

Community Topics

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Economic union: the second phase of European integration

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On July 1, 1968, a year and a half in advance of the date laid down in the Rome Treaty – the customs union was completed within the European Community. The last remaining internal customs duties disappeared, the external customs tariff was introduced in its entirety, and the first two tariff reductions negotiated at Geneva in 1967 under the General Agreement on Tariffs and Trade came into force.

This great economic, psychological and political event brought home even more clearly to public opinion in Europe the importance and urgency of carrying through the second phase of European integration, that of economic union, on which a great deal of work has been done in the last few years and on which we should now concentrate our efforts.

Three essential aspects of economic union are Community policies for industry, energy, and the regions.

Common industrial policy

For obvious reasons, including the timetable imposed by the Rome Treaty, it was right and necessary to give priority to working out the common agricultural policy. But, because the customs union is complete, it has now become essential to devote more and more attention to the problems of industrial development in the Community. The European Parliament and the Community's Economic and Social Committee have been urging us to do so; the bodies that speak for the Community's industries and the great organizations that represent the workers are also insistent. These problems were emphasized in the second Medium-term Economic Policy Program published by the Commission.

It is impossible to conceive of the Community's industrial policy other than against the background of general economic policy. If industry in the Community is to develop favourably, the first requirement is that our economic policy should be coherent for both short-term and medium-term problems.

Since the inception of the Community, its industry has on the whole shown indisputable qualities of dynamism and of progressive adjustment to the changed conditions within and without, qualities which it would be unfair to ignore and which indeed serve to explain the remarkable economic expansion that has been a feature of the Community from the outset. But our difficulties call for action not only by industrialists themselves, but also by the public authorities and even more, at present, by the authorities of the Community.

The Commission holds, moreover, that the necessary adjustments must not tend towards a situation in which we have only large-scale industrial concerns. Large undertakings are obviously needed and their growth should be encouraged; but small and medium-scale firms still have as much – if not more – of a future at Community level than they had before. Hence, the dynamism of firms and their ability to compete, rather than their size, must be our chief objective.

In all action we take we must never lose sight of the social aspect. This is obvious when we consider how much a firm's soundness and competitiveness can contribute to its workers' security of employment and improvement of their standard of living. Nevertheless, special care is needed when we tackle the adjustments and specific measures of intervention.

Legal and fiscal obstacles

One essential and immediate task is to deal with the obstacles in many fields which still partition the Community. The Commission intends to continue its drive to remove the technical obstacles. Merely enumerating them shows the scale of what has to be done.

In the legal field, the Commission intends to press forward with increased energy in the task of devising the statute of the European company. While paying tribute to the high quality of the work now in hand, the Commission is seriously concerned about the slowness with which this work is advancing; it feels that other, more rapid methods – which it intends to propose – will have to be used unless we are prepared to wait years for this indispensable and impatiently expected instrument to become available. At the same time, work on harmonizing company law and the right of establishment must be speeded up. Work must also be resumed on the convention to establish a European patent, which has been in the doldrums too long.

In the tax field, our Commission also attaches special importance to removing the tax obstacles which still impede mergers between firms registered in different member countries. The next three to five years must see the abolition of tax frontiers and of the systems under which turnover tax may be refunded in one country and an equalization charge levied in another. To this end, the level of turnover-tax rates of the major taxes on consumption should be harmonized. The preparatory work on these tasks has been put in hand. What is required now is the political will to take the relevant decisions.

Many other things remain to be said and done in such fields as occupational training, and firms themselves will have to make an immense effort if they are to match the efficiency of the management methods used by American companies.

Such are, in brief, the main conditions for industrial development. They should all help to eliminate the numerous obstacles that are the legacy of a defensive interventionism, and to put in their place an environment which encourages progress, initiative and the essentials of good management. Whatever the political doctrine followed, these things are fundamental to the success of private and of publicly-owned undertakings. The latter should, by their very nature, show the way and should, in particular, make their own contribution to a better adaptation of industrial structures to the conditions of a large market.

