

INFORMATION

POLITICAL AFFAIRS

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Speech by Mr. Scarascia-Mugnozza, Vice-President of the Commission, presenting to the European Parliament the 7th Report of the activities of the European Communities

Please find enclosed the text of the speech made by Mr. Scarascia-Mugnozza, Vice-President of the European Communities' Commission, in the European Parliament on 12 Feb. 1974.

This speech is reproduced in the introduction to the Seventh General Report of the Commission on Community activity in 1973.

In the closing months of 1973 and the early weeks of 1974, Europe has been confronted with a series of problems which have thrown the Community into a state of crisis.

In circumstances like these, each Institution and each Member State must face up to its responsibilities.

For its part, the Commission has shown its determination by making a public Declaration on the State of the Community to the Heads of State or Government and, through them, to the citizens of our nine countries.

It is not going to let itself be swept along by the wave of disillusion and bitterness which has accompanied this accumulation of new problems. On the contrary, if the true nature and scale of these problems is to be understood and the necessary solutions found, we must keep our heads as clear as possible. Only thus will we be able to learn the lessons of recent events and to enter the period ahead in the best possible or, at any rate, the least unfavourable, conditions.

A quick review of 1973 clearly illustrates this need.

It was first seen as a year of adaptation to the Community's new size. Also, and above all, it was to be a year of decisions of principle concerning the future integration of Europe.

It proved in practice to be a year of brutal change and rapid transformation. The Paris Summit Conference having laid down the Community's 'development charter' for this decade, the first step was to implement the guidelines established by the Heads of State or

Government. Without taking you again through the detailed survey of Community activities already set out in the General Report, I should like to recall that considerable work has been done on these lines, with the effect that a coherent common approach to the GATT negotiations has been adopted, while action programmes on social policy, on industrial policy, on scientific and technical research and on the environment have all been agreed.

Despite this progress, we cannot but recognize that, as regards most of the other important matters before it, the Commission has entered the decision-making stage at the end of the year in unfavourable circumstances, without really resolving the difficulties and without settling the main points of divergence between the Member States.

Moreover, the enlarged Community has been seriously disrupted by the growing impact of external upheavals on its functioning. The successive monetary crises, the rise in commodity prices, the soya 'alert' of last spring and, finally, the events in the Middle East and the accompanying oil crisis, which marked the various stages of the backslide, have blown the Community off course. Although the Commission has continued to provide initiatives, and despite the European Parliament's endeavours to speed things up, the Community has failed to achieve several of the important objectives set for 1973, and it has been unable to take the immediate decisions that were needed to meet the new situation.

In February 1974 the keynote is uncertainty; it is our worst enemy, for it provokes inertia in the Community and gives rise to disorderly reactions and to back-peddalling. In the face of a challenge which has never before been felt so strongly, the Commission's task will be, more than ever, to find the answers that European solidarity alone can provide. Only determined, common action, coupled with a refusal to let ourselves be divided, will enable us to reduce the sources of uncertainty, and foremost among them those which are within our own control.

1973 showed us how far the dependence of Europe on outside sources of energy and raw materials can endanger its prosperity; our euphoria over the amazing economic development of our continent in the 1960's

was such that we did not wish to see how the world was changing. Europe was still living on outmoded principles and out-dated terms of reference. Now, suddenly, we are being forced to come to grips with reality in an essential field. We must waste no more time, but must in future take the measure of this reality and appreciate its implications, for it must inspire and shape the whole of our strategy.

In saying this I am not questioning the conclusions of the Paris Summit Conference; what we must do is fix our priorities in the light of the new situation before us, in accordance with the wish expressed last December in Copenhagen by the Heads of State or Government.

We must respond by a greater degree of solidarity to the common difficulties arising from the energy crisis; we must respond to outside challenges with joint action on the international plane; we must speed up the movement towards the ultimate objective of European Union through a European will translated into action every day; these priorities will determine the initiatives to be taken by the Commission in the next few months.

This is why, with concern to place greater emphasis on the focal points of the work of our Institution in 1974, we present the Commission's detailed programme for this year in a separate Memorandum.

Circumstances compel us to deal with first things first.

React jointly in the face of the new challenge

For the fact is there and cannot be denied; we had lost sight of the real dimensions of Europe. From now on we must always bear in mind these simple but basic truths, which events have taken it upon themselves to thrust under our noses.

