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to the

German Group

of the International Chamber of Commerce

FRANKFURT

22 March 1974

I would like to thank the German Group of the International Chamber of Commerce for their invitation. It gives me the opportunity, as a Member of the EEC Commission, to express an opinion, in another eventful period, on the situation of the European Community and to explain its objectives - European Union.

The German Group of the International Chamber of Commerce has played an increasingly important role in European integration.

The Commission regards the - at present over 250 EEC professional associations - as a stimulating factor on the road towards the economic, human and political interlocking which is its aim.

The associations organized on a Community basis have settled many national difficulties among themselves at European level. This has not only increased the value of their expert opinions to the Commission, but is further proof that economic forces are taking an active part in integration and welcome its high aims.

Perhaps to want to talk today of the path of the European Community towards European Union is almost a provocation. Or sheer naivety?

However, my speech is not intended to be either one or the other but will consist of reflections, analysis and conclusions based on hard facts.

According to the Community's timetable today is 112 December 1973.

For, since 31 December 1973, Europe's clocks have stood still.

Violence was done to the Gregorian calendar because decisions which, according to the Paris and Copenhagen Summits, should have been taken before the end of the year, are overdue and will perhaps be overdue for a long time still.

Europe is in a crisis.

Previous crises - and there have already been quite a few - in fact the Community has usually only advanced because of crises - could be defined. They arose over a concrete problem, an institutional-political one (as in 1965), or one relating to foreign affairs (as in 1962). One could understand the various factors involved and work out compromises.

This time the crisis is wider and goes deeper.

The immediate cause was an epiphenomenon: the French franc went its own way, a currency was floated. Other currencies had already gone their separate ways before and there was no crisis. Why now?

I see three main reasons for this.

First of all it became clear once again that a certain policy is only European if it serves the national interest but that this interest in all other cases has priority over Europe.

Secondly, there is a lot of talk about a crisis of trust. Trust exists between people. I cannot believe that the present crisis has affected the trust between the French and German peoples. I cannot even believe that, in spite of the many unnecessarily hard words, there would cease to be trust between politicians. There have been similar hard words in the past as well.

No, it is not a crisis of trust. It is a crisis of the faith in Europe of many European statesmen.

First of all because they are convinced that they can still go it alone. Because either deliberately or for reasons of internal politics they only want, and are only able, to think of problems in the short term.

One can certainly find the solution of one's problems in the short term by bartering, but certainly not in the long term.

Moreover, it seems that they believe they are not acting against Europe's interest and are not violating the Treaties, and in many cases this is true.

Whether bilateral cooperation agreements violate the EEC Treaty or not is a question of the interpretation of the Treaty Article on common commercial policy. But what cannot be denied in any case is the fact that in the long term they make Community cooperation agreements impossible, unless the word Community agreement is only to be a cape to hang over an aggregate of nine bilateral agreements. In addition, bilateral agreements, in particular long-term ones, make a common energy policy increasingly difficult and eventually impossible.

I would like, in this connection, to point to a problem which in my opinion has not received enough attention. The terrific price rises for oil products can lead both within and outside the Community to unacceptable distortions of competition if the Governments within the Community divide up the price burdens differently, if in one country the car-owner bears the main brunt and in another the chemical industry. Harmonization of this price burden seems to me at present one of the main tasks of a nascent economic union.

The same thing will happen in international trade if certain rules are not agreed upon between the industrial countries.

Which, en passant, means that one has to talk to America and Japan.

The third reason for this crisis, for this stagnation of decisions, for this slow slide into short-term and short-sighted national solutions, is the fact that we are now coming up against the real essence of national sovereignty, that means monetary policy and foreign policy.

What is a common energy policy? It is a common economic policy within the Community and Community policies towards the consumer and the producer countries, which means Community external policy.

What is economic and monetary union, finally? It is a Community in which each Government no longer has the right to dispose freely of its revenues and expenditures and in which it cannot even fix the amount of these. This is really abandonment of sovereignty. Here we are concerned with the substance, not of a people - there will always be different peoples and there must always be different peoples in a united Europe - but the substance of national sovereignty.

That, at such a moment, faced with such a choice, the Governments hesitate and want to pause for breath is understandable and is even justified.

Looking at it objectively authorities on the Community thought in any case that it would not be possible to make much progress in the first two years after the accession of the three new Member States because this period would be needed for assimilation.

But whether this is a pause for breath before continuing or whether it is a period of assimilation is no longer the question.

Now obstacles are being set up which prevent us continuing, we are going backwards, and not even together but on national lines.

Certainly, every Government wants to know the direction of the journey. They must know, and the people must know, for what ideal and for what objectives it has to make new sacrifices.