Specific measures

Thirdly, there are the specific measures to support certain industries. General economic conditions must be favourable before firms can undertake the process of adaptation. But – as is stressed in the draft of the Second Medium-term Economic Policy Program – industrial policy cannot be confined to action of a general nature. Government measures to support specific industries must doubtless remain the exception. They cannot be a substitute for private enterprise and must in no circumstances be used to correct the efforts made by managements. As public resources are limited, a decision has to be made on the industries which are to be helped.

It should be stated clearly that the vast majority of firms and industries must be able to exist and develop without aid from the public authorities of the member state concerned or from the Community; establishing the general conditions referred to above should be enough to ensure that they are in a good position to face competition inside and outside the Community.

Two types of undertaking, however, pose special problems which require active intervention by the public authorities. These are, on the one hand, long-established undertakings threatened by decline or facing fundamental operating difficulties (not difficulties peculiar to a particular sector), and, on the other hand, companies belonging to what are generally known as the growth industries. These two types of company should enjoy special privileges only because the general interest of the Community calls for intervention by the authorities.

Declining industries

Adapting those industries which are in difficulties because of the constantly increasing pace of structural change is still one of the most important tasks facing the Community. For social as well as economic reasons, the Community cannot evade its responsibilities towards such industries. The member states have made major efforts to support them. In some cases their efforts, instead of facilitating adaptation to new technological and market conditions, have resulted in artificially maintaining existing structures.

The aim of the Community's policy for these industries should be to accept the structural changes necessary for general economic expansion and to facilitate adaptation of companies to these changes.

The problems of declining industries are largely of a regional and social nature. When there is over-employment

in the declining industries of a region and when, in the vicinity of these declining companies, there are modern industries contributing to the expansion of the economy, the manpower requirements of the modern industries reduce the social disadvantages involved in conversion.

The situation is entirely different when we have to deal with isolated firms which belong to the only industry in a fairly large area, for instance, coalmines or iron-ore mines in certain regions, shipyards in some ports, or the textile industry in certain valleys. These regional problems can be solved only by establishing new industries with favourable prospects of profitability and development.

In dealing with the difficulties of these industries, the Community could be guided by the following principles:

1. Intervention should be confined to supporting economic activities which have been particularly hard hit and which cannot be allowed to disappear without serious economic and social consequences.
2. Intervention, which is always burdensome and which represents a commitment for the future, should benefit only those industries which have, in addition to problems connected with the current state of business activity, other problems that can be expected to persist over a longer period.
3. Intervention should not be undertaken with the goal of preserving existing structures in their present form.

We must aim at a situation where action to support particular industries can no longer be the subject of isolated decisions by a single member state. Decisions, which will depend on the nature of the measures proposed, will have to be taken on the basis of the articles in the Paris and Rome Treaties which deal with coordination at Community level.

In the absence of such a Community procedure, member states tend to try to outdo each other in their efforts to support this or that branch of industry in their country; the result is that the conditions of competition are seriously disturbed and the unity of the market jeopardized. This can, moreover, lead member states to allocate an unduly large portion of public funds to the industries concerned – to the detriment of other activities.

The Community has already experienced these difficulties in shipbuilding, in the lead and zinc industry, and in certain parts of the textile and paper industries. Endeavours to reach common solutions have been made at Community level, but they have not always been successful.

Without being faced with the same grave problems as other long-established industries, the iron and steel sector has, nevertheless, been confronted in the past few years with serious difficulties of adaptation which have not yet been completely overcome. The drive towards rationalization and reorganization, which has been proceeding for several years, is now beginning to bear fruit, and in the not too distant future we may reach the point where the whole of the Community's iron and steel industry will again be working in satisfactory financial conditions. For a limited period, however, certain special measures may still be needed; these should be the subject of particularly close coordination at Community level in order to avoid the reappearance of the dislocations which were at the root of earlier difficulties.

Growth industries

The problem of the industries which belong to the growth sectors must be seen against a quite different background. For these industries, the Common Market in its present form does not of itself have an integrating effect; it does not provide a stimulus. The benefits of tariff preferences for Community firms are insignificant and can not ensure sufficient outlets to make production profitable. Public contracts, which in most cases are of decisive importance, are placed either with the national industry or with foreign manufacturers of well-tried products.

The costs and risks involved in developing these industries are, however, so high that no company, whatever its size, can bear them alone without certain guaranteed aid or outlets. For these sectors the pooling of public funds, therefore, means a true Community.

