Extract of a speech of Christopher TUGENDHAT,

Member of the Commission of the European Communities

responsible for the Budget, on the

"Role of an EEC Commissioner",

given to a lunch offered by the Westminster Junior Chamber of Commerce, on 7th October 1977 in London

The CAP

Direct participation in the public battle of ideas is something to which the new Commission attaches a very high priority. Take for example the vexed issue of the Common Agricultural Policy. I suspect that not many people appreciate that much of the most telling - and certainly the best informed - public criticism of the present working of the CAP has been voiced not by the Community's oponents, but by the Commission itself.

The Commission is of course wholeheartedly committed to the basic principles of the CAP which offer the only practical method of ensuring security of supply and stability of price in a world threatened by a terrifying population explosion. But in its present form the CAP is undeniably disfigured by unsightly blemishes, in particular by excessive and costly surpluses and by the too extensive use of Monetary Compensatory Amounts. And in its efforts to ensure that those defects are remedied, the Commission has not merely prepared concrete proposals for reform; it has also striven to create the necessary degree of political will within the Agricultural Council of Ministers, by taking every opportunity to create a better understanding, at the level of national politics, of exactly how surpluses arise, of how serious they have now become, and of the precise financial consequences of failing to reduce them.

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This attempt to influence the political climate in which agricultural decisions are taken has already been rewarded with some success. In this year's annual Farm Price review the Community's Farm Ministers felt constrained to agree an average increase in common prices of only 3.9% - the lowest increase since Britain's accession, and a fairly modest figure when it is compared with the rate of inflation in the Community as a whole.

Nonetheless even 3.9% is a figure higher than the Commission initially recommended to the Council. And in a number of speeches and articles I have suggested that institutional changes are necessary in the way the Council makes decisions in order to ensure the more effective representation of non agricultural interests - in particular the interests of taxpayers and consumers - in the determination of agricultural policy. Here too of course the Commission cannot impose a solution. But I hope that by persistently drawing attention to the defects of the existing decision making machinery, I and my colleagues will foster the necessary awareness and determination among those national politicians with whom the responsibility for effecting a change ultimately rests.

It is vital that we succeed in this objective sooner rather than later. For the enlargement of the Community to include Greece, Portugal and Spain will greatly add to the scale and complexity of the CAP. In these circumstances to continue to make the mistakes of the past would be to invite consequences much worse than anything we have so far experienced.

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Regional Policy

Another concern of the present Commission is to create a fuller public appreciation of the case for an extensive Community regional policy. The Community's first Regional Fund was set up in 1973, with funds allocated to it, in the first instance, for a four year period. Inevitably, the initial sums committed were small. But now that the Fund has had time to prove its usefulness, the Commission is endeavouring to convince the Member States of the advantages of not merely continuing, but of significantly expanding it.

One important merit of a common approach to regional policy to which we have tried to draw attention is that it makes it possible to construct a system of regional incentives which does not entail mutually destructive competition between different Member States as they race to overtake each other on the subsidy escalator.

It is true that an increase in the Regional Fund would place an extra financial burden on some of the richer Member States who, as at present, would receive back in direct financial aid from the Fund a good deal less than they would have to pay in. But for all the Member States - rich and poor alike - there would be other less direct but not less significant economic benefits. For all its Members, the main economic rationale of the Community is that it offers them a substantial, stable and readily accessible market for their exports. And one of the most important consequences of a policy bringing new prosperity to Europe's more backward regions would be to enable the Community to provide this immensely valuable economic service upon an even more impressive scale.

Furthermore, the cost of an effective regional policy need not be very great. The MacDougall Committee - a Working Party set up under the auspices of the Commission - concluded that a package of proposals which it estimates would increase the European Budget by ten billion units of account but would increase public expenditure at all levels of the Community by less than 1% of Real Product would narrow the difference in per capita income between the richer and poorer areas of the Community by as much as 10%.

Monetary Union

In addition to economic benefits, a significant narrowing of divergences between the Community's more and less prosperous areas would of course also bring the Community political gains. Most notably, it would remove some of the major obstacles to the achievement of European monetary union. As you will have read, this is another objective for which the Commission intends to campaign publicly and vigorously, with the aim of establishing a climate sufficiently favourable to cause Member Governments to replace it on their political agendas.

The conventional wisdom currently prevalent in most of Europe's national capitals is that monetary union is a distant possibility towards which the Community cannot begin to make any progress until it masters both inflation and unemployment. What the Commission is trying to do is to provoke serious examination of an alternative thesis: namely, that, far from it being necessary to wait for the Community to overcome its economic problems before moving to a single currency, the relatively speedy introduction of such a currency would itself greatly assist in solving them.

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One reason why this would be so is that a single European currency would be a far more substantial and stable element in the international exchange system than the existing separate European currencies. This would not only have a steadying effect on world trading conditions, but it would also remove the present constraints on economic management experienced by Member States with balance of payments problems: inhibitions about moderate reflation arising from fears that exchange rates would fall precipitately in consequence, would be greatly reduced. Moreover, a common currency would ensure that all the trade which takes place between the Member States themselves - that is about half the Community's exports - would be freed from any exchange rate risk whatsoever. This would be bound to give a major boost to confidence and thus to industrial investment.

Obviously monetary union raises many other and complex issues, and the outcome of their further discussion and examination cannot be certain. But it would surely be wholly wrong if a topic of such crucial significance were to remain neglected by Europe's political leaders, merely in consequence of prejudice or intellectual inertia. To prevent this happening is perhaps the most exciting, and also the most important challenge which the present Commission faces.

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