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THE RT HON GEORGE THOMSON'S ADDRESS TO
THE WORLD FEDERALIST YOUTH SEMINAR

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THE E.E.C. AND REGIONAL POLICY

The regional problem is all too often seen as a narrow problem. A narrow social problem of some unemployment and poverty in a remote area which has had its day and for which a little public money must be paid in order to ensure peace and quiet.

But to my mind the regional problem is a very wide and extensive issue - an issue with major economic, social, environmental, cultural and moral aspects. I am very pleased that World Federalist Youth has recognised the importance of the problem by organising this Conference today.

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While the Community lives within comparatively narrow frontiers, its regional diversity - from Aquitaine to the islands of Denmark, from Scotland to Sicily - is quite staggering. It includes the broad farming plains of the Beauce or the Po Valley; industrial concentration in the Ruhr, the English Midlands or Lombardy; the coal mines of Lorraine, the Saar or Wales; the steel industry of Liguria, the Ruhr, Wallonia or Yorkshire; the textile areas of Lancashire, Münsterland, Twente, Flanders or the Rhone; the docklands of London, Hamburg, Rotterdam, Antwerp or Marseilles; the fishing regions of Jutland, Ireland, Brittany and Scotland; the tourist regions of the Atlantic and Mediterranean shores and of the Alps; the vast conurbations with twelve thousand inhabitants per square mile; the Alpine regions with 45 inhabitants per square mile; Greenland and its frozen wastes.

Many of these regions present development problems, in the traditional sense. There are regions still greatly dependent on agriculture for employment. In these regions, which are situated mainly in France, Ireland and Italy, jobs in agriculture are between 20% and 40% of the total. Employment in other regions is characterised by the decline of traditional regional industrial activities, requiring widespread industrial change and re-equipment. The problems of these regions are similar: a high level of emigration; a high rate of unemployment or under-employment; a low level of or rate of growth in income. They are often accompanied by serious deficiencies in regional infrastructure.

But regional problems in Europe are not confined to the traditional development regions.

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The driver caught in the traffic jam in London, the citizen of Brussels who sees valued old buildings giving way to modern blocks, the citizen of Paris who cannot sleep because of traffic noise, the commuter who spends about as much energy getting to work as doing his work - they are also suffering from regional problems - from the problem of imbalance in the geographical distribution of economic activity.

The social and human problems of the development regions start with the misery and destructiveness of long-term unemployment, but they include the narrow range of job opportunities and therefore of possibilities of human fulfilment which present themselves for men and women.

Faced with no future in a region, the alternative is migration. But that seldom solves the problem - we all know the misery suffered by poor

migrant workers in many of our cities, the problem of urban alienation and rootlessness as families grow up in isolation from relations and friends, the children who are unhappily divided between the fading culture of their parents and the new culture of their city. Nor does migration generally help the region which the migrants leave. It reduces the size of the market which might attract new industry. It tends to take away the most dynamic and able workers. It is often a new twist in the downwards spiral of economic, social and cultural declines. And equally the flow of migration increases the size of the conurbations, and with increasing size the magnetic attraction of the big centres for economic activity becomes even greater. And it is not just economic activity which is inevitably attracted by the big centres. London, for example, has become over the years not just the centre of much U.K. economic activity, but the financial centre, the media centre, the political and administrative centre, the communications centre, the arts centre, the centre of sport, and so on.

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The diversity of European cultures is to my mind one of the great wealths of Europe - a wealth which must be safeguarded. But it is much easier to preserve a culture in a region if there is a healthy economic performance than if there is economic decline. Poor economic performance in a region may weaken cultural vitality and can even lead to the growth of bitter regional inferiority complexes.

The argument for action to reduce regional imbalances is not just the compelling moral argument that no European Community would be worthy of the name of a 'community' if it tolerated differences in wealth between regions of the ratio of five to one and the difference in opportunities for human fulfilment which I have been describing. I would also contend that it is in the economic interest of the whole Community to reduce these imbalances. Under-utilised resources of labour in the regions reduce the overall output and therefore wealth of the Community. Severe regional imbalances are undoubtedly inflationary - the expansion of demand to help

unemployment in a region can create excessive and inflationary economic activity in the congested areas. A congested urban agglomeration can breed inflationary pressure on scarce resources of land and labour; the costs of providing the social infrastructure to deal with incoming labour soar higher and higher once the city has passed its optimum size. In this context, it is interesting to note that the Community countries with the most serious regional problems are those at present suffering from the worst inflation rates.

