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Summary of an address by Mr MALFATTI, President of the Commission of the European Communities, to the European Parliament in Strasbourg, 15 September 1970

In an address made today before the European Parliament, Mr Franco Maria Malfatti, President of the Commission of the European Communities, said that the task of building Europe could not be dissociated from its complex and difficult international background. International events themselves had called for an acceleration of the pace at which Europe is being built, as had been shown by the Summit Conference at The Hague.

"The times in which we live, the political nature of the objectives we had set ourselves, the problems that arise on the international scene suffice to define what our action must be: in the Community as it stands, it is no more day-to-day administration that the future holds in store for us. There has very rightly been talk of a fresh drive. This drive would develop around the following main heads, under which the activity of our institutions will in future be concentrated: transformation of the Community into an economic and monetary union; negotiations for the enlargement of the Community; the part played by the Community in the world; the strengthening of our institutions, and political union."

On the question of economic union, public opinion in the Community appreciated the importance of the decision taken at The Hague and welcomed it as a statement that a new fundamental option had been taken for the formation of Europe. The decision taken was the Conference's response to a very real economic requirement.

Mr Malfatti continued: "The common policies which are already in being, and the new ones still to be proposed, must be seen in the context of an economic and monetary union. Furthermore, the Community whose enlargement is being negotiated is one destined to become an economic and monetary union. We have to look at the institutional development of the Community and its evolution into a political entity in the light of the objective requirements of this economic and monetary union.

"Such preoccupations had already made life difficult for our predecessors. They will bear if possible still more heavily on the present Commission, which intends to gear all its activities to the requirements of building a Community of stability and growth."

Mr Malfatti went on to stress the importance the Commission attached to the scrutiny and implementation of the industrial policy proposals submitted last spring, pointing out that a policy of this kind would have to be dovetailed into the advance towards a real

economic and financial union of continental dimensions. In particular "the establishment of a European capital market, furthermore, is basic to an industrial policy that will encourage firms to attain a size consistent with new market and technological requirements, and to strengthen their financial structure. Interpenetration of the capital markets would make it possible not merely to combine their respective resources but even to multiply them. By acting as an incentive to monetary saving, it would cause capital now invested in non-member countries to flow back into the Community economy, and could also attract foreign capital. As regards industrial policy, the Commission intends to sponsor a meeting in 1971 of all the parties concerned.

However, economic and industrial progress was destroying natural assets and so the quality of life in our society had to be protected. "The Community cannot sit back indifferent to the increasing disquiet in our countries and all other industrialized States. The Commission intends to press ahead with the work already begun by its staff in this field, where an isolated campaign at national level cannot have lasting results. (...) The Commission intends to submit detailed proposals on the subject to the Council, using all the legal resources afforded by the Treaties, and in particular Article 235 of the Treaty of Rome."

Turning to the Community's agricultural policy, Mr. Malfatti remarked on the "singular contrast between the breadth of the programme and of the proposals - the result of Vice-President Mansholt's work - already submitted by the Commission under Mr. Rey, and the limited range of the decisions so far adopted by the Council and that body's hesitancy to get down to discussing the substance of the present serious problems." (...)

"The Commission therefore firmly endorses its predecessors' standpoint, that a policy on prices and markets is inseparable from a modern social policy and a coherent and courageous structural policy."

Mr. Malfatti then spoke of the need for a regional policy that would help to bring about greater harmony between the structures of the Member States, making them economically and socially more uniform. He went on to refer to the Commission's social policy programme, which will entail making the new European Social Fund operational and implementing an employment policy. The collaboration of both sides

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of industry - trade unions and employers - would be actively sought in connection with all decisions concerning economic and monetary union.

Mr Malfatti stressed the great importance of the decisions already taken in the monetary field and went on to say that "while it is true that monetary union needs to be soundly based on economies evolving on compatible lines, with convergent economic policies, it is equally true that closer monetary solidarity enhances the likelihood that compatibility and convergence will in fact be achieved".

In this connection "the Commission also proposes to press in the Council for action to ensure that the plan by stages called for in the Hague communiqué can be adopted by the end of 1970. To this end, the Commission will take all necessary steps to ensure that specific measures can be put through in certain sectors whose importance is emphasized in the memorandum submitted to the Council on 5 March 1970. These sectors are: the coordination of economic policies; harmonization of tax systems; the development of a European capital market; the strengthening of monetary organization and solidarity in the Community, with the Community acting as a single group in international monetary bodies".

Referring to the new position which the Community is adopting within the international monetary organizations, he said: "... It is time for Europe to accept its world responsibilities. Its duty to do so will be still more evident after the accession of the applicant countries.

"In the final analysis, economic and monetary union in Europe must allow it to perform a world role whose necessity is being felt more and more deeply - to establish an additional centre of balance and growth in international economic and financial relations."