Unfortunately, attempts to work out arrangements for this cooperation at Community level or in a broader framework have not yet been entirely successful. Whatever the legal formula used, such common action has in the past always lacked strength and suffered from precariousness. Sometimes the result has been the reverse of what was intended in that the action has led, not to a rational division of work among the associates, but to further duplication and consequently to waste of money and of brains.

Experience has shown that cooperation at Community level confined to the nuclear field alone raises the problem of what is known as the "fair return" on both financial and technical participation in the most interesting projects.

Where undertakings are confined to a single project and based on the association of a varying number of states, they have always come up against the problems of finance, which

is precarious owing to the very nature of the agreement, as can be seen from recent developments in the European Launcher Development Organization (ELDO) and the European Satellite Research Organization (ESRO).

The Community can therefore no longer postpone action in favour of its "up-and-coming" industries; otherwise, it will condemn them to an irrevocable decline. Strengthened by past experience, it must take broader action which will offer the best guarantee of continuity.

The Community's growth firms must begin to specialize, as did the long-established sectors. Community action must be sufficiently wide to enable industry in all countries of the Community to benefit, and Community mechanisms must guarantee the continuity of finance.

Here we are concerned at one and the same time with research, with technology and with industrial development. Naturally, there will have to be constant cooperation between all those who have responsibilities in the various, closely interrelated fields. The Commission will see to this, both when organizing its internal work and when preparing proposals for submission to the Council.

The forms which this intervention should take still have to be settled. It seems that direct action by the Community, through centres or bodies directly attached to it, should remain the exception. In most cases preference should be given to public contracts.

To sum up, Community action in industrial research and development should be based on these principles:

1. Member states, prompted by the Commission, ought to concert their action and combine their efforts by selecting a certain number of priority schemes and carrying them out in a joint effort backed with substantial means.
2. These schemes should be sufficiently numerous and broad to allow, in the medium term, of an equitable distribution of the advantages and sacrifices.
3. The cooperation involved must cover all stages, from research and development to the industrial use and exploitation of the results.
4. The concerted action should lead to a reorganization that will enable European industry to benefit from the economies of scale; this alone will allow it to compete on an equal footing with transatlantic industries.
5. To induce industries to combine or merge, if possible, across frontiers, they should be offered guaranteed outlets through a policy of public contracts.

The industries to be supported would be chosen according to these criteria:

The industry should occupy a key position in the general development of the economy;

Technical risks and the cost of research and development would have to exceed the firms' financial resources;

After international competition had been considered, there should still be a real prospect of industrial and commercial outlets for the products.

Obviously, these general criteria must be applied in the light of many considerations, and subsequently we shall have to see how far they meet the requirements brought to light by a detailed study of the industries involved.

When the Community works out this policy for "spearhead" industries, the need for the fullest and most frequent cooperation with other European countries, especially Great Britain, should not be forgotten. The Community's present framework is already too narrow for some particularly large research efforts, and the outlets it can offer to the industries concerned are still too limited to ensure satisfactory profitability. This is why it appears highly desirable that the Community and some of its European partners should pursue a joint policy of technological development if our industrial policy itself is to be a success. Until an overall solution is adopted, the aim should be to make progress in individual fields without further delay.

Common energy policy

The merger in 1967 of the Community institutions should end the dispersal of responsibilities for energy policy and give fresh impetus to the development of a common policy. In spite of considerable efforts to ensure good and close cooperation, mainly through the inter-Executive working party, the existence of three European Commissions, each only partly competent in this field, was an obstacle to the introduction of a common energy policy.

Thanks to the extensive and very valuable work carried out by the three former Executives, mainly within the inter-Executive working party, we know exactly what difficulties to expect as we move towards a European energy policy.

Varying national interests

The difficulties spring from the great variety of interests involved, particularly those of the member states. This problem is, of course, not peculiar to the energy sector. But, because of the differences in the initial situations, the energy economy has in the past been subject to national policies elaborated under widely differing conditions. We must not, however, let ourselves be discouraged either by this or by the fact that even today we still have to apply three Treaties with no uniformity in their fundamental approach to energy problems.