At this point I must make one thing quite clear. In the European Commission as a Community institution, we cannot and will not interfere with the various political questions of devolution and separatism which arise. These questions are entirely for the Member States and their peoples to settle. For our part we take the constitutional arrangements in a Member State as we find them. And the Community happily accommodates both big and small Member States, both Member States with federalist structures and Member States with highly centralised political structures.

But a question which inevitably arises is whether the movement towards European unity has any logic and retains its imperative quality when so many people throughout Europe are wanting to move decision-making downwards and closer to them.

I see no inherent contradiction. My own personal philosophy is this: I think that decisions should be taken at the lowest level consistent with achieving the best results. What is essential is to get the right functions of government carried out at the right level.

No doubt many decisions are best taken - and will continue to be best taken - at the European nation state level. No doubt many others can be taken better at regional and local level - just which decisions fall into that category is a current subject of argument in many places. Still others, I am absolutely convinced, must be taken at the European Community level if we are to get results. And there remain vital matters which are best decided at a wider international level within the United Nations or special bodies like the International Monetary Fund or the Food and Agricultural Organisation or the new International Energy Agency.

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So there is no logical opposition between those who wish to see a strengthening of the European Community and those who are proposing to move decision-making downwards in some of our Member States.

The European Community was born out of the inability of the nation state ^{in the Thirties} to do certain essential things a citizen expects of its government - above all to preserve international peace and to maintain prosperity. The two great European wars of the present century produced a psychological trauma of sheer horror for the people of Western Europe. The people of the original Six founding members of the Community not only saw mass unemployment promoting extreme nationalism, and aggressive nationalism provoking war. They then saw their nation states unable to protect them during the war. Each country was invaded in the course of the war and saw its government fall.

I remember when I first went to the Council of Europe in Strasbourg, they used to introduce you to an old man who personified the civil wars of Europe. He had been born French just before 1870; became German as a result of the Franco-Prussian war of 1871; became French again after the French victory in World War I; German again between 1940 and 1945; and was ending his days once again as a Frenchman !

Small wonder that many thinking people were determined to build a truly European Community which would make another European War unthinkable.

And before the Second World War, the nation states had shown themselves unable to protect their peoples against the economic misery, the mass unemployment of the Depression. Again, it was little wonder that people wanted to build a European Community which would

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be a powerful and prosperous economic unit without the antiquated economic frontiers that had split Western Europe into small protected markets and encouraged inefficiency .

I certainly do not believe in creating a new and excessive centralism in Brussels - what I do believe in is identifying the key functions which need to have a European dimension.

When it comes to identifying the key functions for European action, I am convinced that Regional Policy is one of them. Firstly, because the regional disparities across the Community are much greater than the disparities between regions within any one Member State - I have already mentioned the five-to-one ratio of difference in wealth. If the Community is to become more united politically, such differences cannot be tolerated - we need a real transfer of resources between the rich and

the poor of Europe, we need to give the poorer regions the resources to generate self-sustaining economic growth.

Secondly, because the increasing economic unification of the Community, the free movement of capital and labour may intensify regional disparities if we do not take action. I have already argued that a better geographical spread of economic activity would indeed be in the economic interest of the Community as a whole.

Thirdly, it makes little sense to have uncoordinated regional incentives to investment, or indeed uncoordinated decongestion measures throughout Europe. We need coordination of such measures; we need to define European priorities.

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Finally, we need to pool our knowledge and experience of regional policies - there is much that our countries can learn from one another.

This year has seen the birth of a new Community Regional Policy. I do not want to bore you with all the administrative details of how it is working, but I shall try to give you the broad outlines.

The European Community's regional expenditure is, however, not to be measured simply in terms of the new Regional Development Fund. There is already a whole battery of financial weapons which bring help from Brussels to the problem regions of Europe. The Agricultural Funds have a regional impact. Then there is the European Investment Bank, which provides massive resources for basic development projects in both agricultural and industrial areas. There is the Social Fund, which concentrates its retraining

activities in the areas where the human problem of unemployment is worst. And there are the oldest Community funds of all - the Coal and Steel funds - available to provide both training and new jobs in new industry for redundant coal and steel workers. One of the finest contributions of the coal and steel funds was to help with the model example of reconversion achieved here in Limburg to re-employ within the region the men made redundant by the closure of the mines.

