

SPEECH BY MR CHRISTOPHER TUGENDHAT, VICE-PRESIDENT OF THE  
EUROPEAN COMMISSION, TO THE AMERICAN CHAMBER OF COMMERCE,  
BERLIN, ON 4 OCTOBER 1984

WHAT NEXT FOR THE COMMUNITY?

IT IS I THINK PARTICULARLY APPROPRIATE THAT A VICE-PRESIDENT OF THE EUROPEAN COMMISSION SHOULD ADDRESS A MEETING OF THE AMERICAN CHAMBER OF COMMERCE IN BERLIN. VISITS SUCH AS MINE ARE ONE OF THE WAYS BY WHICH THE EUROPEAN COMMUNITY DEMONSTRATES ITS CONTINUING COMMITMENT TO THIS GREAT CITY, A SYMBOL OF HOPE AND FREEDOM NOT JUST FOR GERMANS BUT FOR EUROPE AS A WHOLE. THAT FREEDOM HOWEVER COULD NOT BE SUSTAINED WITHOUT THE CONTINUING PRESENCE AND SUPPORT OF OUR AMERICAN FRIENDS. INDEED, THE FREEDOM NOT JUST OF BERLIN BUT OF WESTERN EUROPE AS A WHOLE DEPENDS UPON OUR DEFENCE ALLIANCE WITH THE UNITED STATES. THE SUCCESS OF THAT ALLIANCE IN TURN REQUIRES COOPERATION OVER THE WHOLE RANGE OF POLITICAL AND ECONOMIC AFFAIRS OF THOSE COUNTRIES THAT GO TO MAKE UP THE COMMUNITY, ON THE ONE HAND, AND THE UNITED STATES ON THE OTHER. THE INSTITUTIONS OF THE COMMUNITY HAVE A VITAL ROLE TO PLAY IN MANY ASPECTS OF THAT COOPERATION.

/THE POST-WAR PERIOD

THE POST-WAR PERIOD IS NOT THE FIRST IN WHICH BERLIN HAS SERVED AS A SYMBOL OF FREEDOM AND HOPE. IT DID SO TOO IN ANOTHER WAY FOR MANY DECADES AFTER THE EDICT OF POTSDAM IN 1685 WHEN FREDERICK WILLIAM, THE GREAT ELECTOR, INVITED THE VICTIMS OF RELIGIOUS PERSECUTION IN FRANCE TO COME TO PRUSSIA. NOT ONLY HUGUENOTS BUT REFUGEES AND THOSE SUFFERING RELIGIOUS PERSECUTION FROM ALL OVER EUROPE RESPONDED. AS SEBASTIAN HAFNER WRITES IN HIS EXCELLENT BOOK, 'THE RISE AND FALL OF PRUSSIA', "WALDENSIANS, MENNONITES, SCOTTISH PRESBYTERIANS, ALSO JEWS, EVEN OCCASIONALLY CATHOLICS, WHO WERE NOT HAPPY IN THE MORE STRICTLY PROTESTANT STATES" FLOCKED INTO PRUSSIA. IT WAS AGAINST THIS BACKGROUND THAT FREDERICK THE GREAT IN HIS YOUNGER, HAPPIER YEARS SAID "IN MY STATE, LET EVERYONE FIND SALVATION IN HIS OWN FASHION". HE WAS, OF COURSE, NO ANARCHIST - FEW PRUSSIANS I IMAGINE EVER HAVE BEEN - AND HE UNDOUBTEDLY MEANT THAT DIVERSITY TO FLOWER WITHIN AN OVERALL CONTEXT OF ORDER AND STABILITY.

