

In various places in US

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The European Community and the future development
of its common policies in the current world economic
situation

I. INTRODUCTION

I am talking to you tonight as a Brussels Commission official dealing day by day with the practical problems of implementing one of the Community's common policies. In my case, the policy is the common transport policy which the European Economic Community is called upon to introduce.

But I can only do this work if I take account of the wider situation of the Community as it struggles to develop common policies in many fields. The possibilities depend, of course, on the world-wide economic situation in which the Community finds itself at any given time. I therefore need, as it were, to keep looking over my own garden wall at what is happening outside my own immediate area, and I hope therefore that I shall this evening be able to draw the wider picture in which you on this side of the atlantic are interested.

I will try to describe to you some practical aspects of the development of Common policies in the Community. Making such a common policy signifies essentially, that the Member States, in a given area of the integration activity, act within the Community's institutions so as to attain a number of objectives which they have together adopted. With this in mind I propose to cover in the main part of my talk 5 major points:

- 1) the current Community situation;
 - 2) some recent changes in the Community's decision-making procedures;
 - 3) the development of the Community's energy policy;
 - 4) and 5) a few words about Community regional and transport policies.
- I do this in order to give you some practical and politically interesting examples.

II. MAIN DISCUSSION

1. The current Community situation

The shortage and price increase of oil and other raw materials which fell upon the western world at the end of 1973 had particularly serious consequences for industrial western Europe with its heavy reliance on imported oil and raw materials to feed its industry. These developments set the Community almost over night one of its most serious and difficult challenges. This happened at a time when the favourable economic circumstances of the previous two decades - low unemployment rates, almost constant economic growth and relatively stable prices - were in any case beginning to change for the worse. I need only refer here to the problems which were arising early in 1973 in international monetary affairs. At the time, the rate of increase of consumer prices in the member states was becoming steeper. Finally, April 1974 saw the beginning of increased political tension in the Community caused by the United Kingdom's demand to renegotiate its membership terms.

This situation called into question the decisions of 1971 and 1972 about step by step progress from customs union to Economic and Monetary Union in the Community. Indeed, the member states did not feel able to move in 1974, as previously envisaged, into the second stage of this process. They had to give priority to mastering the energy crisis. To begin with at least, it looked as though they were preferring to set about this task individually on a national basis rather than as a Community. Even the basic concept of the free movement of goods within the Community seemed in danger at this time, when Italy felt itself obliged to introduce import controls.

The working methods of the Community's Council of Ministers itself made it all the more difficult to find comprehensive solutions of a Community character : in fact, the Council's work is divided among very different Councils of Ministers at each of which a different set of specialised ministers appears. There are, for example, separate councils of energy, agriculture, economics, transport ministers and so on. It is thus more difficult to take a global view of problems than it is for example in a national cabinet.

In spite of all this, the Community succeeded in the second half of 1974 and so far in 1975 in taking a grip of itself. During that period several important decisions were reached which promise worth-while progress towards effective common policies.

The Community is now in a situation which Mr. Ortoli, the President of the Commission, described in his address to the European Parliament on 18 February as follows: "Progress has been made; daylight is beginning to show at the end of the tunnel".

I cannot give you all the details of the important decisions taken by the Community institutions since the second half of last year. There has for instance been progress in harmonization of national economic policies, there were some new steps to face the monetary problems, the Community tried to reshape its agricultural policy. The new convention of Lomé signed on 28 February with 46 countries from Africa, the Caribbean and the Pacific, seems to me to be very important. This convention represents not just an extension of the former association policies but marks a significant step in the rapidly evolving relationship between the developed and the developing countries. Finally, you know that at the last meeting of the heads of Government in Dublin solutions have been found to the renegotiation of Britain's entry.

From the many examples which show that Europe is recovering, I will describe some points in a more detailed manner. These seem to be the most significant in showing the way in which the Community at present faces its problems by developing common policies. The first point I would like to discuss in this context is the institutional changes.