We shall have to surmount the barrier of national interests, which in the short term are divergent, and find their common denominator. In other words, we shall have to determine the real medium- and long-term interest of the Community as a whole and organize suitable means of furthering this interest. Without an energy policy conceived on these lines, the Community will not be able to formulate a coherent industrial policy and even less to reach complete economic union.

People quite rightly call for a comprehensive policy on energy. The Commission feels, however, that it would not be wise to work out a perfectionist plan in this field. In view of the existing divergences and the rapid structural changes taking place in the energy sector, the most we can do is to elaborate broad general principles and work out the common energy policy gradually.

We must first reach agreement on the principles of Community action here. We can take as a basis the general principles of energy policy to which representatives of the member states gave their assent on April 21, 1964, in the protocol on energy problems. The governments clearly recognized the urgency of creating a joint energy market – this is the first point in the preamble; they reaffirmed their

will to continue their efforts to implement a common energy policy, and they agreed on principles and procedures which went beyond anything in earlier texts.

In 1960, imports represented no more than 27 per cent of the Community's total energy requirements: in 1967, they had to cover 52 per cent of a total consumption of 630 million metric tons, coal equivalent. This trend clearly shows that the Community's policy must rest partly on the economic interests of those who consume energy and partly on the need for assured supplies of primary energy for the Community.

The Commission will go into all the implications of this central problem and will propose possible solutions that take into account the objectives of keeping energy prices as low as possible over the long term – essential for the general economic development of the Community – and ensuring a secure supply of energy. The Community's growing dependence on imports in this sector should not, however, be a cause for disquiet only; in view of the influence a big customer can have on the world energy market, it is also a possible source of strength.

Three steps

The Commission believes that the following steps might bring us nearer our common aim.

First, a basis of discussion should be found which will embrace all forms of energy. With this in view, the Commission intends to maintain the institutional contacts that have already been established with the representatives of the member states through the former High Authority, EEC Commission and Euratom Commission, but in a framework which will correspond to the fact that the European Commission is now the sole authority on energy policy.

Secondly, the Commission has started to draw up an inventory which will go beyond the reports published annually on the energy situation. This inventory will enable governments and the bodies concerned to reach general agreement on the most important problems facing us at present. The Commission feels that such agreement on the economic analysis of the situation is essential to making policy decisions. That is why it also intends to bring this analysis up to date regularly. We are fortunate in having at our disposal the documents prepared by the former Executives, such as the study on the long-term outlook for energy in the Community, the first draft Euratom program,

and studies made as part of the General Objectives of the European Coal and Steel Community.

Our future work in this field, which will naturally be done in the context of a general economic analysis and, consequently, of our medium-term economic policy, will also benefit from the valuable methodological experience that has been gained in forecasting. A first report on the present situation of the energy market in the Community, covering all energy sources, has been issued.

Thirdly, the Commission intends to work out proposals for the whole field of energy, from coal to fissile materials. This could mean that the Council decision of July 1967 on work to be done in the oil and natural gas sectors will be supplemented by corresponding decisions for the other forms of energy. Provision may also be made for establishing an order of priorities.

Some energy problems

The various energy sectors present a mass of problems that need to be solved. Only a few of them can be mentioned here.

In working out a Community coal policy within the framework of a common energy policy, the first aim should be to guide the future movement of coal production, if possible by issuing estimates, so that the collieries could have a proper idea of the share they were expected to contribute to the Community's energy supply; this would involve concentrating coal-winning on the most efficient pits. The second main aim would be to coordinate the arrangements introduced by the national authorities separately to aid their own coal industries, and bring them into line with the objectives of the common energy policy. It would also be part of the scheme to promote a common commercial policy, for both intra-Community and external trade in coal. The Commission is aware that subsequent developments in the coal industry and in our coal policy will require the fullest possible harmonization with the objectives pursued in one general economic and financial policy, and in particular with what is possible in social and regional policy.

In the oil sector, the most important tasks concern security of supplies, maintenance of a reasonable degree of competition, and establishment of conditions similar to those found on a domestic market. The Commission sees harmonization of the taxes on mineral oils as an essential move along the road towards a common policy. To maintain a reasonable degree of competition, priority must be

given to studying measures intended to align the competitive conditions in which European companies operate with those applicable to large firms outside the Community.

