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THE COMMUNITY'S ROLE IN THE WORLD

It is with great pleasure that I accepted your invitation to speak to you tonight. It is the second time that I have addressed this distinguished audience. In November 1977, almost a year into my mandate as President of the Commission, I offered you a number of thoughts on the problems which were besetting the Community and their repercussions for our relations with third countries. Three years on I think it would be useful to have another look at the role of the Community in the world, and to examine a selection of the major issues which demonstrate how that role is changing and developing.

The role of the Community in relations with third countries is governed partly by the Treaties, and partly by the case law of political co-operation. On the one hand there are the external responsibilities devolved by the Treaties to the Community's institutions. This concerns not only the Economic Community but also the Coal and Steel Community and EURATOM. Here the Commission plays the major part. These external responsibilities extend from framework agreements for economic co-operation, to trade questions, scientific and technological co-operation, environment and transport matters, and fisheries agreements.

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They range from the renegotiation of the Lomé Convention with 59 African, Caribbean and Pacific countries to the conclusion of an agreement with one country to suspend a tariff reduction on tomato concentrate. Naturally the policies promoted by the Treaties have more general consequences and repercussions. As our common policies have developed, so their impact on the rest of the world has developed too.

On the other hand there is political co-operation. Political co-operation is now some ten years old, half the age of the Community, itself a very young institution. It does not depend upon Treaty but is the result of decisions by Foreign Ministers. It does not have institutions; it has no infrastructure or permanent staff; and its decisions, which are taken by consensus, represent political not legal commitments. But in its brief life political co-operation has already done much to bring together the foreign policies of the nine Member States, and to ensure an effective co-ordination even in areas where Member States prefer to operate individually.

There is also what might be described as the grey area of mixed competence where some part of the responsibility rests with the Community and some part rests with the Member States. Over recent years co-ordination between the work of the Community and the work of political co-operation has greatly improved. That is important. After all, both are emanations of a single thought, the desire of the Member States of the Community to work together and speak to others with a single voice or at least in chorus.

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This evening I take three subjects to illustrate how all this works. First our trade policy and, in particular, our relations with Japan; second the North/South dialogue with its many implications for the whole world economic system; and last that traditional area of European concern the Middle East.

Trade is the Community's business. It stands four-square within its responsibilities under the treaties. Only a year ago, we were congratulating ourselves on the successful conclusion of the Multilateral Trade Negotiations, the Tokyo Round. That was in many ways a remarkable achievement. Throughout these negotiations, which were conducted in the framework of the Generalised Agreement on Tariff and Trade (GATT), the Community spoke with one voice. Even though it is the Member States and not the Community which are parties to GATT, it was the Community, represented by the Commission, which negotiated and concluded the agreements binding the Member States.

These negotiations were perhaps the most ambitious and certainly the most complex ever launched. They took five and a half years of painstaking argument. They took place during a period of economic retrenchment, much less favourable to free trade than perhaps any since the war. In times of economic expansion it is relatively easy to secure reductions in obstacles to trade. For example it is less likely that imports will create fears about unemployment or the failure of local enterprises. To

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resist the pressures of protectionism is far more difficult in times of recession combining high unemployment with high rates of inflation. Add to this soaring energy costs, and 1979 was not the most propitious year for the conclusion of a major world-wide trading agreement. The Community, the United States and Japan were the prime movers in giving genuine momentum to the negotiations from mid-1977 onwards. It falls primarily to them to give full and fair effect to the results we eventually achieved.

The significance of the Tokyo Round lies in setting new and more stringent rules for world trade, and within this new framework substantial trade liberalisation. By this I mean the lowering of customs duties and the enactment of codes aimed at reducing non-tariff barriers. The Community remains committed to maintaining an open world trading system. Once protectionism is allowed to take a grip, the temporary and short-lived relief that may result for some hard-pressed sectors will not prevent a continuing industrial decline. Protectionism does not cure recession. Ultimately it tends to accelerate it. It is often self-defeating with the effect not of saving the life of an enterprise but of postponing its death. It maintains artificially high and uncompetitive prices on the domestic market, and therefore fuels inflation. It destroys incentives for innovation and modernisation. On the international level it provokes retaliation and loss of foreign markets. The arguments are nonetheless difficult to bring home to those who, faced with competition from third countries, are

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losing their jobs within the Community and have to witness the closure of factories which gave them their livelihood.

At present the Japanese seem to be carrying much of the blame for the problems which have arisen. There has been a marked increase in the penetration of certain Japanese goods, in particular cars, into our market, and our trade deficit with Japan has grown so fast that it could reach nine or even ten billion dollars by the end of this year. I should say clearly at the outset that in our view it would be quite wrong to make the Japanese the scapegoats for our own failures. The development of the Japanese economy has been remarkable, and the priorities the Japanese have placed on advanced technology, and the conclusions they have drawn for their economic management, contain lessons for us all. I wish that European industry was equally energetic, ingenious, determined and far-sighted.

