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Economic future prospects of the European community

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Economic Future Prospects of the European Community

Interview with Wilhelm Haferkamp, Vice President of the Commission of the European Communities, Brussels, on how to surmount the economic difficulties which the EC is facing at present.

IE: The economic differences between the member states are greater today than ever before. Great Britain and Italy particularly are slipping behind. What is the Commission's view on the proposal by the former Federal Chancellor, Mr Brandt, to leave these countries out of further efforts at integration?

HAFERKAMP: The concept put forward by Willy Brandt of a stratification in European integration has been misunderstood in many places. He expressly emphasized that this should in no way constitute an "uncoupling", and that the common framework should be retained and the common umbrella strengthened.

The European Community is a joint community based on equal rights and duties for all member states. This need not, of itself, prevent some countries, which are in a position to do so because of their economic structures from taking certain

steps towards integration, which others are not yet able to take at present. Conditions could thus be created enabling the countries which have advanced further to help the process of adjustment in the remaining states more effectively than before. In the past both as regards stabilization and expansionary policies certain countries in stronger positions have taken the lead. Also currently those countries without serious balance-of-payments problems have formed the "small currency snake". Certainly we cannot and must not have first and second member states.

Common Stabilization Policy

IE: The regional fund was agreed upon at the Paris summit conference but a joint policy for stability still seems a long way off. What is the Commission's view of the prospects for a common stabilization policy this year?

HAFERKAMP: The difficulties facing a common stabilization policy stand out clearly when you realize that the average rate of inflation in the Community has been accelerating practically non-stop since 1967 (1974: approximately 13 p.c.).

At the same time the rates at which prices have increased in the member countries have been diverging more and more (Germany approximately 7 p.c. — Italy and Great Britain approximately 20 p.c. and 16 p.c. respectively). The prospects for a common stabilization policy will only improve therefore if we succeed, not only in our attempts at a better coordination of economic policies within the Community, but also in our increased efforts to carry out the structural reforms needed in some countries. These include in the long-term, not only regional problems but also a more rational solution to conflicts about the distribution of income be-

tween different groups and the harmonization of certain aspects of the tax system, social security insurance and competition policy.

Important prerequisites for a gradual curbing of inflation at international level are, for instance, the recycling of petrodollars while maintaining control of the money supply, and at Community level, some adjustment appropriate to the situation, and closely coordinated economic policy measures on the part of member states. We have reason to hope that the situation as regards stabilization will be better at the end of 1975 than it has been at the beginning.

Pressure towards Decision-making

IE: Is the Commission's position still further weakened by the institutionalization of summit meetings suggested in Paris?

HAFERKAMP: The decision of the heads of state and government of the member states of the Community, to meet together three times a year in future as a council of the Community, will if anything strengthen the Commission's ability to take initiative, because in future certain Commission proposals will go directly to the heads of government.

The summit decision does create a certain pressure towards decision-making and renders it more difficult to temporize, or put off current problems, although I would not like to say that it would be impossible in future to do so. The Commission also expects that the statement by the heads of government, to the effect that the principle of unanimity will no longer apply in future to every question, in the Council of Ministers, will exercise a further favourable influence on the workings of the institutions.

IE: How far can the proposals for a European Community loan to finance the deficits due to oil prices in some EC states still be said to be a current issue?

HAFERKAMP: A Community loan is definitely still a current issue. In no way has it been overtaken by the increased lending powers of the IMF or by the decision in principle regarding the safety-net, within the framework of the OECD (Kissinger Plan). The Commission's preparatory work to decide whether funds could be obtained either directly, or via the capital markets, to help finance the balance-of-payments deficits of individual member states as a result of the oil prices, is well under way.

We can therefore expect this instrument, whose use, however, is made dependent on strict economic conditions, to be ready for application shortly.

Renegotiations with Great Britain

IE: Two years after the enlargement of the EEC, fears that integration would thereby be held up seem to have been justified. What is the Commission's view on British demands for new accession negotiations?

HAFERKAMP: The most difficult, and certainly the most important point for Great Britain, is the intention to build into the Community's financial system a mechanism to adjust any excessive burden on one or more member states.

The Commission has informed the Council of its views on the matter — based on an ambiguous compromise at the last summit conference. This, in my opinion, very balanced proposal should make it possible for all those concerned to find a satisfactory solution to the bud-

get question within a few weeks. The Council has already welcomed the underlying principles in the Commission proposal.

This and the other renegotiation questions must be decided fast. In these difficult times the Community can no longer allow itself the luxury of being, in part, unable to act.

Implications of the EC Referendum

IE: What consequences would a negative EC referendum result in Great Britain have for Europe?

HAFERKAMP: A negative result in the EC referendum in Great Britain would be a severe blow to the political idea of uniting Europe. In view of the political developments emerging in the world only a Europe politically united will be able to throw sufficient negotiating strength and political weight into the balance, so as to represent its interests effectively at international level.

Economically, too, Britain has much to offer and much to gain from membership in the EC. It can offer Europe the benefits of an advanced technology in certain fields, the unparalleled expertise and organisation in financial affairs which the City of London represents and the mutual gains from its long-standing trading relationships with the Commonwealth countries. As a member Britain is part of the greatest trading community in the world with all that means in terms of wider markets for its goods and hopefully closely-coordinated economic policies with its fellow members.

But I believe that the British referendum will have a positive result. I am convinced that the British people will reach the best decision, and above all, one which is in their own interest.