

SPEECH BY CHRISTOPHER TUGENDHAT, VICE-PRESIDENT OF THE
EUROPEAN COMMISSION, TO THE CARDIFF BUSINESS CLUB AT THE
ROYAL HOTEL CARDIFF ON 30 JANUARY 1984

BRINGING THE EUROPEAN COMMUNITY UP TO DATE

I AM DELIGHTED ONCE AGAIN TO BE IN WALES AND WOULD LIKE TO BEGIN BY THANKING THE CARDIFF BUSINESS CLUB FOR GIVING ME SUCH A PRESTIGIOUS PLATFORM.

IN MANY RESPECTS WALES HAS ALWAYS SEEMED TO ME TO EPITOMISE AN UNDERLYING PRINCIPLE OF THE EUROPEAN COMMUNITY. ON THE ONE HAND IT HAS FOR GENERATIONS BEEN DEEPLY INVOLVED IN INTERNATIONAL TRADE THROUGH THE PORTS IN THIS PART OF THE COUNTRY AND OUTWARD LOOKING TOWARDS THE REST OF THE WORLD. ON THE OTHER IT HAS RETAINED A

DISTINCTIVE CULTURE OF ITS OWN. ITS MUSIC IS INTERNATIONALLY FAMOUS AND THE WELSH LANGUAGE, WHICH HAS ONE OF THE LONGEST CONTINUOUS HISTORIES OF ANY IN EUROPE, CONTINUES TO THRIVE. THESE ARE LEGITIMATE SOURCES OF PRIDE. I, FOR MY PART, AM THEREFORE DELIGHTED THAT THE COMMISSION IS NOW DEVOTING SERIOUS STUDY TO IDENTIFYING THE PARTICULAR PROBLEMS AND NEEDS OF MINORITIES AND THEIR LANGUAGES WITHIN THE COMMUNITY, AND THAT FINANCE, ALBEIT OF A MODEST AMOUNT, HAS BEEN MADE AVAILABLE FOR THIS PURPOSE.

THAT GREAT FRENCH WRITER PAUL VALERY HAS TOLD US THAT IT IS BETTER TO DIFFER IN UNITY THAN TO BE SIMILAR IN DISUNITY. THE PRINCIPALITY OF WALES IN RELATION BOTH TO THE UNITED KINGDOM AND TO THE EUROPEAN COMMUNITY ILLUSTRATES THAT POINT VERY WELL.

IN THE PAST SOUTH WALES WAS GEOGRAPHICALLY WELL PLACED TO TAKE ADVANTAGE OF BRITAIN'S TRADE WITH THE EMPIRE AND NORTH AMERICA. WHEN THOSE AREAS BEGAN TO TAKE A

DECLINING SHARE OF BRITISH EXPORTS AND THE TRADITIONAL INDUSTRIES ON WHICH BRITAIN'S ECONOMY HAD BEEN BASED WENT INTO DECLINE, SOUTH WALES FACED SPECIAL DIFFICULTIES. IT IS THEREFORE PARTICULARLY IMPORTANT THAT IT SHOULD BENEFIT AS MUCH AS POSSIBLE FROM WHAT IS NOW BY FAR OUR MOST IMPORTANT EXPORT MARKET, NAMELY THE OTHER MEMBER STATES OF THE EUROPEAN COMMUNITY. TOGETHER THEY ACCOUNT FOR SOME 43% OF TOTAL BRITISH EXPORTS COMPARED WITH 15% FOR THE UNITED STATES AND 12.5% FOR THE COMMONWEALTH. MOREOVER, THE ANNUAL INCREASE IN BRITISH EXPORTS TO THE REST OF THE COMMUNITY SINCE WE JOINED HAS BEEN AROUND 28% COMPARED WITH THE 19% ANNUAL INCREASE IN OUR SALES TO THE REST OF THE WORLD.