Nevertheless an imbalance has developed in the economic relationship between the Community and Japan which can no longer be ignored. It has political as well as economic implications, and cannot be left simply to right itself. I do not have to draw attention to the effects on certain sectors of the European market with corresponding effects on employment. In some cases the fault can be attributed to lower European productivity, higher manufacturing costs and insufficient marketing efforts. But this is not always the case. We could more easily tolerate the success of Japanese goods in our market if we were able to claim corresponding success for our goods in the Japanese market.

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Here we are not always given a fair chance to compete. The Japanese market is not completely closed, but there are barriers to trade, usually of a non-tariff kind, which have the effect of blocking off parts of the Japanese market where Community goods could reasonable compete. The Commission is doing all it can to underpin the efforts of our businessmen and traders in Japan. We have programmes for trade missions and market studies. We will do our best, and we look for a Japanese response.

Co-operation with Japan in political as in economic matters is of increasing importance. The Japanese have come to play a bigger role in the management of the free world economic system. That was evident in the Tokyo Round negotiations. It is evident in the series of Economic Summits which have taken place over the last few years. Understanding between the major industrial powers is vital to the health of all. It applies as much to co-operation between us as to co-operation with regard to the rest of the world. If the relationship between the United States, Japan and the Community can be described as a triangle, we want the line which links the Community to Japan to be strengthened all the way along. Obviously we could not accept discrimination which seemed to favour the Japanese trading relationship with the United States at the expense of the Japanese trading relationship with the Community. Only on a stable and non-discriminatory economic base can we build that closer political relationship with Japan which I believe to be greatly in the interest of both.

Here I would like to say a word to our Member States. The Japanese sometimes tell us that they do not know to whom to address themselves in Europe. Should it be the Community through its executive agent the Commission? Or should it be the Member States, some of whom still have complicated and in our view out of date bilateral arrangements with Japan? I feel strongly that the reply is that the Community should work out a more co-ordinated approach to Japan in the interests of Europe as a whole. In this fashion the Japanese will be less tempted to play one Member State off against the other, and the Member States will be less tempted to seek meagre national advantages in dealing with Japan. It rarely does them much good. Indeed it should be firmly established that what goes for one Member State must go for all.

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I turn now to what is commonly but misleadingly called the North/South dialogue. I take this as an example of the complexity of the matters with which the Community and its Member States have to deal, working both within the framework of the treaties and within the framework of political cooperation. It is clear that the worldwide energy crisis, scarcity of raw materials and above all the economic recession now affecting all countries have profoundly changed the geo-politics of the world. The first difficulty is to define the terms.

The North-South Dialogue and its product the Global Negotiation cover a multitude of major issues. There are no tidy geographical boxes to sort out the interest involved. We live in a multipolar world. North talks to North, South to South, and East to West as does West to East. Even the notion of a dialogue between developed and developing countries, or better between rich and poor, is misleading. Some of the so-called developing countries have created in recent years tremendously successful industries; while in some of the most advanced countries post-industrial decline has set in and some of their regions have become relatively impoverished.

The truth today is that the world finds itself in circumstances which escape present categories and definitions. We have poor countries and rich countries, and poor regions and rich regions. We have those who enjoy possession of the resources, in particular hydro-carbons, on which the economic activities of the rest of the world depend, and those which have not. We have those who produce food, and those who produce raw materials, those who produce manufacturers, those who are broadly self-sufficient, those who are critically dependent upon others.

So far the international negotiations for some sort of new economic world order have been frustrating. Diplomats and politicians have exhausted themselves in long-drawn parleys. Many have become irritated and disappointed. This is partly because of the wide differences of approach, and still more of expectation. It is no good the industrial countries thinking that things can continue broadly as they are, and that disbursement of aid in its various forms can play a major or even a minor part in coping with the enormous and growing problems of the greater part of mankind. We live in one small vulnerable planet in which the problems of one are the problems of all. It is no good the poorer countries thinking that they can change the rules of the international economic order overnight to their advantage, above all at a time of industrial recession and unemployment. It is no good the oil producers thinking that they can safely invest their profits in the industrial countries while leaving to the industrial countries the responsibility for recycling revenues from oil. It is no good the Communist countries thinking that the problems of the third world are a kind of capitalist plot and confining their own efforts to sales of armaments and the struggle for power and influence.

The Community has a special role to play. By history, tradition and interest it is more linked than any other industrial grouping with the rest of the world. It already has a treaty relationship with 60 relatively poor countries through the Lome Convention. It neither wishes to cling to the old order, nor to endorse some of the cruder blue-prints for a new one. It has a specific contribution to make

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not only in terms of aid and trade but in helping to devise that new world economic system which is clearly necessary. But if it is to be effective, it must speak and act as one. We need an approach of the kind which proved so useful at the Conference on International Economic Cooperation at Paris in 1977. We also need better mutual understanding and coordination between all industrial countries. I hope very much this will be one of the products of the Economic Summit meeting at Ottawa next year.

