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EUROPEAN REGIONAL POLICY

Summary of a speech by Dr. Wolfgang STABENOW, Head of Division in the Commission of the European Communities during the Information Conference on the Agricultural Policy of the European Communities from January 22 nd till January 27 th 1973, in Berlin.

I.

1. In the spring of this year the Commission of the European Communities stated that :
" to promote balanced development of the Community and ensure stability, growth and full employment - the objectives of the economic and monetary union - a Community regional policy is a necessity. This will be one of the main tasks of the Community in the years ahead ".

The establishment of economic and monetary union, as well as the enlargement of the Community will give the necessary drive to the Community regional policy.

2. The construction of the economic and monetary union consists mainly of three items :
 - Narrowing the margins of fluctuation in rates of exchange;
 - Co-ordination of the Member States' short term economic policies and budget policies;
 - Co-ordination of the Member States' regional policies and the supplementary contribution of a Community Fund.

In the Community of the Six it was mainly Italy that claimed a vital interest in a common regional policy. Now she has been joined in this by Britain and Ireland, who predictably enter a demand for a dynamic regional policy in the Communities.

3. The Treaty itself poses a regional aim of wide scope :
the signatories strive for " the strengthening of the unity of their economies and the need for a harmonious development by reducing the differences existing between

the various regions and the backwardness of the less favoured regions".

However, the Treaty does not expressly enjoin the Community institutions to pursue a common policy on regional development. On certain other matters, notably agriculture and transport, the situation is different.

4. The Treaty however allows due account to be taken of regional considerations in both global and sectoral economic policies, more particularly in competition, tax and social policy and in the policies on agricultural, transport and energy. The Treaty establishing the European Coal and Steel Community makes actual provision for Community action in connection with the economic reconversion of the coal and steel industries. The Community has in addition a weapon of regional development in the European Investment Bank.
5. At the same time, to attain one of the objectives in fields in respect of which the Treaty has not provided the necessary powers the Community is empowered under article 235 EEC. It is mainly under this article that the Commission's Community regional policy proposals are submitted.

II.

1. Regional policy has in the nature of things to emanate from a great variety of economic, social, geographic, cultural and demographic facts, within a single state. All the more so in a Community of nine Member States of a widely varying economic power and potential.

Moreover, the constitutional and administrative constitution of the Member States differs considerably. Obviously, the federal or central structures or a mixture of both operate on the development of a regional policy. Even the question, how far the autonomy of the territorial authority of the district extends, is not without influence in so far.

2. The Community regional policy is conceived in such a way that it should be possible to attain the necessary degree of disposing capacity, even without changing national political structures.

It is impossible that the common regional policy should proceed from centralized conceptions. Even in the future the regional policy will remain a task of the Member States including their national, regional and local authorities. The Community will

not take their place. Through co-ordination, information and mobilization of supplementary financial means it has to support the efforts of its Member States and to orientate them with a view of its large economic dimension.

In doing so the common financing of regional policy actions for economic co-ordination may not be isolated. The Community aids have not only to serve as incentives to improve the regional structures. They are also instruments of the co-ordination of the economic policy and especially of the development programmes of the Member States.

3. In 1969, the Commission submitted a proposal for a Council decision on Community means of action with respect to regional development. The substance of this was as follows :

- A Regional Development Committee should be set up consisting of representatives of the Member States and the Commission. The European Investment Bank should delegate an observer.

The Committee will fix the framework within which the regional policy problems and measures of the Member States should be faced together. It will support the institutions of the Community through the co-ordination of regional policy of the Member States including the use of the common instruments.

A common procedure will be set up in order to examine the economic situation of the regions that should be developed and the Member States' programmes of development for these areas. Regions qualifying for Community aid can be :

- peripheral areas in the Community with considerably retarded economic development,
- areas close to the borders between Member States,
- areas with excess agricultural manpower,
- industrial areas in which the decline of a predominant industry is affecting economic power.

- Co-ordination of the existing Community financial resources would be improved.

In addition, a European Fund and a European Guarantee System for Regional Development would be created.

- A Community network would be set up to provide information for private and public investors who participate in the implementation of regional development programmes.

III.

