Speech by

Commissioner Richard Burke

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You were kind enough to ask me to address you today on "The European Community: Agenda for the Future", and I was rash enough to agree. Rash because anyone taking even a cursory glance at the current Community scene will immediately be aware of an agenda for the present, so crowded and difficult that prediction may quickly appear a luxury best left aside until times get better.

But, since we have a bargain, I shall make the attempt to see beyond our current problems to what the future may have to offer. Naturally, the future will be determined in large measures by how we resolve, or fail to resolve, those current problems. So we have to look at them first.

Taken together, it must be admitted, they constitute an extremely uncomfortable phenomenon even an intimidating one.

The European Community is no stranger to crisis. We have lived with it, in a more or less acute form, for the last ten years, from the moment when the first oil shock coincided unhappily with the first enlargement. It was always going to be difficult, that moment when the ordered world of the original Six Member States was rudely disturbed by the arrival of three new ones, including my own. Even in ideal conditions, adjustment would have been difficult, especially for the United Kingdom. As we know conditions have been anything but ideal and the adjustment has still to be completed.

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Europe of the Six was a tight ship, trim and easy to handle. And it enjoyed good weather. Europe of the Nine facing stormy weather was less easy to handle; Europe of the Ten more difficult still. In the Commission I have responsibility for the rather ambitious exercise through which the Tenth Member State - Greece - is achieving its adjustment to the challenges and opportunities of belonging to the Community.

The work we have done with Greece, following the submission by Prime Minister Papandreou of his Memorandum more than a year ago has a lot to do with specific and long-term Greek problems, but it would not have been necessary, at least in its actual form, if the general economic conditions of the Community had not been as difficult as they are.

I must emphasize the impact of the successive enlargements of the past decade - due to be followed by another - because I think it important in understanding that the Community's problems are typically those of a dynamic and expanding policy structure. It has not yet begun to cool in the mould. and will not do so for some time. The Community's powers. its poli ies, its composition, and therefore its difficulties are growing pains acute but transitional. As I have admitted, the pains are, as expected, acute. At the present time we are facing an internal crisis of extreme urgency which threathens our cohesion and our common policies. The crisis has to do with the Community budget. I see from your admirable background material that you are very well informed about our budget, how it is derived and how it functions. The underlying principle, as you know, is that the Community - and more specifically the C mmission as the executive authority responsible for the budget proposals and their execution - should not

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be constantly beholden to the Member States for its expenditure. It should, by common consent of the Member States have access as of right to its own resources. These resources, consisting of revenues raised in, or on frontiers of, the Member States, nevertheless flow automatically to the Community. That fact - the access, as of right to its own resources - is perhaps the chief element in the autonomy and hence the authority of the European Commission. But these resources, of course, are not unlimited. It has been clear for some years that we would inevitably reach a moment when the funds available to us in a given year would be inadequate to finance that year's expenditure. We would then be obliged to seek new own resources from the Member States - mainly but not exclusively by securing their agreement to hand over to the Community some proportion of their VAT receipts greater than the one percent of the common VAT base which is the maximum currently available to us. The essence of our present difficulty is that this moment of budgetary shortfall is suddenly looming before us. If the Council and Parliament adopt the 1984 budget proposals, which we are currently finalising, we shall next year, on present predictions exhaust all resources available to us. We shall touch the "one percent VAT ceiling", especially if there is an unscheduled over-run on obligatory expenditure in the course of the year . That is why, in anticipation of these developments, the Commission has just proposed to the other institutions that the ceiling be removed as a matter of urgency. We want it to be possible for the Community to have access to something over the one percent of the common VAT base which has been our limit up to now. If this is not done, it is highly probable that the Community will be unable to meet its obligations and that the common policies we have will founder. We do not ask the Member States, having removed the ceiling, to leave us open to the stars. That might be tempting, but it is not realistic. The Member States will not give us unlimited budgetary possibilities. We do ask however that in place of the impressively solid architecture which sustains the own resource system and pressed it firmly on us, we be allowed to live in a freer environment. That is why we have suggested a mechanism by which successive increments of VAT rate revenue in steps of 0.4% be made available to us by an agreed procedure, and without the drama which will attend the removal of the current ceiling. For drama there will certainly be. The Commission has also proposed a modified VAT system which will pay for about half of agricultural expenditure in the short term. I have indicated broadly what the Commission proposes but I need hardly say that they enjoy no guarantee of rapid success. Certain Member States are profoundly opposed to any increase in own resources in present economic circumstances. Others - notably the United Kingdom - insisted that an enlarged budget can only be allowed if its net impact is more balanced than the present one.

