Statement by President Roy Jenkins to the Council on the enlargement of the European Communities (18 October 1977)

Caption: Transcription of the address by the President of the European Commission to the Council of the European Communities on 18 October 1977 regarding the economic problems associated with the enlargement of the Community.
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STATEMENT BY PRESIDENT JENKINS AT THE COUNCIL OF 18 OCTOBER 1977

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ENLARGEMENT

Mr Chairman,

Members of the Council will have seen the letter sent to you by Vice-President Haferkamp on 14 October on behalf of the Commission about the two sets of Mediterranean problems with which the Community is confronted. You will also have seen the annexed working paper setting out the general guidelines of our approach within the agricultural sector.

29 OCT. 1977

I am well aware that these papers may not give you all you want. You will recall that in my statement of 21 June I drew attention to the magnitude of the problems before us, the need for care in dealing with matters which touched vitally on the future of the Community, and the danger of adopting too rapid or easy decisions which could make things worse for us in the years to come. For this reason I was particularly cautious in my promises about the timetable of the Commission's work. As you know we do not expect to have our Opinion on Portugal ready before the end of next February; and our Opinion on Spain from the date of commencement of the study will take as long if not longer.

But you will recall that the Commission had a preliminary look at Mediterranean problems with particular reference to enlargement at its weekend meeting at La Roche last month, and afterwards, in response to the interest then shown and the urgency of some of the issues, I promised to let you have an interim document to set

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out our general analysis of the problem and indicate the lines of our approach. This Vice-President Haferkamp's letter with its annex attempts to do. What I now have to say is a pointing up and elaboration of it.

One of the particular difficulties we face in approaching the central problem is that it constitutes two if not three related problems. We have the applications for membership of the Community from three southern European countries which have just emerged from dictatorship; we have the growing economic difficulties of the Mediterranean regions of the existing Community; and we have a third problem, which I do not intend to go into today, which is the effect of any arrangements we make for the candidate countries and the Mediterranean regions of the existing Community on countries outside the Community with which we are associated. This problem should never be far from our minds.

I speak first of our attitudes towards enlargement. We have already discussed the matter between us. As you know the Commission believes that any reply which we might give to the candidate countries which rejected their applications, even implicitly or indirectly, would not be acceptable. A straight refusal would be a severe blow to the fragile democratic regimes which have emerged with the open encouragement of the Community and which are already to some extent dependent on us. Moreover any reply which, while pretending to be positive, tied the opening of negotiations to complete solutions to problems which have long perplexed the Community would constitute a tacit refusal and would be so interpreted by the applicant countries.

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On the other hand any approach which skated over the very serious economic and institutional problems involved would only pile up our difficulties for the future. A solution which involved the dilution of the Community into some form of customs union or free trade area would represent the abandonment of the essential objectives of the Treaty. It would of course be unacceptable to the existing Community; it would also defeat the purposes which have caused the candidate countries to apply for membership.

We therefore believe it right to welcome the applications while stressing that the Council must neither ignore the problems they create nor expect painless solutions to them. That approach was clearly indicated in the letter which the Commission sent to the Council last week.

N.B. → The primary problem is how to reduce the difference in economic performance between the candidate countries and the Community, and between certain parts of the existing Community. In terms of gross national product per head, the level of Greece and Spain is only about half of the present Community average, and only about a third of that of the richest members of the existing Community. Portugal's level is substantially lower still. These comparisons show that the problem of the economic gap, which has long been a weakening factor in the process of integration, is exacerbated by and central to the question of enlargement.

We must, I am afraid, admit that the policies which the present Community has pursued - or in some cases the lack of them - have led if anything to a widening rather than a narrowing in the gap

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between its poorer and richer regions. Indeed the rate of development of our own poorer regions has recently been lower than that of the applicant countries. Thus we must conclude that if we pursue only our present policies they will not produce the results we want either for the Mediterranean regions of the existing Community or still less for the wider differences between the Community and the candidate countries.

I think it follows that enlargement of the kind which now confronts us is qualitatively different from the enlargement which was negotiated between 1970 and 1972. The Three acceding countries had economies broadly similar to those of the original Six, and could therefore be more easily integrated. It was a question of the negotiation of of mutual adjustments and accommodations and not of a major underpinning operation. We now have to approach a new problem in a new way. Put in the bluntest terms we need not only policies but also funds. Enlargement - and its implications - will cost us all a lot of money, and it is well that we should recognise it from the outset. Is the Council ready to accept this? If, as I hope and believe, the answer is Yes, then the Commission will work out proposals and attempt to cost the operation, including of course what is required for our existing Mediterranean regions.