2. Institutional changes

The most important modification in the institutional field and the decision-making-system of the Community is due to the fact that the heads of Government decided at their meeting of 9. and 10. December 1974 to meet three times a year and whenever otherwise necessary in the so called European Council. In this way the heads of Government, accompanied by their Ministers of Foreign Affairs, link together the Council of the Communities with the process of political cooperation. They recognize the need for an overall approach to the internal problems involved in achieving a European Community and the external problems facing Europe. They consider it essential to ensure progress and overall consistency in the activities of the Community and in the work on political cooperation.

You will remember that, in the previous years, the Summit conferences of the Heads of Government of the Nine took place outside the institutional context foreseen in the Treaty. The meetings were not considered as a Council of the Community. The Summit conferences in the Hague in December 1969, in Paris in October 1972 and to some extent also the conference in Copenhagen in December 1973 aimed mainly at giving general political guidelines for the long-term development of the Communities in the direction of the Economic and Monetary Union. They did not specifically try to solve day to day problems of the Common Market. Especially after the Summit in Copenhagen, which adopted a large statement on Europe's identity, it soon became clear that it was very difficult to transform the overall political will of the Heads of Government into concret measures of Community legislations. The

different Councils of Ministers for specific items, which I described earlier, continued their quarrels separately as if they had not even taken notice of the guidelines of this summit. The overall consistency in the activities of the Communities was lacking.

Seen from a "communitarian" viewpoint this lack of ability to take real political decisions became more and more dangerous in the actual economic situation in the world and in the Community. Therefore on several occasions the Commission stated that the functioning of the institutions must be improved and made a number of practical proposals which finally lead the Heads of Government in their meeting of 9. and 10. December to establish the European Council. At the same time the Heads of Government acted in quite a different manner to what they had been used to at previous summits. They took the attitude of a body of crisis-management for the Communities. They examined the various problems confronting Europe and dealt not only with the institutional problems but also with the convergence of economic policies, with the regional policy, the employment problems, energy and Britain's membership to the Community. It is significant that the question of the Economic and Monetary Union only covered one small paragraph in the final communiqué.

Here we see the new style with which the Heads of Government dealt in a more pragmatic way with real difficulties. They continued this pragmatic and both feet on the ground approach during the first meeting in the new European Council in Dublin on 10. and 11. March this year. Here once more they dealt with real matters which needed actual decisions and new guidelines from the highest level. This represents real improvement. But, as well as containing benefits, the new system also involves risks. There is a danger that Community Institutions may abandon the highroad of integration and choose instead the low road of intergovernmental cooperation, as Mr. Ortoli has put it. In a system where the political guidelines are formulated by the Heads of Government, the Commission

can lose its power of initiative, on which the whole decision-making-procedure of the Treaties of Rome and Paris is based. Fortunately, as far as we can see from the experiences in Dublin the Commission has had the fullest opportunity to play its cards in making proposals to the Heads of Government. It is clear that it depends to a large extent on the Commission itself whether the institutional rules of decisions making within the Community will be respected by future European Councils.

I am convinced that the existence of the European Council is now and will continue to be a very useful instrument for the development of common policies. This instrument has already played its role in helping to develop the energy policy and the regional policy of the Community. It might perhaps sometime have its role to play in formulating a transport policy. Setting the objectives of such policies goes mostly beyond the power of the Council of Ministers with only one specific portefeuille. In general, a common policy is very closely linked to other areas of the Community activity so that an overall approach is necessary to attain consistent progress.

Another important decision of the last Paris Summit is, that it is necessary to renounce the practice which consists of making agreement on all questions conditional on the unanimous consent of the Member States. This can be interpreted as a first small step towards the majority voting foreseen in the Treaty of Rome.