Clear concepts must be worked out for the future role of Community firms – from the viewpoint of competition and of the reliability and cost of supplies – and ways of creating the appropriate conditions must be examined.

The important discoveries of natural gas in the Community constitute a new and valuable source of energy. There remains the question of how and under what conditions natural gas can be fitted into the common energy market, in view of the fact that supplies should be available to EEC consumers on more or less the same footing.

In the nuclear energy sector, problems arise in the fields of research policy and of industrial and energy policy. To ensure that the Community is supplied with nuclear fuels, forward-looking measures must be adopted so that natural uranium is available in the long term. A methodical supply policy must therefore be prepared in good time. The efforts being made in this direction in certain member states are not adequate. We ought to investigate the expediency of establishing joint undertakings as an incentive to prospecting and working of natural uranium deposits.

In accordance with the Council decision of December 8, 1967, the advisability of constructing an isotope separation plant in the Community is being considered. At present, the question of plutonium supplies affect only research. The Community's policy here consists in following closely the probable trend of the market and seizing any chance of buying supplies at low prices.

In the electricity sector, the task of fitting exceptionally large generating units into the established network raises fresh problems. The need to ensure against breakdown of supply and to achieve optimum utilization of power stations is acquiring a new dimension that ignores national frontiers.

Interdependence

We must not lose sight of the relation between energy policy and other spheres of Community policy or of the interdependence between the various parts of the energy sector itself. Overall agreement is needed, for example, to set up a coherent tax and aid system for all forms of energy and for the adoption of common regulations on the transport of energy. The Commission will also examine the possibility of developing the idea of joint undertakings, which is the subject of Chapter V of the Euratom Treaty, so

that we can assess the conditions under which these joint undertakings would facilitate the accomplishment of general aims in the energy field.

The Commission believes that it would be of great help in reaching a common energy policy if, over and above the obligatory consultations provided for in the 1964 protocol, similar consultations were compulsory in all spheres of the energy economy. This would prevent existing divergences from becoming more serious and make it easier for the various points of view to be brought more closely into line. The Commission thinks, moreover, that cooperation within the Community should be strengthened, but not to the point

where the Community becomes inward-looking, since its internal efforts need to be complemented by commercial cooperation with non-member countries.

Different priorities and widely divergent economic interests in the member states undoubtedly make it difficult to implement a Community policy on energy. The Commission is, however, convinced that the basic solidarity of interests among the member countries will overcome the divergencies. A common political will based on this fundamental solidarity should, in the Commission's opinion, make it possible to take great strides towards a common energy policy even before the merging of the Treaties.

Common regional policy

Despite the efforts in this field made in our three Communities over the last fifteen years, there are few aspects of Community activity where the European Parliament's impatience is more easily understandable and more fully justified. This does not mean that the efforts made and the results achieved should be regarded lightly. The resettling of workers made redundant by the closing of coalmines is one of the great victories of the ECSC Treaty in the social field: without it, it would not have been possible to run down the coalmining industry, under the conditions in which it was carried out in the Community. Implementation of Article 56 of the ECSC Treaty (on conversion aid) was actively and intelligently pursued by the High Authority. In the European Economic Community, aiding the industrialization of southern Italy has been pressed forward assiduously and effectively, thanks in particular to help from the European Investment Bank. Other operations have been put in hand in other regions of the Community, and overall studies have been continued.

But this is not sufficient. It is clear that too many regions in difficulty expect more effective and dynamic action from the Community and that the hopes engendered by the very fact of the establishment of a large European market have not been realized enough in the various parts of the Community.

The need for more active regional advancement is all too evident. When Breton peasants or Walloon workers ask what the Community is doing for them, and criticize us, however unjustly, statistics and studies are no adequate answer. It is action that is needed. Regional policy in the Community must be what the heart is in the human organism. Just as the heart pumps blood to all parts of the body, regional policy should stimulate and nourish economic life in regions where it is weak or ailing.

Of course, this cannot be done artificially. Regional policy cannot, any more than any other policy, be divorced from general policy: it must be smoothly fitted into the general framework. We must bear in mind the Community's medium-term development, but there is no need to wait until we have reflected at length on the problems before taking practical measures.