I have mentioned sacrifices and I am not thinking only of material sacrifices. But I would like to speak here in Frankfurt about the familiar German phrase "Paymaster of the Community".

I do not like this phrase because it does not correspond with the facts, even if it has caught on among the general public. I am against "Poujadism" at both national and European level. In any case, I would also be against a Community in which one pays and the other pockets. But I would be against such a Community, not because the rich must pay more than the poor, but because the Community must consist of more than taxpayers and a Ministry of Finance.

First of all there are advantages in the Community which cannot be expressed in DM or in Guilders. Do you really think that the Federal Republic could have been able to apply the same Ostpolitik, which I personally have always welcomed, if it had not been in the Community? I hope that I won't be misunderstood by the new school of thought in Germany, which I would call the "complex of the complexless". On the other hand, the commercial advantages which the Community has brought to every member country cannot be expressed in figures either.

Perhaps other countries too have paid as much per head of population as Germany to the Community. And, finally, the decisions on own resources, when they are put into effect without any special rules in 1978, will bring about an even fairer distribution of burdens.

But enough of this digression. The Governments want to know and should know where we are headed for.

The Paris Summit had already reserved the ticket and called upon the Community institutions to describe the aims to be attained before the end of 1975. In the meantime the institutions have in fact decided to speed up their report on European Union. But no one seems to be clear yet about what should appear in the report. Up to now there have mainly been discussions on procedural matters: who does what?



But now things are getting urgent. The reports, or at least the Commission's report, must be drawn up as quickly as possible, the Member States must discuss it as soon as possible, or rather they will not then be able to dodge the discussion any more, for up to now this discussion has not even taken place anywhere at any time because no one wanted to hold a discussion. It was feared that it would lead to fundamental differences of opinion. If this were the case, then one would have to conclude that the beautiful dream had come to an end, and that the European Community will in reality remain a free trade area and there will be no European Union. It is pointless to slither from crisis to crisis if one knows that there cannot or will not be a united Europe.

To describe European identity is one thing, but to bring it about is even better. Normally a child gets an identity card when it is twelve. We are producing the identity card before the child.

What is European Union? Is it a European confederacy, a federation or a confederation? Forgive me if I do not go into detail about words. If you analyse the matters which are dealt with in a modern state by the central administration, whether it is a federation or a confederation, you will see over and over again that these cover three fields: foreign policy, monetary policy and defence. And this should be the same in a European union. No more and no less. In other fields there should be decentralization instead of centralization. In this European union the regions should be given more authority and greater powers of decision than they have at present in most European countries.

What should this European Union be like?

I think that here in the Federal Republic I can be brief. I would say that the basic model should be the constitution of the Federal Republic. With one reservation which could probably be limited to a certain period. Things should not go so far in a directly elected European Parliament that membership was determined exactly according to the number of population. Here, one must in every case take into account the existence of the Member States, in particular the small and medium-sized ones.

Furthermore, every Member State must, of course, be certain of being represented in the European Executive.

To avoid any unnecessary smirks or sceptical grins at this idyllic description, I would add immediately that in my opinion this ideal situation will not be achieved by 1980. Even in the state of their greatest European enthusiasm the Heads of State or Government could not have meant that. According to my interpretation, the beginning of the creation of European Union should take place in 1980. And allow me to say quite clearly that the main difficulty lies not in the definition of the ideal situation but in the whole long grey area which lies between the present time and that objective. I think that one could agree quite easily on the objective, but with greater difficulty on the proper place of this European Union in the world.

Must it be independent of all existing blocs and present-day Great Powers. Must it be able to defend itself with conventional weapons or also with nuclear ones? This means, of course, if the answer to these questions is "yes", that the relationship with the United States needs to be reconsidered and also that NATO has to be refashioned. These questions are possibly naive; it may even be silly to ask them. It is probably much more diplomatic not to ask them, or in any event not to answer them. Or to word them differently on the occasion of a conference of the oil-consuming countries or the creation of a Committee of experts. In the long-term, however, this serves only to create much irritation and many crises and does not solve the problem, since this is wrongly enunciated, and at the same time further complicates many other problems.

The true vicious circle into which we are slipping, however, is that some people are saying that since Europe is dependent on America, they want no Europe.

At the moment, Europe is dependent on America. This is Realpolitik. We shelter under the atomic umbrella and the Strategic Air Command maintains its watch above our heads 24 hours out of 24. True, America is defending itself in Europe, and it would be more difficult to do so from America itself. It would not be impossible, however. But this is not the question to put to the Europeans. The question that has to be put to them is: are they prepared to defend themselves; not hic et nunc, but in a European union. If the answer is "yes", then what is the best way of arriving, prudently and pragmatically, at a common defence system within the European union?

