

Address given by Jacques Delors to the European Parliament (17 January 1989)

Caption: On 17 January 1989, in an address to the Members of the European Parliament, Jacques Delors, President of the European Commission, refers for the first time to the establishment of a European Economic Area in order to provide a structure for economic relations between the Member States of the Community and those of the European Free Trade Association (EFTA).

Source: Bulletin of the European Communities. 1989, No Supplement 1/89. Luxembourg: Office for official publications of the European Communities.

Copyright: (c) European Union, 1995-2012

URL: http://www.cvce.eu/obj/address_given_by_jacques_delors_to_the_european_parliament_17_january_1989-en-b9c06b95-db97-4774-a700-e8aea5172233.html

Publication date: 21/10/2012

Statement on the broad lines of Commission policy (Strasbourg, 17 January 1989)

Mr. President, Ladies and Gentlemen,

Four years ago I came to this House to present the main thrust of the new Commission's policy. I ended my address on that occasion by telling you that Europe was faced with three major challenges. The same is true today.

The first of the challenges I mentioned then was the challenge of approach. I said that we would have to demonstrate that we can act as Twelve and not simply mark time, or muddle through from one day to the next. At the end of the three-phase revitalization process, the method we adopted has borne fruit with agreement on the 1992 deadline, negotiation of the Single Act reforming and broadening the Treaty of Rome, and the restoration of order to the Community's finances, opening up new opportunities for action. The approach remains valid today. Nothing will distract us from our determination to make a success of the Single Act.

The second challenge I referred to was the challenge of influence. The imperative is unchanged. We still need to demonstrate that the Community speaks with one voice, that it is an actor rather than a spectator on the contemporary stage. Despite accusations that it is too inward-looking — a sign of the times — the Community is being taken more and more seriously. There is a queue of applicants at the door seeking membership or closer cooperation, even as we are assessing how much remains to be done.

Europe as a partner — an expression coined by the Commission — calls for more cohesion, a greater sense of responsibility, and more initiative. History is knocking at our door. Are we going to pretend that we cannot hear?

The third challenge I mentioned four years ago was the challenge of civilization. I said then that we needed to reaffirm our values and fuse the sometimes contradictory aspirations of our contemporaries into new constructs. The challenge is still there. Although economic success is vital, it will not be enough to create a large frontier-free market nor, as implied by the Single Act, an economic and social area. It is for us, in advance of 1993, to put some flesh on the Community's bones and, dare I suggest, give it a little more soul.

You will see from this that as regards the spirit that will guide its activities, the approach to be followed, and the objectives to be achieved at all costs, the new Commission has unhesitatingly opted for continuity. We cannot accept the Community's lack of assertiveness in the international scene. We cannot ignore mounting disorder and injustice in the world. We are determined that Europe will remain faithful to respect for the individual and all that is best in the European model of society. The Community as such must assume its responsibilities.

What, then, is the picture now? Europe is on the move again, our house is in order and on the economic front we are keeping pace with our major trading partners. Without false humility or boasting we can say that we are well on the way to achieving the goals that we set ourselves. Plainly, Europe is undergoing profound and far-reaching change. And the fact that it is proceeding so smoothly should not hide the revolutionary nature of the course we have embarked upon. We have overcome our past weaknesses and are now fashioning a different kind of Europe, moving steadily towards European union, the ultimate objective, may I remind you, of the Single Act.

We are now half way to 1992 — the date has undoubtedly captured the public imagination — and already there is a palpable sense of movement on all fronts, in particular thanks to — and not, as some people thought, in spite of — the addition of Spain and Portugal. Through excellent preparation prior to joining the Community, these two countries have been able to play their full part from the outset. And they have brought with them a youthful energy and enthusiasm for the task, as new recruits so often do. The Spanish Presidency, I am sure, will once again show the value and vigor of this injection of new blood.

I do not propose to bore you with an exhaustive catalogue of the work done over the past four years. Nor do

I propose to give you details of our programme for 1989 — I will do that next month. But I cannot ignore the fact that, at the half-way stage, decisions have already been taken on practically half the measures need to create the single European market; and the route for the remainder has been clearly mapped out. Businessmen and industrialists know that there will be no surprises; the way ahead is clear. That is probably why they appear keener than the politicians. It is difficult to exaggerate the value of the 1992 framework and programme as a means of mitigating uncertainty and bolstering decision-makers' strategies in our unpredictable world.

Let us look first at the single, frontier-free market. Apart from consistency in decision-making, what is most striking is the qualitative change: there has been an immense leap forward, with the harmonization of technical regulations and standards, simple mutual recognition sometimes taking its place. Substantial progress has been made on many fronts.

Although they account for a large proportion of economic activity in the Community, public contracts are all too often confined to national bidders. Tendering will become more open under our directives.

It is also clear that we have said goodbye to the days when it took 18 years to adopt a directive on architects, or 16 years for another on pharmacists.

All the measures required for the liberalization of capital movements have been adopted, thus ensuring that a genuine European financial services market can be created; this is vital to ensure the competitiveness of our economies and secure the finance they require. And it also ties in neatly with the need, which we must not lose sight of, to bring our tax systems closer into line and to improve monetary cooperation. Steps have already been taken in this direction — in Palermo in 1985 and in Nyborg in 1987 — enhancing the European Monetary System and demonstrating its twofold importance as a powerful incentive for convergence between our economies and as an island of relative stability in a monetary environment still dominated by unpredictable forces and uncontrollable fluctuations.