Mr Malfatti then moved on to discuss the negotiations for enlargement of the Community, listing the important and delicate tasks that have already been entrusted to the Commission. He pointed out that the negotiations had immediately got down to brass tacks, but he felt that at this stage there was no justification for putting trust in forecasts: "The first session of the negotiations made it clear that the United Kingdom Government would accept the common organizations of agricultural markets, though a number of special problems were raised. The main issues at stake in these vast negotiations are already crystallizing out. The Community is no longer negotiating as six separate States but as a single Community; the United Kingdom, for its part, is no longer approaching the issue as a party seeking to find out whether it is possible to get into the Community; instead, more and more is being heard of the political and economic reasons in favour of enlargement, provided a number of specific problems can be solved."

As for the scheduled meetings with EFTA countries, the Commission would "attend these meetings in an open, constructive frame of mind, taking into account the interests of the countries concerned and of the Community".

Mr Malfatti devoted considerable attention to the Community's external relations, pointing out that "our Community is now the world's largest trading power. Its imports, like its exports, amount to some \$40 000 million. Our trade has outstripped that of the United States."

"This trade supremacy should lead us to consider what its consequences are for the life of the Community and to ponder on our growing responsibility towards the rest of the world."

That entailed special responsibilities for the Community, which should defend the principle of free trade to the bitter end. The Commission was therefore concerned about the protectionist attitudes and proposals which were making their appearance in the United States.

The President then mentioned the forthcoming negotiations for a trade agreement with Japan and announced that a new memorandum on relations with Latin America would be submitted at an early date. He stressed the importance of a common policy on trade with the countries of Eastern Europe, and told his audience that the Commission was already preparing for the introduction of the second phase of this policy on 1 January 1973.

As for the Community's relations with the developing countries, these too "are and will continue to be imbued with a spirit of increased liberalization of trade, to ensure that these countries get a bigger slice of the international cake. Our policy of association or preferential agreements with countries in Africa and the Mediterranean Basin, together with the system of generalized preferences for developing countries to which the Community has already at this stage made a significant contribution, bears witness to this".

(...)

"There is a constant deficit on the Community's trade account with the developing countries. This has made it possible for the countries concerned to cover a considerable portion of their deficit on trade with other industrialized countries."

Mr Malfatti then turned to the important topic of the role played by the Community's institutions and the reinforcement of these institutions: "Fears have been expressed from time to time that the Commission might be downgraded and become a sort of Community secretariat. These fears are groundless. The character, powers and role of the Commission are clearly defined by the Treaties, as I pointed out at the beginning of my speech. But beyond the legal framework, which must be observed in every respect, a political movement is under way which is tending to widen rather than narrow the Commission's role just as it is tending to widen rather than narrow the role of the European Parliament. Whether the objective of economic and monetary union is to be pursued, existing common policies are to be brought into line with the proposed union, or new ones launched, a fresh impetus is to be given to the Community's

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research and development policy, the Community's 'own resources' have to be managed, the common commercial policy is to be implemented, or the enlargement negotiations are to be efficiently conducted and brought - rapidly we hope - to a conclusion, the tasks, the functions and the role of the Commission, as originally laid down in the political and legal framework of the Treaties, will be able to come to full flower.

"It is true that the functioning of the Community's institutions will have to be improved. In this connection I feel that it would be useful if the Commission were to suggest, in collaboration with the Council and the European Parliament, ways and means of streamlining existing procedures while respecting the Treaties to the full. Well aware of the extent of the work done by the Council and the personal contribution made by each Minister, the Commission feels that it should be possible in some instances to improve the output of the institutions and to speed up decision-making."

Mr Malfatti confirmed that the Commission had undertaken to draft and submit the proposal for increasing the powers of the European Parliament and that on legislative powers for the Parliament. He then reviewed the moves that were being made to achieve political union: "We may comment on the timidity of the initial conclusions arrived at by the Foreign Ministers and we may sympathize with the disappointment felt in various political circles, but it seems to me that some positive elements deserve attention. There was the will to set in train a continuous process which, within a short period of time, should lead to new and, it is to be hoped, more far-reaching results and a close relationship with the facts of the Community situation. This close relationship is evidenced amongst other things by the fact that the forms of consultation provided for can concern the candidate countries only if these countries become members of the Community". He went on: "This is why we are directly and immediately faced with the problem of the role to be played by the Commission, which cannot be excluded from participation in the process of building political union in Europe, since it is itself the main protagonist of the construction of the Community."

"I think I should also point out that the Commission's participation in the work of building a political union would, in practice, improve the efficacy of the role assigned to our institution."

In conclusion Mr Malfatti said: "The Commission for its part is ready to shoulder its responsibilities, convinced that it is, at one and the same time, the guardian of the Treaties and the motive force of integration, capable of accepting with courage the dialectic consequences which go with its two-fold task - exercising the vigilance that is needed to preserve us from the risks run by the venturesome and acting to correct any excess of vigilance which would inevitably lead to stagnation.

"The support of the European Parliament is essential if we are to carry out our mandate: we trust that we shall merit that support through the coherence of our action."

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