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Address to the Chamber of Commerce & Industry

NANTES : Friday 5th December 1975

A REGIONAL STRATEGY FOR EUROPE

I must begin by saying in all sincerity how honoured and delighted I was to receive the invitation from the French Government and the Nantes Chamber of Commerce to come here and speak to you today. First, because I attach the greatest importance, as Member of the European Commission responsible for Regional Policy, to explaining to a distinguished audience such as yourselves what the Community is doing, in close cooperation with the Nine Member Governments, to help solve the problems of the less-favoured regions. And second, because I always greatly enjoy visiting the Pays de la Loire.

Indeed, my wife and I have special personal reasons for a feeling of affection for the city of Nantes. My two daughters, who now speak French in a way I wish I could, learned your language with a hospitable family in this city.

I come to your region when I can - though less frequently than I would like. And these visits, some as a holiday-maker, have not only shown me the delightful beaches and rivers, countryside and ancient monuments which bring so many tourists here. They have shown that, despite having great cities and ports, such as Nantes, your region is faced with major economic difficulties, in particular because its economy still depends in large part on agriculture, a sector which can no longer guarantee jobs and prosperity to such a region as this.

The Western industrial world is at present passing through its worst period of recession since the war. In such a recession it is often the peripheral areas which suffer the worst, as you have reason to know in this part of France. We live in an interdependent world, where recovery from recession depends not only on our own national efforts - important though these are - but on decisions taken in other countries both inside and outside the Community. The present difficult times, therefore, appear to me to underline the need for adding a Community dimension to national regional policies, and for the Community, in close cooperation with the nine Member Governments, to help to solve the problems of the less-favoured regions.

I propose, therefore, with your permission, Mr. Chairman, to begin by trying to indicate the reasons why a European Regional Policy is necessary. Unfortunately, most people know our regional policy mainly because of the difficulties which had to be overcome during the negotiations to establish the European Regional Development Fund. But I fear there is less understanding of the needs which underlie the policy and therefore of what its precise aims are.

When I first joined the European Commission in 1973, I spent a number of months thinking hard about what the point of departure for a Community Regional Policy should be. The matter was discussed on a number of occasions by the Commission, and in May of that year we published a report in which we set out our basic approach to regional problems. The ideas set out in our report subsequently formed the basis of our proposals for the Regional Development Fund, and have been central to our thinking ever since. I hope you will feel that I am following good Cartesian principles, which are rightly so dear to French hearts, if I begin with our motivation.

I begin now, as I began in 1973, with a simple but for me fundamental political point. This is that no community can continue to exist or have meaning for the peoples who constitute such a community so long as some of them have unacceptably different standards of living, and so long as they have cause to doubt the willingness of all to aid everyone to improve his situation in economic and human terms.

Before I came to Brussels, I was a Member of the British Parliament and a Minister in the Labour Government. My constituency in Scotland was in one of the poorer parts of the United Kingdom. I spent a lot of my time trying to improve employment opportunities and living standards in such regions. So I have personal experience to back my strong belief that the European Community which we are all trying to build has a collective responsibility to improve conditions in its less-favoured regions. As you may know, this is one of the declared aims of the Community written into the Preamble to the Treaty of Rome. So I repeat, without real solidarity between the richer and poorer parts of the Community, Europe will never have real significance for its citizens.

These moral arguments are underlined by the dramatic economic reality that income per head in the richest parts of the Community is now around five times higher than in the poorest. These income differences have produced a number of unfortunate economic developments. For example, we are now grappling with congestion problems resulting in large measure from population movements, over a century or so, away from the peripheral towards the more central regions. These problems cannot be solved within a purely national framework, and are made more severe by the very success of the Community

in creating a tariff-free internal market of 250 million consumers. An enormous conurbation is growing up in the north east of the Community, stretching from Hamburg to Paris, from the Ruhr to Rotterdam and Antwerp, and beyond the Channel to London. Within this zone, built-up areas have increased by 17% during the past decade. It has been calculated that if this development continues over a century, there would remain virtually no open spaces at all in Belgium.

I therefore conclude that, in the long run, it will be in our strong interest to succeed in encouraging the flow of investment from the richer to the poorer regions, rather than the other way round, with its consequent caravan of workers migrating from poor depopulated regions to wealthy but already heavily congested areas inside the Community.