Finally I think that the conclusions of the Heads of Government on the election of the European Assembly by universal suffrage could have, in the long run, a very positive effect on the further development of common policies. The Heads of Government set a time-scale for this direct universal suffrage, so that it could take place at any time after 1978. They have

also stated that the competence of the European Assembly will be extended, in particular by granting it certain powers in the Communities legislative process. This very essential element could help, in as much as public opinion within the Member States will take a more direct interest in the development of common policies. This will be a further step in promoting the establishment of democracy on a Community level in Europe with a look forward to a European Union - or if you like a sort of United States of Europe. Many of the common policies are intended to change quite substantially the existing structures in Europe, so that it is more and more necessary to give them a really democratic basis.

I now come to the more short-term problem of the development of a common energy policy with the intention of showing you how the Community Institutions acted together in this field and how they finally managed to face the world-wide energy crisis.

3. Energy Policy

Unlike the United States which can fill all but 9 % of its energy needs domestically the Community imports 63 % of its needs. So the October 1973 oil-crisis harshly showed the Community's vulnerability with regard to energy supplies. It obliged the Nine to deal with a situation, which was changing the face of the world energy market. The main objective of a common energy strategy of the Community had to be, to bring about a fundamental change in the structure of the Community's energy supplies in order to reduce the extent of the dependence on imported oil. Action had to be taken in order both to guarantee greater security of supply and to prevent violent changes in the prices of energy materials. Therefore, action in two fields, seemed to be necessary :

a) concerning energy demand

Reduction of the rate of growth of internal consumption by measures for using energy rationally and economically : for example, from my own transport field speed restrictions on motor vehicles.

b) concerning energy supply

Development of each energy source available within the Community especially solid fuels, natural gas and nuclear energy.

The steps the Community Institutions undertook all over the year 1974 to reach common measures in these fields is a masterpiece of interaction between the different Community Institutions. It started with difficulties after the Copenhagen Summit and during the Washington Energy Conference in February 1974. One of the few helpful decisions of the Council of Ministers at that time was the setting-up of an Energy Committee consisting of Representatives of the Member-States and chaired by a member of the Commission. This Committee had mainly the tasks of facilitating information and consultation between Member-States and the Commission regarding supply and foreseeable trends in supply and of helping the Commission to prepare the proposals which it intended to put forward.

On the basis of the work of this Committee the Commission transmitted to the Council of Ministers last June a Communication entitled : "Towards a new energy policy strategy for the Community". This Communication set out the necessary action to attain the aims I mentioned earlier. It became the basis for the discussions in the Parliament, the Economic and Social Committee and the Council of Ministers which adopted its first resolution on 17 September. The Summit Conference of the Heads of Government in Paris on 9 and 10 December referred to this Council Resolution and invited the Community Institutions to work out and to implement a common energy policy in the shortest possible time.

On the basis of the Commission's document and the discussions of the Heads of Government the Council of Ministers of 17 December adopted a resolution on the objectives of Community Energy Policy for 1985. These objectives constitute guidelines for national policies at the same time as providing important guidance for producers and consumers of energy in the Community. In the resolution the Council approved the aim of changing the pattern of the Community's energies supplies between now and 1985 in order to reduce its dependence on imported energy to below 50 % and if possible to 40 % - you remember that it stood at 63% in 1973 -. The Council also set out specific objectives regarding the supply of and demand for various forms of energy.

On the same date the Council also approved a resolution on a Community action programme for the rational use of energy with the objective of reducing the average long term growth in energy consumption in the Community as a whole. The aim will be to achieve in 1985 a level of consumption 15 % below the level forecast for them in the Commission's original projections drawn up in January 1973, without jeopardizing economic and social development objectives.

Finally in February of this year the Council adopted a resolution which concerned the implementing of the objectives set out in the two resolutions of the Council of 17 December. In this resolution, the Council recognized that the development of the existing energy sources and the introduction of new sources, to the extent that they reinforce the security of supply, will require a considerable effort. The Council sees that in certain fields, in which the whole of the Community has an interest, the scale of the operation involved could require a Community intervention, following a consistent policy. This could be much more effective than scattered individual interventions by Member-States. Such Community interventions could concentrate on measures to promote investment in new energy sources.

The Council asked the Commission to submit proposals in these fields.