Four priorities

Moreover, as the means of action available to the Community and to the member states are limited, three types of region seem to merit priority: the main outlying regions of the Community, which are often heavily dependent on

agriculture; the older industrial regions now in decline; and the internal frontier regions common to one or more member states. Nor, of course, must we forget the regions affected by the division of Germany; the Treaty refers to these specifically.

In the outlying regions where agriculture predominates, new activities must be created. These regions are no longer dependent on raw materials of Community origin and can be supplied by non-member countries. For this reason alone, they do not suffer as much as in the past because of their remoteness from Community centres. In fact they lie at the centre of international competition and have direct access to international markets. However, this means that they should possess industries which are internationally competitive. Their expansion therefore should not be planned merely to satisfy the requirements of a regional market, nor slanted essentially towards the internal economy of the Community. These regions must be enabled to provide a considerable part of the Community's contribution to international economic activity. Such an approach presupposes certain operations, many of them on a large scale.

The declining regions tend to be those where there are long-established concentrations of coalmines, steel mills or textile mills. These declining regions have socio-economic infrastructures which, combined with their large populations, constitute a valuable capital asset. But changes must be made and accepted, and everyone must participate in regional transformation by turning resolutely to face the future. Moreover, there can be no question of abandoning all industries, though the regions must be opened to fresh activities which will enable them to experience a new industrial upsurge.

The internal frontier regions of the Community are being directly affected by European economic integration and are subject not only to the technical changes common to all areas, but also to the changes entailed by the abolition of frontiers. Regional policy consists in developing these areas into economically and geographically homogeneous Community territory. This calls for economic, legislative and administrative solutions. The internal frontier regions are a special illustration of the need to coordinate regional policy at Community level.

The regions most affected by the division of Germany, which has disrupted numerous traditional links, should also be given priority treatment.

The unrelenting demands made by international competition and technical progress nevertheless mean that, despite the diversity of the regions, the solutions adopted for regional problems must be fitted into the Community's general regional policy. The main objective is to apply solutions appropriate to each regional situation which dovetail into an overall development concept for the Community.

Wide responsibility in regional matters doubtless rests with the member states, and will continue to rest with them. But the very success of the operations undertaken at Community level, the inadequacy or the mutual inconsistencies of certain national measures, demand that Community responsibilities in the regional field should at last be fully recognized. It is becoming clearer to everybody that the actions of the member states have repercussions beyond their national frontiers and directly affect the economy of the Community as a whole, and that solutions must therefore be sought at Community level.

Thus, the Commission must contribute to all these operations by helping to plan them, coordinate them and get them under way. It is therefore by cooperation between all the parties concerned that regional policy can be implemented on a scale commensurate with the problems involved. It is in this spirit of broad cooperation that the Commission intends to contribute to the Community's regional policy, so that the best use may be made of both national and Community machinery.

Stat aids

A particularly striking example is provided by the need to coordinate state aids granted for regional aims. Similarly, all activities which have to be carried on in the framework of the common policies must take the requirements of regional policy into consideration. This applies equally to transport policy, agricultural policy, energy policy, social policy and commercial policy. All these have a part to play in regional action. They contribute to regional growth,

which is the geographical expression of the growth of the Community itself.

As for the more immediate and more direct means of action – the Community's financing activities – the Commission will continue work on conversion in accordance with the provisions of the ECSC Treaty. It will ensure that intervention by the Social Fund (which must be reorganized) and by the European Agricultural Fund contributes to regional growth. The European Investment Bank should have greater resources at its disposal so that it could further diversify its activities.

Finally, in coordinating work which has to be organized at Community level between all those concerned, it is clear that the local authorities, who live close to regional problems, can make an important contribution.

These are the main lines of action which the Community intends to follow in regional policy. To this end it has set up a Directorate-General for Regional Policy, which covers all the fields mentioned above and groups in a single unit all those departments which previously had responsibilities in their field. This should facilitate policy-making as well as administration, both within the Commission and in our dealings with all interested bodies. The Commission is also complying with the frequently expressed wish of the European Parliament that there should be a documentation centre to pool and issue studies, surveys and reports made by the different bodies – which is another form of coordination. The centre will also have the task of helping to overcome the severe difficulties so far experienced in collating regional statistics. Furthermore, creating a centre to issue information would perhaps be a means of encouraging industrialists and businessmen to launch out on new ventures.

