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WEDNESDAY 3 JUNE 1981

"THE EUROPEAN COMMUNITY : AN OPPORTUNITY FOR PROGRESS"

Speech by Chancellor of the Exchequer at joint meeting in the Hague of the Foreign Affairs Institute and the European Movement

The Chancellor of the Exchequer is speaking in the Hague tonight, Wednesday 3 June, about the British Government's broad approach to reforming the European Community budget and the common agricultural policy. A copy of the speech is annexed.

The Community committed itself on 30 May last year, as part of the UK budget refunds agreement, to find a longer term solution to the problem of budgetary imbalances, or "unacceptable situations" for any member state, by means of structural changes. The Commission was mandated to produce a report by the end of June 1981. The Community will be discussing the subject intensively in the remainder of this year, under first the Dutch and then the British Presidency. The Chancellor of the Exchequer's speech is intended as a contribution to that discussion.

Main points from the speech are:-

- The problems of budgetary imbalances and the CAP are preventing the Community from making progress. They are also tending to undermine popular support for the Community. Solutions are needed urgently.

- Guidelines for CAP reform should include reducing the levels of effective support in real terms for products in surplus; giving greater play to market forces; and making agricultural support spending subject to the same sort of financial discipline as is applied to other public spending programmes.

- The problem of budgetary imbalances is a problem not just for Britain but also for Germany and hence for the Community as a whole. Enlargement will exacerbate the problem.

- The problem arises because the impact of the budget on individual member states falls out fortuitously, from unco-ordinated policy decisions by the Community's specialist councils.

- The solution cannot lie in raising the 1 per cent VAT ceiling. Under existing arrangements, that would open the way for a further uncontrolled increase in CAP expenditure, which in turn would increase further the net contributions of the net contributor countries.

- The solution must lie rather in adding one new principle to the Community's budgetary arrangements. The Chancellor suggests that the Community will need in future to take conscious decisions on how the budget should affect individual member states. The decisions ought to be based on objective criteria, notably relative prosperity.

- The means of implementing these decisions should include a redirection of expenditure from agriculture to other areas. But the Community is likely to need special arrangements as well for correcting the total impact of the budget on individual member states.

- In addition to solving the problem of "unacceptable situations", this approach should make the budgetary aspects of enlargement manageable and open the way for the Community to make progress. It would involve applying in the Community, to some extent at least, a principle universally recognised in nation states - that resources should flow from more to less prosperous regions, and not vice versa.

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NOTES TO EDITORS

The Foreign Affairs Institute is roughly the Dutch equivalent of Chatham House. Mr Patijn is its Vice-Chairman.

The European Movement is a Dutch organisation designed to promote interest in the European Community. Its Chairman is Mr van Iersel.

Membership of both organisations is drawn from the Dutch Parliament and the political parties, industry, banking and finance, the public service, the media and academics.

THE EUROPEAN COMMUNITY: AN OPPORTUNITY FOR PROGRESS
SPEECH BY THE CHANCELLOR OF THE EXCHEQUER IN THE HAGUE ON WEDNESDAY 3 JUNE 1981

Introduction

Mr Patijn, Mr van Iersel, Ladies and Gentlemen.

I am delighted to be in the Netherlands this evening and to have the opportunity to address such a distinguished audience. It is particularly good of you to come here at a time when - following your General Election - many of you are extremely busy. If I may single out individuals, may I say how much I value the presence, despite their many other pre-occupations, of my colleague Mr van der Stee and of Dr Zijlstra and Dr Duisenberg, the present and future Presidents of the Netherlands Bank.

I also owe a particular debt of thanks to your two distinguished Chairmen this evening - Mr Patijn and Mr van Iersel - and to the organisations they represent - for so generously making the arrangements for this occasion.

/Anglo-Dutch friendship

Anglo-Dutch friendship

May I say first what a great pleasure it is for people from Britain to talk with Dutch colleagues about major issues of the day. There is a long tradition of almost unbroken friendship and collaboration between our two countries.

It was with Dutch help that we drained the Fens of East Anglia. We even shared a monarch for a time, when the Orange and the Rose came together in the person of William III.

The influence of the Netherlands on England in the following period of our history was extensive. Our Central Bank, the Bank of England, was modelled on Dutch experience. English domestic and urban architecture took on a distinctly Dutch appearance. Near the Treasury in London there is a street of Queen Anne houses called "Queen Anne's Gate" which has to our good fortune been preserved. Those of you who have seen it will know what I mean when I say that I felt very much at home when I visited our Ambassador's delightful residence in the

/Westeinde earlier

Westeinde earlier this afternoon.