/WHICH BRINGS ME TO THE

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\* THE BOOK'S TITLE IN GERMAN IS: 'PREUSSEN OHNE LEGENDE'

WHICH BRINGS ME TO THE CENTRAL POINT I WANT TO MAKE TODAY. I BELIEVE EUROPE'S GREATEST STRENGTH IS ITS DIVERSITY. BY THAT I DO NOT JUST MEAN NATIONAL, REGIONAL, RELIGIOUS OR POLITICAL. I MEAN TOO THAT WE ALL HAVE OUR OWN INDUSTRIAL AND FINANCIAL STRUCTURES THAT HAVE GROWN UP IN RESPONSE TO OUR PARTICULAR HISTORICAL, SOCIAL AND ECONOMIC CIRCUMSTANCES. THE PEOPLES OF EUROPE WITH ALL THEIR GREAT DIFFERENCES ONE FROM ANOTHER, ARE FAR MORE LIKELY TO INITIATE NEW IDEAS AND TO COMPETE SUCCESSFULLY IN INTERNATIONAL MARKETS IF THEY ARE ABLE TO WORK THROUGH INSTRUMENTS WITH WHICH THEY ARE FAMILIAR THAN IF THEY ARE FORCED INTO SO-CALLED COMMON STRUCTURES. HOWEVER, IF THOSE DIFFERENT NATIONAL INSTRUMENTS ARE TO FULFIL THEIR FULL POTENTIAL, THEY NEED THE OVERALL CONTEXT OF ORDER, STABILITY, FREE MOVEMENT AND OPPORTUNITY THAT ONLY A EUROPE-WIDE COMMON MARKET CAN PROVIDE.

/AS FAR AS POSSIBLE, THERE

AS FAR AS POSSIBLE, THERE SHOULD BE COMPETING UNITS WITHIN EACH COUNTRY AS WELL AS WITHIN THE COMMUNITY AS A WHOLE. THERE WILL ALWAYS BE THOSE WHO ARGUE THAT THE PURSUIT OF SIMILAR LINES OF RESEARCH AND DEVELOPMENT, WITHIN SEVERAL DIFFERENT FIRMS IS WASTEFUL. THEY WILL SAY THE SAME ABOUT THE PRODUCTION OF BASICALLY SIMILAR AND COMPETING PRODUCTS WITHIN A SINGLE POLITICO-ECONOMIC UNIT SUCH AS THE COMMUNITY. BUT I AM SURE THEY ARE WRONG. IN GENERAL THE MORE COMPETITIVE A DOMESTIC MARKET - AND IN THIS SENSE WE SHOULD REGARD THE COMMUNITY AS A SINGLE MARKET - THE MORE COMPETITIVE ON INTERNATIONAL MARKETS THE COMPANIES CONCERNED ARE LIKELY TO BE. PER CONTRA, WHEN LARGE UNITS ARE CREATED BY GOVERNMENT ACTION AND GIVEN PREFERENTIAL POSITIONS IN THEIR HOME MARKETS, THEY ARE UNLIKELY TO BE COMPETITIVE INTERNATIONALLY.

/I BELIEVE THEREFORE THAT THE

I BELIEVE THEREFORE THAT THE ROLE OF GOVERNMENT, AT THE NATIONAL AND THE EUROPEAN LEVEL, SHOULD NOT BE TOO DRAW UP DIRIGISTE INDUSTRIAL POLICIES. AS CHARLES SCHULTZE HAS SAID, "THE ONE THING THAT MOST DEMOCRATIC POLITICAL SYSTEMS - AND ESPECIALLY THE AMERICAN ONE - CANNOT DO WELL IS TO MAKE CRITICAL CHOICES AMONG PARTICULAR FIRMS, MUNICIPALITIES OR REGIONS DETERMINING COLD-BLOODEDLY WHICH SHALL PROSPER AND WHICH SHALL NOT. YET SUCH CHOICES ARE PRECISELY THE KIND THAT WOULD HAVE TO BE MADE - AND MADE EXPLICITLY - FOR AN INDUSTRIAL POLICY TO BECOME MORE THAN A POLITICAL PORK BARREL." IF THAT IS TRUE OF THE RELATIVELY TIGHTLY ORGANISED UNITED STATES FEDERAL SYSTEM, HOW MUCH MORE TRUE MUST IT BE OF OUR LOOSER COMMUNITY OF SOVEREIGN STATES. A DIRIGISTE COMMUNITY INDUSTRIAL POLICY IS, I FEAR, MORE LIKELY TO REFLECT THE POLITICAL BARGAINING PROCESS WITH WORK BEING ALLOCATED ON POLITICAL GROUNDS OR GROUNDS OF SO-CALLED FAIRNESS BETWEEN NATIONS THAN HARD INDUSTRIAL REALITY. ONE HAS ONLY TO LOOK AT THE CONDUCT OF THE COMMON AGRICULTURAL POLICY OVER THE YEARS TO APPRECIATE SOME OF THE DANGERS.