Besides free movement of goods, services and capital, there remains the fourth freedom laid down in the Treaty of Rome: the free movement of persons. The directive on the mutual recognition of diplomas will eventually ensure that holders will be able to exercise their profession anywhere in the Community. This, surely, is a clear sign of Europe's changing economic and social dimension. Hence too the need, which I discussed with both sides of industry on Thursday last, to step up preparations for a European labor market.

The impetus of change has caught on in every sphere of Community activity. There will be a single market for everything from transport to energy to spin-off products from scientific advances. The result, already percolating through, will be a wider choice for consumers. Another sign of progress is the way the steel industry, after six years of tight regulation, has emerged from the trauma into which it was plunged by its worst structural crisis since the founding of the European Coal and Steel Community.

But — as I have often said in recent months — you cannot fall in love with the single market. Fernand Braudel, a lucid observer of the moves towards integration in the early 1960s, was thinking of the same thing when he said: 'It would be mistaking human nature to serve up nothing but clever sums; they look so pallid beside the heady, though not always mindless, enthusiasm which has mobilized Europe in the past. Can a European consciousness be built purely on figures? Or is that not precisely what figures may fail to capture, what may develop in ways that cannot be calculated?'

That is why I am constantly stressing the need not only for a frontier-free area but also for the flanking policies which will open up new horizons for the men and women who make up this Community of ours. To put it succinctly, the Single Act but all the Single Act.

It is obvious that we must advance on all fronts.

Europe will never be built if working men and women — white-collar workers, managers, farmers, industrialists, professional people — are not among the first to be involved.

Europe will never be built if, with such a potentially powerful instrument for forging closer cultural links as television, we abandon the field to others — be it the Americans or the Japanese.

Europe will never be built if we all continue, in piecemeal fashion, to conduct the research which is the basis for our prosperity and our hope for the future.

Europe will never be built if we allow our countryside to be despoiled and our environment to be laid waste.

Europe will never be built if young people do not see it as a collective undertaking that will shape their future.

On the social front, I gave a personal commitment last year which has been and will continue to be honoured. The Commission has already started work on a charter of fundamental social rights to give concrete form and life to the European model of society. To make sure that the various traditions and susceptibilities in this Community of ours are respected, the Commission has proposed a choice between three forms of worker participation as a preliminary to drawing up the European company statute, something which the vast majority of industrialists regard as essential. It has also drawn up texts to give effect to the provisions of Article 118a on the harmonization of conditions in relation to health and safety at work. You will agree that there is plenty of scope for action and hard work here in the years ahead.

As early as January 1985, I personally took a hand in efforts to get the social dialogue reopened at European level, despite the risks and pitfalls involved. Employers and workers debated and delivered joint opinions whose importance should not be underestimated. On 12 January of last year, by which time some people had come to believe, perhaps rightly, that neither side was really listening to the other, the leaders of European and national employers' organizations and trade unions gave fresh, realistic and concrete momentum to the social dialogue. The Commission will do everything it can to foster these talks and make sure that practical conclusions permeate industrial relations at national and regional level, in specific industries and in individual firms, in a sort of two-way flow. In this way everybody can make a contribution to a revitalized Europe.

Solidarity must also be in evidence in relations between the various regions and other local authorities. Parliament has often made this point. Each of them must be allowed to try its luck and make the most of its comparative advantage, its human, natural and technical resources. This is why I attach so much importance to implementation of the new common policies proposed by the Commission in its paper entitled 'Making a success of the Single Act', adopted by the European Council in February of last year. This too presents a genuine challenge to the way we think and act. Success will not depend solely on the Commission's dynamism and know-how. Far from it! Success will depend on each region's potential for innovation. Success will only be possible if national bureaucracies accept that they cannot keep tabs on everything and stop thinking solely in terms of financial transfers. The Commission for its part will take steps to encourage and coordinate such initiatives and inter-regional cooperation. It will also promote the major European infrastructure network that will make it possible to travel and trade quickly and cheaply throughout Europe.

Solidarity also finds expression in the interdependence of all types of business activity. This is borne out by the distribution of portfolios within the new Commission. From large corporations to small businesses and cooperatives, from the production of goods and services to their distribution, the Commission is taking steps to help.

At a time of profound change, research and education are the sinews of economic war.

This is why we adopted the first framework programme for research and development for 1987-91 based on the Single Act. We had to fight tooth and nail for the funding, although we still think it will not be enough to allow us to meet all the challenges. In its wake, a number of specific programmes have been proposed and adopted for information technology, for telecommunications, for the introduction of more advanced processes into what are described as the traditional industries. Many other programmes demonstrate the

Community's desire to improve the exploitation of new discoveries in Europe. I would like to stress the multiplying effect of these programmes, their creative aspects and the pioneering role they play. The member of my team responsible for this portfolio intends to diversify our responses to the needs arising from innovation and increased competition. You will have an opportunity of debating these matters in the course of the year.

In the interests of competitiveness and the preservation of Europe's cultural identity, the Community does not intend to allow the Japanese to monopolize audiovisual technology or the Americans to monopolize programmes. The Commission has therefore proposed action on three aspects of the problem: the organization of a European audiovisual area, the application of the most advanced technologies and high-definition television in particular, and the promotion of audiovisual productions, backed modestly but effectively by the Media programme. The audiovisual Eureka programme, proposed by President Mitterrand, will give Europe's artistic and creative community the opportunities they need if they are to enrich our cultural heritage.

