

SPEECH TO BE DELIVERED BY MR. F.H.J.J. ANDRIESSEN

LIVERPOOL, JANUARY 21st, 1983

My Lord Mayor, Ladies and Gentlemen,

Ten years ago Britain joined the European Community. As a non-British member of the Commission and indeed as a Dutchman I should like to mark this anniversary as a European event:

January 1973 was the occasion for celebration of a historic event and a source of considerable satisfaction.

So, ten years on, it is also time for celebration. But it is as well a time for lucid reflection on the lessons of the past ten years and on the shape of the future of our Community. It is a time for realism and idealism.

It would be wrong and complacent to imagine that the controversy which has always from the first surrounded membership of the Community - exacerbated by a number of difficulties and the worsening economic climate throughout the world situation - has disappeared. Indeed, notwithstanding the massive confirmation of British membership by the British people in the referendum of June 1975 and the strong commitment to the Community by the present Government.

to admit that the Community has not yet taken root and
pral part of the venerable fabric of the British body
politics. We still too often hear talk of Britain and Europe rather than
Britain in Europe. Too often it would seem that the old joke "there is
fog in the Channel, the Continent is isolated" is alive and well and

Living in Britain.

Perhaps, we were all too impatient. No doubt ten years was too short in the life of an ancient nation coming to the Community late and not sharing the urgent imperatives of the founder members, to make the necessary reorientation.

The issues, or Community policies which are most often criticised in Britain such as the British Budget Contribution, the impact of the CAP, meaningless harmonisation, excessive bureaucracy, should not be viewed in a too narrow perspective, nor from a too limited national standpoint.

However, the criticisms - not always unjustified - should be honestly met and dealt with. The Commission has devoted much energy to these matters and I would like to think that we have presented constructive solutions even if they have not always fully met the British viewpoint.

The first - and perhaps most topical matter is the vexed and complex question of the British contribution to the Community Budget. Strictly speaking - as the recent debates in the European Parliament underlined - the very concept of any national contribution to the EEC budget is alien both to the letter and spirit of the Community's own resources financing system. As I shall seek to make clear this is not mere semantic quibbling but a point of some importance to an understanding of the way in which the budgetary mechanisms of the Community determine to a large extent the type of Community that we shall have.

But the notion of "national contributions", used as it is even by those who most oppose it, has proved difficult to get rid of. So speaking in

Britain, I shall look at it, only then to return to the more important question, which is in my view the central question, to which the British budgetary debate must inevitably lead us, of a comprehensive reform of Community finances.

How, in a nutshell do I regard the British problem and its importance? Well, it must be stated that there is justice in the British case. The European Parliament itself in rejecting the 1982 refund to Britain last month, was of pains to underline this very fact and I was pleased to see that the British press and media have fairly represented this.

The Community's finances - its own resources - are made up of the customs duties, imposed on goods imported into the Community as such. As a result of long standing trade patterns in both food and other imports, a very considerable proportion of British trade originates outside the Community, being therefore subject to duties or levies, which you consider to be the "British contribution" to the own resources of the Community.

It has long been recognised that these arrangements could prove unfavourable to Britian and already at the time of entry the Community declared its willingness to correct any "unacceptable situation" that might arise with the full application of the own resources system to Britain. Indeed since 1975 a series of corrective measures have been agreed upon. The most basic was reached in May 30th 1980 and involved a temporary reduction in the British net contribution by about 2/3 for the years 1980 and 1981. Furthermore it aimed to resolve the problem by structural changes to the budget

and therefore - most importantly - gave the Commission the famous "Mandate of 30th May" to report on possible policy changes which would achieve this.

For some - and this feeling seems to exist equally in both major political parties - even with these reductions, the cost remains too high. But it should be kept in proportion. The total cost of the EEC in 1982 was only 47 pounds per person in the Community and represented a mere 3% of total public expenditure.

Attention seems to focus exclusively on the British contribution, that is on outflows. But the Community is not a one way street. Community funds and instruments are working in Britain, often on projects which are of the greatest value to the regions and to areas of the highest unemployment such as Liverpool and Merseyside.

