

EUROPEAN BACKGROUND INFORMATION COMMUNITY

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE

~~No. 16/1974~~

September 24, 1974



ORTOLI CALLS FOR RAPID JOINT ECONOMIC ACTION IN THE EUROPEAN COMMUNITY

Following is an address by EC Commission President Francois-Xavier Ortoli before the Twelfth Congress of the Association of European Journalists, September 13 in Mainz, Germany.

It is a well known fact there is a Providence for journalists. This Congress is meeting at a time when, despite considerable inertia and heart-searching, a new desire to "get Europe moving" seems to be emerging. There is reason to believe that the next few weeks will provide an answer to the great question: is Europe going to continue to stagnate or is it going to get off the ground again? Moreover this immediately raises a second question: if Europe gets moving again, on what basis will it do this, and how fast will it go? In other words, if it gets under way again will this new progress be accompanied by innovation, by change in its methods, its responsibilities, and its institutions?

Let us not be unfair: Europe has recently begun to advance again. This is clear from its Mediterranean policy, its development and association policies, and the slow but sure resumption of economic and monetary cooperation.

None of these achievements should be underestimated.

Economic and monetary union, based primarily on progressive alignment of currencies, had not only fallen back in recent years; but even the very concept had lost ground. Under the hammer blows of inflation and of international monetary disorder, the doctrine underlying all that has been done since 1970 was shattered and nothing was found to replace it. As a result, and despite all our warnings, the Community marked time for months, although this must be contrasted with the actions undertaken since June -- too slowly but nevertheless surely to my mind -- on the initiative of the Commission.

Three positive points can be made in this connection.

Firstly, the Ministers of Economic and Financial Affairs have adopted the principle of holding monthly meetings. There is nothing spectacular about this, and a procedural decision of this nature does not have any great impact on public opinion, but one thing is certain: if joint action is to be taken in economic matters, there must be a real forum for consultation and decision-making and, even more important, policies and personalities must be in close harmony. This vital condition can now be met.

Secondly, an action program is being worked out on the basis of the proposals we have put forward in recent months, particularly on June 5. This is a minimum program, centered on the possibility of a Community loan. However, at least we have primed the pump again and the Commission, which has been responsible for this timid initial step, will do all it can to ensure that future progress will go further and faster.

Thirdly, it is very important for us to give serious consideration to setting up technical and financial machinery for the implementation of genuine Community solidarity. Hitherto, there had been no understanding of the fact that solidarity was both a major political act and an absolute economic necessity. All the speeches made about interdependence had no firm content. In the next few weeks, this content should begin to emerge; this is a political fact of really major significance.

There has been yet another important step forward: Europe is setting up a policy of development aid. There are more and more indications of this: the progress in the Kingston talks with the 44 African, Caribbean, and Pacific countries, the possibility of setting up machinery to stabilize export earnings in the Association setting, Community initiative on the emergency fund to assist the poorest countries, extension of food aid measures, special action in the Sahel, etc.

More than anywhere else it is here that Europe's external vocation is being affirmed and the elaboration of a common development policy today strikes me as being a keystone. Here we encounter none of the obstacles which the absence of genuine political union puts in the way of integrating foreign policies nor those arising from the links between foreign policy and defense policy.

On the contrary, it is possible, without specific interests separating the member states, to work together, using economic means and not just diplomacy, to help solve the problems which in my view, along with the reestablishment of economic equilibrium and the establishment of security, are the most important and the most urgent facing the international community.

I cannot therefore stress this point too much. Apart from the economic field, development policy is today a high-priority area of the joint activities undertaken by our member states in external relations. I hope that this new impulse will take on a concrete form and that in this field the Nine will develop both a doctrinal basis and the common machinery for action which will multiply the results achieved and enable Europe as such to pull its full weight in rescuing the Third World.

So let us not be unfair. But at the same time let us not be blind to reality. It is striking to see how, in the last few months, no decisive step, indeed no step of any importance whatsoever, has been taken to strengthen the Community from within. There lies the truth, and Europe is a prey to doubt.