Further back in history Hugo Grotius, esteemed by jurists as the founder of international law, served for a time as Dutch ambassador to England before writing his great treatise "De jure Belli et Pacis". I am a lawyer myself - a professional training which I am proud to share with Mr van der Stee as well as with Mr van Agt - and it seems to me that the bookcase in which Grotius escaped from prison to write this treatise must be the most important bookcase, the most productive even, in legal history.

Further back still, the intimate friendship between two great scholars, one Dutch, one English, prepared the way for the flowering of the Renaissance in Northern Europe. I refer to Erasmus and Sir Thomas More. It was at More's suggestion that Erasmus wrote his celebrated satire, "In praise of folly" or "Encomium Moriae": the word "Moriae" was itself a play on More's name. And it was in the Low Countries that More sketched his "Utopia", published under Erasmus's supervision in 1516.

/The Subject

The subject

My subject tonight - "The European Community: an opportunity for progress" - is perhaps less rarefied, but certainly more urgent, than those addressed by More and Erasmus. I venture to hope that our two countries can, in our different ways and from our different perspectives, collaborate as effectively in tackling the problems of today as did those two great 16th century scholars. My main concern is for the future of the Community. But first a word about the past and present.

The Community's achievements

The Community can, I suggest, take credit for a number of profound and historic achievements. I mention three in particular.

First, the Community has helped to create a zone of peace and stability in Western Europe. How easy it is to take this for granted today. But no more than a glance is needed at the pages of history to confirm the magnitude of the achievement. There have even been occasions when our own two

/countries have

countries have fought each other. In the 17th century, our navies obtained a considerable amount of useful combat experience at each other's expense! More seriously, every city in which the Community transacts its business today has suffered grievously in some past European war. We are having to contend today with new and ugly forms of violence - with the terrorists who attack civilised society in all our countries, be it in Rome or Brussels, London or the Hague. But the possibility of war between the nations of Western Europe has never been more remote. The scars of earlier conflicts have helped to cement our present unity.

It may be argued that the recognition of a common enemy and the formidable advance of military technologies would have sufficed by themselves to keep Western Europe at peace. But the Community has brought a new sense of cohesion among member countries. It has planted firmly in European soil the precious habits of cooperation and negotiation. It has strengthened liberal democracy in Europe and Europe's voice in the world.

/Second, the

Second, the Community has surely made Western Europe significantly more prosperous than it could otherwise have been. The vast expansion of trade brought about by the elimination of tariffs between Community countries, and the dismantling of many non-tariff barriers, must have contributed powerfully to the enhancement of living standards in all Community countries. It is hard to measure such effects in statistical terms. But that in no way detracts from their importance, an importance which I believe is being increasingly recognised in my own country - and not before time.

Third, the common policy for agriculture, for all its faults, has raised food output in Western Europe to a remarkable extent at a time of continuing reductions in the agricultural population. The policy has also helped to protect the economic and social structure of the countryside, in face of the pressures which increasingly threaten it.

UK's commitment to Europe

The British Government are deeply conscious of

/all that

all that has been achieved. We are anxious to see Europe progress still further. We want to play a full part in that progress. We are proud to be in Europe and of Europe.

In times past, Britain has contributed much to European civilisation. We have more to contribute now and in the future - not least to the defence of Europe through NATO and to its development through the Community. The Community is where we belong. Without Britain, the Community would be incomplete. Without the Community, Britain would be incomplete.

And I want to say at this point how sincerely and profoundly grateful the British Government are to successive Dutch governments for the great understanding which they have always shown towards the UK, both when we were negotiating to join the Community and subsequently. We are now approaching the end of the Dutch Presidency and the beginning of our own. It is especially appropriate, therefore, that we should be talking together this evening. I only hope that in our Presidency we shall be able to preserve the high standards which you have set in yours.

/Problems facing the Community

Problems facing the Community

I have been talking mainly so far about the Community's achievements. We all recognise, however, that the Community faces severe problems as well.

One problem is that there has been a worrying reduction in popular support for the Community in some member states - by no means only in the United Kingdom. This I regard as a matter of great concern. For the survival of the Community, like any other system of government based on democratic principles, must ultimately depend on the support of the people. In developing the Community we must be concerned above all to strengthen the conviction and support of people in all member states.