My personal view has always been that our budgetary problems lie not in the predominant weight given to agriculture, but rather in the inadequate size of the budget as a whole. This creates a situation where the proper servicing of one policy, the Common Agricultural Policy, eats up some two-thirds of available resources and leaves too little for the development of other policies.

The Community budget is ,in fact, a very modest financial instrument indeed. It amounts to roughly 2% of the combined national budgets of the Member States, or about .7 of 1% of the total GDP of the Community. It follows that the maintenance of the single fully-developed policy we have - the CAP - does tend to devour the major share of a rather small cake.

It also follows that any disturbance in the operation of the CAP - for example, a problem in the disposal of surpluses - can create a disturbance in the budgetary mechanism which is out of all proportion to its real political significance. This is exactly what has happened to us in recent months, and why the air we breathe under that "1% ceiling" has suddenly become a little suffocating.

A mild winter and a warm spring has made the grass grow in Europe. The milk yield has never been better, but world market conditions have rarely been worse. So we find ourselves spending money hand over fist to sustain the intervention price - not only for dairy products but for a whole series of farm products which are in surplus.

As if the weather were not enough, we also find ourselves in the last quarrel any of us would wish to have - with your country - over Agricultural trade.

Let me say, on the painful subject, that we recognise the difficult situation of the farming sector in the U.S. at this moment, but we cannot accept that our agricultural exports to third markets are the main cause of the difficulties facing your farmers.

In our view these are mainly the result of current over-production, the temporary loss of certain markets for political reasons, the high value of the dollar and high interest rates.

We ask that the U.S. should more fully acknowledge the fact that our agricultural policy is one of the corner stones on which the Community has been built, reflecting in turn the fact that the social structure of our farming sector is very different from the American one. Any major change in the CAP would cause enormous social problems in Europe. Our export restitutions are part of a system which aims at a decent income for our farmers, and not at undercutting other exporters on third markets.

We are willing to continue the discussions currently under way on possible solutions to the specific problems within existing agricultural policy systems, but we must expect that the U.S. refrain from any new raid into our traditional markets. One more major raid would jeopardise these discussions.

A trade war in agricultural products through subsidised exports would cost an enormous amount of money to both sides and to their tax payers. The main profits from such a war would go to the Soviet Union, both in commercial and in political terms. The Community currently wants to avoid this.

If we are to avoid it we need mutual comprehension and purposeful common action. In particular I would plead for your understanding of the centrality of the agricultural policy to our Community system, and your recognition of the fact that we are making quite dramatic efforts to change it where change is needed.

This is a painful exercise, especially in countries like my own, where agriculture is still a major sector, socially as well as economically. But we have already taken serious steps to limit excess production, and the Commission has just proposed a far-reaching measure designed to reduce sharply the share of our budget which goes to the CAP and to restrain milk output. The Commission has proposed an increase in the milk intervention price for 1983/84 of only 2.3% compared to anticipated average inflation of over 8%. We also have a levy on milk production to restrain output.

I believe that what we have done and what we propose demonstrates the real commitment of the Community to master its budgetary crisis and to ensure that the CAP finds its proper level within our system. It would be disastrous if in this moment of transition an agricultural trade dispute with the U.S. were to threaten the CAP itself, and hence the whole Community system.

Farm prices are not of course the only thing on which we have disagreed in recent times. We have unhappily a whole agenda of arguments. But this is hardly surprising.

May I say that as a New York Irishman - the only one of that race so far to become a Member of the European Commission - I am particularly conscious of the mixture of feelings with which Americans tend to regard the Community.

On the one hand you are sponsors and begetters - going back to the Marshall Plan and beyond. On the other, the relatively successful and independent Europe which emerged in the Sixties and Seventies has naturally aroused some American misgivings.

The relationship between us is now much more a partership than a dependency. That is surely how it ought to be, and such a relationship inevitably generates its tension and occasional dispute. but the reservoir of mutual goodwill is, I believe, more than equal to these difficulties.