One response to this situation is to give up the struggle and to let the European venture stagnate, and eventually die. There is no need to take any decisions for this. If we just let matters continue as they are going at present we will achieve it sooner or later and in any case we will kill off any faith in Europe which still remains, and at the same time all creative capacity and dynamism. It would take very little to change the Council of Ministers into a Committee of Ministers, the Commission into a secretariat, the Parliament into a body of technical advisers and the Common Market into a free trade area.

The Commission rejects this hypothesis. No such evolution will happen. Most Europeans and most European politicians do not want it to happen, as can be seen from the initiatives being taken. If it does happen, it will be through weakness and not by design. Indeed, there is the will to stop it happening, and this must be strengthened and given practical form.

This was the starting point for the debate which began a few months ago, in a state of confusion, between those in favor of digging in and consolidating past achievements and those in favor of fleeing forward on the principle that attack is the best means of defense. As is often the case, neither of these two attitudes alone really responds to the needs of the present situation.

Consolidation of what the Community has already achieved is the least we can aim for. However --and this is the essential point -- to do this it is not enough to adopt a purely conservative stance, and I do not accept the idea of a temporary standstill. The customs union may collapse if certain member states rely solely on protectionist measures in order to stave off catastrophe. It may collapse if the international economic and monetary situation deteriorates seriously. Here the interests of Europe tally with those of its member states and of the international economy. Everything therefore demands the establishment of reliable and durable machinery at two levels: the international level, where added strength must be given both to existing institutions and to more flexible forms of cooperation, and the European level.

Obviously we must go further on the European level than on any other in view, not only of the aims we fixed for ourselves when we decided to create Europe, but also of the identity which we wish to achieve for ourselves, and of the economic interdependence which has been created both by law (the Common Market) and by circumstances (our geographical and economic unity) and of the specific interests which we have in common. Furthermore, our energy and commodity requirements mean that an orderly development of international trade is vital for us.

Thus, there is not conflict in the monetary and economic field between our action at the European level and our international action.

Both of these are necessary, and not only the progress of Europe but also our very way of life depends on them. Quite simply, we must clarify in this connection our objectives and the means at our disposal. As I see it:

- (a) International economic and monetary cooperation, in particular with the United States and Japan, must be organized on a systematic basis, but -- and this point is of capital importance -- Europe, alone or in conjunction with the member states, must progressively be represented as an entity.
- (b) Instruments and machinery of a Community nature, that is which are managed by the Community institutions, or, if operating at national level, identical and established by joint decision, must also be created progressively. Consultations or exchanges of view, of which moreover I am in favor, are not sufficient in themselves since they do not measure up to our Community interests or to the profit we must derive from our unity. In spite of the differences of development and position, Europe is indeed a whole with its own peculiar general characteristics, continuing problems which are the same, interests of its own, and it must act as a whole. A great number of actions are possible -- from the strengthening of the European monetary cooperation fund, to the harmonization of banking rules via the creation of European machinery to help the recycling

of capital (the system of Community loans which we have proposed is an example of this) or the establishment of a European "Eximbank."

- (c) Solidarity within Europe must become a reality. I deeply regret that this solidarity is not being manifested loudly and strongly on the occasion of the energy crisis.

We have proposed that this solidarity should be organized with practical means to face up to the economic and monetary problems we are encountering. Its political value is irrefutable. Its economic advantages, for all of us, and not only for the direct beneficiaries, is equally evident. It is therefore possible to prevent serious economic situations obliging a State, in the absence of sufficient support, to resort to protectionism. This is an incentive for the development of courageous policies, because solidarity presupposes serious and convincing efforts to redress a situation, and therefore constitutes an essential component of the machinery in the combat against inflation and recession, which must be the major immediate objective of our member states and of the Community.

The launching of a common energy policy and the establishment of a regional policy seem to me to be complementary to joint action in the economic and monetary fields.

The energy deficit, and its consequences on the balance of payments, will be the major obstacle weighing on the economic development of Europe and the world in general over the next few years. I have continually said, and will say again, that this obstacle will not be, if not removed, at least lightened, without a courageous and lasting policy. For reasons of economic efficacy, and to ensure for the best-- using Europe's combined weight -- the defense of our interests in the international debate, we must, in the coming months, define a European energy policy. The Commission has proposed the guidelines of such a policy.