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I touch first on the agricultural aspects. You will have seen in the annex to the Commission's letter of last week a number of practical suggestions for action in this field. In drawing up this document we took account of the memoranda submitted by the French and Italian Delegations. We shall give further precision to our ideas in the paper which we have promised before the end of the year. This will be consistent with our aims for the Common Agricultural Policy as a whole : in short it will not be in contradiction either with our commitment to reduce structural surpluses or with our engagements to third countries. As you know the Commission firmly believes that a large scale increase in protection and prices of Mediterranean products would not be in the interests of the Community as a whole. We cannot and must not pile up new surpluses absorbing still more crushing open-ended commitments. We want an efficient and defensible agricultural system in which Mediterranean and northern agriculture play complementary parts.

Nest I turn to industry. Agriculture cannot in itself constitute the driving force in the development of the candidate countries and the Mediterranean regions. But it would be facile to think that industrialisation can provide a complete answer either. The areas in question are subject to severe limitations of resources and geography; and they lack many of the facilities, including transport, which make industry profitable. Moreover we shall have to fit their industrial development into the existing industrial framework of the Community to achieve the same measure of complementarity which we are looking for in the field of agriculture. None of this will be easy. In working out an integrated industrial plan for the development of the candidate countri and the Mediterranean regions of the Community we shall have to learn to

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look further ahead than has hitherto been the case and to define our objectives and priorities with greater precision.

The development, both agricultural and industrial, of the candidate countries will undoubtedly place a heavy burden on their public finances, which are already affected by high rates of inflation, large government deficits and deteriorating balance of payments. I now give an example. Let us suppose that the resources available to the governments of the applicant countries were to be raised to 60% on a per capita basis of the average available to the governments of the enlarged Community as a whole. This would bring the level about halfway between Ireland and Italy at the moment. This relatively modest target would require us to raise sums which would double the present national fiscal resources of Portugal and cover more than twice its extremely large balance of payments deficit. The requirements of Greece and Spain would also be substantial, but relatively much less: relatively in fact about one quarter as great. I think this well illustrates the qualitative differences in economic strength between the present Community and the candidate countries, especially Portugal. But for the success of the future Community we clearly have no option but to set reasonable standards of wealth and diminish disparities in standards of living.

In short the candidate countries will need a great deal of help. The Commission believes that it will be necessary to support any stabilisation policies which these countries are pursuing or plan to pursue with considerable external assistance, mainly of Community origin. In addition we believe that an ad hoc financial instrument should be

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created to ensure the substantial transfer of resources necessary to promote the economic development both of the candidate countries and of the Mediterranean regions of the Community. We have still to refine and define our ideas in this respect. Such a financial instrument could take the form of a specific fund, or it could comprise specially co-ordinated action by existing Community instruments, but manifestly they will need to be equipped with much greater resources. We believe that the candidate countries should be associated with the operations of such an instrument or instruments, not only because this would make practical sense but also because it would help bring out the measure of our political endorsement of their applications for membership. In our judgment it might well be necessary for work to begin and money to flow before accession of the candidate countries actually took place. Otherwise we should be faced with an impossibly long transitional period.

Ten days ago we considered at Villers-le-Temple some of the institutional implications of enlargement. I will not attempt to repeat those discussions. But I would like to underline their importance in relation to what I have said. Obviously we should not give the candidate countries all the advantages of membership before they have assumed all the obligations. I do not, for example, think that they could easily join in the process of political co-operation, nor in the central processes of the Community itself until the act or acts of accession have been signed. But as I have indicated, the Commission believes that

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we should be ready to embark upon a programme of common action, to be put into effect through use of the financial instrument I have described, before accession takes place. This is necessary if we are to translate our good intentions into political and economic reality.

Enlargement will only be successful if the Community is consolidated and enriched in the process. This means that we must look to the implications for our institutions, our traditions, our habits and working methods, and the objectives we have set ourselves. As you know I have particularly in mind the need for progress towards economic and monetary union; and hope to say something about it at the European Council.

Let me end with what I believe is a simple statement of fact. Enlargement means that if the Community does not go forwards, it will go backwards; and if it cannot cope with enlargement, it will stultify its ability to cope with much else. Enlargement is a gathering in of European civilisation. It will give the Community its proper European dimension.

You will require more from the Commission, But we require : from you some sharper indication of your political attitude to the problems I have outlined than we have yet received. I hope they will be forthcoming today.