will accept; perhaps there will be some reluctance on the part of some Agriculture Ministers, but in the end I believe they will accept it.

Second, we have proposed a way of controlling production of milk - it is in milk that the largest surplus exists - through a 'coresponsibility' levy related to the increase in production. Here we have explicitly recognised the social and income problems facing the small farmer.

And, third, we are pressing more strongly than ever for selective schemes of farm improvement and regional development, that will tackle the problem of rural poverty at its roots, in those areas where the aid is most needed. That is a change of emphasis which will be all the more necessary with the future inclusion of Greece, Portugal and Spain within the EEC.

I cannot leave agriculture without a reference to the budget. The CAP still represents a very large share - some three-quarters - of the EEC budget. It is this fact, of course, which explains why Britain's receipts from the budget are lower than her payments, because agriculture in Britain is smaller than in the other member countries. I do not think it is useful to blame the CAP for that state of affairs. We spend more on agriculture from the EEC budget because it is the most developed of our common policies, and national /farm expenditure

farm expenditure has been transformed into European expenditure to a much greater extent than with policies for industry, employment, social and regional affairs.

I could not agree that the right way of finding a better budgetary balance is to curtail or dismantle the CAP: that would be a retrograde solution. We have to look therefore for progress on both the income and the expenditure side of the budget. I do not believe that it is wise for the EEC to concentrate so much of its energy and financial resources on the one sector of farming - a sector whose share of Europe's work force has fallen from 17% in 1960 to 8% today, and which contributes only 4% to Europe's gross domestic product. For the reasons I have mentioned, I do not think that we should withdraw from our responsibilities in agricultural policy, but rather that our efforts in other sectors should increase so as to bring about a better balance of expenditure and of payments within the Community. At the same time we should ensure that the system of contributions to the budget is made more genuinely progressive - that is, based more upon the relative economic strength of the different parts of the Community and on their capacity to pay. The Commission has proposed that moves should be made in this direction when the methods of financing the budget come to be re-examined in the next few years.

I have tried to concentrate in this lecture on some of the major questions that face the Community today and which will face the elected representatives of the European Parliament over the next five years. It is not an exhaustive list - I have not, for example, been able on this occasion to cover the crucial question of energy and our search for a concerting of national effort in that field. On the other hand, neither is it a cosy, reassuring list. But in my view if the Community was to sit back into the comfortable armchair role of tackling the lesser issues while ignoring for want of any will to push forward the fundamental concerns of Europe, it would quickly wither away. We must not lose our appetite for aiming at the most difficult peaks. While in so doing we may find progress is at times slow, my conclusion is clear: the Community is ready to face the challenges of the 1980s in the same spirit that it has faced the challenges of the last two decades, with courage, with optimism



and in the interests of Europe as a whole.