Besides these more internal activities the Community had to develop its external relations with the other energy consuming countries and with the producer countries. In the second half of last year and the beginning of this year, the development of an external energy policy for the Community made satisfactory progress. The Council in its resolution of 17 September confirmed that the world-wide aspects of energy problems necessitate co-operation between consuming countries and producing countries and that the Community as such and the Member-States intend to participate in this co-operation.

Since November last year the Commission has been participating in the work of the International Energy Agency set up by the consumer countries within the framework of the OECD. This necessitates internal Community concertation meetings between the 9 Member-States and the Commission to work out a Community position for all discussions with third countries. In this context, I would like to remind you that, where no other provisions of the Treaty apply, Article 116 of the EEC-Treaty provides that, for matters of particular interest to the Common Market, Member-States must proceed only by common action in international organisations.

The participation of the Commission in the work of the International Energy Agency gives to France which itself does not participate, the indirect possibility of following the work of the Agency.

The main item for this external energy policy of the Community is the preparation of the International Energy Conference which will take place this summer between the consumer and producer countries. This week in Paris a preparatory meeting is being held. The Commission has made the point that the Community should speak with a single voice in this conference. In this respect the European Council intervened during its session in Dublin and stated that within the Community common answers should be drawn up to the questions dealt with by the Conference. The European Council charged an ad-hoc-Committee composed of high officials of Member-States and representatives of the Commission under the authority of the Council of Foreign Ministers to take care of the preparation of the Conference. The European Council has even agreed to meet once more in due time to discuss itself the common attitude to be adopted for the International Energy Conference.

One of the main items discussed in this ad-hoc-Committee as well as in the International Energy Agency is the principle of a minimum-price for oil-imports in order to guarantee development of alternative energy sources within the consumer countries. This concept was formerly launched by the United States. In the meanwhile it seems that the 18 Nations of the International Energy Agency agreed on the principle but not yet on the level of this minimum-price. Here the American ideas still differ from those of the Europeans.

These few examples may have shown two things :

Firstly that the Community after difficulties in the beginning took important steps in the development of a common energy policy both internally and externally. But quite a lot remains to be done. This is the reason why the President of the Commission in his address to the European Parliament in February stated that 1975 must be the year of the common energy policy.

Secondly the Community gave itself within the existing legal framework the new institutional means necessary to deal with the world-wide problems arising from the energy crisis. All the Community Institutions especially the Commission and the Council of Ministers embracing also the Heads of Governments gave their contribution to overcome the difficulties which, at the beginning, were exacerbated by a certain tendency in the Member-States to face the new problems on the national level. It seems that Europe insofar has found in a more pragmatic way a new identity, which enables it to play a rôle on the international stage.

This last consideration can in my view be underlined by the considerable progress which the Community achieved in the development of its regional policy. Let me say a few words to this subject.

4. Regional Policy

I will first give you some facts which may help you to understand the importance and the necessity of having a regional policy within the European Community.

The Community covers an area 1/6 the size of the United States. Within it live about 255 Million inhabitants which means about 46 Million more people than in the United States. So the density of the population in Europe is seven times higher than that of the United States. Within this very high average density there are in Europe great differences in the concentration of population between regions. Speaking in general terms one can say that the regions with a high population concentration in Central-Europe - that means more than 250 inhabitants on a square-km - are prosperous, whereas regions with a much lower concentration of population have greater employment problems and a much lower per capita income. These most underdeveloped areas depend on farming or on old-fashioned industries for the peoples livelihoods. These areas include Southern-Italy, Western and South-Western France, Northern Holland, Germany's eastern border, half of Ireland and parts of Northern England, Wales and Scotland.

On the other hand, beside this problems of the poorer regions within the European Community we have specific difficulties in the highly populated urban areas, which stem from congestion with consequent bad affects on the environment and the quality of live. This can have the effect that the social costs of economic production in those areas are higher than the advantages of the concentration of activities.

