

# INFORMATION

POLITICAL AFFAIRS

DECLARATION ON THE STATE OF THE COMMUNITY

53/74

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Please find enclosed the text of the declaration published by the Commission on 31 January 1974 and presented to the press by the President, Mr. Ortoli.

Europe now faces a stern test - a new situation that all too clearly exposes its weakness and lack of independence and shows up just how badly it needs to be united. And at this time of challenge Europe itself is in a state of crisis - a crisis of confidence, of will and of clarity of purpose.

The perils are such that the Commission has a duty to call upon the Heads of State and Government and, through them, the citizens of our countries to honour by their deeds their decision to unite Europe and to respond to the challenge before us by resolutely acting together.

Unless they do so, though the Community's routines might survive, they would be no more than a sham covering the most dangerous relapse of its history. If Europe's unity is but a fairweather phenomenon we can reach none of our goals either now or by 1980. Europe, faced with this challenge, must show a common resolve. In the past few weeks setbacks and retreats have been a source of dismay casting grave doubt on the will of our Governments to move forward and on the ability of our institutions to perform their tasks.

The European Regional Development Fund, a touchstone of our solidarity, has still not been set up, despite the undertakings given at Paris and Copenhagen that it would be established by the end of 1973. Nor has the decision to embark on a common energy policy, taken after so much tergiversation, yet been transformed into concrete action.

The transition to a Second Stage of Economic and Monetary Union has been put on ice, with the withdrawal of the French franc from the Community's monetary agreement : a further relapse from the level of coordination we had reached in 1972.

Again, the Community has so far failed to define its position towards the rest of the world on several major issues such as the negotiations with the countries of the Mediterranean basin.

The Council all too often gets bogged down in details, so that it is difficult or impossible to reach a common decision. Sometimes agreement is obtained only on the narrowest front with Member States holding back or clinging to mental reservations. All this does grave damage to the Community's image.

Of course progress has been made in certain fields ; difficulties and divergences of view are inevitable, for every point of view there is a reason, and for every failure there is an explanation. But taken together these setbacks tell only one story.

We are reaching the point where policies are becoming national again to the detriment both of our States and of a world which needs Europe to be there as such.

There can be only one reason for the present situation in Europe : there are doubts, even if subconscious ones, over the role of Europe as a means to overcome our immediate short and our long-term difficulties and to safeguard the future of our peoples.

These doubts must be dispelled. Without abandoning the pursuit at national level of policies suited to the individual characteristics and problems of each country, and without deceiving our citizens as to the efforts that will be expected of them, efforts which will still be necessary even when Europe acts together, those in power must today in their own name and on behalf of those they govern give a clear answer to two questions :

- (i) Can the economic and monetary policies of our Members States continue to ignore each other and go their different ways, or does the interdependence that has already been established between our economies, and the fact that we face the same problems in our dealings with the outside world, demand a far-reaching harmonization of our aims and our policies ?

(ii) At a time when international relations are being reshaped, with crucial consequences for us all, is there any state in Europe that can exert real influence and carry any weight comparable to that of a united Europe ?

The time has come to say clearly whether our nations wish to reinforce their solidarity or not, and whether they wish to react jointly or separately to the great internal and external challenges that each one of them faces.

These are questions to which there is as yet no answer. There is nothing inevitable about European unity. Europe will not become united unless we make it so.

And these questions can be answered only by deeds. Only by deeds will we be able to halt the dangerous process that has set in.

The recent deterioration in our economic position means that all the Member States must adopt a new strategy, and formulate new policies. It is in the interest of the Member States of the Community, indeed it is their duty, to ponder these changes together and to adopt a joint approach. For they are facing the same closely related problems :

1. How are they to finance the extra burden on their balance of payments caused by the rising prices of energy and raw material supplies ? This problem is equally crucial for every State in Europe, despite the substantial differences in the level of their foreign exchange reserves ;
2. How do we ensure that the measures taken to remedy external payments difficulties do not seriously harm growth and employment or jeopardize our efforts to achieve greater social justice ?

3. How, in the long term, do we find the extra energy supplies required for the development of our countries ? How are we to diversify our sources of supply in competitive conditions to increase our independence ?