Our first steps in the field of education, backed by Parliament, have proved promising, as demonstrated by the genuine success of our youth exchanges, thanks to cooperation between universities and firms under the Comett programme and inter-university exchanges under the Erasmus programme. What better guarantee could there be of this newly emerging European osmosis? How encouraging it is to see, as I have, the enthusiasm of students, teachers and businessmen who, as a result of the exchange schemes, have become active campaigners for a fifth freedom, perhaps the most important freedom of all, the freedom to exchange ideas and experience.

We are making less progress than I would have wished on the environment. I will return to this later. For now I will just mention the decisions that have been taken to combat pollution, whether this involves the introduction of clean engines or the development of standards for large incineration plants. This demonstrates that there is no conflict between the single market and the environment, on the contrary, that they go hand in hand.

Since Europe must serve all its members, its policy must be based on consistency, cohesion and solidarity. Consistency, because there is a determination to make simultaneous progress on all fronts, to deregulate and harmonize, in areas as varied as takeover bids, insurance, and banking. Cohesion, because the Community is not content to be a mere free trade area backed by occasional financial transfers: it has ambitions to become an organized area, our economic and social area. Solidarity, because the doubling of the structural Funds, the programming and concentration of assistance, will enable the Member States as a group to help those countries which need to make major adjustments. And I would like to stress that I am also thinking of remote areas for which the Commission has proposed specific measures.

I am proud to say that the Commission has honoured its undertaking — the Brussels European Council is our witness — to put its house in order. Let me quote you a few examples. Reform of the common agricultural policy is well in hand. You only have to look at our reduced stocks of grain or butter — the result of an active disposal programme — to see that. As you know, the purpose of the reform was to allow the market to guide production, and to alleviate the consequences for vulnerable farmers by introducing specific measures. Reform is the only way of offering a long-term future to our farmers, the pillars of 'green Europe'. Reform is the only way of ensuring that farmers do not desert the countryside and guaranteeing — the Commission will see to this — development of the family farm in the spirit of the Treaty of Rome. Reform will make a vital contribution to the new frontier for which I have been pleading constantly — redevelopment of our rural areas, a pledge of our willingness to combat the flight from the land and preserve the balance between town and country.

But reform only makes sense if there is also budgetary discipline. The rules are being, and will be, adhered to. We have committed ourselves to this in an interinstitutional agreement. Adoption of the 1989 budget on time and without fuss is the best demonstration of what has been achieved in the eyes of those who, year after year, saw the Community locked in futile confrontation. The fact that our house is now in order means that the Community is back under orderly management, that there is no more laxity or inconsistency.

This movement, this discipline, are enabling the Community to keep pace with the economies of its major trading partners. Its growth rate in 1988 was the highest for 12 years; its investment performance better than at any time in the last 21 years. Some 1.6 million jobs were created, compared with the million jobs lost in 1982. In particular, the youth employment situation, which in the past had caused us grave concern, showed a relative improvement for the third year running in most Member States. I am not trying to tell you that the problem of unemployment has been solved — those who claim this are all too often forced to eat their words. But in these figures I can see a glimmer of hope for a solution to the most disturbing problem facing our society, encouragement to continue in the same direction.

The sceptics — and I meet plenty of them — will see this improvement as no more than the effect of the favourable developments in the economic situation worldwide. And it is a fact that the major industrialized nations are doing better than at any time since the early 1970s. For some this is all the more surprising since, in the aftermath of the October 1987 crash, economists were at pains to explain how we could end up with a worldwide recession. I would like to make the point that the economists were not wrong, as many have claimed; it is just that they were listened to for once. A monetary policy designed to cushion the shocks caused by the crash, stabilization of the dollar at a time when some people wanted to see it resume its decline, an improvement in the terms of trade as a result of the fall in oil prices — all these factors combine to fuel the machinery of the world economy and to sustain growth.

However, there are no grounds for euphoria. We must remain vigilant and on our guard. You know that there are many factors which could threaten expansion. This is another reason why the Community — using its combined strength — is prepared to shoulder its share of responsibility in creating a world economic order which is more stable, more effective and more equitable. It is therefore a message of hope that the Commission — and the Council too — is bringing today.

But to stay with Europe, do you think that a Community lacking in self-confidence, narrow in its outlook, and bogged down in disputes — as yesterday's Community was — would have been able to seize the opportunities which arose? Do you think it right to ignore the structural aspects of this spectacular recovery, when they in fact largely explain why inflation is under control in most European countries in a year of rapid growth? I know this, because most of the businessmen I meet tell me that the prospect of 1992 has acted as a spur to investment. We can also see to what extent this newfound confidence can change the attitudes and expectations of business. And since all this has benefited from the sounder base formed by a structural decline in inflation, less rigidity, partially regained competitiveness and greater transparency, our Europe, about to give birth to the single market, has been able to take full advantage of the prevailing trends in the international economy, after some of its members seemed cast for ever in the role of economic sluggard.

I have spoken at some length about the economic situation because any reference to the social dimension is bound to raise the problem of unemployment. We are accused of selling dreams with 1992, but in fact part of the dream is coming true already. There has been progress on employment.

Am I being unduly optimistic? I think not. Now at last, we can say that Europe is working. Of course, I cannot deny that there are difficulties ahead of us. They are both political and technical, and involve immigration policies, taxation of savings, the convergence of rates of indirect taxes, and arrangements for cooperation on drugs, crime and terrorism. Solutions must be found if physical frontiers are to be abolished once and for all. But the difficulties are also psychological, and that is the major difference between 1985 and today. Because, believe me, now that the demands of the Single Act have really struck home, resistance is growing in every Member State.

