

EMBARGO : 17.00 HRS. - 1 -

BRUSSELS TIME

MR RICHARD'S SPEECH AT  
EUROPE DAY LUNCH  
ST ERMIN'S HOTEL, LONDON

Mr Chairman, Ladies and Gentlemen, MONDAY 11 MAY 1981

I am very pleased to be with you this afternoon to celebrate Europe Day, particularly as I think this is the first opportunity I have had to speak to a committed pro-European audience since I became a Commissioner. I welcome this opportunity to speak to people of similar convictions to myself - people who have believed in and fought for the cause of a united Europe for many years.

For what I want to say today is something which is best said amongst friends. I want to talk about the problems facing the European Community and about the difficulties of Britain's relations with the Community.

It is common ground even between pro- and anti-Europeans that the Community is facing a major crisis. We all know that the roots of this crisis go back to the establishment of the Community of Six, and may I say what a major blunder it was that Britain didn't seize the opportunity of joining at that time. The major problems facing the then six Member States were agricultural and rural in character, and not surprisingly the Community was structured to deal with those problems. From this emerged the Common Agricultural Policy, to which a major proportion of the Community's resources was committed. Unfortunately, the structure that was created to meet this problem in the 1950s remains intact today, and we still continue to devote some 75% of our resources to meeting the demands of the Common Agricultural Policy.

/ Yet Europe ...

Yet Europe in the 1980s faces a major industrial and urban crisis. We face the certain prospect of 10 million workers being unemployed by the end of the year, we are experiencing a major economic recession, our basic industries are in a state of disuse, and, principally because of ever-increasing oil prices, inflation remains a major and persistent problem. Yet against this background the Community still insists upon committing 75% of its resources to the Common Agricultural Policy.

To the people of Britain of course the situation is made worse by the fact that our contribution to Community resources is unfairly high. This basic imbalance in the Budget led to the crisis at the Dublin Summit in May 1980 and to the mandate given to the Commission to produce a proposal for the restructuring of the Community Budget. It is this Budget exercise which is now in the forefront of the Commission's activities with the hope that we will bring forward our proposals by the middle of the year. In my view the success or failure of this effort is crucial to the very existence of the Community as we understand it today.

What then should we do to ensure that the Community continues to be seen by our people as an appropriate instrument for creating a united Europe? From the public's point of view, the essence of their criticism of the Community is that it lacks a human face, and that many of its activities are irrelevant to their problems. This perception is one which we as pro-Europeans have to face. We have to persuade the people of Europe that the continued existence of the European Community is in their interest and for their benefit.

/ It is not necessary ...

It is not necessary for me today to put the plus side of the argument for the European Community. We all know the benefits that have stemmed from its very existence. In the field of political cooperation alone it is the Community which has facilitated a degree of cooperation between nation states which would have been unthinkable 30 years ago. Equally this audience does not need to be reminded about the essential economic sense of creating an industrial common market of some 270 million people.

But, that said, we must have regard to the criticisms levelled at the Community: surplus lakes and mountains do not only exist in the imagination of journalists and political extremists. The absence of a European strategy on employment ought not to be simply shrugged off as being nothing to do with the Community - it ought to have a great deal to do with the Community. If we are to win the argument and persuade the people of Europe of the relevance of the Community, then we must demonstrate a capacity for change to meet the challenges of new situations which we have so far failed to do.

This is why the Budget restructuring exercise is so important: we in the Commission must produce a proposal which will clearly attempt to allocate the resources of the Community in a way best fitted to combat the economic and social problems facing the people of Europe. If we fail to do this, then I believe the strains within the Community could become intolerable.

/ But if the real ....

But if the real problems now facing Europe are industrial and urban, the question arises how we can as a Community of Ten hope to resolve them.

Three things seem to me to be necessary. First, the Community's resources have to be reorganised in a way that recognises this fact. Although the Budget crisis arose out of the imbalance of the British contribution to the Community Budget, mere rectification of that fact is not enough. Some form of automatic mechanism whereby Britain gets back a fairer proportion of what we pay in is not the answer on its own. It may please the Treasury, but it won't help the unemployed. From the Community point of view, it is not enough to end with a situation in which Britain gets more cash back, if at the same time one leaves the balance of Community expenditure broadly as it is today. You could in theory achieve something for the United Kingdom without even touching the Common Agricultural Policy itself. Yet a Community in which that remains unreformed remains unbalanced and increasingly irrelevant.

Our aim should be to ensure that more Community money goes into its Social, Industrial and Regional budgets, areas which can and do contribute to mitigating the present difficulties facing Europe. Agriculture is now not a problem. Not only does Europe feed itself; we do it in such a way as to produce far more food than we can possibly consume, and buy it at prices which encourage that over-production. So food is not the problem. Diverting some of that expenditure to more sensible objectives is. What I am therefore trying to achieve is not merely a fairer deal for the UK, but also

/ a real tilt ...

a real tilt in Community spending towards the Regional and Social Funds. That is the first thing that is necessary, more money in the right places.

Secondly, we have to decide where the right places really are. I can speak only of Social expenditure, though I am sure that similar problems arise in the administration of the Regional Fund. At the moment, expenditure via the Social mechanisms is confused, to put it mildly. It arises from different treaty provisions, which produce absurdities such as the fact that the Community can help in the case of redundant miners but not for redundant textile or shipyard workers. This anomaly arises from the accident that the Coal and Steel Treaty came first, and unfortunately the Council of Ministers has not yet shown any enthusiasm at all for extending these powers to other areas. It is really quite disgraceful that, in this same context, the social volet for steel remains blocked. I shall be trying again tomorrow to see if I can persuade the Ministers to consider it seriously, but I have few illusions about the prospects. They are not good.