To close the gap between the Community's prosperous areas and the backward regions was already a main goal set by the EEC-Treaty in 1958. But for sometime there was no real Community action to implement these objectives generally and effectively. Only at their Paris Summit Conference of October 1972 did the Heads of Government gave a high priority to the aim of correcting in the Community the structural and regional inbalances, which could affect the realization of Economic and Monetary Union. You will note here, that the conception of the regional policy is closely linked to the construction of the Economic and Monetary Union which goes far beyond the early conception of a Customs Union.

The years 1973 and 1974 became real years of the development of the first concrete measures of regional policy of the Community. It was finally possible to overcome the deferring national viewpoints and to develop a real solidarity of the prosperous regions with the poor on Community level. Once more an interaction highly interesting in its details, among the Commission, the European Parliament, the Economic and Social Committee, the Council of Ministers and the Heads of Government was necessary. Finally on 18 March of this year the Council of Ministers could adopt the two-basic-pieces of Community legislation in regional policy. They are

- the regulation establishing a European Development Fund
- and
- the decision setting up a Regional Policy Committee.

As to the Regional Development Fund it was once more the pragmatic Paris Summit of December 1974 which found the basic compromises. It took the basic decision that the Fund should be endowed for the years 1975 to 1977 with a total of 1.3 Billion Dollars intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment. The Fund gives aids to investment in underdeveloped areas in a manner that supplements national regional policies. It may interest you to know that the regulation establishing the European Regional Development Fund was based on article 235 of the Treaty of Rome, an article which allows Community Institutions to take decisions when the special rules of the Treaty do not provide the necessary powers.

This is a concrete example for a case which shows that Economic and Monetary Union goes beyond Customs Union.

The Committee for Regional Policy is composed of Representatives of the Member-States and of the Commission. The European Investment Bank appoints an observer. The task of the Committee is to facilitate the co-ordination of national regional policies and the improvement of the regional aspects of Community policies. It examines problems relating to regional development, the progress made or to be made towards solving them and regional policy measures needed to further the achievement of the Community's regional objectives. The Committee reports on its activities to the Council and to the Commission.

The task of co-ordination of national regional policies will not be an easy one but it is very necessary to achieve the introduction of a Community viewpoint into national planning procedures which so far have taken their objectives from a purely national standpoint.

I come to the end of my remarks of the regional policy. I hope to have shown you clearly enough that in this field once more the Community was able to tackle its problems and to establish new measures which enables it to fight against growing unemployment in Europe by encouraging a flow of direct investment to create employment in the less favoured regions.

I would now like to make a few remarks on a third example of development of common policies which is the

5. Common transport policy

Whereas energy policy and regional policy are only recently born child of the Community the common transport policy is already 16 years old and who in spite of his age has not yet become very strong. The trouble is that the national transport policies had been very intensively developed by the different Member States since the ages of railways in the last century. This led to quite different national transport systems before the creation of the Common market. The entry of the U.K., Ireland and Denmark made things even more complicated.

The picture differs considerably from one Member State to another. The distribution of freight transport between the various forms of transport services illustrates this quite strikingly. For instance : in the U.K. and Ireland road transport is much more important than rail transport in terms of ton/miles carried, while inland waterway transport hardly exists. In Germany on the other hand the split of traffic between road, rail and inland waterway is much more even while in the Netherlands inland waterways account for more than half of all freight ton/miles.

In these different situations the Member States have adopted equally different approaches to transport policy and in particular to what we call the organization of the transport market; that is the rules about the way in which transport vehicles use the transport infrastructure. The U.K. is inclined to think a considerable degree of free competition normal, no control by the public authorities of the prices charged for freight transport, no quota system for road haulage journeys, freedom for own account lorries to pick up return loads. Germany on the other hand, partly in order to protect its railways and partly in order to reduce pressure on highway infrastructure finds it natural for the authorities to control the operation of the freight transport market much more closely, with published tariffs and quota system for longer distance road haulage.

Already the authors of the Treaty of Rome saw the necessity to develop a common transport policy in order to replace the national policies and to pursue the objectives of the treaty in the field of transport. This policy must mainly consist in a process of transformation of the national transport systems into one Community transport system.