That, no doubt, is why some people scoff at our success and point only to the problems, in an attempt to be different and avoid sharing in the satisfaction of seeing Europe come into its own again. We all know these be-grudgers. But we, for our part, have never denied that the single market would require considerable efforts on the part of the Member States to adjust to competing in what will be a worldwide market. But, by reference to the concessions — that, unfortunately, is the word used — which each country will have to make in order to overcome these difficulties, can anyone reasonably contend that in economic and social

terms the disadvantages will outweigh the advantages accruing from implementation of the Single Act?

I am tempted therefore to echo the celebrated remark of a French politician who declared that at long last the problems were starting, as I am confident that the solutions to our problems will reveal that European union is more of a reality than it might appear.

Could this step forward have been taken without an increase in the effectiveness of our institutions? I doubt it. I can still remember the institutional debate in this House prior to adoption of the Single Act. All of us, yourselves and myself, were convinced of the need to improve the decision-making procedure, but some had dreams of a major reform. This never came about, but the extension of qualified-majority voting has made our task considerably easier.

I, for my part, cannot but welcome the decision taken then to increase Parliament's involvement in the decision-making process. Those who predicted that this would slow down our work have been proved wrong, as the Commission can testify. Over the last four years, Parliament has played a very positive role, as we expected it to. A note of caution, however: no imbalance should be allowed to develop between your Assembly and the national parliaments. I would stress once again how important it is for national parliaments to be increasingly involved in our work. I think it is for you, Members of the European Parliament, to step up your approaches to your counterparts at home.

While Parliament has played its role in the cooperation procedure to the full, it is impossible to gloss over the delays in the Council and the age-old problems which hamper the progress of our common project. As Lord Cockfield recalled in his mid-term review: 'Although there are four years left before 31 December 1992, Member States must be given time to incorporate Community measures into national law... . Effectively this means that the Council must complete most of its work in the next two years. That in turn will require a considerable acceleration in its striking rate.' May I say in passing that there is one area — agriculture — where the Council's attitude has been particularly disturbing over the last two or three months. We know the historical reasons, but we cannot help wondering why agricultural questions are not dealt with by the same procedures and with the same rigour as matters which are filtered by Coreper.

Has the Community met the challenge of influence? Has it recovered the capacity to act, rather than react to events? The mounting 'Fortress Europe' campaign in the United States and Japan would seem to suggest that it has. This accusation is unfounded, but is evidence of our renewed dynamism.

I say unfounded because, economically speaking, it would be absurd for the largest exporter in the world to close its frontiers to foreign products. Community trade represents 20% of world trade (38% if intra-Community trade is included) as against 15% for the United States and 9% for Japan. Looking at these figures it is obvious, surely, that Europe would be the first victim of mounting protectionism, particularly since the Community is more dependent than its partners on international trade for disposing of its output.

If this commonsense argument is not enough, the Community could point to the efforts it has made in recent years on the vexed issue of farm subsidies. You are all aware of our dispute with the United States in the Uruguay Round. But who has right on their side? Those — like ourselves — who actually reform agricultural policy in line with international recommendations and reduce subsidies by 20%, or those who voice lofty ambitions for the future, but continue day after day with a policy directed towards confrontation on world markets? I ask you again: who has right on their side?

Because Europe is demonstrating a newfound vitality, because envious eyes are being cast on a market of 320 million people with a high standard of living, there are those who have no compunction about accusing us of digging moats and building drawbridges. Let us not be taken in by this.

Our accusers are those who would like to see an open Europe with no common policy, no reactions, no political will. Our accusers are those who, within their own walls, enact protectionist trade, laws or devise ways of slowing down the first tentative moves towards market liberalization. We would say this to them: the single market will be open, but it will not be given away. Europe will be firm — and it has already

shown that it can be — in the event of unfair trade practices. Europe will continue to refer disputes to GATT. Europe will react in a determined manner to unlawful, discriminatory action by non-member countries. In short, Europe will not be intimidated but will continue, as it has since the beginning of the Uruguay Round, to maintain an open, constructive attitude as a means of contributing to the vital expansion of multilateral trade.

Let us speak frankly since we are among friends. It is not — to my mind — in the present climate that the United States and Europe, the world's largest agricultural producers, will reach agreement and so stop disrupting world markets in an all-out war of escalating subsidies. The present climate is not conducive to a fruitful relationship, the only relationship worthy of the deep friendship between our nations. It is not too late to return to the atmosphere of mutual understanding which has so often marked relations between the United States and Europe in the past. Europe is prepared to go along this road on condition that Europeans are respected. Because we have a shared destiny as members of the free world, because it is in our common interest, I trust that before long we will be able to resume our cooperation, in all areas, with a different attitude and different methods.

And let us not forget our other major partner. We intend to pursue our efforts to strengthen commercial, financial and, I hope, cultural relations with Japan. Let there be no doubt, there is still a great deal to be done.

To come back to Europe in its broadest sense, our relations with the EFTA countries at both multilateral and bilateral level need to be highlighted. Some real progress has been made. But has it been fast enough? I will have something to say on this later.

The Community's new attractiveness can also be seen in the historic breakthrough in East-West relations over the last four years, with the establishment of diplomatic relations with the Soviet Union and five other countries, the parallel opening of official relations with Comecon, and the conclusion of trade agreements with Hungary and Czechoslovakia.

All in all the Community's neighbours are showing increasing interest. This is to be welcomed and Europe must begin to develop what might be termed 'flexible proximity policies' tailored to a wide variety of situations, even extending to the countries of North Africa. I would remind you that one of those countries, Morocco, has shown particular interest in the Community. We must not lose sight of this, even though Morocco — by its own admission — is at present mainly preoccupied with discussions with its close partners with a view to the formation of a greater Maghreb. We are watching these discussions with keen and friendly interest because we cooperate closely with Algeria, Morocco and Tunisia under bilateral agreements.