Regional policy is one of the keys of the alignment of our economies.

We must not harbor any illusions. For technical and political reasons, it is impractical in the medium term to hope to achieve economic and monetary union, or indeed European union itself, between partners with excessively divergent levels of development. For technical reasons, as we can clearly see, because different situations lead to different policies, and this is not merely a matter of short-term economic policy. For political reasons, because, among the promises for the future which Europe offers us, we see those of relative equality of well-being and because no deep and close unity will be achieved unless the states of Europe, and the citizens of Europe, feel themselves to be fully part of a sufficiently balanced whole. These are the essential points of a regional policy, a policy which in recent discussions we have too often considered from the narrowest angle, that is the financial aspect.

I must be very definite here: as I see it, in the state of inertia and frustration in which Europe at present finds itself, consolidation and progress go hand in hand. The two are linked at the political, but also at the technical level.

Up to now, it may seem that I have left to one side the political aspect of the problems. This is, however, of paramount importance.

I will tackle it from a general angle without elaborating on the questions raised by the requests for "renegotiation" presented by the British Government -- questions to which I attach importance you can imagine, starting from my previous reflections on the actions to be undertaken, actions which I have mentioned by way of example, and not as a program.

First and foremost, to have meaning and scope the relaunching of Europe, at whatever level, and particularly at the political level, will have to be accompanied by concrete decisions, by action "on the ground" concerning the main problem of the moment for us all, in other words, an effective reaction to the economic and monetary problems facing us.

Finally, cooperation between states does have its usefulness, but it must under no circumstances become the only means, or even the privileged means, of advancing the construction of Europe. I urge everyone to remember this: the construction of Europe has achieved lasting success in only those areas in which there are common policies: the customs union, the commercial policy, and also, in spite of present difficulties, the common agricultural policy.

Our institutional machinery enables us to operate a common market and exercise powers proper to Europe. I attribute many of our failures to an exaggerated insistence on intergovernmental solutions where logic and efficiency would demand common instruments. This is a fundamental point in analysis and reflection for the future. I hope it will be considered impassionately without any unwarranted assumption that certain premises are true or implicit taking for granted of what has to be proved on the part both by those who fear any transfer of power and by those who would like such transfers to be very extensive.

This leads me to the institutions or, to be more accurate to the Executive. Questions are asked about the Executive of the Community, in particular the Commission. It is criticized at times.

Before going into greater detail I wish to say three things, which must be said and said clearly.

A Community of nine member states, three of which have recently joined, which works in six languages, on many difficult matters with one Council meeting on foreign affairs per month, is necessarily cumbersome even exceptionally so. Of course, a certain amount of progress can always be made in this field. This is also the case in the member states, which are not laboring under the same constraints. However, definitive progress would be possible only by means of a much more extensive delegation of responsibilities and decision-making power. This is what I hope for, but we have not yet come that far. We must therefore accept the consequences of a certain situation in Europe which affects structures.

I am not talking here as an advocate defending any cause with any old arguments. As director general for the internal market in the Commission 15 years ago, I proposed loudly and clearly that the most lightly built administration possible should be set up. As President, I have refused the creation of any posts for the coming year, even secretarial ones except those for absolutely essential technical commitments, for example the language service.

Moreover, if Europe is to grow, the necessary power and resources must be transferred to it. When the Commission proposes new projects and requests a larger budget it is fully exercising its European responsibility. If it is decided to extend the research policy at European level, money is needed. This must be estimated as accurately as possible, but it is nonetheless essential. If the Yaounde Association is extended, money will be needed. If a regional fund is created money, will be needed. Let us therefore have no recriminations and counter-recriminations over imaginary issues. There can be no policy without the necessary resources to apply it.

Finally, I must recall that the little which has been done over the last few months has been done essentially at the initiative or by a decision of the Commission. This even includes the improvement of Council procedures which we proposed together with President (Walter) Scheel, the progress, even as regards procedure, in the economic and monetary field, and the revision of the Italian agricultural measures after the Council had been unable to reach any solution.

And if the Commission's proposal had been adopted -- even after amending it -- how many important decisions could have been taken.