In order to achieve this, we do not need the type of European army as planned in the fifties. The first thing to be done is to share the burdens and decide who does what, whereas there are at present those among us who wish to do everything themselves. But this already brings us to the heart of the matter.

Sharing the burdens implies that we no longer believe in the defence of a single country but rather of Europe as a whole.

As far as a Community external policy is concerned, it cannot be said that the present cooperation at governmental level between the nine Member States is not positive. This would not be an objective statement or would be too pessimistic. We are confronted, however, with the fact that there was not even a trace of political cooperation in respect of two major problems. In the Middle East crisis this cooperation broke down completely: Europe was not only absent but, still worse, during the events that occurred, its absence was not even noticed. Even more dramatic, however, was the failure to arrive at a common external policy at the conference of the oil-consuming countries in Washington. For an attempt was made to speak there with one voice; the manuscript had been prepared in Brussels for a solo performance. This, of course, is not surprising: a compromise was desired at all costs, since a facade was needed and since it was hoped that, as so often in the past, this facade would serve to cover up the deep-seated differences of opinion.

And then came the tragedy, when the fictitious unity of the Nine fell to pieces when confronted by the hard reality of American initiatives, and this on the matter of establishing a committee. What is behind this? American superiority, Atlantic Europe, an American veto on European policy? Perhaps. But no discussions were held as to the form the relationship between Europe and America will take in the future. Some found that the creation of a committee does not mortgage the future of Europe and its independence, while another claimed the opposite. This made the crisis even greater. In order to solve it, the fundamental problems now have to be discussed openly and really thrashed out. This is not being done, however, and so we are stuck with the lamentable fact that the European voice ended in a whimper because of a committee.

At this point in my talk, however, each of you will have thought: it is easy to criticize ... and you are perfectly right. Allow me therefore to make a proposal; No! it is not a proposal; it is simply "thinking aloud". The Heads of State or Government are meeting again in May at a venue on the Rhine: who knows, they may even take a cruise on the river and pass the Lorelei, at which point one or other of them, if he is familiar with Heinrich Heine or the German songs, may perhaps quietly hum: "Ich weiss nicht was soll es bedeuten".

But if this "it" means Europe, these statesmen must say: the time has come to discard the methods we have used up till now if we are not to feel ashamed every time we mention the word "Europe". Political Europe must be got off the ground. We cannot start everywhere at once. Let us therefore make an experiment. Let us point out that in future our

relations with the oil-consuming and the oil-producing countries will be Community external relations. And let us give our Foreign Ministers two directives rather than the one they have been given up till now. The first one is: create the necessary basis for an external policy of this kind. The second, however, is: we undertake to cease applying a national foreign policy in respect of these two groups of countries. This means that a Community policy must be followed. Let us put a positive veto on further national policies.

I should like to think aloud a little further: a common external policy in this field presupposes a common internal policy in the same field. Is this at all possible? It would be possible if it could be recognized that a common energy policy in the present position conditions a price policy, since, in a time of shortage, prices are formed in a free enterprise market to the disadvantage of the consumer. This also requires that the Governments recognize that, in an economic community, economic measures of the individual countries must be coordinated and that, in a monetary union, no one party may make money cheaper to its own national advantage.

I said earlier that the grey area stretching between the present and the achievement of European union probably presented the greatest problem. May I make just one point: until European union is achieved, the present economic and monetary community, with its institutions and bodies, must remain. We must stretch the Treaty of Rome as far as it is capable of being stretched. We must even draw new fields into the institutional framework of the Community. Article 235 of the Treaty offers us a particularly good lever.

However, this does not mean that the institutions are not in need of reform. Quite the contrary.

The Council is no longer capable of functioning. Now it is no longer just the Commission and Parliament that are saying so but also the Council members themselves. Did the Council ever function more efficiently? Did it ever function at all? It did function better before. Its decisions were always reached by way of ponderous, marathon, and all night sessions during which determined, tough battles were fought over national interests. Of course, this is quite normal. In the past a delegate's baggage would include instructions - sometimes quite inflexible instructions - from his national Government. But it would also include one or two compromises to be held in reserve. Failing that, a telephone call could always rouse a Prime Minister at dead of night.

Now all this has changed. Nowadays these national instructions

are already published before a Council meeting, with the added comment that this is the only possible solution for the Community. Given nine national points of view, this attitude will never bring about a Community solution. But the most undesirable aspect is not this fact, but the mode of thinking that informs it and which argues that it is no longer worth making compromises - in other words, that Europe is no longer a worthwhile objective!