Britain has received in 1982 about 42 million pounds from the Regional Fund and 257 pounds from the Social Fund.

Britain - that is British bodies such as the British Steel Corporation, the National Coal Board, Water authorities, local authorities, British nuclear fuels, private firms large and small have benefitted from the lending activities of the Coal and Steel Community, the European Investment Bank and the New Community Instrument.

The British Steel Corporation has borrowed over 250 million pounds from the European Investment Bank and over 400 million pounds from the Coal and

and Steel Community. British Rail has since 1975 taken up ten EIB loans to the value of 132 million pounds. British Telecom has borrowed 227 million pounds. Up to June 30th 1982 the ECSC had granted 1.35 billion pounds in loans for industrial purposes and 235 million pounds for retraining and housing. Between 1973 and September 30th 1982 the EIB lent 2.5 billion pounds to the UK to 423 projects. Of that 14.2% went to the North and 12.8% to the North West. Since 1973 such loans have created some 17,000 new jobs and safeguarded another 21,000. Britain obtained the second largest share - after Italy - of all EIB loans. Evidence collected by the House of Lords Select Committee on the European Communities on borrowing and lending activities shows that these various Community loan facilities are highly valued by local authorities, public bodies and private firms which have made use of them.

We are aware of the very serious problems of this area. The North West has next to the North been the English Region to receive most EEC aid. The Region has received 39 million pounds directly from the Social Fund, as well as benefiting from the major contribution the Fund makes to national training schemes. The Regional Fund has contributed 119 million pounds to the North West and a large share of the regional supplementary measures representing part of the UK budget refund have come to the region as well as 352 million pounds in EIB loans. The Merseyside Docks, Speke airport, the Liverpool Inner City Ring Road, the Boundary Street training centre in Kirkdale, the Merseyside Maritime Museum are varied examples of local projects which have benefited from European Funds.

We recognise that these funds are not adequate to solve all the problems which you face, but one of our greatest satisfactions lies in the use made of Community funds by local authorities regional Boards, voluntary bodies

and the like, where the input of "European money" may be a decisive factor in getting a worthwhile project going.

However, all this must be placed in a broader context. The Decision of May 30th 1980 required work to be set in train to ensure a longer-term solution. The Commission profoundly believes in this approach as its response to the Mandate shows. Our approach is a two-track one:

- development of new Community policies in those areas where we face new challenges such as energy and industry, as well as continuation of efforts to control farm spending
- necessary corrective action to deal with excessive long-term imbalances affecting any Member State (though the Mandate Report concentrated on the UK).

It was the failure to agree on such a permanent and Community-minded approach which made a new ad hoc measure necessary in 1982. The rejection of the supplementary budget by the European Parliament precisely on the grounds that it could in effect no longer tolerate ad hoc measures, which if they were to continue and be extended (Germany was also included in 1982), would undermine the keystone of the Community: joint funding and financial solidarity, which would disappear in a morass of special cases.

The Parliament's vote is far from anti-British and indeed could be turned to good effect if it galvanises the institutions into action in search of an effective long-term solution to the Community's structural problem.

The reform of the Common Agricultural Policy is also most complex and here too a difficult balance must be maintained. The Commission is only

well aware of the main problems of the CAP which give it a bad name in Britain: Production which had led to surpluses, prices up to 30% above world market prices, quasi-dumping of surpluses, the high budgetary cost and social ineffectiveness of reliance on price measures to support farm incomes. In the Mandate Report and subsequent Guidelines on agriculture - but in fact well before that, the Commission spelled out its approach to these problems, which involves a prudent price policy, having producers help to pay for the cost of disposing of production in excess of production thresholds fixed in accordance with policy criteria and some cautious moves towards increased use of Community funds to restructure some sectors and direct aids to farmers.

That the Commission has not been as successful as it would have hoped in mobilising support for these reforms is a matter of regret, and indeed this point alone tends to undercut the argument that the Commission could have achieved more by being more radical in its reform proposals.