Europe is poor in energy. Only a small part, less than 40%, of the energy it consumes is available on Community territory, and the Community is not extensively involved in exploiting resources elsewhere in the world. This, at any rate, is the case for the short and medium term. It is also a thesis of more general application, concern-

ing not only the special problem of oil but the whole range of raw materials and certain agricultural and food products. Here I feel it is useful to recall a few figures, especially where they can be used to sum up facts of such great importance; in 1972, primary products accounted for more than half the total imports into the Nine and almost all of its imports—91% to be precise—from developing countries. We must fully realize the new situation of the European economy following the rise in energy and commodity prices.

The fact that these imports have become more expensive, thus imposing an additional burden on Europe's balance of payments, means that Europe, if it wishes to remain as prosperous as it is, must preserve and indeed strengthen its ability to sell abroad—in other words its power to compete. Total Community imports before the 1973 crisis cost nearly \$ 60 000 million. At present prices the figure will rise by more than \$ 17 000 million, or nearly 30%, which will weigh heavily on the Community's balance of payments. This change in the terms of trade thus corresponds to a relative impoverishment of the European economy. The blow will not be fatal, but Europe will be seriously handicapped.

No doubt, and this will be the most difficult, we shall have to adopt new habits and learn to live differently. Avoiding waste and economizing on scarce resources will, as a result of all these events, become a *sine qua non* of good management.

Finally, we shall have to make better use of our main—in fact, our real—source of wealth: the capacity for work, the creative imagination and the ability to move with the times of the 250 million citizens of the Community. Over the centuries, and especially in this century—I am thinking particularly of the havoc wrought by the last world war—Europe has been able to use its capacities to overcome the toughest of obstacles. Are we to believe that it cannot do so again?

However, this presupposes the will to act, and especially to react, jointly in the face of the new challenge!

The energy crisis has hit Europe where it hurts most. It has impaired its capacity to produce; the 1974 growth rate is likely to drop

by one-and-a-half points. It will also affect the activities and employment of the working population, in particular in the construction industry, cars and the tourist trade. Above all, it is going to reduce the competitiveness of our economies by a further substantial price rise—by an average of two or three per cent.

Inflation, currency, competitiveness, standard of living: these are all joint problems. Never has the link between them been so strongly highlighted. For in these times of turmoil only one thing is certain: that we must treat the European economy as one single economy, since no individual measure can be guaranteed to succeed if it is contradicted or opposed by different policies applied by neighbouring States. No doubt the special problems arising in each Member State may sometimes justify specific measures, but nobody has anything to gain, even when facing an exceptional situation, by provoking a free-for-all in the Community.

If we do not coordinate our action, Europe will be in danger of moving backward instead of forward and even what we have already achieved will be jeopardized. Current events impose the need for a renewal of Community solidarity; otherwise the destiny of Europe, and consequently of all peoples composing it, will get out of control more and more or will be controlled from outside.

For the fact of the matter is, our economies are so interdependent that, in circumstances like these, we must strengthen the links which bind us and eliminate the difficulties facing us all by concentrating our action on a few major objectives of intrinsic importance.

Such renewed solidarity must be expressed first and foremost in the introduction of a Community energy policy. The Copenhagen Summit Conference gave the first impulse to this, and laid down general principles concerning both how to implement a policy on stable supplies, which presupposes that the oil market will operate in an orderly fashion, and the elaboration of a long-term strategy for making the Community less dependent on others through intensive and rationalized exploitation of all available sources of energy and through growing recourse to nuclear power.

But it is not enough to achieve European unity on one particular point imposed on us by the situation of the moment. It must also be

asserted by a common economic strategy in all fields and at all levels. The energy crisis affects everything which goes on in the Community. It must therefore be dealt with overall.

This means, firstly, that a common discipline, accepted by all, must be respected by all, and that we must refrain from wild-cat currency devaluations and restrictive trade measures. On 23 January the Commission proposed that the Council give such a commitment and invited the Member States to begin regular consultations on exchange policy, whether as regards interest rates or parity changes, and on Community solutions to balance of payments problems. In even more concrete terms, it proposed that reformed intra-Community credit machinery be brought into operation immediately, that arrangements for the orderly mobilization of resources available on the international capital market be elaborated and that consideration be given without delay to reintroducing gold transfers between monetary authorities.

The Commission expects of the Council that it will decide on interim measures—to which it proposes to add in the coming weeks—to strengthen Community solidarity and to avert that disruption of trade to which discordant attitudes by our Member States would lead us.

