

A new realism - European policy in the eighties

Address by Mr F.H.J.J. Andriessen to the Koninklijk Instituut voor Internationale Betrekkingen (Royal Institute for International Relations), Brussels, on 11 May 1981

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It is fashionable nowadays to make speeches belittling Europe and European cooperation. Politicians, national and European civil servants, employers' representatives and trade unionists, ministers and even heads of government all do it. The idealism of the fifties, the vigour and energy of the sixties and the good intentions of the seventies have gradually given way to apathy and defeatism. The fire and zeal have dwindled and European cooperation has receded further and further into the political shadows.

It is hardly surprising that as a result the European ideal holds little interest - let alone appeal - for the average citizen. Have the motivation and inspiration been lost forever?

This general political and social dissatisfaction probably reflects the economic malaise of the European Community. Europe limped rather than strode into the eighties. Unemployment has now risen to almost 8.5% of the working population. The current account balance of payments deficit is higher than ever before. The level of economic activity has slumped. Inflation is not falling as quickly as we would like. The public sector deficit has risen to alarming levels in a number of Member States. In short, practically all the lights are at red.

And getting just one set of lights back to green again will not help to get things moving again. There is more to it than that. The economic problems of the eighties are structural; what is needed is a change of policy and a radical move to adapt our economy.

The grave economic problems we are struggling with make a rich breeding ground for protectionist tendencies, for beggar-my-neighbour policies. But protectionism in any form is the natural enemy of the economic change that we need. It also strikes at the very heart of our economic life in Western Europe - the free common market. This free market is our major achievement; and if we wish to safeguard it we must not be content to sit on our heels. What is needed is more effective coordination in economic and social policy, more cohesion and greater mutual solidarity, more effective policy and decision-making in the Community and stronger - not weaker - institutions.

Lastly we need a political impetus. We must have a vision. Without it the call for solidarity - among the people of Europe and among the Member States - is just an empty gesture. We must foster an awareness of Europe, a sense of European identity, in the second generation of Europeans if the Europe of the third and fourth generations is to be more than a house built on sand.

By vision I mean both political far-sightedness and realism. What we need most is new stimuli, both from above and from below. I am thinking here of things like Mr Genscher's initiative to revive the idea of political union.

I am also thinking of the spontaneous movement that has grown up within the European Parliament known as "the crocodile". We must take up the challenge of such initiatives and not dismiss them out of hand in a spirit of what we might call "Euro-defeatism".

Having been a Minister of Finance, I am keen to advocate thrift and efficiency in budgetary policy. I know the problems facing Member States as they try to keep their budget deficits within acceptable limits. It is very important, I believe, that we use the Community's existing resources more effectively. On the other hand I cannot accept that we should try to keep the Community's own resources strait-jacketed within their present limits for all time, though I do realize that ultimately government leaders have the power to clamp the lid firmly down on the 1% limit, in the hope of forcing changes in policy.

However, the pressure cannot go on being allowed to increase indefinitely, and enlarging the Community to twelve members is bound to take it beyond bursting point.

For the next few years a reorganization of policy within the existing limits of resources is both essential and desirable. But we must make sure that we get it right. European policy cannot and must not become a mere balancing item in national budgetary policies.

We must not allow European policy to be subordinated to the Member States' individual priorities. The European option must remain fully viable. Otherwise the European Parliament might as well pack its bags at once! Secondly it will not do to raise expectations in the new Member States without giving the Community the financial muscle to fulfil these expectations.

The Community clearly ought to discuss this very soon now, otherwise the future does not hold out a single real prospect for success.

The speech-making of the seventies will soon have to give way to a realistic European approach. One of the first requirements is effectiveness. Everything must be done to see that available resources and instruments are concentrated on priority areas of policy. Community policy must be aware of both its possibilities and its limitations. There is too much glib talk of "a European employment policy" or a "European social and regional policy", which overlooks how limited the resources, means and powers of the Community are in relation to the size of the problems. There is no straightforward Community answer to eight million unemployed.

