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*European Communities
Commission
Press Release*

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Summary of a speech by Mr Pierre Lardinois, Member of the Commission of the European Communities in charge of agriculture, delivered at a luncheon of the Guild of Agricultural Journalists in London on October 19, 1976.

"Green currencies" are a way of protecting housewives or farmers against sharp movements of currency values, Mr Lardinois said here today. In the case of Britain, the protection is entirely for the housewife and present costs for the Community budget are running at a rate of £1.5 million a day. For British farmers these import subsidies, enjoyed by British housewives mean low returns while their costs are rising steadily because of the falling value of the pound.

Mr Lardinois said that the problems created by recent monetary disturbances "calls for the joint effort of both Agricultural and Finance Ministers and also of the Heads of State. It is not only the agriculture also that is at stake - it is the entire vision of a unified Europe. We are in the midst of a very serious crisis", Mr Lardinois said. He added that "hard decisions must be taken before the end of the year. Tomorrow, the Commission will discuss all sides of the monetary question before sending its proposals to the Ministers of Agriculture and Finance", who are to have a joint meeting in Luxembourg at the beginning of next week.

Concerning the devaluation of the so-called "green pound" which the Commission recently proposed, Mr Lardinois emphasised that "the Commission fully appreciates the economic policy of the British Government. We can see the progress you are making in your fight against inflation. We understand the importance of the Social Contract." It is for these reasons that the Commission sees the adaptation of the exchange rate of the "green pound" as taking place over a period of time, Mr Lardinois said. "We are not attempting to force the British Government into sudden measures that would endanger its anti-inflation policy." He said that "effects on food prices could be reduced by making the changes over a period of time". As an example of how the Community could also help in other ways, Mr Lardinois mentioned the possible elimination of still existing tariffs on fruit and vegetables which would lower British market prices.

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Mr Lardinois stressed that the "green pound" must go on playing its role in order to avoid that sudden changes in the value of the pound would have a seriously de-stabilising effect on production and trade and would cause hardship to consumers because of the corresponding steep rise in the price of imported food. At present the system works very much in favour of the British consumers by subsidising their food imports at the rate of about £1.5 million a day, Mr Lardinois said. "But member governments are tending to use the "green exchange rates" in ways that go far beyond their short term role as an economic buffer." He quoted Britain as an example where some would like to use these rates "as a permanent consumer subsidy." Stressing the intended short term character of both "green exchange rates" and the corresponding import subsidies, Mr Lardinois said that the adaptations the Commission proposes are related to the devaluation of the pound that took place almost two years ago. "This is not the case of the Big Bad Community pushing up British food prices. It is quite the contrary. It is the case of the Community protecting the British housewife against food price rises." The price of Britain's imported food would already have risen considerably because of the pound floating down had it not been for the huge subsidies paid from Brussels. "This is the normal consequence of a devaluation".

According to Mr Lardinois, further postponement of a devaluation of the "green pound" might have harmful effects on producers. Similar negative effects were brought about in Italy in 1973 by too slow an adaptation of the rate of the "green Lira", he said. "Maintenance of high levels of subsidy and the correspondingly low prices to farmers could have serious effects on parts of agricultural and associated industries." The reason for this is, as Mr Lardinois explained, that British farm prices are automatically held down by the "green pound" whereas the inputs of British farmers become steadily more expensive because of the falling value of the pound.

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