Together these funds provide a totality of resources spreading far beyond the Regional Development Fund. What the birth of the Fund this year has done has been to give a new impetus to coordinating the work of these various Community instruments and the various Community policies, to try to ensure that they work together as part of a

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coherent Community regional strategy. New machinery is being created inside the Commission for this purpose. It should be possible at regular intervals to monitor the degree to which Community expenditure - agricultural, social and industrial - meets the needs of the problem regions.

Since 1971 the Community has also operated a scheme for coordinating national regional aids in order to avoid wasteful competition and overbidding in regional incentives and to ensure that the highest aids are given in the worst hit regions of the Community.

The Regional Fund is, however, a new departure, because it is the first explicit recognition of the need to transfer resources from rich regions to poor regions at Community level. The Regional Fund is the first and most important element in our new Community Regional Policy.

The Fund, which is 1,300 mua (1 mua being approximately 1.2 million dollars) over the period 1975-1977, is not as big as I asked for, but it is a very significant beginning.

In order to take account of the respective regional problems of Member States, the resources of the Fund are being distributed according to percentage guidelines reflecting need - for example Italy 40%, Ireland 6% and so on.

Since the Fund's resources are limited, priority will be given to investment falling within national priority areas. In practice, therefore, aid from the Fund will go as a priority to the following regions : Southern Italy, Ireland; Northern Ireland; and the Special Development and Development Areas in Great Britain.

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The grants from the Fund go to support both industrial and infrastructure investment projects of importance to employment, and 300 mua will be committed this year in the first batch of grants.

Among this first batch of Regional Fund grants is one item of particular local interest here. The line of the new Maastricht to Heerlen road, begun in 1967 and to be completed next year, runs, I believe, only two to three kilometres from this hall. From the very limited resources available to the Fund for expenditure in the assisted regions of the Netherlands, we are making a grant of 7½ million guilders towards the cost of the part of the work on the road that is being carried out this year. I know of the importance of improving the road network in South Limburg for the industrial regeneration of this region in the post coal mining era. I am sure, too, that the Maastricht to Heerlen road is making its contribution to

facilitating international tourism in the delightful area between here and the Belgian and German borders. I am sorry that, with the new Fund only being set up this year, we have not been able to make a more substantial contribution to the road in the earlier stages of the work. Now that the running-in period of the Fund is past, I look forward to applications to it, from the Dutch and other governments, that will associate the Community in the public mind with the launching of new regional investment projects which, without the Fund's help, would have had to be cancelled or postponed.

The Regional Development Fund is not intended to be the only regional development mechanism inside the Community. Countries will continue to aid their own regions; the Fund is no substitute for their efforts. Its object is to help countries to do more than they can accomplish on their own.

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It is an additional aid to measures they initiate themselves.

The second main element in our new Community Regional Policy is to encourage member governments to have comprehensive programmes of planned regional development. Instead of planning one too often finds regional policies which are piecemeal and which simply react to passing political or other pressures. Indeed, after 1977, it will be a condition of grants from the Regional Fund that projects conform to national programmes of development that have been discussed in Brussels by the Community.

The third main element in our new Regional Policy is the creation of a European Regional Policy Committee, which consists of senior officials responsible for regional policy in the Member States and in the

Commission, and which can draw on advice from regional experts and from trade unions, business organisations and other interested parties in the regions. Its main task will be comparing and coordinating regional policies, and advising on regional objectives for the Community. It has already reached agreement on the urgent question of how regional development programmes should be drawn up. And there are many other important topics which it will now be coming to consider over the coming months : for example, the comparison of national aid systems; disincentive measures in areas of heavy concentration; trans-frontier problems; the encouragement of investment by improving Community-wide information systems.

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To conclude, I have tried to show why an effective Community Regional Policy is essential: why it is important to people in rich regions as well as poor regions, why it is important to the very existence of the European Community. I have sketched out how that Community Regional Policy is developing. The holding of this Conference today gives support to my belief that there are enough people of imagination and concern in Europe to ensure that Community Regional Policy is here to stay.