/IT IS AGAINST THIS

IT IS AGAINST THIS BACKGROUND THAT THE ROLE OF THE EUROPEAN INSTITUTIONS IN INDUSTRIAL AFFAIRS SHOULD BE WORKED OUT. IF THAT IS DONE, TAKING DUE ACCOUNT OF EXPERIENCE AND REALITY, THE ROLE CAN - AND IN MY VIEW SHOULD - BE AN IMPORTANT ONE.

IN HIS NOTABLE SPEECH TO THE DEBELUX CHAMBER OF COMMERCE IN LUXEMBOURG IN JUNE, MR WOLF VON AMERONGEN SKETCHED OUT ONE OF ITS COMPONENTS WHEN HE URGED "THE PROMOTION OF RESEARCH BETWEEN UNIVERSITIES, RESEARCH INSTITUTIONS AND INDUSTRIES IN OTHER COUNTRIES". HE SUGGESTED THAT "IF THIS LEADS TO THE CREATION OF A WIDER SCIENTIFIC BASE ON WHICH INDUSTRY CAN DRAW AND USE FOR ITS OWN PURPOSES, AS AMERICAN COMPANIES DO FROM THE NASA PROGRAMME, IT WOULD BE A USEFUL INITIATIVE". HE EMPHASISED THE NEED FOR SUCH COOPERATION TO "ENCOURAGE RATHER THAN HINDER ENTREPRENEURIAL INITIATIVE BY INDIVIDUAL FIRMS".

THE ESPRIT PROGRAMME WHICH THIS COMMISSION HAS DONE SO MUCH TO BRING INTO BEING, IS AN EXCELLENT EXAMPLE OF THIS SORT OF COOPERATION. MOREOVER, IT IS THE RESULT NOT JUST OF THE VISION OF THIS COMMISSION, BUT ALSO OF THE STIMULUS OF A PERCEIVED NEED AMONG INDUSTRIALISTS. AS MANY OF THEM REALISE, IT PROVIDES AN INVALUABLE FRAMEWORK WITHIN WHICH THEY CAN TALK AND EXCHANGE IDEAS ON A EUROPE-WIDE BASIS WHICH WOULD NOT OTHERWISE EXIST. I HOPE IT PROVIDES AN EXAMPLE THAT WILL BE FOLLOWED IN OTHER INDUSTRIES.

/IN MY SCHEME OF THINGS,

IN MY SCHEME OF THINGS, HOWEVER, THE SINGLE MOST IMPORTANT TASK FACING THE COMMUNITY IS THE CREATION OF A REAL COMMON INTERNAL MARKET COMPARABLE WITH THAT WHICH EXISTS IN THE UNITED STATES. MUCH HAS, OF COURSE, ALREADY BEEN ACHIEVED, BUT MOST OF IT A LONG TIME AGO. THE CONTINUING FRONTIER CONTROLS, THE DIFFERING STANDARDS, THE LACK OF PROGRESS IN THE FIELDS OF SERVICES AND AIR TRAVEL ARE A STANDING REPROACH TO US ALL AND NO COUNTRY HAS THE RIGHT TO CLAIM GREATER VIRTUE IN THIS RESPECT THAN OTHERS. THE FEDERAL REPUBLIC WITH ITS POWERFUL AND COMPETITIVE MANUFACTURING INDUSTRY, IS CERTAINLY ONE OF THE MOST "COMMUNAUTAIRE" WHEN IT COMES TO REMOVING RESTRAINTS ON TRADE IN INDUSTRIAL GOODS. BUT TO PUT IT KINDLY, THE SAME CANNOT BE SAID OF SERVICES.