It would be equally wrong to maintain that no progress has been made in controlling the cost of the CAP. Price support has fallen from 74% of the Budget in 1975 to 62% in 1982 though increases must be feared in 1983. Better administration as well as favourable market trends have permitted savings of some 970 million pounds in 1981. Pressure of rethinking of the Common Agricultural Policy, whilst respecting its basic aims - in particular securing guaranteed food supplies at stable prices - will continue. These pressures will come from the debate about reforming the Community's finances, from the coming Mediterranean enlargement to Spain and Portugal as well as from Britain. Here as in other areas it would be a mistake to see the Community as immutable, impervious to new situations and closed to all

change. The constraints are real, given the need to reconcile the different interests concerned, including those of small farmers with marginal incomes who in period of high and rising unemployment could not find alternative occupations, but progress is being made.

The vexed question of harmonisation and bureaucratic restrictions had done much to blacken the image of the Community and by the way to provide some unintentional humour at our expense. Our efforts here are not just for fun. What is at stake is the realisation of one of the fundamental purposes of the Community: a single market realised out of its separate markets. Here positive things have been happening, much of it detailed and unglamorous, but basically designed to remove remaining restrictions and open up markets and opportunities. In no small measure due to British pressure, a new awareness has developed that the market of 260 million consumers must become a genuine home market. I myself in my capacity as Commissioner responsible for competition policy have been promoting this approach as has my colleague responsible for the internal market. Competition policy often seems to be dry, dull and legalistic, but it is really about bread and butter issues of interest to every citizen; it is indeed about consumer choice and lower prices. Over the coming years issues relating to the fullest implementation of the single market - a return to first principles if you like - whether it be airfares, car imports, greater price competition, simplification of frontier formalities for goods and for people or the more effective right to practise a profession or offer services in another Member State, will be in the forefront of our thinking.

At times these difficulties have seemed to totally dominate perceptions of the Community in Britain, which no doubt explains the fluctuation in

support for membership as measured in opinion polls two-thirds support to two-thirds opposition, with peaks of opposition coinciding with particularly difficult problems. However important these issues may be - and as I have tried to show we recognise that and are acting - it would be wrong to ignore the wider opportunities and perspectives which membership has opened up for Britain, protecting her better against the sharp winds of recession and strengthening her in international economic and political relations.

Perhaps one of the most important advantages of membership is the opening up of export markets within a stable trading group and participation in the world's largest trading bloc with 16% of world trade. British trade to the Community has increased from 29% of her total trade to 43%. Eight of her nine EEC partners are in her top ten trading partners. British trade with a small EEC country like Denmark now exceeds her trade with Canada or Japan. Even trade with an individual French region such as the Pas de Calais equals trade with Brazil and Mexico combined.

There were, it is true, early difficulties in trade with the Community, but these have to a great extent been surmounted. Exports have risen faster than imports and trade with the EEC has risen faster than other trade. The trade deficit with the EEC at 976 million pounds in the first half of 1982 is slightly smaller than in 1973. The major sources of this deficit is cars and steel, whereas chemicals, scientific instruments, telecommunications and office machinery are major success stories in permanent surplus. Some 2.5 million jobs depend on European trade.

The lesson seems to be that whilst trade with Europe is not always easy, the opportunities are real and they are there to be taken. EEC policies

in building a single market and the EMS though Britain does not participate have done much to create an open and stable market. All that remains is for British firms to show the spirit of your football team Liverpool, which has never feared to invade Europe and win! Except of course against Ajax Amsterdam!

The Community as the world's major trading bloc has a weight in international affairs which one country could not have. This has been vital in safeguarding our interests in negotiations for the Multi Fibres Agreement, which has given hardpressed textile manufacturers in Europe some respite. It was vital in the successive GATT Rounds, in the Law of the Sea Conference, in the negotiations on steel and agricultural imports with the USA and on the pipeline embargo, which directly affected a British firm and British jobs.

