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SUMMARY OF A SPEECH BY FINN OLAV GUNDELACH, VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, FOR THE WORSHIPFUL COMPANY OF BUTCHERS, LONDON, 3 MAY 1979

The Community was neither just a beautiful idea nor a devilish device for spending tax payers' money on a succession of European follies. In reality, it was a practical mechanism, a way of coagulating and preserving Western Europe's position and influence in a changing world. Mr. Gundelach pointed to the crucial dependence of each of the Member States on trading relations between themselves and with the rest of the world. The results of the recent GATT negotiations were an example of how "our pooling of interests has given us all a room for action, a sovereignty which none of us could have as individuals". Therefore "I have absolutely no sympathy for the complaint that Community membership entails a loss of independence. The opposite is true".

The Community must, however, adapt and advance on a number of points. One would be the acceptance of majority decisions in matters which did not really affect the vital interests of a country. "If the concept of vital interest becomes too diluted it can paralyse decisionmaking. We have already reached a position in which a few hundred tons of fish qualify as a vital national interest. How much more serious would the situation be when we have ten, eleven or twelve Member States citing no matter what as vital interests?" A more solid democratic basis for Community institutions is another necessary improvement to which the newly elected European Parliament is bound to contribute.

On the issue of national contributions to the Community budget Mr. Gundelach said that he could not accept many of the figures used in public debate. Nor could he accept that Member States were entitled to £ 1 out of the Community budget for every £ 1 they pay in. He expected that the European Monetary System, the increased Regional Fund, new proposals on structural aids in agriculture, bigger consumer subsidies for butter and a proposal for a Community fish fund would have considerable effects on the pattern of net contributions and would go a long way to bring about a better balance. Should this not be sufficient, and it might, one might have to consider reasonable corrective measures. But Mr. Gundelach did not believe that "a progressive Community tax" or any such measure would be called for. For one thing the limited size of the Community budget would make the effects of such systems illusory. Further they would complicate unnecessarily an already complex budget procedure.

"To talk about sweeping away the Common Agricultural Policy is to waste one's breath," said Mr. Gundelach, stressing that the Community, in common with all industrial countries, needs an agricultural policy in order to maintain a free market for industry as well as agriculture. One could not have industrial free trade alone. There was the need for secure supplies for our peoples in a drastically changing world as well as the need to secure the jobs of millions of farm-hands with no alternative employment in an economy with slow growth.

Mr. Gundelach pointed to the rapid changes that had taken place in the policy in order to improve it and adapt it to changing circumstances. Consumers have benefited from the price moderation pursued over the last two years. Average annual price increases in units of account had only been 3 %, or about one third of the inflation rate. Extra ways had been developed to make sure that consumers got the advantage of Europe's agricultural bounty. Subsidies had been introduced to bring down the consumers' price of butter, processed fruit and vegetables, olive oil and beef. "It is no longer true to say that the CAP fuels inflation. It is on the contrary playing a large part in bringing inflation under control." New ways had also been developed in order to further the structural reform of Europe's agriculture. "We have put money into land drainage, into marketing groups, into infrastructure improvement and into forest development. We propose to go further and introduce integrated schemes to help the poorest areas - encouraging craft industries and tourism as well as agriculture. We intend to continue our price policy".

A lot of these changes go in the direction called for by the British public, said Mr. Gundelach. As a Community policy, the CAP however had to fit Nine Member States and could never fully reflect the ideals of one single country. "There are some demands that originate here that are unacceptable. The Community could never lower its agricultural prices to the level of so-called world markets." Not only were these prices artificial and available for limited quantities but many exporting countries in the world, like Australia and New Zealand, wanted higher prices. Mr. Gundelach announced that he would be making an official visit to these two countries at the end of May.

The milk surpluses were the most serious problem the CAP had to face and Mr. Gundelach warned that a failure in this one area could inflict heavy damage on the agricultural policy in particular and the Community in general. It was also in this area that a main cause of the budgetary problem lay. Production was still going up and was almost two and a half percent above last year's already high level, including in the United Kingdom. Present butter stocks were about 300 000 tons.

These developments had completely vindicated the proposals which the Commission had introduced in order to reduce milk production. Mr. Gundelach urgently called on Agricultural Ministers to accept the seriousness of the situation and the need to reduce milk production. A crisis would be inevitable if ministers lacked the courage to grasp the nettle. "I can foresee that when the crisis comes it will take the form of demands for quotas or some radical reduction in the level of dairy price support. A quota system would spell doom to the necessary move towards a more efficient agriculture. Mr. Gundelach also reviewed other commodity sectors which demonstrated a higher degree of equilibrium than the dairy sector, and indicated progress in market stability, for instance in the meat sector. He referred also to the new policies for wine, olive oil, etc.

The energy crisis will put the Community to yet another test : its most serious. Our ability to return to reasonable growth would depend on our capacity in the Community and with our partners to solve that problem. It was clear now that increased oil prices were not a once for all problem but one that will dog our economies right through the 1980s and beyond. "The Community needs an energy policy quickly, taking account of its own oil reserves but perhaps more importantly its coal. We must also and immediately become energy savers and give a lead to the United States. Here agriculture, by the way, must play its part. To realize the essential goal of saving energy we cannot, in the agricultural field or in others, compensate for energy prices by increasing support prices.

The Community was becoming an ever more attractive partner in international affairs Mr. Gundelach said. The move towards enlargement was yet another proof of this. "But if we are to live up to expectations and adapt -like in agriculture - to new realities, we need a stronger Community."

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