Moreover, the present concentration of Social Fund expenditure on training is sometimes to the detriment of job creation schemes. The Manpower Services Commission in Britain does a splendid job, but <sup>what</sup> it can't do is to create new employment. Of the 10 million jobs created in the United States in the last decade, three-quarters have been in enterprises employing fewer than 20 people, and overwhelmingly in the services sectors. I am not suggesting that the American experience is necessarily going to be duplicated here in Europe, though the trends seem to be in the same / direction. ...

direction. What I am saying is that more money spent in encouraging small-scale job creation schemes seems to me to offer a real possibility of finding work for some of the present unemployed. We need to encourage resource centres, and such schemes as BSC Industries are running successfully in Wales and Scotland, where help is given in finding accommodation and where advice and finance is more easily available.

I would like to see far more of our effort going in this direction, but I am limited at present both by the amount of cash available and by the legal limitations there are on using the Social Fund in this way.

There is, moreover, the absurdity of what is known as "additionality". (Perhaps it should be more accurately called "non-additionality".) The EEC was not set up, nor the Social Fund instituted, merely to be an extra source of finance for national exchequers. If we are to make an impact, it needs to be visible, and I have a profound irritation with the present situation, whereby for example if a local authority or a group of local authorities decide to put up money for a resource centre (their money which we then match), they are then faced next year with a cut in their borrowing imposed by central Government. This strikes me as both unfair and short-sighted, particularly since it is precisely those areas which have the highest unemployment rates that have the most difficulty in finding the money. I hope the Government will look at this again. The amount of money involved is not large, and the social benefit could be very great.

/ Thirdly, ...

Thirdly, I am concerned to try and ensure that industrial policy in all its ramifications - regional, industrial, social and technological - should have a far higher priority in Community affairs than it does at present. The Commission cannot solve the industrial problems of Europe. Of course it can't. But it could make a much larger contribution if it were allowed to. Whether it is coal, steel, the new technologies, textiles, cars, or relations with Japan and the United States, the problems can be solved better in a European rather than a national context. Viscount Davignon is trying, but the difficulties of getting 10 Member States to agree are immense. This is inevitable if the Community's function is one primarily of coordinating the view of Governments rather than one of initiating European policies on a supra-national level. May I say in this connection that I do not believe the British to be the worst or the sole offenders. There are plenty of others.

It is from this basic imbalance in the Community's expenditure and activities - too much effort devoted to agriculture and too little to industrial and urban matters - that much of our present difficulty arises. I do not under-estimate the problem of tilting the Community's efforts in the ways outlined above (it may well be that in the end it can only be done by Heads of Government), but I am sure that the attempt has to be made. An agricultural policy, plus a common market policed by the Commission, is not enough for Europe in the '80s. For the '60s it was perhaps sufficient, but not now.

I hope you don't feel that the picture of the current situation I am presenting is too gloomy because frankly I don't feel particularly gloomy. I believe that we can obtain the changes that

/ are necessary ...

are necessary in the Community, and that we will then be better equipped to face the challenges of the next decade.

If I am gloomy it is primarily about something else - the state of public opinion about Europe here in Britain. In the recent past the Commission seems to have attained the same status as mothers-in-law - something that is good for a laugh from every comedian who lacks better material. Those of us who believe in Europe have simply got to bring about a change in public attitudes. For my own part I continue to believe that the Labour Party will form the next Government of Britain (a proposition which some of you might not now fully welcome), and last week's election results have, if anything, confirmed me in that view. I have therefore committed myself to a course of action which I hope may make a contribution to Labour Party thinking on Europe. On average I speak once a week with different organisations of the Labour movement about the problems of Europe. For example, last week I addressed the Welsh TUC. What I sought to do there (and it seemed to work) was to invite members of the Labour movement to enter into a serious discussion about the future of this country and its relations in Europe. Most members of the Party I have talked to acknowledge that the 21-minute debate which took place in Blackpool in October was hardly the way to arrive at a decision as momentous as one to leave the EEC. They are concerned about the future of this country; they are particularly concerned about jobs and living standards. As I find when one enters into serious discussions that people are not so much anti-European as worried and perplexed about their own futures. What we have to do is work with these people in trying to reach a reasonable and honest conclusion, for at the end of the day

/ it is members ...



it is members of the Labour movement (not those outside it) who are likely to play a vital role in deciding whether Britain remains in Europe.

It is for this reason that I deeply regret some of the recent happenings in the Labour Party. Having been a member for some 30 years, I continue to have considerable regard for the good sense and sincerity of the average Labour supporter. What we need to do is to involve them in the debate on Europe; to be much more explicit ourselves on the need to reform the Community, and to spell out the likely consequences of Britain's isolating itself from the rest of Europe. What those of us who belong to the Labour movement do not need to do is to evade these problems and withdraw from the debate. We will never get the Labour Party to take a sensible line on Europe if we pro-Europeans abdicate that responsibility.

I am not attacking the sincerity of many of those who have left the Party, particularly those who share my own belief in the values of democratic socialism. They no doubt did what they thought best. But they in turn must not question the integrity of those of us who are staying in, particularly on this issue. Anti-Europeanism must not be allowed to become the test for membership of the Labour Party, and I for one intend to remain, to explain, to persuade and to carry on the argument from within.