What the Community can do is to use the resources and instruments available to it with maximum efficiency and selectivity. This requires proper coordination between the various forms of Community action (both financial and others).

Besides the existing priority areas (consolidation of the common market, economic convergence and regional development), the competitiveness of the Community needs to be strengthened, and this entails, among other things, a policy of economic adjustment.

I have already said that there is no simple Community answer to the problem of unemployment. But the fact remains that a way must be found of piecing together some kind of Community-wide social consensus. Work-sharing is one possibility that springs to mind.

For the present, even if a Community social contract remains an unfulfilled Utopian ideal, consultation between employees and employers at the European level - whether about working conditions or the creation of new jobs - is none the less important. Intensive and thorough discussion of the problem of unemployment is essential between Member States and with the two sides of industry at the European level. Obviously it would be wrong to expect miracles, but a defeatist refusal even to try would be equally wrong. The same applies, in my view, to what is popularly known as the "Jumbo" Council.

I believe that such a Council would be extremely useful. Bringing the Ministers of Social Affairs, Economic Affairs and Finance together is bound to produce a more coherent European approach. And in this context, prior consultation with European employers and workers is most important.

Turning to the Regional Fund, the available resources are clearly not sufficient to cover the needs of every underdeveloped region in the Community. But if existing funds are heavily concentrated on the least developed regions, this would help to boost the transfer of resources from the more prosperous to the less prosperous countries.

Another possibility would be to shift the emphasis from individual projects to regional programmes, thus allowing the Commission to play a useful part in defining regional policy in the Member States themselves.

Lastly there should be greater coordination of regional policy and other Community policies. The Community's structural funds amount to about 7 000 million units of account - 3 000 million under the budget and 4 000 million in the form of loans. By using the various instruments in conjunction with one another and ensuring that funds are not spread too thinly over too many projects, the Community can achieve a lot with these resources.

As for the Social Fund, there is a clear need for a more flexible management mechanism. The scope of the Fund ought to be extended. More effort must be made to ensure that it complements other Community policies, particularly where they have a direct bearing on employment. Possible assistance from the Fund must take this into account. The restructuring of the steel industry, with all its consequences for employment, is a notable example.

Ultimately, however, there are more ways to set European policies in motion than merely by making resources available or setting up a Fund.

The Community - in particular the Commission - already has wide powers to ensure effective coordination of industrial policy in the Member States through its policy on state aids. This is the Community's most powerful instrument for coordinating regional and sectoral policies in the Member States.

It can be used either as a deterrent - laying down tighter restrictions on state aids - or as an incentive - laying down a framework for certain forms of aid. Using it as a deterrent, the Commission cannot only protect the common market from unfair competition but also save the Member States a lot of money. Used as an incentive, policy on state aids could grow into a more dynamic instrument for economic change.

I believe, then, that the Commission could well use its powers over resources as a sort of lever in order to raise the level of coordination of Member States' regional, industrial and economic policies. Among other things this implies that national aids must be measured against broader economic objectives.

A strong Community policy is, in my view, practicable above all in the field of aid to old industries in difficulties and the development of new products. By making aid in these areas subject to strict conditions, the Commission can ensure a salutary degree of coordination in Member States' industrial policies. The policy should be to allow state aids only if they are accompanied by a clearly defined plan for restructuring the recipient firm or industry. The plan should be designed to restore the viability of the firm or industry concerned within a foreseeable period so that aid becomes unnecessary.

A new area of policy is what is known as "horizontal" aid. By this I mean things such as energy saving, protection of the environment, recycling or more rational use of raw materials and concessions for small and medium-sized firms.

Here, too, I believe the Commission can help to ensure a degree of coordination in the Member States' action through its policy on state aids.

Turning to the coordination of economic policy, the Community has few powers, if any, to achieve convergence by compulsion. But the obvious instrument by which progress towards the goal of Community stability can be achieved is without doubt the EMS.

Further developments are also possible in energy policy - both in terms of crisis management and as regards alternative sources of energy and energy saving.