Why it is that popular support for the Community is so patchy and, in some countries, less than secure?

There are, I believe, a number of causes. There are many who feel, for example, that the Community has in some way been responsible for the

/economic

economic dislocation and setbacks which followed the two oil price shocks of the 1970s - or is at least responsible for their not having been overcome more painlessly. In fact I believe the very reverse is true. We should all have been worse off if we had had to face these tribulations alone.

Another powerful cause of the fluctuations in popular support, I suggest, is that there seem to be so many quarrels in the Community. Partly because of the system, partly because of the way in which Community affairs are reported, the processes of adjustment, reconciliation and allocation are perceived as battles, or clashes; and strong passions are aroused among politically conscious people in all our countries. In any international, national or federal organisation, some lively exchanges about the allocation of resources are to be expected. An absence of such exchanges would be unnatural. But people feel that our organisation is keeping the countries of Western Europe perpetually at loggerheads with each other. Too often, we seem to be locked in adversary bargaining, like social partners engaged

/in a permanent

in a permanent spring offensive. Grotius would not have approved.

If one of the main perceived causes of the problem is that we are seen to quarrel too much, what are the under-lying causes? I believe there are two which must concern us principally. First, there is a complex of problems connected with agriculture. Second, there is the problem of budgetary imbalances between member states.

CAP reform

To begin with agriculture, the CAP has, as I suggested earlier, been notably successful in raising food production in Western Europe and in helping to preserve the character of our countryside.

The main problem with the policy is that it has been too successful in stimulating the production of food. The result is that we have increasing surpluses in a number of products, and the cost of financing these surpluses has risen to intolerable levels. Especially in the milk and cereals sectors,

/governments

governments and consumers are paying out large sums which increase production to no good purpose. We give our farmers incentives to produce products which no-one wants - or at least not at or anywhere near the prices for which they produce them. Then we incur the heavy costs of storage and disposal.

We all want a healthy, productive farming sector. But there is a real danger that the policy will collapse under the weight of its own excesses. And that is something which none of us wants to see.

I do not pretend that there are easy or painless answers. But there are three guidelines for reform which I would wish to put forward.

First, the solution to the problems of the CAP must lie, in part at least, in reducing the levels of effective support in real terms for products in excessive surplus. There is, I believe, a wide measure of agreement on this. But action has lingered far behind analysis. There is no consensus on the

/means whereby

means whereby the levels of effective support should be restrained. And there are recurring political inhibitions which have persuaded us at each year's price fixing to postpone decisive action for another year.

Second, I suggest that we must seek solutions which give greater play to market forces, while operating directly on surplus production, and are consistent with the Community's commitment to an open and competitive economic system both within Europe and internationally. Within the Community we must avoid any prescriptions for reform which involve discrimination against particular types of efficient producer. On the external side, we must maintain the principle of Community preference. But we must not seek to solve the problems of the Community's farm sector by increased protectionism.

Last, but not least, I believe that agricultural support spending must be subject to the same sort of financial discipline as we apply to other public

/spending programmes.

spending programmes. This is more essential than ever in a period of relatively low economic growth, when all our governments are having to wrestle to keep public expenditure under control.

Highly relevant to this is the position adopted by the British, Dutch and German Governments after this year's price fixing, when we recorded our joint determination that the future growth of spending on price support should be markedly lower than the rate of growth of own resources. Difficult though it will be, we must now put this policy into practice. Time is running out. We must meet the imperative of change in advance if the Common Agricultural Policy is to survive and prosper as we wish it to do.

Budgetary imbalances

The other major source of the Community's troubles is, I suggest, its budgetary arrangements. These arrangements are incomplete in one important respect.

/Contributions are

Contributions are made to the budget under the own resources system. In itself, that need raise no problems.

Expenditure takes place from the budget in accordance with Community policies. In itself, again, that need raise no problems.

The problems arise because the Community's arrangements made no provision for the relationship between the contributions and receipts of individual member states.

There is no provision to ensure that the net balance of contributions and receipts for each individual member state is defensible. Within nation states, it is an established and overriding principle that resources should tend to flow from more to less prosperous regions, and not vice versa. But there is no comparable principle governing resource flows between member states of the Community.

The net effect of the budget on individual member states is largely fortuitous. It emerges accidentally

/from a

from a multitude of separate, unco-ordinated decisions by the Commission and the Community's specialist councils.

