

MR RICHARD'S ADDRESS TO THE WELSH CENTRE FOR
INTERNATIONAL AFFAIRS .: CARDIFF .: 21/10/83

Ladies and Gentlemen,

I am very pleased to be with you tonight in Cardiff to help celebrate the Tenth Anniversary of the Welsh Centre for International Affairs. I am also delighted to be making my remarks under the gaze of our distinguished Chairman, though I must admit that, as far as he is concerned, I experience something of an identity crisis. I have not got accustomed to the name and title of Viscount Tonypany. I was of course evicted from the House of Commons before he became Mr Speaker. I would therefore simply say how pleasant it is to be sharing a platform with my good friend, George Thomas.

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When I was asked to speak to you, I was asked to talk about the role of the EEC in the world today, and I propose to do this by taking three areas which are causing us constant concern. The first is the current economic recession that is facing the industrial world at the present time. The second is the nagging and worsening problem of relations between North and South. And the third is the current state of East-West relations and the development of political cooperation within the Community.

As the Commissioner for Employment in the Community, my day-to-day concern is clearly with the current economic situation. The recession from which we are suffering had its start with the first oil price increase in 1973, which effectively halted economic

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growth in the industrial world. This recession accelerated into depression with the second energy crisis of 1979, and we have rapidly gone downhill ever since. For Europeans, the harsh facts are that the recession has hit Europe harder than it has the United States or Japan. This is true in terms of current economic performance; it is true of relative levels of unemployment. Unfortunately, all the signs are that, even if we manage to achieve some world up-turn in economic activity, our recovery will be slower, less substantial and not as certain as our major competitors. We have, therefore, to face the prospect that, unless we make some fundamental changes in our macro-economic policies, Europe will continue to fall behind the rest of the industrialised / world. ...

world. Because of our sluggish economic performance, our competitiveness will be reduced, and we will become increasingly vulnerable to foreign competition dominating our markets. We must, therefore, be acutely aware that the coming decade presents major challenges both to Member States and to the Community in our efforts to maintain the living standards of our people.

As we move into the third Industrial Revolution, it is quite clear that the capacity of individual Member States to compete with the Americans, Japanese and newly industrialised countries, particularly in the fields of high technology, is very limited. This being the case, it is essential that we exploit the fact that we are a common market of some 280 million / people ...

people and ensure that we develop our industrial challenge in these fields on a Community basis. It is only by basing our industrial strategy on a Community basis that we can hope to reach that level of technological excellence that will enable us successfully to meet the challenge of our trading rivals, and, unless we do this, Europe faces the danger of developing into a post-industrial society with declining living standards the only thing facing our people.

It is against this rather bleak background that we have to approach the unemployment crisis from which we are at present suffering.

The present unemployment situation is the worst the industrial world has known

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since the war. The facts are sadly all too familiar. There are well over twelve million workers registered as unemployed in the Community at present. The current rate of 10% in July 1983 compares with 6.2% in 1980, and 2% in 1970. This takes no account of those who have not registered, not to mention those who - willingly or unwillingly - have taken early retirement. It is an appalling picture. But this is not the worst of it. There is every prospect that unemployment will rise further - almost certainly to well over 15 million people - before it starts to fall.

There are currently faint signs of an economic recovery. But Western leaders remain cautious about whether

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~~This~~ is indeed the turning point. I believe it could be, if the opportunity is seized and not allowed to slip away - but even this will not be of much help to the 12 million unemployed. Even in the case of a sound recovery with annual growth rates of around 2% over several years, employment creation would be barely sufficient actually to bring down unemployment.

We need something approaching 2 million new jobs to be created each year just to prevent a further increase in unemployment. This is not only due to a higher growth rate of the population of working age than in the past. The labour market also needs to expand to handle a much higher rate of female participation, especially among / married ...

married women. It also needs to create new jobs to offset the initial labour-saving effects, especially in traditionally labour intensive industries, of the wide-scale introduction of new technologies - so necessary for recovery and the growth of durable employment in the long run, but so problematic in pure job loss terms in the short run.

The unemployment figures are bad. But worse still is the economic and social damage which they represent for the individual and for society as a whole, which must be the real focus of our concern.

In this situation it is the condition of the young unemployed which must cause us most concern. At the present time, over one in four of the under-25s is unemployed

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in some Member States the proportion has risen to one in three. As far as the 16-18 year olds are concerned, apart from the various special training schemes provided by Member States, the labour market has virtually collapsed. For the young unemployed, at least as far as jobs are concerned, Europe holds out little hope. And I believe this is a situation which we simply cannot allow to continue. For if we do not do anything for these young people, they will conclude that they need not do anything for society, and that, in my view, is a prescription for anarchy.