But I do not want to paint too idyllic a picture by confining my remarks to economics and trade. The Community may well be attracting interest, but I wonder sometimes if it displays refound dignity in all circumstances. At the Rhodes European Council, I expressed my personal regret that political cooperation was making less headway than economic cooperation and that the Twelve were reluctant to agree on common positions or to take joint initiatives in the East-West dialogue.

I was told that the countries of Europe are present and active in the CSCE conference in Vienna. I need hardly say that we are all delighted that the process started in Helsinki in 1975 by 35 countries is continuing.

The agreements reached in Vienna will open up new prospects for balanced disarmament, broader economic, scientific and cultural cooperation and the elimination of certain obstacles to effective enjoyment of human rights. The Community as such is involved in this and must take the opportunity to express its views more forcefully.

But let me ask the question: Are the people of Europe really aware that relations between the big powers are of immediate concern to them? It is, after all, their territory that houses formidable military arsenals. It is their territory that may tomorrow be the theatre of a nuclear confrontation, and even if this dreadful

possibility is ruled out, there are still those who can play on people's fears.

That is why I persist in thinking that the Twelve must take a more united and imaginative stand in political cooperation.

These comments of mine do not mean that the Commission is straying into forbidden territory. It is well aware of the limits of its powers, even though it does play a full part in political cooperation meetings. But the Community's destiny is indivisible. A strong Europe must be our obsession. This being so I feel bound to say that if the gap between progress on the economic front and the hesitations of political cooperation widens further it will unfortunately lead to a weakening of our dynamism and our will. For it is increasingly difficult to separate economics from politics. It should also be remembered that the Twelve solemnly affirmed in the preamble to the Single Act that they were prepared to create a European union: that means one for 12 and 12 for one.

As I see it these comments on Europe's hesitant approach apply to external relations across the board. Its role in world trade apart, Europe wants to be a truly loyal partner, but vigilant and ambitious, anxious to build a fairer, more effective economic order.

Helping to create a fairer order means reviving the North-South Dialogue which has been in abeyance because the crisis, the sudden accession to wealth of a number of oil-producing countries, and the emergence of newly industrialized countries generated a feeling the world order was about to change. But, as you well know, this is far from true for one part of the world. The spectre of a major financial crisis has, admittedly, faded. But at a cost to the indebted countries, undermining democratic systems which are sometimes fragile because they are new. The response to indebtedness cannot be confined to what is termed structural adjustment — democracy has too much to lose!

Let us look at the figures: adjustment led to a steady fall of 2% a year in the standard of living of middle-income countries between 1980 and 1988, with another half a point in 1988. In sub-Saharan Africa, per capita income is now 25% lower than it was in the 1970s.

And has all this led to an increase in the growth potential of indebted countries? The answer is no, I am afraid, because a shortsighted adjustment policy means that although we sometimes effect cures, the general state of the patient is often so weakened that any further progress is out of the question.

It is true that there have been some improvements in recent times. Guidelines for the poorest countries were agreed at the Toronto Summit — and let me say in passing how good it was to see Europeans voting together on this. Then the market itself began to allow debt reduction techniques.

Nevertheless, in a year of strong growth like 1988, with international trade expanding steadily, the financial transfer from the poor countries to the rich countries was USD 40 billion, coming on top of the USD 100 billion transferred in the previous four years.

We know what the solution is: a combination of a structural effort by the indebted countries, an increase in private financing and greater access to our markets, to the markets of the industrialized world.

Should the Community, can the Community, make a contribution? It should and it can. It should, because democracy and the social balance are under threat, and that affects all Europeans and — as the President of the Council said this morning — our relations with Central and South America. It can, because the trade link in the finance-trade-currency chain is partly in its hands. It is as a trade partner, capable of giving but also of seeking and winning concessions, that the Community can take steps which would make it possible, by importing more, to stimulate the potential of these countries. This would alleviate their financial burden and create a margin for manoeuvre to prepare for the future with adequate investment programmes. By setting an example, the Community could encourage a new approach which would make it possible to reconcile restoration of order in the short term with development in the medium term.

It will have an opportunity of putting forward its ideas in the context of the Lomé IV negotiations with the African, Caribbean and Pacific countries and in the dialogue, which augurs well, with the countries of Central and South America.

Being a partner in a fairer, more effective world economic order also means doing something about the environment.

This is surely one of the concerns that we can share with the 'other Europeans'. From Chernobyl to the Danube they know that there is a price to be paid for neglecting or interfering with nature. You know what is at stake. It is the day-to-day relationship between man and his environment, between society and nature. Europe is in the front line of the worldwide campaign for conservation of the environment.

There are two reasons for this. In the first place, because it is rich and is already coping with scientific progress which is constantly changing the framework of our lives. Although our countries are — unfortunately — no longer alone in experiencing industrial pollution, they were the first to pay the price of acid rain and degradation of natural reserves of drinking water, the price of agricultural and industrial efficiency pushed to the limit by a mania for productivity.

Secondly, because the very history of its development has been marked for centuries by a special balance between society and nature. Since the Middle Ages Europe's population has always spread out to fill the countryside. With a population of 320 million on a territory of more than two million square kilometres, Europe is unique today because of its population balance and the progressiveness of its urban hierarchies. We should not forget that this peculiarity has had a profound effect on the situation of the family, on attitudes to economic and social organization, on the place and structure of towns, and on rural society. This, with all due respect, is what makes the European personality so special. This is why we must preserve it.