WHAT WE NEED IN EUROPE IS TO CREATE A SITUATION IN WHICH MANAGERMENTS CAN CONSIDER THE COMMUNITY AS A SINGLE MARKET IN WHICH THEY CAN TAKE DECISIONS ON THE BASIS OF ECONOMIC EFFICIENCY RATHER THAN HAVING CONSTANTLY TO TRY TO MAXIMISE THE BENEFITS AND MINIMISE THE DISADVANTAGES ARISING FROM THE CONTINUED EXISTENCE OF SEPARATE NATIONAL MARKETS. IF EUROPE REALLY BECAME A SINGLE MARKET IN WHICH MANUFACTURERS AND THOSE WHO PROVIDE SERVICES COULD SELL THEIR WARES FREELY FROM SCOTLAND TO SICILY AND FROM BREST TO BAVARIA, THE CONSUMER THROUGH THE MARKET PLACE COULD DETERMINE WHICH WOULD PROSPER AND WHICH WOULD NOT. IT WOULD THEN BE UP TO THOSE WHO FAILED THIS ACID TEST TO ADAPT THEIR PRACTICES AND STRUCTURES OR GO UNDER.

THE COMMUNITY INSTITUTIONS HAVE A TWO-FOLD TASK IN ORDER TO BRING THIS SITUATION ABOUT. ON THE ONE HAND THEY MUST WORK TO ENSURE THAT THE LEGAL AND TAXATION SYSTEMS OF THE MEMBER STATES ARE SUFFICIENTLY TRANSPARENT, NON-DISCRIMINATORY AND COMPATIBLE WITH EACH OTHER TO ENSURE THAT THE COMPETITION IS FAIR AND THE ADAPTATION POSSIBLE. ON THE OTHER, THEY MUST WORK TO ELIMINATE THE BIAS IN FAVOUR OF NATIONAL SUPPLIERS THAT STILL EXISTS IN THE FIELD OF PUBLIC PROCUREMENT AND TO INTRODUCE COMMON STANDARDS THROUGHOUT THE COMMUNITY.

PERSUADING GOVERNMENTS OF THE NEED TO MAKE THE MYRIAD SPECIFIC CHANGES THAT WILL BE REQUIRED AND EVEN MORE, PERSUADING THEM TO CARRY THOSE CHANGES INTO EFFECT WILL BE A MASSIVE TASK. IT WILL ALSO BE POLITICALLY DIFFICULT, NOT TO SAY THANKLESS, SINCE IN EVERY COUNTRY ANY DOMESTIC SPECIAL INTEREST THAT FEELS THREATENED WILL TRY TO ROUSE GOVERNMENT AND PUBLIC OPINION AGAINST WHAT IS BEING ATTEMPTED. PROGRESS WILL NOT BE MADE IN THE SORT OF DRAMATIC LEAPS AND BOUNDS THAT ATTRACT FAVOURABLE PUBLICITY BUT THROUGH THE UNDRAMATIC PURSUIT OF WHAT WILL OFTEN APPEAR TO BE BORING AND RATHER MINOR ISSUES. IN MY VIEW, TIMETABLES WITH DEADLINES AND SPECIFIC OBJECTIVES BACKED BY THE AUTHORITY OF THE EUROPEAN COUNCIL HAVE AN ESSENTIAL ROLE TO PLAY.

/THE PRIZE, HOWEVER, IS



THE PRIZE, HOWEVER, IS GREAT. IF A GENUINE COMMON MARKET COULD BE CREATED OUR INDUSTRY - GERMAN, BRITISH, FRENCH, DUTCH, ETC - WOULD BE ABLE TO OPERATE ON A COMMUNITY-WIDE SCALE, JUST AS COMPANIES IN NEW YORK AND CALIFORNIA CAN OPERATE ON A US-WIDE SCALE. NOTHING CAN GUARANTEE SUCCESS ON WORLD MARKETS, BUT PROVIDING OUR COMPANIES WITH THE OPPORTUNITIES THAT FLOW FROM THE SIZE, SCOPE AND VARIETY INHERENT IN A COMMUNITY OF 270 MILLION PEOPLE IS THE MOST USEFUL SINGLE CONTRIBUTION THAT THE COMMUNITY INSTITUTIONS CAN MAKE.