This will also mean that, in the framework of general guidelines laid down in common, the various national economic and monetary policies designed to maintain full employment and growth, to protect purchasing power and to combat inflation must be able to develop harmoniously and coherently. This is not just a matter of economic techniques but one of political will which, alone, can bring to life machinery of cooperation otherwise doomed to depressing formalism.

All this is essential if we are to succeed, but it is still not enough, for procedural arrangements alone cannot solve problems. We must get it clear that real progress is unthinkable until Europe has been made into a genuinely integrated economic entity. We must pay greater attention than in the past to the difficulty—dare I say the impossibility?—of implementing the common decisions of the European Institutions if the grass-roots reality remains too heterogeneous. This, especially in the context of the regional policy, is both a

requirement of solidarity and a basic precondition for economic and monetary unification.

It is quite clear today that, until our economic structures have been truly harmonized, and until we really begin removing disparities between the Member States, Economic and Monetary Union will remain at the stage of abstract ideas and pious wishes. This is one of the main lessons, perhaps even the most important lesson, to be learnt from the events of 1973.

Respond to the external challenges by joint international action

The present situation requires an upsurge of Community solidarity on the part of the European countries. But in a changing world and for an entity like Europe, which is closely dependent on other nations for its supplies and its markets, and is thus of necessity open to the outside world, this cannot be enough.

The events of recent months have both increased the need to ensure an overall view and an exact assessment of the various developments and their interactions and made it more difficult to achieve. But these events have not called in question the Community's general strategy in its economic and trade relations with third countries; on the contrary, they have made it more obvious that it is vital for Europe to assert its own interests and responsibilities with the aim of avoiding a deterioration in international economic relations.

This means not only that Europe will have to be itself in its dealings with others, but also that henceforward it will have to accept others for what they are.

Only thus will Europe be able to define a satisfactory relationship with the developing countries on a footing of equality.

In this context, it is urgently necessary for us to redefine our relationship with the oil-producing countries and with the countries which produce raw materials. The best guarantee of the stability

of the Community's supplies in this field will be cooperation based on the mutual satisfaction of the interests of both sides. It cannot be doubted that there is a great convergence of interests between the Community, a major importer, and certain exporting countries which can find in Europe, apart from an outlet for their raw or manufactured products, the fund of know-how, technology and experience which is indispensable for the development of their economies and particularly for the exploitation of their natural resources and their industrialization.

Here again, it is essential to avoid all rivalry between Member States, whose cooperation must be coordinated and must take its place in a policy defined at Community level. Otherwise, each will lose the advantages which a united Europe derives from its position as a major trading power.

We shall also have to retain the means of making a substantial contribution to the least favoured countries. These are in danger of being the most directly affected by the energy crisis, whose effects could even, in certain cases, make any development policy impossible. This is why it is so important and desirable to conclude the agreements which are being negotiated with several States in Africa, the Caribbean, the Indian Ocean and the Pacific and with others in the Mediterranean Basin, and are designed to foreshadow a new kind of relationship between developing and industrialized countries.

Similarly, the Commission considers it necessary for the Community to have in future its own means of taking significant measures to help those non-associated developing countries which desire aid to promote their exports to the Community market or to reinforce their own regional economic cooperation.

Finally, the Community will have to seek, with the energy-producing countries, in the appropriate international bodies, ways and means of enabling the consuming developing countries to offset the additional charges resulting from the rise in the prices of petroleum products and thereby to maintain the value of the various contributions to their development.

In these troubled times, perhaps the best way of showing the strength of the European personality will be for the Community to play a determining rôle in the re-establishment of a more just and stable international order.

It must initiate genuine concerted action with the major industrialized countries which are facing difficulties similar to its own, in order to avoid the danger of a return to protectionism and the disruption of international trade.

The Commission is aware of the dangers for Europe in a reduction of world trade, which has been an essential factor in its development over the last twenty years. Moreover, it fears the risks for international monetary equilibrium of the concentration of additional monetary surpluses resulting from the new energy prices.

For these reasons, the Commission is convinced that Europe must not succumb to the dangerous temptation of isolationism but must, on the contrary, seek to preserve that freedom of trade which is of vital importance to it.

In this spirit, moreover, the Commission means to intensify and extend the dialogue in which the Community is engaged with its principal trading partners, notably the United States, Japan and Canada, on the understanding that these relations must not jeopardize, delay or otherwise affect the free development and future reinforcement of the European structure. In this connection, the energy conference which took place in Washington and which the Community attended as such, must give Europe the opportunity to speak with one voice on this crucial problem.