Lastly, the field of advanced technology presents an enormous challenge to the Community as a whole. Technological innovation is an outstanding example of an area where European cooperation is essential.



That, then, is a brief survey of a number of areas where policy changes could be made or where new policies could be developed without a direct need for new Community resources.

Of course, this "new realism" cannot be restricted solely to what are commonly known as "other policies". Now is the time for a vigorous effort to bring in structural adjustments to the common agricultural policy. The Jenkins Commission made a start with its "Reflections" on the CAP. The new Commission has continued along the same path and has submitted a number of concrete proposals concerning producer co-responsibility. But the Council has put off taking a decision on most of the proposed structural changes (I am thinking here particularly of the dairy sector).

However much we may welcome the Council's swiftness in reaching a decision on farm prices, we cannot avoid the conclusion that on this question it is allowing things to take their course in a most alarming manner. Whether or not a solution can be found to the dairy problem next year seems likely to be a stern test of the CAP's ability to survive.

At all events, quite apart from these radical alterations to the mechanisms of the CAP, the growth of EAGGF expenditure will have to be curbed in the next few years. In my view the management and day-to-day running of the agricultural markets will have to be geared to keeping the rate of growth below the rate at which own resources grow. A situation where agriculture claims every available inch of financial elbow-room is, I believe, quite unacceptable for a number of reasons, not the least of which is the fact that the CAP would ultimately collapse under its own weight.

Effectiveness and economy - those are the key requirements for the years ahead. An effective policy is only possible if decision-making is made more efficient.

Decision-making in the Community is rather like the weather: everybody complains about it but nobody does anything to improve it. The Council is becoming more and more of a market-place for trading off national interests; one hardly ever hears of it as a Community institution where interests are supposed to be brought closer together. The Commission has grown considerably weaker and has lost much of its power and influence.

And Parliament, despite its attempts to make itself more widely heard, all too often remains just a voice in the wilderness. It is high time there were changes here too. Europe can never be strong if its institutions are weak.

In the coming months the Commission faces the thankless task of implementing the so-called May Mandate, with which it was entrusted almost a year ago when the Council finally found a temporary solution to the British problem of a "fair return".

Some people see "budget reform" as the central task under the Mandate. In other words how can we save as much as possible on the CAP and "redistribute" expenditure on other policies most equitably among the Member States?

Others see the Mandate as a means of doing away with "unacceptable situations" for good.

For others again it is a mandate to rethink policy in the light of the limited resources available.

I hope you can follow the jargon; I doubt whether this is more than gobbledegook to the man in the street. But then that is hardly surprising. The "Mandate" itself contains a number of inconsistencies. Various different approaches and conflicting views have been pasted together in a single document. The Council then called the whole collage a Mandate and told the Commission to get on with it!

I most certainly do not wish to stick my neck out and anticipate the collective decisions of the Commission. I would, however, like to say this:

If European policy is to retain any credibility it must be capable of being judged on its own merits and not merely reflect the amount of funds available.

Current policies clearly need to be adapted and rethought to take account, among other things, of the limited resources available; and this rethinking should not be limited to those aspects of policy which involve Community expenditure.

The rethinking must embrace the policies themselves and not only the possible redistributive effects of the resulting expenditure.

It is unacceptable for only one or two Member States in a Community to bear the whole burden. But it is equally intolerable to have to weigh up every policy decision in terms of the net benefit to this or that Member State. There is such a thing as the "Community interest", and it cannot be measured in pounds or percentages.

Finally, Europe is, I believe, a long-term investment and the dividends are often not reaped until much later. Altered circumstances are no compelling reason to abandon the investment.

A new realistic approach to the problems in the short term must be coupled with the prospect of new long-term investment in new policies.

For this we need neither bureaucrats nor bookkeepers - we need politicians with vision, daring and inventiveness.

I believe, then, that under the Mandate we should set out a long-term perspective for the development of Community policy. If we confine ourselves merely to a pragmatic solution to the problem of seeing that all the Member States get their fair return, we run the risk of seriously endangering Community policy altogether.