The Commission underlined this necessity once more in a communication to the Council of Ministers on the further development of the common transport policy in October 1973. In this paper, the Commission pointed out the links between transport and economic union, as follows :

- The free movement of goods, services and persons within a common market calls for adequate arrangements to transport them across the whole of the market without impediments caused by different national measures of protection.

Seen in this way, creating Community transport arrangements is part of the structural development of the common market and a basic need for economical exchange between and within the different regions of the area.

- On the other hand transport is itself an industry and service for which the opportunities of a larger-than-national area of activity should be available so as to contribute to higher efficiency. In other words : the transport industry must also benefit from the advantages of economic integration.

If you analyse government activity in transport you find that there are two fields of national policy action; these are transport infrastructure investment on the one hand and the activities of infrastructure users, especially of transport enterprises, on the other hand.

If there is to be a common transport policy the national governmental actions in these two fields must to a large extent be put into a Community framework. That's why the Commission proposes common action to establish progressively a Community transport system

- by adjusting the transport network to Community interests on the basis of a comparison of national infrastructure investment programmes;
- by achieving a common transport market, particularly by speeding up action designed to allow the free circulation of transport services in healthy competitive conditions.

These principles mainly apply to the three means of inland transport. But the complex role of the ports and the importance of sea and air transport in the enlarged Community must also be taken into account.

With regard to these forms of transport, I should mention that the Commission recently extended its activities following on a judgement of the Court of Justice of the Community, which stated that sea and air transport should remain subject to the general rules of the Treaty of Rome. Thus they are fully incorporated into the process of economic integration. This is a point that might interest people on this side of the Atlantic, insofar as the development of a Community attitude regarding the international links of sea and air transport will introduce a new element for discussion.

The first example is the UNCTAD Convention on a Code of Conduct for Maritime Conferences. The Commission submitted to the Council proposals for common action by the Member States concerning this convention.

By the way : this judgement I talked about gives a good example of how the process of economic integration can be given a new impetus by the Court of Justice. It solved a question of interpretation of the treaty which for more than 10 years hindered any consistent work in the field of sea and air transport.

In spite of many intensive efforts by the Commission to achieve a real break-through within the development of a common transport policy, effort which was largely supported by the European Parliament and the ESC, the practical results in form of legislative measures taken by the Council of Ministers remain meagre. To achieve a break-through, one day, if Economic and Monetary Union makes further progress, the new European Council will have to find basic compromises between the different stand-points of member states. This could become necessary to eliminate impediments caused by transport to regional development - for instance uncoordinated national planning for transport infrastructure in frontier regions - or in the area of rational use of energy, the oil consumption of road transport being quite important.

I could imagine that the links between the different common policies of the Community will finally have their positive effect on the development of the common transport policy.

III. CONCLUSIONS

I hope that I could make it clear to you : the Community, after a very difficult start to the year 1974 found its feet. It succeeded in asserting itself to cope with both the internal and external problems facing it in the current world economic situation. In the second half of 1974 and in the beginning of this year it started to collect the fruits of its intensive work. This is especially true in the fields of new institutional arrangements and of the development of common policies. Energie policy and regional policy are striking examples. Even in the vexed area of transport policy some new steps became possible.

Notably in facing the energy problems the relations of the Community to the United States took a positive development which found its manifestation in the cooperation within the International Energie Agency set up in Paris.

This example shows how right successive United States administrations were in encouraging the development of a European Community believing it to be in its own and in Europe's interest. The wisdom of this belief will be increasingly demonstrated as the United States and a Europe, which will have been strengthened by the development of common policies, will act together in facing the world's economic problems. As President Ortolí, in his address to the European Parliament in February said, : " I believe that in the end we will succeed in putting our relations with the United States on a healthier, more equal footing. I believe that we can strengthen our relations with the United States if we learn to value our alliance; if we determine to act with our American friends where both have something to gain."