This migration produces an alarming increase in those urban problems of air and water pollution, the disappearance of green space, impossible transport and housing conditions, and major health hazards, both physically and spiritually. What in France you call "aménagement du territoire" thus takes on an added importance at European level. When we talk of re-establishing a better balance between regions, our aim is not just to meet the claims of certain less-favoured regions at the expense of general prosperity; it is to improve both the standard and the quality of life in all regions, rich and poor. The prosperity of the one depends on the prosperity of the other.

Having mentioned some of the moral and economic reasons which to my mind make a Community Regional Policy indispensable, I should now like to situate it in a wider political context. To my mind an effective Community Regional Policy is a vital element in progress towards economic, monetary

and political union. To put it bluntly, those Member States faced with the worst regional economic problems will not be prepared to accept the economic and monetary disciplines of such a union, which could prevent them from taking action to help regions in difficulty, unless and until Community instruments are created to safeguard the interests of those regions.

Before turning to the Regional Development Fund, I should like to make it clear to you that I conceive a Community Regional Policy as going considerably wider than the operations of the Fund, important as these are in converting the principle of solidarity between the rich and the poor into a living reality. The Fund can only be one element in an effort by the Community to adjust many of its policies to take account of the needs of the regions; in other words to give these policies a permanent regional dimension.

Apart from the Regional Fund, there exist already a certain number of other financial instruments at the Community's disposal. From the outset these have had their impact on the regions, but could and should take much greater account of regional need. There are the European Investment Bank, the funds of the Coal and Steel Community, and the European Social Fund which helps vocational training and retraining. Of particular significance in this region of France there is FEOGA, the Community's agricultural fund. In addition to its expenditure on price support, FEOGA is able to help finance the improvement of agricultural structures.

The future prosperity of Europe's agricultural regions now depends in large measure on decisions taken in Brussels under the Common Agricultural Policy. It would be both ridiculous and unjust if the Community, when it has had to adjust the levels of agricultural

production to suit the needs of the market, ignored the regional implications of its decisions. The Community has a clear responsibility to help provide these regions with the means to modernise and, where necessary, to diversify. And as the Community develops, the same considerations will become increasingly true for all regions.

May I now say a word about the Regional Fund itself ?

After lengthy and frustrating delays the creation of the Fund was finally approved in March of this year. The various implementing details were worked out between the Commission and the Member Governments during the spring and early summer, the first applications for aid were received during August and September, and the first grants were approved on 16th October.

In all the Fund has available FF 7,220 million to help the regions over its initial three-year period from 1975 - 1977, of which FF 1,083 million will go to the regions of France. This is a fairly small sum compared with the total amount spent by the nine governments on Regional Policy. And I would clearly have liked a bigger Fund. Indeed the Commission asked for more. But we must be realistic. It is rare in democratic politics to get all you want at the first time asking. And I am sure you will agree that it was better to accept a somewhat smaller Fund which could begin work quickly than to continue arguing over a non-existent larger Fund which could help no-one.

The Fund's operation is based on three principles. First, that the money the governments receive must be added to total national expenditure on regional development, and not simply be a subsidy to the national treasury. The underlying idea is that the Community's Regional Policy should complement (compléter) the regional policies which

Member States have been conducting on a national level over many years. I must say here that I greatly welcome the decisions taken by the French Government in this respect. For 1975 your Government is using the aid from the Fund to increase by 5% the regional development premiums available in the west and south west, and to help finance an additional programme of infrastructure.

The other two principles are what we have chosen to call in our terrible Brussels jargon the principles of geographical and sectoral concentration. What we mean by this is, I think, easy enough to understand. We do not want the Fund's limited resources scattered in small amounts all over the Community - the so-called watering-can system. To have any real impact the Fund must concentrate its resources on the regions and sectors which face the gravest problems. Here again I must welcome the French Government's decision to give priority for Fund aid to the west and south west of France.

We can make direct grants to provide and maintain jobs through investments in industry and the service-sector. We can also finance infrastructure projects in certain less-favoured agricultural regions.

The Fund will only help projects which are also in receipt of national aid. And applications for grants are made by the national governments, not by the individual investors or local authorities. There are a number of reasons for this. First, as I said earlier, Community and national regional policies must be properly coordinated. As far as Regional Fund applications are concerned, it is by passing through the national governments that we can best ensure this coordination.

