

Address given by Mário Soares on the European Community of the future (Lisbon, 19 October 1990)

Caption: On 19 October 1990, at the opening session of the conference on 'Portugal in the European Community of the future', held in Lisbon by the Socialist Group in the European Parliament, Mário Soares, Portuguese Prime Minister, delivers an address in which he considers the implications of the establishment of the internal market and of Economic and Monetary Union (EMU) and the definition of the political and institutional dimension of the Community.

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Portugal in the European Community of the Future*

I should like first of all to congratulate the Socialist Group in the European Parliament for organising such an interesting and relevant Conference here in Lisbon under the title of 'Portugal in the European Community of the Future'.

It is true to say that no other issue currently has such far-reaching implications for our country's development nor generates such significant and genuinely nationwide debate in the effort to clarify the complex options facing Portuguese citizens and to give them a crucial and timely voice in defining the solutions to be adopted.

So all efforts — irrespective of their political origin — that seriously intend to contribute to this objective are welcome. I am, therefore, very honoured to be invited here to outline what I believe Portugal's position should be in relation to the development of the European Community in this very important period preceding the two Intergovernmental Conferences in December.

The issues to be discussed at these Conferences — the establishment of Economic and Monetary Union and the definition of the avenues leading towards political union — represent a very significant development in the European Community project, with structural implications that will clearly affect the organisation of society and the State in the Member States in the next few decades. The dismantling of economic and financial barriers and the consequent need to harmonise the basic regulatory policies impose a sea change in terms of the relations between the Member States and in how they exert their powers in their own national context.

The proposals that we must consider now are the natural outcome of the debate in the first half of the 1980s on Europe's need to assert itself collectively at global level because of the political division inherited from the war and the consequent difficulty of developing a model of integration that overlooked everything that was truly essential and that began to show signs of increasing weakness against the rapid globalisation of international relations. It was the era of Europessimism and Eurosclerosis, the end of which was symbolically associated with the enlargement of the Community to include Portugal and Spain, which was one of an important series of interconnected decisions that included, in particular, the approval of the European Single Act, ratified by the Parliaments of the Twelve.

The Single Act set out the principles and conditions for the establishment of the internal market in 1993, a project that was very warmly welcomed by the general public in most of the Member States and which was always supported by the economic operators who anticipated its effects and prepared for its consequences from very early on.

The progress of the debate rapidly demonstrated that the single internal market was, ultimately, in danger of being very insignificant if vital areas were left intact in which the national administrative authorities retained a broad margin of discretion within the Community framework. As we are aware, this includes fiscal, foreign exchange and monetary policies and the conditions for the movement of financial services, to cite only the better known examples.

Recognition that it is impossible to establish the single market without involving these areas is at the root of the plan for Economic and Monetary Union, which, by definition, presupposes the free movement of capital and financial services, the convertibility of currencies and irrevocably fixed exchange rates, ultimately leading to a single currency and a common system of central banks.

It is not difficult to see that this apparently simple explanation encompasses a complex programme of sharing responsibilities — once jealously guarded by each State — and of economic convergence, whose final objectives no one seems to challenge. There is a broad consensus, which I endorse wholeheartedly, on the essential contribution of Economic and Monetary Union to reinforcing cohesion within Europe and reviving the Community project. It would appear that the differences boil down to the institutional forms to be adopted and the speed at which the three planned stages of the process will be implemented.

It would be ingenuous, however, to fail to see that the sharing of powers and the need for convergence implicit in Economic and Monetary Union bring back into the limelight the problem of redefining the political and institutional dimension of European integration. The direct or indirect shared management of the essential aspects of fiscal, foreign exchange, monetary and budget policy and the new dimension of interdependence generated thereby inevitably raise questions regarding traditional forms of organisation and the exercise of power by the national States.

As has been said many times, rather than giving away or transferring sovereignty, what is at stake, in my opinion, is merely the common administration of powers which the States freely agreed to share because they became irrevocably interdependent and were no longer in a position to exercise them in isolation. We have the historic responsibility to give form and substance to this new concept of sovereignty, which is compatible with the determination and interest that unite us in the establishment of a more cohesive and united Community.

The sharing of power, which is clearly implicit in Economic and Monetary Union, immediately leads us to consider the need for a qualitative leap forward in organising the Community's political dimension. To disregard the latter in this new context would be to deny the very essence of the Community ideal as a project of solidarity and its originality as a structure for the balanced reconciliation of diverse national interests.

If it were isolated from this political dimension, Economic and Monetary Union would tend to develop only in accordance with the centrist approach of the strongest economies and would be reflected in an effective transfer of power from the periphery to the centre, without any compensatory measures that could be monitored.

I therefore believe that the conjugation of Economic and Monetary Union and political union cannot be seen as an inappropriate fantasy or as an exercise in political imagination, to be postponed indefinitely. It corresponds, rather, to the interests of a balanced and cohesive Community which is capable of developing into an area of true solidarity, and, for the small countries, in particular, it represents an opportunity to negotiate, with greater credibility and better guarantees, the conditions of their participation in a more demanding stage of integration, with obvious risks but also with huge advantages for all.

Defining a new, more advanced political dimension for European integration capable of paving the way for future political union does not and should not correspond to denying the political and cultural identity of individual nations. It will, therefore, not require an arbitrary and indiscriminate supranationalisation of powers, which should only occur in areas and circumstances in which the nation States no longer show that they are capable of exercising such powers effectively, given the globalisation of decision-making processes. The decisive principle of subsidiarity in managing shared sovereignty must therefore be respected.

In my opinion, expansion is essential for ensuring a strategy intended to promote the real convergence of Member State economies. This strategy depends in large measure on the approach to, implementation and control of the programmes designed to develop the Community's economic and social cohesion, an objective which the Single Act has already associated with the establishment of the internal market and which, quite rightly, cannot be dissociated from Economic and Monetary Union.