Moreover, since the so-called Luxembourg Protocol, we have the unanimous decision. In this connection, I would first like to point out that, even before 1965, the Council rarely or hardly ever voted on important questions. These were thrashed out until everyone reached agreement. And agreement was in fact reached! What change has the Luxembourg Protocol brought about? Chiefly a psychological one, but one that is very significant. Previously there existed the possibility of a qualified majority vote. Since the coming into force of the Luxembourg Protocol this is no longer the case, unless the delegation which will find itself in the minority agrees. I would like to illustrate this difference. As Luxembourg's Permanent Representative to the European Community, I took an active part in the negotiations on the siting of the Community's headquarters. One day my French colleague said to me: what would have been the outcome for Luxembourg if you had not had the right of veto? I replied: exactly the same, but one year earlier. Because in this vital issue the other five countries would not have forced an unacceptable solution on Luxembourg.



On the other hand, Luxembourg would have allowed herself to be pressed to an earlier compromise solution because of the danger of being outvoted. With this example I believe I have explained the philosophy or the psychology which is behind the majority voting system.

Has the time come to reintroduce this method? Would this violate the Luxembourg Protocol? I believe not, since this famous Protocol is really only "an agreement to disagree", in which five nations have declared that they will, in the final analysis, continue to apply the majority voting principle, and in which one State has declared that vital matters may only be decided by unanimous vote.

When it becomes plainly impossible to achieve unanimity on major questions in the Council the hard realities will force us to apply the Treaty again. Either we will then return to the majority voting principle, or the Community will be paralysed and will slowly break up. We are already very close to this point. Or else we could proceed pragmatically with trial votes. In other words, the Presidency of the Council, or the Commission, could decide which items on the Council agenda might be decided by a qualified majority without prejudicing the vital interests of the Delegations which would find themselves in the minority. These matters would then be decided by majority vote.

This manner of proceeding would therefore gradually become custom and customary and would make it easier for all Delegations gradually to return to the normal procedure of the Treaty. I know that this is a lame solution, but better a lame solution than a crippled Community.

I do not want to give the impression that the paralysis that has set in is limited to the Council. A good deal of criticism can be levelled at the Commission as well. There is one criticism that I would like to make myself: the Commission makes too many proposals in too many areas. At a time when the very existence of the Community is threatened, it must limit its activities to a small number of vital fields, in which progress is at a standstill and without which we can advance no further. I am thinking above all of monetary policy, energy policy and regional policy.

Under the Treaty, decisions can be taken on the proposals of the Commission, depending on the field in question, either unanimously or by qualified majority. However, a Commission proposal can be amended by the Council only on the basis of unanimity, unless the Commission amends such proposal itself. Personally, I believe that this is one of the most intelligent new ideas introduced by the Treaty of Rome, the intention of which was to create in this way a certain balance between Council and Commission. Perhaps the Commission will have to make more use than in the past of its right not to amend its proposals, even despite the danger that the Council will not itself be successful in reaching unanimous agreement on amendments. This tactic, if used with moderation, could restore more emphasis to the interests of the Community. For when the Council is faced with the choice of deciding on no solution as a result of this unanimity requirement, the unchanged proposals of the Commission, which in principle defends the interests of the Community, has more chance of being accepted by it.

As regards the European Parliament, I have two remarks to make. Firstly, any power that is taken away from the national Parliaments must be transferred to the European Parliament, even if this necessitates an amendment to the Treaty. This must be an absolute principle.

Secondly, it is indefensible that 16 years after the establishment of the European Community there are still not even preliminary arrangements for direct elections to the European Parliament, nor even any agreement on a date for their introduction.

As far as cooperation in the external and defence policy fields is concerned, it is necessary in my opinion for new institutions to be set up before the first stage of European Union. I do not think that it would be right politically to overload the existing institutions with these new tasks. However, it should be firmly established as a principle that there must be a body to propose and one to decide.

I am well aware that I have not painted a very happy picture of the development of the European Community towards European Union, and that I have been

obliged to tell you that at this moment the very existence of the European Community is already in jeopardy.

Should I then end on an optimistic note? That, I think, would be dangerous self-deception.

At the moment there is no longer any enthusiasm for the creation of a united Europe. But there is much concern that what has been achieved could be undone. And one thing is established: in all the countries of the Community a majority of the people want a united Europe to be created. This has been shown by an opinion survey carried out in the Community. Admittedly, opinion surveys are no absolute test, but they could not be so fundamentally wrong as to confuse 60% of the population with 30%.

I cannot imagine that our democratic Governments could, in the long run, pursue a policy which did not correspond to the will of the majority of those who elected them, and which in the last analysis was contrary to their own interests. After all, the European countries have no alternative to Europe.