It is under this impetus that the Commission produced its paper on youth employment, in which we set out the scale of the problem and made certain proposals as to

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how to deal with it. We have shown that the Community will need to create some additional 2.5 million jobs over the next 5 years - half a million jobs a year - if we are to bring youth unemployment down to the adult average, in other words to some 11%. And we have stressed that the longer we put off facing this challenge, the worse the problem will become as the number of young unemployed increases, and as their average periods of unemployment increase.

We believe that it is possible to meet the target of half a million extra jobs a year for young people if every effort is made both at the macro-economic level and at the level of specific measures. We need to convince Member States of the need for them to undertake urgent and extensive action,

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and of the need to provide a substantial increase in the resources devoted to the problem of youth unemployment in the revised European Social Fund.

I must admit that I have been deeply disappointed by the reactions of most national governments. It would seem that, in spite of all the rhetoric to the contrary, there is very little sign of willingness on the part of Member States to appreciate the dramatic urgency of youth unemployment. It is as if governments feel completely incapable of, and not even responsible for, mobilising greater solidarity between those with work and those without.

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Whilst it is obviously correct to say that mass unemployment can only be solved by a substantial increase in economic activity, and policies designed to foster economic growth, stimulate investment and restructure economic activity are all urgently needed, other things also need doing. Given the likely facts of the labour market in the years ahead, it is clear that traditional methods of dealing with mass unemployment will be inadequate. The Commission has, therefore, been devoting considerable time and effort in the past year or so to looking at the whole area of work sharing. In December last year we published a Memorandum on the Reduction and Reorganisation of Working Time, and only last month the Commission agreed a

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Our thinking on working time is based on the basic premise that the reduction and reorganisation of working time can, under the right conditions, have positive employment effects.

Mr Chairman, I realise that many consider the Community's response to the recession and the mass unemployment we are suffering as being very inadequate. It is a view with which I have great sympathy. The near obsession of many Member States to control inflation without regard to consequences has, in my view, been profoundly unwise. I would, however, point out that, whilst the Commission of the European Communities is not usually regarded as being a radical organisation, in comparison

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~~with many Member States its proposals for~~
dealing with the present economic crisis
have been surprisingly progressive. It is
worth recalling that the Commission has
identified itself with the call for an
additional 1% of GNP to be used for
productive public investment. We believe
the job creation aspect of investment must
be given a high priority, and using an extra
1% of GNP via the public sector to provide
jobs both in the public and private sectors
could play a significant role in reducing
unemployment. This is a view to which we
still subscribe. We continue to call upon
Member States, and particularly those who
have got some margins within their budgets,
to increase significantly their investment
programmes, aimed specifically at job
creation.

With more and more of our people,

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and particularly the young, drifting into the despondency which long-term unemployment produces, it is essential for people of our convictions to fight on their behalf. We must put over the view that the European Community is not only about abstract economic mechanisms, but also about people. In my view, the best way we can do this is to produce programmes aimed at defeating the major threat to the welfare of our people, which is mass unemployment.

It is unfortunately the case that the recession has tended to make us all inward-looking and pay less attention to the world outside. Whilst this is perhaps understandable, it is of course extremely dangerous. This is particularly so as far

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as our relations with the third world are concerned. For, difficult as our problems are in the North, the situation in the South is very parlous indeed. After three decades of decolonisation and international aid programmes, most third world countries find themselves at least as badly off as they were in the '50s. In a world with better and bigger technological achievements, we seem also to have managed to increase the number of the hungry and the poor. We have managed to enable many third world countries to collect such a weight of debts around their necks that it now threatens our international financial system. And yet the knee-jerk reaction of most industrial countries in trying to solve their own problems is to reduce assistance to the

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third world. It is, therefore, I think, important to be quite clear in our own minds of the essential relation between the North and the South. The first reality we should acknowledge is that we live in an economic inter-dependent world. We in the industrialised countries can sell our goods only if the people of the third world are capable of buying them. If they cannot buy them, then we cannot sell them, and therefore we won't make them. This is a certain recipe for permanent economic stagnation.

The second reality is that aid is not charity, but serves an essential pump-priming function. It is, I think, interesting to note that for every fl of aid Europe gives to the third world, it

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sells \$10 of goods. For every \$1, the Japanese sell \$20, and the United States \$22. I suggest to you that, while there might not be a causal relationship between these two sets of figures, it is certainly clear that the more effective demand that we can create in the third world, the better our own industries and economies will prosper. But, given the nature and size of the crisis in the industrial world, and given the depth of need and deprivation in the third world, we should be under no illusions that what is needed is a massive shift of resources from the North to the South. I know that people get anxious, particularly in a period of high unemployment, when one talks of shifting resources to the third world, but

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we must remember that we live in an economic system which is often bizarre in its operations. The third world is desperately in need of the goods that the industrial countries can produce. The industrial countries have got massive capacity to produce those goods, but are at present rather idle. If the third world countries could afford to purchase our goods, we could reactivate our people back to work to produce them. It is, therefore, something of a chicken and egg situation. If we can so organise our affairs to transfer resources to the third world, and thus increase effective demand, so they can pay for the commodities they wish to purchase from us, then this should help to break the downward economic scale

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we have experienced for the last 10 years and help contribute to world economic recovery.