And it is this balance which is under threat by the flight from the land in many countries and the growing planning and management problems of our large cities.

Faced with this challenge, what can we do?

As a first step we could admit that the Community has not learned from experience, that it has not mobilized all its resources.

Next — I am tempted to say first — we could apply the principles defined in the Single Act which has given the Community jurisdiction in this area. Let me list them, they make good sense:

Prevention must take priority over cure; the cost of clearing up must be borne by the people responsible for creating the nuisance, or, to use the catchphrase, the polluter pays; and lastly, the environment must be a vital component of the Community's other policies.

These principles, though, have to be brought to life. Things are moving here too — attitudes are gradually changing. It is reassuring that respect for the environment is no longer seen as an obstacle to competitiveness but sometimes as an asset. Research into alternative technologies has demonstrated the economic profitability and the positive effects on employment of protecting the natural world.

The Single Act has given the Community two important legislative levers: the new Article 130r gives it power to act whenever a rule has to be drawn up with a direct effect on the management of the natural heritage, while the new Article 100a allows it to strive for high environmental standards in all areas linked with the single market.

These powers place Europe in a strong position to target and coordinate those policies which have a direct impact on the quality of natural resources — and action could be even more effective, of course, if decisions here could be taken by qualified majority, as in other areas. I have given responsibility for this ambitious programme to an enthusiastic, competent member of my team whose sole responsibility will be that

portfolio. And what a portfolio it is, when you consider the international implications of any environment policy.

We can already sketch out a number of lines of action. The Commission will propose the introduction of a European system of environmental measurement and verification which could be the precursor of a European environment agency. The object of the exercise will be to create and then establish links between regional and national systems, whether public or private, to give us a network responsible for measurement, verification, certification, information and sounding the alert. Our neighbours would obviously be free to join in the venture and the system could even be linked with world systems or networks in due course.

Introduction of this network follows directly on from the Brundtland report, from which many lessons have yet to be drawn. In a first phase, the Commission will take more determined action than in the past in four specific areas: the ozone layer, the greenhouse effect, toxic waste and tropical forests. The Commission will propose and support the necessary initiatives within the appropriate international agencies.

Europe must clearly give a lead in this campaign. But it cannot play its full part until it musters its forces, until public opinion, still sharply divided, moves towards a consensus on this major challenge. This is why I see a need for a massive information campaign, for discussion of the environment in the classroom. Our young people must prepare themselves for the task of husbanding the immense resources of nature, which is at once hospitable and dangerous, generous and greedy.

Let me say once again that, at home and abroad, consistency, cohesion and solidarity must dictate action by Europe as a partner.

With one Commission having just completed its term of office and handed over to another to finish the job it had started, Europe obviously cannot imagine that time will stand still. Any opportunities which arise must be seized and challenges met head-on. Because history will not wait. It sometimes comes and disturbs you when you are trying to concentrate on the work in hand, in this case weaving together the threads of the Single Act.

I would like to talk to you about two of the opportunities to be seized: the chance to make progress on a people's Europe and to establish economic and monetary union.

You are no doubt well aware that next June's elections to the European Parliament represent an exceptional opportunity for both our institutions. The Commission takes a very keen interest indeed in these elections, which will give the citizens of the 12 Member States a chance to participate more fully in the debate and give a clear demonstration of their dual allegiance, to their native country and to Europe.

The Commission's policy for recovery has undeniably given priority to people at work rather than individual citizens. But, though their real turn will come when frontiers are removed, private citizens have not been entirely neglected: the increase in tax-free allowances, the impending elimination of the last remaining exchange controls, the elimination of double taxation as regards VAT, the granting of equal social rights in the country of residence, the steady progress made towards the mutual recognition of professional qualifications, all of these provide tangible proof that the Community is not a technocratic machine, but a human venture. They are the proof — as yet modest — that the Community is also — I am tempted to say above all — designed to serve men and women at work and in their private lives. I am referring in particular to the proposal we made, at your request, on the granting of voting rights for all Community non-nationals in local elections, and to town twinning, on which you recently passed a unanimous resolution.

The debate in the run-up to the June elections, which I hope will cover a wide range of topics, offers an unparalleled opportunity of demonstrating to the people of Europe that the European venture concerns them individually. That is your responsibility as their elected representatives. You can count on the Commission's support.

But the elections also raise the question of Parliament's powers. It is impossible to overlook the paradox

inherent in electing a Parliament which, despite the amending powers conferred on it by the Single Act to extend its previous, purely advisory role, still has no real decision-making power except in relation to the budget and to new association agreements and enlargements. Is there not a risk that the people will not turn out at elections in which they cannot see any clear relevance?

I think not. First because, as you are proving every day, Parliament's real influence in decision-making already goes far beyond its theoretical powers, and secondly because, as everyone is aware, Parliament is the institution of the future. I am convinced that, just as the Single Act introduced the cooperation procedure, a new development will take place in the common policies which will result in increased power for your Assembly. Indeed Chancellor Kohl expressed this view quite clearly at the Rhodes European Council.

This brings me very naturally to what lies beyond the Single Act: the second opportunity which we must seize is the establishment of economic and monetary union.

I know that this House is already convinced that the Community will not reap all the benefits of the Single Act unless, at the same time, the Member States improve cooperation on macroeconomic and monetary policy. The study carried out under the guidance of Mr Cecchini provides convincing proof of this, particularly as regards the prospects for job creation: two million without common policies, five million with common policies.