In the original Community of 6, this incompleteness in the Community's financial arrangements did not pose a serious practical problem. Each member state derived advantages from membership which were real and visible. Germany was by far the largest net contributor - but not on a scale which the German people found intolerable; the environment was one of sustained economic growth and Germany did not demur.

Since those days, things have changed. We now have a Community of 10. And for the Community, as for the rest of the world, there is no longer the same assurance of sustained economic growth. Of the countries which acceded in 1972, Denmark and Ireland have obtained the benefit of large net receipts from the Community, both within the budget and outside. But the passage of time has brought major problems, arising from the operation of the budget, for two Community countries - the UK and Germany.

/At the

At the time of the accession negotiations in 1970, the British Government expressed concern that the combination of the own resources system and the predominance of agricultural expenditure in the budget would place an impossible burden on the UK, which could not be solved by transitional arrangements. That was not, however, the conventional wisdom of the time. The pattern of sustained economic growth had not then been interrupted by massive oil price rises. And there were great ambitions for economic union in the Community. It was easy to imagine that the Community budget could expand, that agricultural support would lose its predominance in the budget, and that new programmes could be introduced which would bring compensating benefits to the UK. Even then, however, the Community recognised that, if things turned out differently, an 'unacceptable situation' could arise and would have to be remedied. The Commission paper of October 1970 stated that:

/" should

"... should unacceptable situations arise within the present Community or an enlarged Community, the very survival of the Community would demand that the Institutions find equitable solutions."

The Council of Ministers formally endorsed this proposition on 4 November 1970.

Sadly, many of the hopes and aspirations of the early 1970s have been disappointed. The European economies, like the rest of the world, have been gripped by recession, and CAP expenditure has continued to consume the lion's share of the budget, thus hampering the development of other important policies. As a result, unacceptable situations have indeed arisen - first for the UK and then for Germany, and so for the Community as a whole.

In the UK, the end of the transitional period in 1979 left us in 1980 financing around 21 per

/cent of

cent of CAP expenditure and receiving only about 6-7 per cent of it: a gap of 14-15 percentage points. Our net contribution to the budget was thus forecast to reach between 1½ and 2 billion ecus in 1980. And this despite the fact that we were one of the less prosperous member states in a Community with a declared objective of economic convergence. No-one would have dreamed of deliberately planning such an outcome.

So it was that, in the 30 May agreement last year, the Community recognised that things had indeed gone wrong - that the increasing imbalance of the budget was a problem which had to be tackled. The Dutch government were among the first to recognise that. The agreement provided for the UK a respite which was timely and welcome. But it was only temporary. That is why, even more importantly, the agreement provided that, for the future, the Community should solve the underlying problem by means of structural changes.

/An important

An important problem with the 30 May agreement is the difficulties which it has created for another member state. For Germany is now bearing a burden similar in magnitude to that which the UK would have borne but for the agreement. Germany is a much richer country than the UK. But the Federal German Chancellor has now stated that enough is enough - that there will need to be a limit on Germany's net contribution as well as the UK's. What better proof could there be that the problem is not just a British one? It is a problem for the Community as a whole - a shared problem which we must solve as a matter of conscious, collective decision.

Difficulties caused by budgetary problems

We all know that the Community is concerned with much more than money and arithmetic. But the problems on agricultural expenditure and budgetary imbalances which I have been describing are damaging the fabric of the Community. There

/is a

is a real danger that public support for the Community will be eroded, and the progress of the Community halted, if we do not find solutions to these problems.

The dangers over public support arise partly from the fact that the uncorrected impact of the budget is manifestly unfair, and partly from the absence of any established method of correction short of sustained punch-ups every two years or so. Member states are repeatedly flung into the ring against each other with as little dignity as the contestants in "Jeux sans frontières". There is a real danger that, in the face of all the unfairnesses and the confrontations, support for the Community will fade away in the net contributor countries. If that should happen in Germany as well as the UK, then truly the Community would be in trouble.

We have to recognise, moreover, that the Community's budgetary problems will become more

/acute as

acute as a result of enlargement. Like other member states, we in Britain were delighted to welcome Greece into the Community at the beginning of this year. We look forward to the early accession of Spain and Portugal. But under existing arrangements for the CAP and the budget the financial consequences of enlargement for existing member states are highly uncertain and could be substantial. The sooner we can sort out our budgetary problems, the more rapidly we shall be able to welcome Spain and Portugal, too, into the Community.