THERE ARE THOSE WHO ATTACH GREAT IMPORTANCE TO THE ENCOURAGEMENT OF COOPERATIVE VENTURES BETWEEN EUROPEAN COMPANIES OF DIFFERENT NATIONALITY. SUCH VENTURES ARE FREQUENTLY LAUDED AS BEING MERITORIOUS IN THEMSELVES AND SYMBOLS OF PROGRESS TOWARDS EUROPEAN UNITY. I AM MORE SCEPTICAL.

IF COMPANIES WISH TO ENGAGE IN SUCH COOPERATION THEY SHOULD CERTAINLY BE ABLE TO DO SO. ARTIFICIAL BARRIERS AND POLITICAL CONSTRAINTS SHOULD BE REMOVED. ON OCCASION, IF THE OBJECTIVES ARE SUFFICIENTLY CLEARLY DEFINED AND LIMITED TO SUFFICIENTLY SPECIFIC OPERATIONS AND IF THE MANAGEMENT STRUCTURES ARE APPROPRIATELY CONSTRUCTED, THEY HAVE A USEFUL ROLE TO PLAY. I CERTAINLY WISH THOSE WHO EMBARK ON THEM EVERY SUCCESS. BUT IN MY VIEW, IF A REAL EUROPEAN COMMON MARKET CAN BE CONSTRUCTED, THE FUTURE WILL LIE WITH COMPANIES WITH CLEARLY

/DEFINED COMMAND CENTRES AND

DEFINED COMMAND CENTRES AND DOMESTIC MARKETS IN ONE COMMUNITY COUNTRY EXTENDING THEIR ACTIVITIES INTO OTHERS, EITHER BY MEANS OF DIRECT SALES ACROSS FRONTIERS OR THROUGH THE TAKE-OVER OR CREATION OF SUBSIDIARIES, AND GENERALLY BY A MIXTURE OF ALL THESE METHODS.

THERE IS ONE FINAL POINT I SHOULD LIKE TO MAKE BEFORE SITTING DOWN. IT IS TO STRESS THE IMPORTANCE OF TREATING SUBSIDIARIES OF COMPANIES FROM OUTSIDE THE COMMUNITY, AS FAR AS POSSIBLE, ON AN EQUAL FOOTING WITH THOSE INSIDE.

IDEALLY I WOULD LIKE TO SEE NO DISTINCTIONS AT ALL AS I BELIEVE FOREIGN INVESTMENT IN EUROPE AND DIRECT INVESTMENT ABROAD BY EUROPEAN COMPANIES BOTH HAVE A USEFUL ROLE TO PLAY IN DEVELOPING THE COMPETITIVITY AND PROSPERITY OF OUR ECONOMIES. IN PRACTICE, HOWEVER, ONE CANNOT BE SO ABSOLUTE SINCE IT IS NECESSARY TO TAKE INTO ACCOUNT THE WAY IN WHICH FOREIGN GOVERNMENTS BEHAVE, BOTH TOWARDS SUBSIDIARIES OF OUR COMPANIES OPERATING IN THEIR TERRITORIES AND TOWARDS SUBSIDIARIES OF THEIR COMPANIES OPERATING IN OURS.

/LADIES AND GENTLEMEN,

LADIES AND GENTLEMEN, THAT BRINGS ME TO THE END OF WHAT I WANT TO SAY. THE EUROPEAN COMMUNITY IS MUCH MORE THAN JUST A COMMON MARKET. ITS POLITICAL ASPIRATIONS ARE OF A PROFOUND AND HISTORIC NATURE. BUT A COMMON MARKET IS AT ITS CORE. IN PUTTING FORWARD, THEREFORE, IDEAS FOR ITS STRENGTHENING AND DEVELOPMENT I BELIEVE I AM SERVING OUR POLITICAL AS WELL AS OUR ECONOMIC INTERESTS.

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