This was why, as long ago as 1985, the Commission made proposals for strengthening the European Monetary System and introducing a cooperative growth strategy. Some steps were taken on the monetary front, but the Commission failed to persuade governments of the relevance of its proposals on macroeconomic policy. The economic situation has undoubtedly improved, but I can assure you that the Twelve have still a great deal to gain from pooling their potential to create growth and jobs.

Our proposals, therefore, are still valid today, and will be updated in the light of developments in the international situation. Once capital movements are liberalized on 1 July 1990, steps should be taken to increase cooperation, if the Community is to take full advantage of the common financial area which will have been created. This will enable us to put the savings of individual Europeans to the best use, to attract capital from outside and to enhance the position of our financial markets.

It is essential, then, that economic and monetary cooperation be stepped up on 1 July 1990. But is this enough? Not according to the Hanover European Council, which decided to examine, in Madrid next June, ways and means of moving on to economic and monetary union.

Let there be no mistake: this will be a quantum leap on two counts. Economic and monetary union opens up new possibilities for economic prosperity and job creation, in addition to those arising from implementation of the Single Act. But economic and monetary union can only be achieved by means of a further change within the institutions to set up a European central banking system and a framework to enhance the consistency and effectiveness of national economic policies.

The *ad hoc* committee set up by the European Council will be submitting its report by the appointed deadline. This will allow the Heads of State or Government to consider the form that economic and monetary union should eventually take. But they will also be presented with a plan for the establishment of that union, in stages, at a realistic and sensible pace. Experience has taught us that gradual progress towards economic and monetary union would be considerably facilitated by an appropriate institutional framework. If this is the case, it will be necessary, as in 1985, to open the way for another intergovernmental conference to prepare institutional provisions designed, like those of the Single Act, to amend the Treaty of Rome.

I do not doubt that Parliament, through the work already under way in its Committee on Economic and Monetary Affairs — I am thinking here of the Franz report — and later through its debate on the report of the *ad hoc* committee, will make a contribution, as it did in the case of the Single Act, to this decisive new stage, which will outline the political and institutional framework for an economic, monetary and social Europe.

We have seen that there are opportunities to be seized, but there are also challenges to be met if Europe is to advance beyond the Single Act. History will not wait and 1992 is already looming. We need to begin thinking about the years beyond.

We must set our sights on two goals: providing the Community with the dimension needed to tackle the problems of education, culture and society, and finding a response to the call from the 'other Europeans'.

The first challenge reflects a recurrent question: is Europe still capable of outstanding achievement, how can we reanimate the forces which gave birth to European civilization and revive its humanist inspiration? The answer clearly lies in the three areas of education, culture and society.

Education and training will inevitably occupy a central place in our common policies in the future. For centuries men's lives followed the rhythm of the seasons, repeating the same patterns, with traditions handed down from one generation to the next. But the pattern of life today is different: people are living longer, they are being required to change jobs, geographical mobility is becoming a necessity and technology is changing the tools of everyday life. Typists are having to give up their typewriters for word processors and everywhere people are having to adapt to new developments. Ten years after we leave school or university, our knowledge and skills can be obsolescent.

Employers and trade unions are aware of this; as recently as Thursday last they agreed to make education and training one of the major topics of the social dialogue. We realize that the Commission's powers in this field are limited, that the Community needs to do for qualifications what it has already done for diplomas. But the time has also come, I believe, for governments to review their experience and to compare their choices. It is they, after all, who are calling for a general rethink of education policy in today's and tomorrow's society.

And with the growth of trade not only in goods and services but also in ideas — a fifth freedom, which is not mentioned in the Treaties, but one which is essential if we are to give flesh and substance to our aims — we will perhaps have to set new objects, promoting exchanges between young workers, sixth-formers and younger schoolchildren.

Indeed, why not institute systematic exchanges between school classes in the Member States, so that every secondary pupil spends at least a month at school in another Member State? There are vacation camps for skiing, climbing, water sports and so on. Why not for 1992? They could even be organized this year!

Education, culture, society — the scope is vast. The Community as such has hardly scratched the surface. Beyond these first steps, we must be on the alert for development emerging today which might threaten the balance of our society and the freedom of the individual in the future. Our dream is of a more assertive Europe able to set a shining example to the world and to take the lead in the fight for human rights wherever they are trampled under foot.

But we must not close our eyes to the fact that we will only be able to meet these new challenges by closer cooperation within Europe. This applies as much to high-definition television as it does, for example, to the search for an AIDS vaccine — yet another goal which calls for action to coordinate and perhaps even merge current research efforts in several Member States. Surely we can match our achievements in the campaign against cancer with similar progress in the fight against this new scourge of humanity.

As far as the 'other Europeans' are concerned, the question is quite simple: how do we reconcile the successful integration of the Twelve without rebuffing those who are just as entitled to call themselves Europeans? As you know, the Commission has already adopted a position on this: internal development takes priority over enlargement. Nothing must distract us from our duty to make a success of the Single Act. This position has not however prevented us from strengthening agreements with the EFTA countries, with certain countries of Eastern Europe, with those countries that I like to call the orphans of Europe — Cyprus, Malta, Yugoslavia — and with Turkey, which has applied for membership. Let me say in passing that the

Commission will be presenting its initial report on this application to the Council by the end of the year.

But other European countries are making approaches too. Should we go further? And if so, how?

Let us consider our close EFTA friends first. We have been travelling with them along the path opened up by the Luxembourg Declaration of 1984 on the strengthening of pragmatic cooperation. With each step we take the slope is getting steeper. We are coming up to the point where the climber wants to stop to get his breath, to check that he is going in the right direction and that he is properly equipped to go on. There are two options:

- (i) we can stick to our present relations, essentially bilateral, with the ultimate aim of creating a free trade area encompassing the Community and EFTA;
- (ii) or, alternatively, we can look for a new, more structured partnership with common decision-making and administrative institutions to make our activities more effective and to highlight the political dimension of our cooperation in the economic, social, financial and cultural spheres.