The 1 per cent VAT ceiling

It is often suggested that the main obstacle to progress in the Community is the 1 per cent VAT ceiling. This ceiling was set by the original Six in 1970. It can only be changed by unanimous agreement of the member states and after ratification by their Parliaments. There are many who argue that the ceiling should be raised so that the Community can develop existing programmes and undertake new ones.

/The fact is,

That fact is, however, that the present own resources ceiling is the one thing which imposes on the Community budget the sort of financial discipline which we all take for granted at home. If the ceiling was to be raised as soon as it was reached, then under existing arrangements the way would be open for a further uncontrolled increase in CAP expenditure; and that in turn would increase further the net contributions of the existing net contributor countries. There are no "automatic stabilisers" under the CAP - nothing to shield the net contributor countries, in particular, from the consequences of our collective extravagances. On the contrary, the more the expenditure rises, the greater the budgetary imbalances become. Under present arrangements, the net contributor countries have no practical choice but to insist on maintaining the ceiling. To say that raising the ceiling is necessary to solve the Community budget problem would therefore, in my view, be putting the cart before the horse.

/I am not

I am not suggesting that these are the only obstacles to raising the 1 per cent VAT ceiling. The Community budget cannot do without a financial discipline any more than our domestic budgets can. And it is surely an illusion to regard the two as entirely separate. There are no untapped resources in any of our countries, waiting to be allocated to Community spending. The hard fact is that an increase in Community public expenditure bears on the same over-stretched resources as does an increase in national public expenditure.

In some areas, it may well make sense to conduct policies on a Community rather than a national basis. We certainly support the case for allocating some of the funds saved from the CAP to non-agricultural policies which could give the budget a better balance. As my colleague Lord Carrington said in Hamburg last November, the British Government has a close interest in the further development of the Regional and Social Funds and Community policies for transport

infrastructure, urban development and energy, in particular coal.

But we must be realistic about the scale of such developments. This is not the year, indeed probably not the decade, for launching major new spending programmes. The Finance Ministers of the Community cannot combine a policy of severe restraint in domestic programmes with approval for massive increases in Community programmes. If they attempted to do so, they simply would not be understood.

Need for conscious decisions on impact of budget

I have been arguing that the problems of the CAP and budgetary imbalances lie at the root of the Community's present troubles. The Community will, I suggest, have to solve these problems, if it is to make progress. I said something earlier about solving the problem of CAP expenditure. I should like to share with you now some thoughts about how the Community might tackle the problem of budgetary imbalances.

/As I said

As I said a few moments ago, this problem arises because the impact of the budget on individual member states falls out fortuitously, or accidentally, from a multitude of separate policy decisions by the individual specialist councils.

Our present arrangements can be compared with a computer programme which is admirable in every way except that one vital constraint is missing. We ask the computer how fast the traffic should drive through a road tunnel so as to minimise congestion. The answer comes back: 1000 kilometres an hour! We forget to tell the computer that there is a limit to the speed at which traffic can move.

In the Community's standard budgetary arrangements there is likewise, I suggest, one crucial element, or constraint, which is missing. The arrangements take no account of the total net effect which the budget will have on

individual member states. Yet the budget, as it emerges, can all too easily place on some member states burdens which are manifestly unreasonable. With the indirect exception of the 1 per cent VAT ceiling, there is nothing in the standard arrangements to limit the liabilities of the net contributor countries. There is likewise no principle comparable to that which underlies the fiscal arrangements between the component regions of national states - that resources should tend to flow from the more prosperous to the less prosperous regions. This principle certainly operates within the component parts of the United Kingdom. It clearly underlies the fiscal arrangements between the Federal Government of Germany and the Lander. It even finds some expression in the preamble to the Treaty of Rome, which stresses the need to reduce economic differences between various regions. I believe that we must devise ways of applying the principle, at least to some extent, within the Community.

/I do not

I do not suggest that we have to aim, in the foreseeable future, at a major redistributive system within the Community comparable to that of a unitary national or a federal state. But we ought at least to get the direction right. We suffer at present from a system whose distributive impact is, in many cases, perverse.

The conclusion which seems to me to emerge is that the Community will need in future to take conscious decisions on how the budget should affect individual member states. We cannot allow the budget to go on producing, as it does at present, redistributive effects which are entirely perverse - and which individual member states could not be expected to bear. We must ensure that the broad pattern of net contributions and receipts for individual member states is tolerable, and not indefensible. Our basic budgetary arrangements should, I suggest, remain as now. But this new element needs to be added.