Given the Community's weight in international trade and the size and strength of her internal market, it is an ideal economic dimension in which a new industrial and social policy can be developed to take account of the challenges of the new technologies. We must not merely protect declining industries to prevent unemployment, but develop the sources of future growth.

New policies on work sharing, reduction in working hours, legal protection of women's rights in employment, better environmental legislation to protect our air and water, consumer protection legislation - all of which can create employment and improve the quality of life - can be attempted in the Community framework, without the same fear of impairing competitiveness as if one Member State acted alone.

The immediate and effective reaction of the Community in the Falklands crisis shows how Community solidarity can work. Increasingly common voting stands in the UN; joint positions worked out in political cooperation, on international issues such as the Venice Declaration on the Middle East and in International fora such as the Helsinki Agreement on security and cooperation in Europe, show the Community as an effective force in world affairs. Together the Community can be more than the sum of its parts.

If it can be tougher as a unit where that is necessary, the same applies to a more handed approach to the developing countries, which is both a moral and economic imperative. The Community's aid policies and trade policy schemes favouring developing countries are certainly not perfect, but they are a start and serve to keep open the vital dialogue between Europe and the developing world.

The future of the Community lies in its development. New challenges will require new policies not foreseen in 1957 when the Treaty of Rome was signed, for nothing can remain immutable. The best of the old must be preserved and built upon.

These new challenges of the 1980's which will involve new tasks in the field of trade management, industrial and employment policy and the Mediterranean enlargement will make it difficult to further postpone a review of the Community's decision making processes, which are now at times completely ineffective. I fear that this view may offend against your British pragmatism. You may object that the present system has more or less worked. To that I would ask is it too much to overhaul our procedures a little - for that is all that is at present involved - once a generation?

I do not wish to set out a blue print for reform here for there are already many to choose from, all of which have some merit. I would as a Dutchman make efficiency and democracy my watchwords. I approve of the attempts by the Institutional Committee of the European Parliament to redefine more rationally the powers that the Community should have. More varied and flexible sources of finance will be needed. It should prove possible to reduce the excessive use of the veto in the Council and the Commission needs some increase in its executive powers.

I would firmly maintain that such changes presuppose an increase in parliamentary control and legitimation of decisions. As Commissioner responsible for Relations with the European Parliament I have been able to observe the development of the Parliament over the last few years. This development has been positive - even where it has made life more difficult for us! This shows not least in the constant efforts of MEPs in favour of their own regions. I can assure you that your most local representatives in Parliament - Gloria Hooper, Peter Price and Andrew Pearce - have not been the least active in this respect. As I have already said in respect to the rejection of the supplementary Budget, Parliament's use of its powers has by and large been positive. We should encourage Parliament to make the fullest use of its powers and to increase its real influence. We should even contemplate an increase in Parliament's powers. We must hope that the campaign for the European elections in the summer of 1984 will be a lively success, provoking serious debate about the future shape of the Community, for it is political debate, creative of a new political will that we need.

With these new objectives before us, the next ten years promise to be as challenging and stimulating as the last, but dare I say it, probably as difficult. Let them be years of progress and development with Britain playing her full part and reaping her full benefit, for that is her place.



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Brussels, 21 January 1983

EXTRACTS OF A SPEECH BY COMMISSIONER F. ANDRIESSEN, LIVERPOOL 21 JANUARY, 1983

During a speech before the Liverpool City Council today, Commissioner Frans Andriessen stated:

Although there was strong support by the present British government for Community membership, the controversy in Britain over membership remained as lively as ever. "We still too often hear talk of Britain and Europe rather than Britain in Europe. Perhaps, however, we were all too impatient. No doubt ten years was too short in the life of an ancient nation coming to the Community late and not sharing the urgent imperatives of the founding members, to make the necessary adjustments".

Mr Andriessen continued by saying that it was necessary to keep a sense of proportion. Conflict was the heart of all serious politics, and some of the Community's most constructive advances had been made through surmounting what seemed totally intractable obstacles. Indifference would be the most dangerous sign of all. The existence of controversy in Britain must be considered healthy.