My third example is the Middle East. The Declaration on the Middle East which was adopted by the European Council in Venice last June had more significance than most have yet recognised. On the one hand it served to mark the place of Europe in an area now as ever critical to European interests; and on the other it gave a new dimension to the coordination of European foreign policy within political cooperation.

I do not want to go too far into the substance of the matter. I would say simply that there is much common ground between the process launched at Camp David and the ideas set out in the Venice Declaration. Both look for a comprehensive settlement based on Security Council Resolutions No 242 and 238. Both call for recognition of the right to existence within secure borders of all states in the area, and of the legitimate rights of the Palestinian people. But at Venice we went a little further than was possible at Camp David. We spoke of borders being guaranteed and of the readiness of the Nine to participate in a system of guarantees. We spoke of the need for involvement of all the parties, including the Palestinian

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Liberation Organisation. We drew attention to the problem of Jerusalem. But the real novelty was to move from words to action. At the end of the Venice Declaration the Nine announced their intention to make contact with all the parties concerned with a view to ascertaining their views and, in the light of the results, to determine the form which a European initiative could take. This meant that the Nine undertook an operation which confronted the machinery of political cooperation with a need to conduct a sustained diplomatic initiative. The Foreign Minister of the country holding the Presidency - Gaston Thorn, my successor as President of the Commission - took responsibility for a mission of remarkable if not unique importance. He has now completed his round of contacts. We have to reflect on the results and consider further what kind of initiative we might take.

This leads me to consider the nature of political cooperation as it has evolved so far. The success we have achieved should not blind us to the real limits and constraints under which political cooperation operates. This is territory where governments are at their most sensitive: that of political sovereignty. Political cooperation does not in practice extend to all important foreign policy questions although the range of subjects covered is constantly expanding. The process remains primarily one of cooperation and not of integration. It is based on consensus, and in the absence of a consensus Member States are free to act individually. There are practical difficulties, in particular, the absence of a permanent infrastructure. Political cooperation has no seat.

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Every six months its meetings switch to the capital of the Member State taking over the Presidency. Nevertheless, over the years, governments have developed a kind of Community reflex and political cooperation has established itself increasingly well. I believe we must build on that basis.

What are the prospects for future development of political cooperation? This has been a subject of considerable debate already. I was interested to see a distinguished book on the subject by the Chef de Cabinet of the Belgian Minister for Foreign Affairs. Some Ministers have also expressed themselves on the subject. It is of course primarily for governments, but I thought it might be worthwhile to set out some of my own views, based as they are on some experience over the last four years.

As so often in matters of political importance a procedural and administrative problem masks problems of wider political significance. In the first instance the principal difficulty about political cooperation is that the machinery risks becoming over-loaded by increasing responsibilities. There is a range of possibilities for remedial action. At one extreme we could bring political cooperation into the Community itself and give it a treaty basis. My fear is that without a Community Ministry of Foreign Affairs and a Community Foreign Service such a scheme would prove difficult to work. In any event I doubt whether the Governments and Parliaments of Member States would be ready to contemplate such a development in present circumstances. Another possibility would be to create a regular Secretariat, with a permanent seat, and relative

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constancy of chairmanship. A good many people favour this. But I see a risk that such a Secretariat would soon tangle with the other Community institutions, and by taking powers away from national Ministries of Foreign Affairs, tangle with them too. Its creation might also dilute the inestimable advantage political cooperation now enjoys of drawing on the knowledge and wisdom of the diplomatic services of Member States.

The course which I personally favour would be to improve the present machinery against the day when a major move forward in the construction of Europe becomes possible. This would be a less formal and more pragmatic approach. We could develop the present troika arrangements by which people of the outgoing Presidency help those of the existing Presidency and those of the forthcoming Presidency to run the machine. This would help create greater continuity. Likewise we could try and move towards a permanent seat, complete with permanent archives, for political cooperation. The present gipsy system by which it moves from one capital to another every six months is good for tourism and no doubt educational in many ways. But it has its obvious drawbacks. I also think that Community embassies in third countries should be used even more than now for European as well as national purposes. Finally I believe that political cooperation should make more use of other Community institutions, in particular the Commission.

At the end of the day the separation between economic and political interests is artificial, and indeed scarcely sustainable in practice across the range of major issues with which the Community is faced. Hence in the

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long term I think that political cooperation and the Community institutions should proceed less in parallel than on convergent lines. How this can be achieved remains to be worked out. For the moment the important thing is to develop all practical means for making political cooperation more effective and to set its longer-term objectives.

As I said earlier the Community is a very young organisation. It has already achieved an immense amount, not least in the role it has created for itself in world affairs. I conclude with the words of Jean Monnet to President Kennedy in 1961: "As European union progresses the European Community will make a more and more efficient contribution to the solution of the problems besetting the world." It is in this spirit that the institutions of the Community, working with the Member States, will manage and project the role of the Community in the outside world.