Second, a well conceived Regional Policy, and I believe this is particularly true of French Regional Policy, is an action which involves all aspects of economic policy : investments aids, town and country planning, transport policy, the renovation of rural areas, and so on. In other words, there is not a precise sector which can be called "Regional Policy"; we should speak rather of regional objectives whose implementation concerns all parts of government. Regional Policy is thus inseparable from the whole gamut of governmental action and consequently I would fear that, if the Community tried to take over the role of the Member States in this field, then this overall "Regional Policy" would only suffer.

Third, the basis of Regional Policy, quite apart from its concern to resolve the specific problems of the less favoured regions, is based on the idea that there is a geographical dimension to all economic problems and that economic development policy as a whole must be adapted to the needs and the potential of each region. This adaptation can only be brought about by people who are in direct contact with regional realities - which is, incidentally, why over the past years Europe has seen a remarkable and widespread movement of administrative and political decentralisation. It would clearly be absurd to try to go backwards and rebuild a centralised, technocratic system under which regional policy decisions were taken by European officials who have no day-to-day contact with regional problems.

The fact that we in the Commission are fully conscious of the importance of this principle is also a very practical reason why we cannot accept applications direct from investors in the regions. My small staff in Brussels - the services which manage the Fund number about 40 people in all, from the Director to the messengers - has neither the numbers nor the detailed expertise to deal with what would be thousands of individual applications. To do such a job we should have to create a large bureaucracy, duplicating to



no purpose the machinery of national governments, who are in any case better placed to evaluate the detailed needs of a particular region than we are.

Mr. Chairman, may I now leave the Regional Fund and turn briefly to the wider question of policy coordination and the work of the Regional Policy Committee ? This Committee is an advisory body - advisory to both the Council of Ministers and to the Commission - and consists of senior officials from each Member State, who are experts in the Regional Policy field. It has been set up at the same time as the Regional Fund and it can, I believe, help us to undertake together a number of actions which, in the long term, can be at least as important as the Regional Fund itself.

I am thinking first of the coordination of national policies on regional development. These national regional policies are still comparatively new and susceptible to change. They have been evolved by the different Member States in isolation. There are many areas where these policies could be made more effective and less mutually competitive by a proper degree of coordination. There are, for example, the state aids for industrial development, where we need to reconcile the need to allow free competition with the pressing need for modernising the under-developed regions, and also to have rules to prevent over-bidding between one region and another for scarce mobile new industry in which the poorest regions are bound to be the sufferers and only the great multi-national corporations the beneficiaries.

There are also the disincentives to investment in congested regions, transport problems which are so important for peripheral regions, and problems of cooperation between frontier regions. There are many instances where study and discussion at a

Thirdly, since virtually every Community policy has a regional impact, whether it be of a positive or a negative kind, we have to ensure that regional implications are given their due weight in the devising and implementation of these policies.

I do not wish to leave you with the impression that for me Regional Policy is the beginning and end of the Community. There are the many great issues of Community development which were dealt with at the European Council in Rome earlier this week, and which will be the subject matter of Mr Tindemans' report on European Union. But the active interest and support of its citizens will determine whether the Community succeeds or fails as an enterprise: and this support will in part depend on the Community's success in contributing to solve those problems which its citizens, living in its manifold regions, experience day by day. This is why the Member States, working in partnership with the Community's institutions, have a vested interest in making rapid progress in this field: it is the foundation of the house which they are trying to build.

Community level will be helpful to all those responsible for devising and administering regional policies, and will enable us to work towards common objectives.

There is also the question I have already touched on of the coordinations in the regional interest of the various financial industries of the Community. A very large proportion of the resources of these funds has always gone to benefit the "development regions", but that is not enough. To use these resources to really full advantage requires a real European regional strategy. The past absence of such strategy has meant that, if certain regions have benefited, it has been largely by chance. No serious coordination has been possible; there were as many regional strategies - or rather absences of regional strategy - as there were funds. In the Commission we have already set up new machinery to undertake this work of coordination and harmonisation. But this work must involve the Member States as well, and here the Regional Policy Committee can give us invaluable assistance.

May I now briefly sum up the concept of the Community's Regional Policy, which I have been trying to describe to you?

First of all we are deeply convinced of the need to continue developing such a policy, for economic and human reasons, in a Community which maintains its movement towards economic and political integration.

Secondly, this policy must of necessity take the existing national regional policies, in all their diversity, as its basis. By adding its financial support particularly to those parts of each national policy which reflect Community priorities, the Regional Fund can develop a policy for the Community as a whole which takes full account of the very varying needs of our regions.