It would be premature to go into the details of this institutional framework. I have my own ideas, but they need to be discussed by the new Commission and then informally, without obligation, with the countries concerned.

It should be noted however that the options would change if EFTA were to strengthen its own structures. In that case the framework for cooperation would rest on the two pillars of our organizations. If it did not, we would simply have a system based on Community rules, which could be extended — in specific areas — to interested EFTA countries and then perhaps, at some date in the future, to other European nations.

But if we leave the institutional aspect of such a venture aside for a moment and focus on the substance of this broader-based cooperation, several delicate questions arise. It becomes clear in fact that our EFTA friends are basically attracted, in varying degrees, by the prospect of enjoying the benefits of a frontier-free market. But we all know that the single market forms a whole with its advantages and disadvantages, its possibilities and limitations. Can our EFTA friends be allowed to pick and choose? I have some misgivings here.

The single market is first and foremost a customs union.

Are our partners prepared to abide by the common commercial policy that any customs union must apply to outsiders? Do they share our basic conceptions? The single market also implies harmonization. Are our partners willing to transpose the common rules essential to the free movement of goods into their domestic law and, in consequence, accept the supervision of the Court of Justice, which has demonstrated its outstanding competence and impartiality? The same question arises in connection with State aids and the social conditions of fair competition directed towards better living and working conditions. These are the questions that arise; these are the questions we will be asking.

But the Community is much more than a large market. It is a frontier-free economic and social area on the way to becoming a political union entailing closer cooperation on foreign policy and security. The marriage contract is, as it were, indissoluble, even though its clauses have not been applied in full. Only that *affectio societatis* which binds our 12 countries enables us to rise above the difficulties and contradictions, to advance in all areas of our collective activity. It is extremely difficult, within this all-embracing union, to provide a choice of menus.

These comments are simply designed to fuel the discussion that is already under way in each EFTA country. These issues will no doubt be on the agenda for the next EFTA meeting, to be held in March with Norway in the chair.

My own feeling is that the Twelve must be prepared for a full and frank discussion of the scope for closer

cooperation with the EFTA countries.

But I am not forgetting the others who are knocking at our door. I have already spoken of them. But I cannot close this chapter without mentioning Mr Gorbachev's 'common European house'. Of course we are aware of the exact geographical dimensions of Europe. Of course we want peace, trade and cooperation to be features of tomorrow's Europe. But let us not get too carried away or allow ourselves to be beguiled. To make the point, I would say that our vision is of a 'European village' where understanding would reign, where economic and cultural activities would develop in mutual trust. But if I were asked to depict that village today, I would see in it a house called the 'European Community'. We are its sole architects; we are the keepers of its keys; but we are prepared to open its doors to talk with our neighbours.

It seems to me that, in the new movement towards European integration, we have managed to reconcile vision with pragmatism. I have made no secret of the shortcomings and inconsistencies, as I see them, of our venture. But it was a good idea to record the progress achieved in four years, with the help of all concerned. It was a good idea to stress the radical change of attitude in the Community, although fears still need to be dispelled and much remains to be done to meet the next deadline. When the path climbs steeply, when the going gets rough, when we get discouraged, we must hold on to two simple ideas: the imperative need to unite to meet the challenges of history, and the extraordinary stimulus provided by the prospect of a united Europe, as Jean Monnet imagined it.

He said, and I quote:

'Gradually to create among Europeans the broadest common interest, served by common democratic institutions to which the necessary sovereignty has been delegated. This is the dynamic that has never ceased to operate, removing prejudice, doing away with frontiers, enlarging to continental scale, within a few years, the process that took centuries to form our ancient nations'.

Jean Monnet was right. Strong institutions are vital to our success. But so is the approach. I would like to comment on this, in conclusion, to rule out ambiguity and obviate futile doctrinal discussions. Europe is enjoying a new-found vitality. Economic activity is being stimulated. But competition must be supplemented, tempered, humanized by cooperation between countries, regions, firms, employers and unions. The abolition of all barriers to trade stimulates our energies, but no market can operate without a minimum of rules to ensure fair competition and prevent social dumping. Our national economies are based on a combination of market forces, social dialogue, action by the public authorities, national macroeconomic policies and the monetary policy of the central banks. Who can contest this? How, without all that, can we conceive of a European area vested with a political will, capable of achieving deliberately chosen ends? And in so doing, adhering to the principle of subsidiarity to avoid wasteful and excessive centralization. The Commission is on its guard, but it is not, you will appreciate, the only institution involved.

This insistence on subsidiarity is echoed in your Treaty of European Union, drafted under the guiding hand of Altiero Spinelli. This principle has another, even more cogent, justification. Europe was in danger of being paralysed by internal division. Europe's diversity, by contrast, makes it prodigiously rich. This diversity must be preserved, so that it can bear fruit for the common good. When all is said and done, our feeling of being involved in the shared adventure of European integration can only strengthen our sense of belonging to one of our ancient nations. Let me say once again that there is no need for us to abandon our national pride, any more than our philosophical or political preferences. For surely our foremost concern is to champion the renewed flowering of democracy, to champion human rights and pluralism?

Let me repeat, at the end of an over-long address, on the eve of an election campaign full of promise for the future, that Europe must choose between pluralism and extinction. Europe must be European, or Europe will be nothing.