The difficulties are similar, the aims identical ; our interdependence is such that unless common measures are taken we shall be facing very serious risks.

This interdependence influences and can upset the effects of purely national policies and imposes narrow limits on them. Each of our countries, whether it likes it or not, affects us all by the measures it takes ; each causes or suffers changes such that the effects of its individual acts are uncertain and precarious at home and a potential source of danger to its partners. In the end this may lead to retaliation.

To meet these constraints, policies must be made to converge and in some cases we will have to take joint action.

If policies are to converge, we shall have to follow a single economic strategy.

- (a) We must pursue mutually consistent and concerted economic and monetary policies, without competitive currency depreciations or trade restrictions. These are the rules of the game we must follow, otherwise the benefits of unilateral action would prove fleeting and the machinery of the Common Market would break down.

This rule does not apply to Europe alone. The policies of all the major economic units have an impact beyond their own frontiers. It will be in our mutual interest to concert our actions with those who are facing the same difficulties as we.

- (b) To maintain the highest possible degree of activity and employment, we must lay down general guidelines for a common framework and common disciplines within which national measures can be taken. The extent of the present changes occurring, and the concern each of us feels for the future, imply that we shall really have to make a start on that wider participation which we would like to establish as the rule.
  
- (c) We must equip ourselves with the means to apply these policies continuously. This implies permanent procedures of consultation on economic and monetary matters, particularly before any important measure is taken. If a Community strategy is to be put into effect, an outward show of consultation is not enough. We must be able to open discussions, to institute a dialogue, and to take the Community interest into account. The discipline we have accepted in advance must operate to the full.

Again, we must decide on joint action where this is the precondition for success. This is obviously the case in three fields :

- (a) Within the Community, the difficulties into which the Monetary Union is running must not deter us from going ahead wherever this is possible. In this way we can show that our determination is not flagging and can prepare the return to a Community discipline that will apply to all. This is only possible by measures that link us closely : reinforced intra-Community credits, a solution to the pricing problems posed by gold transfers between monetary authorities, the introduction of a European unit of account with a wider role, and first decisions on the pooling of reserves.
  
- (b) Energy must become a field of joint policy. An ordered market is a market governed by one set of rules : a supervision of the

single market, monitoring and harmonization of prices, concerted saving of energy, and a joint research programme.

- (c) Outside the Community, the months ahead will see a substantial restructuring of international economic and monetary relations. Stable and reliable energy supplies on economically reasonable terms will depend on a whole series of international negotiations. Only when Europe acts as an entity will it have the necessary strength to defend the interest of its peoples in this vast confrontation. Only this Europe will be in a position to contribute fully to the effort which must be made if the developing countries are to tackle the serious problems into which the new situation has plunged them.

International monetary problems which primarily affect the very serious question of our balance of payments must be handled as Community problems, and in these negotiations Europe must speak with a single voice. The external problems of energy must be handled as Community problems, whether by concerting our action with that of the consumer countries or through our relations with the producer countries.

The forthcoming Washington Conference on energy problems will be the test of our common determination in this field. On the bilateral plane a united Europe will be the most useful and effective partner for organized cooperation with the energy-producing countries. More generally, if we wish to avoid being divided against ourselves, all cooperation measures must fit into a Community framework.

In tackling the wider tasks and fresh responsibilities imposed by the present situation, action to remedy the shortcomings that have become apparent in recent months must be given the highest priority. Before all else we must respect the timetable already agreed, for instance for the decision to strengthen the budgetary powers of the

Parliament, for which the end of March is the deadline. The Council should also press ahead with its endeavours to improve its own methods of work.

European unity will move forward again only if there is a lasting change in the behaviour of our States. They must adopt a new mentality, that displays greater resolve and lends added weight to European policies in shaping the future of our peoples. And the change of attitude must be convincing both within and beyond our frontiers.

Yet all this is not enough. The degree of unity which Europe needs calls for institutions that can carry through a genuine policy without delay and without interruption. The present Institutions are coming up against the limits of what they can do. Improvements are indispensable, yet they will do no more than make it possible to ensure that the Community can work effectively until we achieve the target our nine countries have set themselves - the creation of a European Union.

The Commission calls on all Europeans to play their part in pursuing these common lines of action, and so enable the Community to find itself again by deeds.