For Europe must increasingly speak with one voice in the world. If it wants to be heard, it must assert its identity in a growing number of fields. This presupposes an increased concern for coherency between the various manifestations of the European personality in international political, commercial and monetary relations. In this connection, the Commission will continue to make its political and practical contribution to the work of political cooperation, while ensuring that solidarity between the Nine continues to grow with due regard for the responsibilities and procedures which are proper to the Community.

Contribute by a European will, brought into play everyday, to bring us nearer to the final objective

It goes without saying that such internal solidarity and such joint action in the external field presuppose a more pronounced European commitment on the part of each Member State and an increased effort by each Institution to focus its activities on a few essential priorities.

The desire to show an 'everyday' European will must be reflected first of all in the improvement of the day-to-day running of our Institutions.

The Commission, which is and which intends more than ever to remain, in the difficult period through which Europe is passing, the interpreter of requirements and the initiator of action, must not only make proposals but also ensure that each idea and each proposal is consistent with the others and fits in with the main lines of Community development. In 1974, improved programming of work in our Institution will enable this requirement to be met.

To speak in more general terms the implementation of action programmes should give a greater sense of urgency to the work of the Community Institutions, although this should not prevent the Council, acting on a Commission proposal, from amending certain aspects of these programmes where necessary in order to take account of changed circumstances or new priorities.

Of course, this greater vigour and coherence must not be envisaged purely in the administrative or even technocratic sense. These efforts will take on their true meaning only if the Commission is able to breathe into them a constant concern to respond to the aspirations of the citizens of Europe, of which the Parliament is the interpreter *par excellence*.

The Commission will, moreover, endeavour to promote increased participation by the two sides of industry in the Community's economic and social decisions by further improving the conditions of the dialogue with them, which have already been made more effective.

As regards the functioning of the Council, this is less a question of procedure than a problem of political will. We must no longer, play, at building Europe. Henceforward, we must take concrete decisions inspired by a true Community spirit. The days of half-measures and fallacious compromises, mental reservations and subterfuges, must be put behind us. Nobody is asking the Community or Europe to do or prove the impossible. But circumstances require us to do everything possible, and show a clear common resolve.

This, I think, will be the best way to confirm the fundamental choice of the European union, which will have no meaning unless, in 1974, the Nine seize the opportunity of reacting together to current difficulties. But if they do so, the idea of European union will take on a new and increased significance. It will become the expression of a political choice to face a shared destiny together and not to stop at the routine implementation of the Treaties. The final goal will then really be very close.

A number of steps in this direction were taken in 1973. I am thinking in particular of the proposals on the strengthening of the budgetary powers of the European Parliament, which, in view of the time required for ratification, the Council must adopt as soon as possible if the new procedure is to apply to decisions concerning the 1975 budget.

Beyond these first steps, we must now get down in earnest to the task of preparing European union in accordance with the wishes of the Heads of State or Government. All the Institutions have been invited to make a contribution, and they must do so. The Commission for its part is continuing to prepare its own. It is following the efforts already made by your Assembly and proposes, in the hope of arriving at common positions, to cooperate closely with the European Parliament at all stages.

The Commission hopes to make a positive contribution to the work which will be carried out, in particular, in your Political Affairs Committee to define the form and content of European union.

We felt it desirable to unite our efforts, both of reflection and imagination, to define the framework of future developments in Europe

with those of the Institution which must express the aspirations of the peoples of our nine countries.

I began this address with a call for lucidity. I would like to end with some words of hope. We must not play as though we were already beaten.

For being lucid and facing facts also means recognizing the assets which Europe has at its disposal.

And Europe's main asset, I would like to stress again, is its citizens. 'Men are the only wealth'. That is the very foundation of political economy, whether Liberal or Marxist. That, above all, gives the promise of better tomorrows for a continent whose human, intellectual, scientific and cultural potential is very great.

For present difficulties must not make us forget the true meaning behind the building of Europe, whose aim is first and foremost a human one. On the contrary, those difficulties emphasize the true goal of our efforts and our work over the coming months.

This goal is seen in very simple and very concrete terms by millions of citizens in our countries: work and employment, standards and conditions of life. It also implies that in 1974 we shall be directly accountable to our citizens both for our successes and our failures. The destiny of Europe is in the balance: we are all aware of that. It is up to us to act so that once again the scales of history tip the right way.

Between the easy, all too easy, but unacceptable path of division and renunciation and the path, difficult but alone worthy of Europe, of unity and effort, the Commission has already made its choice.