In this way it should be possible for the Commission to become a driving force in regional action by organizing the exchange of ideas and confrontation of experience and by contributing its own suggestions on the best way of tackling regional development in the Community.

The unfavourable political situation

If all this is to be put through, the first and foremost need will be dynamic action by the Commission and its departments. The task is enormous, because of the scale of the operations to be carried out, and because of the extent and diversity of our great Community of more than 180 million inhabitants. The Commission's role in the present stage of our institutional development is to be at all times a driving force behind these operations, never discouraged by delays or failures and always prepared for creative departures.

We need the help, criticism and encouragement of the European Parliament, of the Economic and Social Committee and of the Consultative Committee of the European Coal and Steel Community. Above all we shall need decisions by the Council, and also the confidence and support of the member states. This necessarily leads me to mention the anxiety which the Community's present political position is causing us. A particular source of concern for the Commission is that the crisis which began on December 19, 1967, when disagreement emerged in the Council over enlargement of the Community, is not yet on the way to solution and in fact seems likely to grow worse. The Commission still believes that it would have been better to follow the opinion it gave in September 1967, and that in this way the Community would have been spared much internal unrest and loss of time. The Commission would, however, have reconciled itself to the situation if, failing an overall solution, the Council had at least worked out an agreement on a temporary *modus vivendi*.

Unfortunately, this has not been the case and the situation is not evolving favourably at present. The veto is a contagious disease. One member state vetoed the enlargement of the Community and another retorted with a veto on negotiations with the Mediterranean countries; to this was added the veto of a third member state on technology, and it would seem that the veto can extend to other sectors. The Commission's efforts to narrow down the differences between the various parties has so far yielded no results, and it is impossible not to be deeply concerned over this situation, from which we must find a way out at all costs.¹

¹) Later in 1968 the position eased. In October negotiations with Tunisia and Morocco paved the way towards preliminary Association Agreements between these countries and the Community, while negotiations took place with Yugoslavia with a view to improving mutual economic relations. In October also an initial exchange of views on closer links between Malta and the Community was held. On December 10, 1968, the Council of Ministers unanimously accepted a resolution which opened the way to restarting the work of the Community's Maréchal Committee on technology and to closer technological cooperation between the Six and Britain and other European countries.

A way out must be found, first because the Community cannot allow part of its internal and external activities to be paralysed at the very time when it has completed its customs union and should devote all its energy to the construction of its economic union.

A way out must also be found because of the role which the Community has to play in the world. At a time when so many difficulties and troubles beset the continents, the Europeans should set an example of wisdom, unity and strength. They should advance along the road to integration in order to ensure the independence of their continent and enable it the better to take up the great industrial, scientific and technological challenges of our day, cope with monetary squalls and play its part more effectively in helping the developing countries.

Finally, finding a way out is our duty to the coming generation. Surely we should ask ourselves whether the image of our society as seen by the young people of today is an attractive one, and whether we should not endeavour to improve it? How beautiful Europe would be if it were united; if our old continent – laid waste down the centuries by so many conflicts, and having unleashed the last two world wars on its own soil in the clash of European nationalism – were capable of rising above past divisions and outworn nationalism and of building a society looking towards human freedom, reconciliation between peoples, and social progress. "Make your God greater if you want us to adore him", said Voltaire to a Christian of his day. It is for us to undertake the construction of a continent at peace with itself and united, so that the youth of today may deem it worthy of their toil and their dedication.

This was the ideal which, twenty years ago, inspired the founders of the European Community. It is still our ideal today; but have our member states forgotten it? Can they not see that the venture of unifying this old and ravaged continent is the greatest political work they have accomplished since the Second World War, one which earns them the respect of the entire world and to which they should first and foremost devote their intelligence and their energies?

The time has come for our governments to make a new attempt at *rapprochement* and conciliation. I would once again urge them to work out a general agreement that will enable the Communities to resume and press forward energetically with the construction and unification of the European continent in all spheres. May this appeal not fall on deaf ears!

Community Topics

An occasional series of documents on the current work of the three European Communities
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