Those who think that this requirement is merely an opportunistic claim for ad hoc compensatory measures for the most vulnerable economies, which obviously includes Portugal, are deluding themselves. The stakes are much greater and relate directly to the very viability of Economic and Monetary Union, which will not be stable — and therefore credible — if it does not have sufficiently convincing instruments to guarantee that real convergence is an objective which is seriously seen as a shared task. I believe it is appropriate, in this respect, to point out here and now that the scope of the task ahead of us is probably incompatible with the scale of the resources and the nature of the policies that the Community has, to date, put at the service of what could be called its compensatory mechanisms, such as regional policy, for example.

New instruments, new resources and above all new forms of applying such resources, adapted to the real needs and problems of each economy, will have to be negotiated and made available beyond 1992. The obvious counterweight will be to hold States officially responsible for the adjustment effort required of them if they are to make a realistic approximation to the average standards of prosperity that will be the yardstick for the success of Economic and Monetary Union. In no circumstances should such aid be seen as common bargaining chips or time-wasting measures to avoid the necessary change. Their primary function is, on the contrary, to enable everyone to accept the challenge in totally balanced conditions so that union effectively becomes economic rather than just monetary.

Members of Parliament, ladies and gentlemen, the voluntary sharing of powers towards which current developments in European integration necessarily lead us suggests that we should not disregard, as I have tried to argue, the definition of new forms of Community-wide political regulation. The nature of our societies and the fundamental values on which they are based nevertheless oblige us not to forget the decisive issue of the democratic scrutiny of such powers and the mechanisms for rendering them legitimate. The problem of the institutional reform of the Community, a matter that has virtually never been off the agenda since the original treaties were signed, therefore arises again in even sharper relief.

Overcoming the present Community's 'democratic deficit', involving the whole range of its basic institutions and the relations between them, is perhaps the most complex problem that we shall have to face if we are to make a qualitative leap forward in the political expansion involved in European integration. This is because what is at stake now is not only relations between States or the coordination of their powers at external level alone: it is, above all, relations between States and citizens and States and regions, between citizens and the Community institutions. A new concept of European citizenship based on free movement and the gradual equalisation of rights will have to coincide with the political and institutional concepts arising from the creation of a new sphere of Community powers.

The range of problems that I have tried to set out clearly illustrates the depth of the potential development of the Community project in this final decade of the 20th century. The development of cohesion within Europe, relations between Community and non-Community Europe and the consequent restoration of the balance in Europe's position vis-à-vis the United States and Japan at economic, political and cultural level were the major reasons for the drafting, five years ago, of the European Single Act and the 1992 programme. The astonishing changes in Central and Eastern Europe and the historic unification of Germany, the destruction of the Iron Curtain and the end of a bipolar and shamefully divided world radically altered the terms of reference of the project for revitalising the Community, but they did not alter its reason for being. On the contrary, they reinforced its strategic importance. It would be extremely serious, very costly for us and prejudicial even in non-Community Europe if we were now to lose the determination and momentum secured by the Community in recent years.

Like all the other Member States, Portugal must adopt clear positions on issues that have such a serious effect on its future. In view of the scale and importance of everything that we shall have to share at Community level, the absence of nationally accepted guidelines of which everyone is aware would be extremely serious. In my opinion, Portugal cannot resign itself to the forcible acceptance of adjustment measures, and even less should it fester in an eternal attempt to play for time, perhaps in the hope that everything will remain the same. But everything will not remain the same, as we saw with the sudden British decision to include the pound in the European Monetary System. Portugal must look into and anticipate the future as far as possible and must be an active member, making a creative contribution to the Community to which it belongs.

We must all understand that we shall gain nothing from putting off or delaying decisions that have to be taken. Recent history has shown that rather than deferring crises we must confront them head on, with a determination to overcome them. Similarly, we must not lose ground in the fundamental objective of catching up with the most developed countries. As things stand, our country's active participation in the revival of the Community is an essential condition if we are to continue along the path on which we set out so successfully in June 1985. Portugal's accession to the Community and its engagement with the European

project were not and are not decisions dictated by short-term factors. They are long-term strategic options which are entirely consistent with the nation's permanent interests and with the fundamental lines of its external position, the essential reference points of which continue and will continue to be in the Atlantic arena and on the African continent in particular.

This is why, with this unique opportunity that has arisen, Portugal must make every effort to be at the forefront of European integration and must have its own creative positions in all fields. The fact that the decisions taken must be sound cannot be used as an alibi to conceal strategic hesitation or, even worse, short-term political opportunism.

Let us be absolutely clear: the paths that we have to follow are difficult, and the impact of the adjustment involved will certainly raise problems in major sectors of our collective life, requiring new instruments for dialogue and social solidarity. Now that potentially crucial times for the future of Europe and the world are approaching, it is essential for Portugal to face these deep-seated issues and the proposals put forward by the political forces — of Government and Opposition — to confront them positively.

The European project will not have sufficient substance and depth if it is distanced from the citizens and their everyday problems, and its legitimacy will be undermined if it is not based on clear collective choices. A country that is not alert to future battles — and aware of what is at stake — will be defeated before it begins the complex process of modernisation that we must undertake. Putting forward ideas, clarifying options and debating possible solutions is a preliminary essential task for countering the dangerous amorphism that may have been creeping into our public life. I shall personally engage with this task with the utmost energy, so I sincerely thank you for giving me the opportunity at this Conference that brings us here today to draw attention to a theme which I consider to be of great importance for the modern, free, open and progressive Portugal that we wish to construct.

* Address given in Lisbon on 19 October 1990 at the opening session of the Conference organised by the Socialist Group in the European Parliament.