However, the question of the responsibility of the institutions in the Community's difficulties should not be examined from the narrow point of view of the degree of efficiency of the Commission and the Council and the cumbersomeness or inertia of one or other of these bodies.

In reality we have been stumbling over the same obstacles for a number of years, and more resoundingly in the periods of difficulty:

(a) The ever more marked refusal to embark on common policies and transfer powers, with the result that everything is handled by ad hoc decisions taken one by one outside any rigorous framework and under the influence of circumstances or moods without the constraint of any clear authority, which must be exercised whether we like it or not;

(b) the blocking of the decision-making machinery, since the principle of unanimity, even if it is not invoked, in fact governs all Community action, even down to the smallest details;

(c) finally, a certain amount of disagreement on the objectives to be pursued, which, in spite of the decisions of principle taken at the Summit conferences has helped to prevent any development of new large-scale actions.

From the institutional point of view, basic questions therefore arise, the solution of which calls for a serious discussion which I hope will finally be initiated in one way or another.

In this connection the desire to strengthen the powers of the Council of Ministers over those of the Commission would not only be contrary to the balance established by the Treaty of Rome but also impracticable and even dangerous.

In the first place, which of the Commission's powers could be transferred to the Council? The power to make proposals? This privilege to "make proposals" within the meaning of the Treaty of Rome is not the power of initiative. Neither the treaty nor Community practice have deprived the member states of the power of initiative, political initiative and also the power to amend Commission proposals. The power of decision? It is the Council which holds this or at least the Commission has it only on rare occasions. When it does have it, I believe it exercises it quite well. One example is the recent case involving the exceptional Italian measures: the only results here were achieved by the Commission making use, after excellent work with the Italian Government, of the power of decision which fell to it as the Council had not been able to decide. The power of administration? This is not what is being discussed. A Council of Ministers cannot administrate. In any case I do not believe that anyone contests this.

Finally, let us not forget one of the tasks of the Commission, which is at the heart of our political and institutional set up. The Commission and the responsibilities conferred upon it by the Treaty provide a guarantee against the imbalances which could one day arise as a result of the varying importance of our member states and special affinities which could grow up among them. In a consideration of Europe this factor must never be lost sight of.

Finally, as far as the Council itself is concerned, I would say quite briefly that the shortcomings in its functioning are no secret for anyone even if it has recently adopted certain measures to improve matters.

A new balance between the institutions is not the answer. All the institutions must be strengthened, all the institutions must be made to function normally and healthily once more, and the adjustments dictated by experience must be made.

Political recognition that the Community is the pivot of the development of Europe, a return to effective decision-making procedures, acceptance of delegation of responsibility where this is necessary to attain the desired objective, all of these are essential to a happier Europe.

Experience has shown us that our institutions can be complemented in two ways. Firstly, the role of the European Parliament can be strengthened, and I would say here that the decision to strengthen its budgetary powers is only a first step in this direction. Secondly, our leaders can provide an impetus which, when it comes to important political decisions, cannot be provided by the routine, if active, functioning of our institutions. I am therefore very pleased indeed that our heads of state or of government are taking a personal interest in Europe. A place must be found for this interest, both in spirit and in practice, within our institutional system if we are to avoid the danger I mentioned earlier. We must be vigilant, we must guard against any distortion of our system but we must also welcome high-level political activity which is in the interests of Europe.

Make no mistake about the implications of these remarks. They are not intended to be conservative. The move towards European union and the realization of European union will mean a drastic change in the role of the institutions: Parliament, Council, Commission. The transformation must be well thought out. It must be part of an overall plan for decisive progress. It must be a factor in the far-reaching ambitious change in the blueprint for Europe. We must prepare our plans carefully. It is good that Europe's leading politicians feel that the future of Europe must be discussed; and I trust that they will make rapid progress. My own ideas on the subject can wait. But it seems to me that the prospect of such a change, which may materialize sooner than would have been thought possible up to quite recently, is already conclusive. Let us hope that the men determined to build Europe, the men who are now the leaders of our states, the Commission, indeed every responsible European will, in the months ahead, help to give greater force to the Community in its present form and to prepare for the ultimate objective, the future of a truly united Europe.