/The approach

The approach which I have outlined would represent an important step in the evolution of the Community. I emphasise that I am not advocating 'juste retour' of a kind that would be thought quite inappropriate inside a nation state. On the contrary, what I am suggesting is that the Community should introduce into its affairs a principle which is accepted doctrine in the budgets of national states, both federal and unitary.

The Community's decisions on the distributional effects of the budget would need to be based on objective criteria - criteria which could be defended to the peoples of individual member states as being just and fair. It would obviously be for consideration what exactly these criteria should be. But it would seem right, as I have implied already, that they should include relative prosperity as well as population size. It could also be appropriate to take some account of trading gains and losses outside the Budget. I

/believe, for example,

believe, for example, that Italy's net receipts from the budget are broadly offset by adverse resource transfers outside the budget on trade in agriculture. In other cases, the effects are cumulative, not offsetting.

One way in which we could seek to apply the principles I have outlined to the Community budget would be to use the headroom created by restraint in agricultural spending to expand non-agricultural programmes in ways which would achieve the desired distributional effects from the budget as a whole. But such programmes do need to be desirable in their own right. Development of such programmes is bound to take time, and their distributional impact will often be uncertain. To put on them the whole burden of correcting the distributional impact of the CAP could involve a considerable distortion of the Community's non-agricultural spending policies. We have also, as I have said, failed so far to bring the rising costs of the common agricultural policy under firm control.

/What these

What these considerations suggest is that something more will be needed if the Community's agreed objective of removing unacceptable situations for any member state is to be achieved. We are likely to find that, in addition to the development of non-agricultural programmes, the Community will need special arrangements for correcting the total impact of the budget.

Advantages of the suggested approach

It seems to me that completing the Community's budgetary arrangements in the way I have suggested - through conscious decisions on the broad distributional impact of the budget - would bring a number of powerful advantages. I emphasise the world 'completing'. The aim would be, not to dismantle, but rather to preserve existing arrangements, with the addition of one further element.

In the first place, this approach should, I believe, be capable of solving, on a continuing

/basis,

basis, the problems of budgetary imbalances and unacceptable situations - both the problems of the existing Community and the potentially more serious problems of the enlarged Community. By removing a built-in source of conflict between member states, it should make for a Community which was more harmonious and less quarrelsome. It should enable the existing Community to absorb Spain and Portugal without incurring an intolerable budgetary burden.

Second, it should improve the quality of the Community's decision making. Of course there would continue to be some arguments about the distribution of burdens and benefits between member states. But the financial in-fighting between member states that now distorts so much of our decision making on Community policies would be much reduced. Member states would no longer be so obsessed by the effects on their net contributions or receipts of developing existing policies or introducing new ones. They would be able to concentrate, instead, on the inherent

/value of

value of individual policies to the Community as a whole - and on the distribution of resources between policies rather than between member states. That too should promote a more harmonious Community.

It is sometimes argued that the contrary is the case - that if the distributional outcome of the budget were the subject of conscious decisions, there would be no further incentive to take decisions at a Community level at all. But the question is - does our present, haphazard budgetary approach in fact encourage the development of Community policies? I do not think it does. In any case, the argument virtually amounts to saying that the only thing which gives member states an interest in conducting policies at the Community level is the hope of obtaining direct national financial advantage at the expense of other member states. I hope and pray that is not true!

/Finally,

Finally, a further advantage of the approach I have outlined is that it should prepare the way for the Community to make progress. A new and more equitable budgetary arrangement would help the Community to concentrate on enhancing its activities and developing further along the lines envisaged by its founding fathers.

Conclusion

We shall soon be discussing these matters more formally in the Community, with a report by the Commission to help us on our way. It is my hope that, in the remainder of the Dutch and then the British Presidencies, we shall be able to bring to these discussions something of the vision, wisdom and moderation of our illustrious forbears, Erasmus and Sir Thomas More. I should like to think that the outcome will be as harmonious and as lasting as the Queen Anne style of architecture which, as I remarked earlier, was an English response to a Dutch inspiration.

/We must

We must get on. There is no time to lose. As Grotius said in 1614, we must "plant trees for the benefit of those who come after us". We must find solutions which will preserve the Community's existing achievements, not destroy them; which will bring harmony in place of discord; and which will strengthen the Community in the esteem of all our peoples. Above all, we must find solutions which will open the way for progress.