Mr Andriessen listed four issues most often criticised in Britain: the British budget contribution, the impact of the Common Agricultural Policy (CAP), meaningless harmonisation and excessive bureaucracy.

On the budget issue Mr Andriessen continued: "How, in a nutshell, do I regard the British problem and its importance? Well, it must be stated that there is justice in the British case". It had long been recognised that the present arrangements could be unfavourable for Britain, and a series of corrective measures had been agreed since 1975. The agreement of May 30 1980 had lowered the British net contribution by about two-thirds for the years 1980 and 1981. It was intended to make structural changes in the budget which would solve the problem, and the Commission had been given the "Mandate of May 30" to report on measures which might achieve this. "The total cost of the EEC in 1982 was only £47 per person in the Community and represented a mere 3 per cent of total public expenditure".

Speaking of the North West he said: "We are aware of the very serious problems of this area The North West has next to the North been the English Region to receive most EEC aid. The Region has received £39 m directly from the Social Fund, as well as benefiting from the major contribution the Fund makes to national training schemes. The Regional Fund has contributed £119 m to the North West and a large share of the regional supplementary measures representing part of the UK budget refund have come to the region, as well as £352 m in EIB loans. The Merseyside docks, Speke airport, the Liverpool Inner City Ring Road, the Boundary Street training centre in Kirkdale, the Merseyside Maritime Museum are varied examples of local projects which have benefited from European Funds".

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Mr Andriessen pointed out that all this must be set in a broader context. The Community was seeking to ensure a longer-term solution to the problem of the budget. The Commission's approach was two-fold:

- development of new Community policies in those areas where we face new challenges such as energy and industry, as well as continuation of efforts to control farm spending;
- necessary corrective action to deal with excessive long-term imbalances affecting any Member State (though the Mandate Report concentrated on the UK).

Speaking of the European Parliament's recent rejection of the supplementary budget, Mr Andriessen said that this vote was far from anti-British and indeed could be turned to good effect if it galvanised the institutions into action in search of an effective long-term solution to the Community's structural problems.

Turning to the CAP, Mr Andriessen said that the Commission was fully aware of its main problems. The Commission had spelled out its approach to these problems in the Mandate report and guidelines on agriculture: a prudent price policy, co-responsibility by producers and restructuring. He added: "It would be equally wrong to suggest that no progress has been made in controlling the cost of the CAP. Price support has fallen from 74 per cent of the Budget in 1975 to 62 per cent in 1982, though increases must be feared in 1983. Better administration as well as favourable market trends have permitted savings of some £970 m in 1981. Pressure of rethinking of the CAP, whilst respecting its basic aims - in particular securing guaranteed food supplies at stable prices - will continue. These pressures will come from the debate about reforming the Community's finances, from the coming Mediterranean enlargement to Spain and Portugal as well as from Britain".

Mr Andriessen said that harmonisation and bureaucratic restrictions had damaged the image of the Community, but the Commission's efforts were in aid of realising a single Community market out of its separate markets. He declared: "In no small measure due to British pressure, a new awareness has developed that the market of 260 million consumers must become a genuine home market. I myself in my capacity as Commissioner responsible for competition policy have been promoting this approach as has my colleague responsible for the internal market. Competition policy often seems to be dry, dull and legalistic, but it is really about bread and butter issues of interest to every citizen; it is indeed about consumer choice and lower prices". The implementation of the single market would, in the coming years, be in the forefront of the Commission's thinking.

Mr Andriessen went on to point out the advantages that Britain had already received in terms of the Community export market. About 43 per cent of British trade was now with Britain's Community partners. Even trade with an individual French region like the Pas de Calais equalled trade with Brazil and Mexico combined. Some 2.5 million jobs depended on EEC trade. Moreover the Community's weight in international trade negotiations was far greater than that of any one country.

"Given the Community's weight in international trade and the size and strength of her internal market, it is an ideal economic dimension in which a new industrial and social policy can be developed to take account of the challenge of the new technologies".