One of the things I have become particularly pleased about during my period as Commissioner in Brussels is the successful contribution the Community's aid programme, within the framework of Lome II, has made to improving the conditions of the 63 ACP countries who are associated with it. Whilst it is relatively modest in its resources, I think it is fair to say that it could be used as a blue-print for much of our relations with the third world generally. On the basis of close cooperation, the Community and our Lome partners have worked out a series of imaginative aid / programmes ...

programmes which will stand as a lesson to the world. Because we cooperate on terms of equality, we have with our Lome partners been able to identify those areas where aid can most valuably be used, and also to recognise frankly the mistakes that we have made in the past. We have now agreed that at least in the ACP countries aid resources should not go to sustain an increasingly demanding élite, but should be spent more and more on rural development involving small and peasant farmers, and that increasing emphasis should be placed upon food production. We are agreed that, if the vicious circle of poverty and hunger is to be broken, then the people of the third world must develop the capacity for feeding / themselves, ...

themselves, and this is to be accorded the highest priority in future Lome programmes. We have also experimented in attempting to prevent severe fluctuations in raw material prices through STABEX to stabilise the financial situation of Lome countries. Unfortunately, in a period of world recession, the funds available to us have proved to be totally inadequate, and consequently the programme has not been as we would have wished. We are of course currently negotiating Lome III with our ACP partners, and I very much hope that Member States, even at this late date, will recognise that this is a suitable instrument for increasing the transfer of resources which these countries so desperately need. I hope we can still

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take the leap in imagination to recognise
that we ^{are} /serving our own self-interest by
providing more resources to the poor of the
world.

May I now, Mr Chairman, turn to the
question of political cooperation within the
Community. As you probably know, the
Treaty of Rome does not talk about inter-
national relations, and therefore the
Community institutions have no competence
in this field. Indeed, when the Community
was created, the proposals for developing
a common foreign policy were not on the
agenda. In those days, it was right to
develop a common agricultural policy, but,
when de Gaulle walked the world stage, not
a common foreign policy. Nevertheless,
since then, and since the UK became a
member of the Community in 1973, political

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cooperation has developed very considerably. While not formally attempting to define a common foreign policy, Member States now make serious efforts to arrive at common positions on important international questions. I regard this as being enormously valuable for two reasons. There is no doubt in my mind that when the Member States put forward a collective view, whether at the UN, the IMF, or wherever, then their influence and strength is considerably greater than if they pursued individual positions. During my period as Ambassador at the UN I saw time and time again the way the Community was able to influence important decisions because they were speaking with one collective voice. There of course do remain differences between the Member States on many international

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questions, but the simple fact of Foreign Ministers meeting together regularly and working in close cooperation one with another makes these differences infinitely easier to resolve and strengthens our role in international affairs.

The second reason why I greatly welcome this development is that I believe it could have a significant role in solving the conflict between the United States and the Soviet Union. The increasing threat that the nuclear arms race brings to the world has, in my view, worsened by the lack of understanding and communication between the two super powers. Whatever one's view of current international controversies is, we have at the present time Governments both in the US and the Soviet

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Union that are capable of leading the world to nuclear annihilation. In the Soviet Union we have a regime ready to act in a brutal and outrageous manner, as we have seen in Afghanistan and the shooting down of the Korean jet. A regime that seems to become more rigid the greater the pressure coming from its empire. On the other hand we have got an Administration in the US whose fondness for bellicose rhetoric is most worrying. I sometimes think that there are some elements in the US establishment who, whilst recognising that a Third World War would be a disaster for us all, much regret that fact, and act in their relations with the Soviet Union as though it were still an option. Indeed, I occasionally suspect that there might be

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people in the UK who entertain the same sentiments. If we are to avoid drifting back to the conditions of the Cold War, then it seems to me essential that there must be an interlocuteur between the super powers, an interlocuteur whose principal function will be to persuade them to stop shooting at each other and start talking to each other, because there can be no doubt, if we are to achieve the multilateral nuclear disarmament that we all so strongly wish, that it will only come about by talking. This is a role I believe that the Foreign Ministers of the Community are particularly equipped to perform. Within the Community we have Governments which cover a wide range of political positions, from Britain / and Germany ...

and Germany, on the one hand, to France and Greece on the other. Having learned to work with one another, I think we ought to make every effort to put this experience to use in assisting the Russians and the Americans to cooperate together in searching for peace. If we can do this, it will be Europe's greatest achievement.