SPEECH BY CHRISTOPHER TUGENDHAT, EUROPEAN COMMISSIONER, AT A MEETING OF LOCAL BUSINESSMEN IN BASINGSTOKE, HAMPSHIRE, FRIDAY 1 APRIL, 12.30 p.m.

For some time, the national governments of each of the Member States of the European Community have been extremely critical of many aspects of the Common Agricultural Policy. Indeed in recent weeks, conscious of rising public concern about the C.A.P., sparked off by the controversy over sales of butter to the Soviet Union, Ministers in some Member States have pressed for action more forcefully and more conspicuously than ever before. Yet now it appears that the Commission's carefully balanced agricultural prices package, which has been designed to help achieve precisely this object, is to be hacked to pieces in the Agricultural Council of Ministers by the representatives of the very governments who have complained so bitterly about the deficiencies of the existing system.

Once again, it seems, national governments have opted to yield to considerations of short-term domestic political expediency, rather than to stand fast on behalf of the principles which they profess, and the long term interests of the citizens they are elected to serve. Their attitude to the C.A.P. is similar to St. Augustine's to promiscuity when he prayed "Lord, make me chaste - but not yet!"

At first glance/

At first glance, it may appear that it is the British government which has strayed the least from the paths of righteousness. After all, Mr Silkin's declared object is the same as the Commission's - to keep price rises for agricultural products to a modest level.

On closer inspection, however, Britain's attitude is by no means beyond reproach. Essentially, the position of British Ministers appears to be that they do not really mind how high a price is paid to the farmer, so long as the British housewife is protected, in the short term at least, from the financial consequences - at whatever cost to the European Budget. Thus, Mr Silkin appears to be ready to accept the demands of the big milk producing countries for much higher prices for dairy products, so long as he can secure a correspondingly large butter subsidy for consumers, and a correspondingly lower reduction in MCAs - both paid out of EEC funds.

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Yet such an approach is sadly myopic for two main reasons. First, if the price paid to the farmer for his butter is allowed to soar, there is bound to be a huge increase in the Community's massive and costly butter mountain, reinforcing the formidable and controversial problems which this already presents. This may be offset, as the British claim, by a large consumer subsidy to try to increase consumption. But a policy of <u>indiscriminate</u> subsidy, reducing the price not merely of butter which would not otherwise be consumed, but the price of all EEC butter sold to the consumer, is an enormously and unnecessarily expensive way of reducing stocks. The 20p per lb subsidy which the British are asking for would cost up to £190 million.

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Second, the British government's readiness to concede higher price increases in return for lower reductions in monetary compensatory amounts, ignores both the very severe market distortions - damaging not least to British farmers, both at home and when they export - and also the increasingly intolerable budgetary burden which MCAs, at their present level impose. A very substantial reduction of MCAs cannot, and will not, be put off indefinitely; and by objecting to the very limited reduction which the Community has proposed as a first step in this direction, the British government is only likely to ensure that the eventual return to a more sensible system will have to be violent and extremely painful.

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I have spoken mainly about the British because I am speaking today mainly to a British audience. But the neglect for the Budgetary implications of the farm price package which has characterised the attitude of the British delegation is in fact the most serious single defect of the postures struck in the Council by <u>all</u> the Member States. There seems to be a general willingness to meet everybody's particular needs - those of France, the Benelux countries and Italy as much as those of Britain - by a complicated system of balancing individual measures, each of which costs money to the Community Budget. And those who are traditional critics of Community expenditure - the Germans as well as the British - seem prepared to acquiesce in this process.

The C.A.P./

The C.A.P. is not inherently expensive: when there is a proper balance between supply and demand, costs are relatively low. Huge surpluses, however, mean huge costs. This is because whether these surpluses are disposed of within the Community, or by means of export to Third Countries, they can only be sold at a fraction of the "buying-in" price.

From this it follows that price rises for products of which there is already a surplus, by encouraging the growth of yet further excess stocks, are very much more expensive for the Community, and therefore for the European tax payer, than are increases for products with a proper market balance. Yet it is very high increases in the prices of products of precisely this kind that many Member States have been demanding.

In short, the Agricultural Council of Ministers appear to be set on a course that will make the financial problems of the C.A.P. more intractable than ever. In doing so, they will not only harm the C.A.P., they will also damage the public reputation and the credibility of the Community itself. The national Ministers with responsibility for agricultural prices should use the extra month they are giving themselves to settle their differences, to reflect long and hard on just how serious those responsibilities are.