

INFORMATION

REGIONAL POLICY

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THE REGIONAL POLICY OF THE EUROPEAN COMMUNITY

28/72

1. The problem matures

The European Community is on the point of making important decisions about regional policy.

These are to deal with a necessity which is disputed by nobody. The formation and operation of the Common Market has now been going on for some fifteen years; and though it has resulted in the elimination of many obstacles to trade, it has not engendered a correspondingly uniform development of economic activity throughout the Community.

The scope of the Community is now being broadened; and if the effect of this were to consolidate, or even increase, the existing gap between the strong points and the weak points of the Community economy, the hope of uniform development would be no more than a theory. Specific commitments were made in the agreements to form an economic and monetary Union; and if these are to be respected, it is a necessity that regions which are now in difficulty should be given a chance to catch up with the others. The success of these undertakings, which are essential for Europe, and the countries of which it consists, depends on the aid to be made available to these regions.

The Council, and the representatives of the member countries, when they adopted their resolution of March 22, 1971 to proceed stage by stage to the formation of an economic and monetary union, accordingly included an explicit recognition of the need for taking action in the structural and regional field on the lines of a policy possessing appropriate instruments. The effect of these should be to contribute to the balanced development of the Community and, among other objectives, facilitate the solution of the more important problems.

This defined the concept and the context of the Community regional policy, the preparation of which had been put in hand by the Commission several years earlier.

2. The Commission proposals

The Council is seized of a number of proposals by the Commission :

- October 1969 : proposal for a Council decision regarding the organisation of Community instruments for a regional development policy ;
- May 1971 : proposal for a Council Regulation to cover the financing by the European Agricultural Guidance and Guarantee Fund of projects forming part of the development operations in priority agricultural regions ;
- May 1971, proposal for a Council Regulation regarding the European Fund for interest rebates for purposes of regional development. The maximum rebate proposed is three points for a period of twelve years, payable in annual instalments ;
- May 1972 : communication to the Council by the Commission, with a view to Council decisions on Community regional policy, including a proposal for a Council resolution regarding the formation of a regional development company.

3. What has been done so far ?

- A. The Council, in its resolution of March 21, 1971, recorded its agreement in principle that, from 1972 onwards, the resources of the European Agricultural Guidance and Guarantee Fund should be used for regional development purposes; and that there should be formed, either, a regional development fund, or some other system of joint resources to be applied to regional development.

B. In addition, agreements exist on two points :

- a) those regions which are faced with problems of common interest, should have priority for Community action. The third medium-term economic policy programme, approved by the Council on February 9, 1971, defined the problems as follows : problems arising through the considerable backwardness of certain big under-developed peripheral regions ; difficulties which may arise directly from European integration on a Community basis, such as the frontier regions; the regional impact of the principal joint policies of the Community, more especially the common agricultural policy; and problems arising in specific regions owing to changes resulting from the decline in economic activities which have hitherto been dominant.
- b) the principle of comparison and coordination of the regional policies of the member countries, and the subjects which should be included in this comparison. The principle is also embodied in the third medium-term policy programme; and there is agreement at the level of the Committee of Permanent Representatives on the subjects to be included for purposes of the comparison.

4. What problems remain to be solved ?

The proposals made to the Council by the Commission between 1969 and 1972, still call for the definition of attitudes on the following points :

- 1) the choice between the formation of a Regional Development Fund and the setting up of some other system of appropriate joint resources.

In this connection, the Commission, in its communication of June 1972, has taken the view that the Regional Development Fund would be the most adequate instrument for dealing with the tasks incumbent upon the Community in regard to regional development. It also notes that neither

the Community itself, nor the European Investment Bank is currently in possession of unused resources which could be applied for purposes of regional policy.

- 2) The date for bringing into operation the chosen finance system. The Commission, having proposed in favour of the Regional Development Fund, suggests it be set up forthwith, but not brought into operation until the second stage of the economic and monetary Union. In the meantime a credit line in the budget would be opened, so that action could be initiated for the benefit of the more disfavoured regions.

- 3) The formal status of the Regional Development Committee among the Community institutions.

The Commission, for its part, takes the view that this Committee should be given a status on the same lines as that of the medium-term economic policy Committee, reporting in parallel both to the Council and to the Commission.

- 4) The intervention techniques for the Regional Development Fund. The Commission is willing to agree not only to interest rebates, but also to capital subsidies.

- 5) Formation of additional instruments of regional policy.

The Commission considers that the operations of the Regional Development Fund would be the more effective if they could be backed at Community level by research and information for investors, the provision of technical assistance and the authorisation of temporary shareholding participation in the capital of firms, especially those of small or medium size, set up in the Community's priority regions.

These tasks would fall upon a regional Development Company, the borrowings of which might be guaranteed in the terms of the European system, proposed by the Commission in 1969 for loans by the European Investment Bank and other financial institutions.

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The question now arises of giving effect to the resolutions of March 22, 1971 and March 21, 1972, to take action in the regional and structural field to diminish the tensions which might compromise the effective ultimate formation of the economic and monetary union; and at the same time, to provide the first part of a solution for priority problems. If the Council is to adhere to the timetable, it laid down for itself, it should, before October 1, 1972, on the basis of proposals successively made to it by the Commission in October 1969 and May 1971, and by adopting the resolution put forward in May 1972, make the necessary decisions relating to :

- providing the Community with financial resources for regional development in the priority regions of the Community ; and
- the methods and instruments to permit in the first place, of the effective application of these financial resources; and in the second, of the comparison and coordination at the Community level of the regional policies of the member countries.