1. The Commission's 1971 proposal for a Council Regulation on a European Interest Subsidies Fund for regional development lays down the rules on how the Fund is to operate.

Initially the Fund's purpose was to provide interest subsidies. In the course of the discussions, however, the Commission incorporated into its proposal the suggestion, put forward by the European Parliament and by one of the Member States, that it should be used to provide capital grants as well.

Interest subsidies and capital grants are to be furnished to help finance investment projects, relating to infrastructure installation and to activities in the industrial, craft business and services sectors. The projects must be a part of a regional development programme, for one of the Community development areas.

It must be provided that the development programme had undergone Community scrutiny in the Regional Development Committee and receive the endorsement of the Commission. As you see care was being taken to ensure that the financial aid given would be properly coordinated.

2. No specific restrictions were laid down in advance as to eligibility for Community aids. They would be available for both public and private investors.

Interest subsidies should be given on loans of the European Investment Bank as well as of other financial institutes.

IV.

1. Another Commission proposal was submitted in 1971 for a Council Regulation on the financing from the European Agricultural Guidance and Guarantee Fund (EEOGA), Guidance Section, of projects in connection with priority measures for the development of agricultural areas.

This provided that money from the Fund should be used to part-finance the placing of persons leaving the land in the process of the structural reform of agriculture, as well as their children, to create jobs in industry, craft business, service trades.

2. Grants of 1500 units of account per job would be paid. The operation will be conducted over a period of five years and cost a total of 250 million units of account.

This is so far exclusive of adjustments which may be involved by the accession of the three new Member States.

3. It is expected that in the Community of Six the next few years about 600.000 persons under 55 years of age will have to leave their job in the agricultural sector. Particularly in Ireland, but in Danmark too we are confronted with similar problems.

About 50 % of these people are living in agricultural areas, where the Community has to give a high priority.

4. The Commission proposed to select these areas on the following grounds :

- above-Community average proportion of the working population engaged in agriculture;
- below-Community average proportion of the working population engaged in industry;
- below-Community average share in gross domestic product.

Beside the large agricultural areas on the peripherie of the Communities one has to take into consideration the smaller areas with a surplus of the working population engaged in agriculture. The Commission's proposal covers an inefficient distribution of aids.

V.

1. In the spring of 1972, another instrument of regional development came up for discussion. Until now, however, the proposal of the Commission is not a formal one. They rather requested the Council to declare its consent in order to start the necessary and extensive consultations.
2. The Commission envisages the establishment of a corporation for regional development in which the Community and other public and private companies participate. The corporation would operate in the framework of the regional development programme. The society will have the following tasks :
 - to look for firms which might be likely to invest in the priority areas and to inform them of the investment possibilities and market openings;

- to provide technical help to the investors, e.g. to assist with the development of factory industrial sites;
 - to acquire temporary and minority holdings in the capital of firms in the regions qualifying for aid. This is intended in particular for small and medium-sized firms.
3. On the money market, the loans of the society are to be covered by the European Security System for regional development, as the Commission proposed in 1969.

VI.

1. The Commission's proposals for Community co-ordination and financing of regional policy have been the subject of intensive deliberation in the Council of Ministers in the past two years. On a great many important points a basic consensus has been reached. But for all the tireless urging of the European Parliament and the Commission, neither the necessary political breakthrough on the main issue, nor the all-important actual decision itself have so far been achieved.

2. Now the Paris Summit of October 1972 has probably given the go-ahead. On regional policy, the Heads of States and Heads of Government agreed as follows :

- the Member States undertake to co-ordinate their regional policies from now on;
- the Community institutions are invited to set up a European Development Fund by December 31st 1973.

The Fund is to be financed from the beginning of the second stage of economic and monetary union from the Community's own resources. Interventions from the Fund, in co-ordination with national aids, should allow progressive correction in the course of the establishment of economic and monetary union.

It concerns in particular, those resulting from the preponderance of agriculture and from industrial change and structural underemployment.

- The Commission is invited to prepare without delay a report on the regional problems arising in the enlarged Community and to put forward appropriate proposals.

After achievement of this report the Commission will decide whether and to what extent the initial proposals have to be amended or completed.