IT IS ON BRITAIN'S SUCCESS IN EXPORTING TO THE REST OF THE COMMUNITY THAT OUR CHANCES OF SIGNIFICANTLY REDUCING UNEMPLOYMENT IN LARGE PART DEPEND. SOME 30% OF BRITISH GDP GOES IN EXPORTS AS COMPARED WITH 7% FOR THE UNITED STATES, 17.6% FOR FRANCE AND 13.1% FOR JAPAN.

BARRIERS TO TRADE

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THE GREAT INCREASE IN BRITAIN'S TRADE WITH THE COMMUNITY SINCE 1973 WOULD NOT HAVE BEEN POSSIBLE HAD ALL TARIFFS BETWEEN ITS MEMBER STATES NOT BEEN ABOLISHED. NOR WOULD OVERSEAS INVESTMENT HAVE FLOWED INTO THE UNITED KINGDOM AT SUCH A STRIKING RATE HAD WE NOT BEEN A MEMBER OF THE COMMUNITY. IT IS HARDLY A COINCIDENCE THAT ALL JAPANESE INVESTMENT IN WALES HAS OCCURRED SINCE WE JOINED, INCLUDING THE SONY FACTORY AT BRIDGEND WHICH NOW MANUFACTURES 33% OF TOTAL BRITISH EXPORTS OF TELEVISION SETS (BY VALUE). THE SONY FACTORY, WHICH HAS THIS MONTH MANUFACTURED ITS MILLIONTH TELEVISION SET, EXPORTS 45% OF ITS OUTPUT, OF WHICH 90% GOES TO COMMUNITY COUNTRIES. BUT FOR THE COMUNITY, ONE WONDERS WHETHER WALES WOULD HAVE ATTRACTED THE HUGE FORD ENGINE PLANT AT BRIDGEND, WHICH WAS SPECIFICALLY DESIGNED TO SUPPLY ALL THE 1.3 AND

1.6 LITRE PETROL ENGINES USED BY FORD THROUGHOUT THEIR EUROPEAN OPERATIONS. EVERY NIGHT A TRAIN LEAVES FORD'S BRIDGEND PLANT WITH CAR ENGINES BOUND FOR SPAIN AND GERMANY. THESE EXPORTS ACCOUNT FOR 60% OF THE ENTIRE OUTPUT OF THE FORD FACTORY. I CANNOT THINK OF A MORE VIVID ILLUSTRATION OF WHAT THE COMMON MARKET MEANS IN PRACTICE THAN THIS.

BUT MUCH REMAINS TO BE DONE TO LIBERALIZE TRADE WITHIN THE COMMUNITY. A POT POURRI OF NON-TARRIF BARRIERS STILL DENIES BRITAIN FULL ACCESS TO THE CONTINENTAL MARKET ON HER DOORSTEP IN EUROPE. FOR EXAMPLE, EXCESSIVE ADMINISTRATIVE PROCEDURES AT BORDERS, GREATLY INCREASE THE COST OF TRADED GOODS, AND THEREFORE THEIR MARKETABILITY. WE AT THE COMMISSION HAVE ESTIMATED THAT THE COST OF FRONTIER FORMALITIES ALONE IS OF THE ORDER OF 5 TO 10 PER CENT OF THE PRE-TAX VALUE OF THE TRADED GOODS. THE TIME CONSUMED AS A RESULT OF SUCH DELAYS REPRESENTS A LOSS OF ABOUT £500 MILLION A YEAR. THE FACT THAT OUR AMERICAN AND JAPANESE COMPETITORS DO NOT SUFFER THESE DISADVANTAGES IN THEIR OWN DOMESTIC MARKET OFTEN

GIVES THEM A TREMENDOUS EDGE OVER OUR OWN COMPANIES.

ANOTHER SERIOUS PENALTY IMPOSED ON TRADE BETWEEN COMMUNITY MEMBER STATES IS THE GROWING REQUIREMENT FOR CERTIFICATES OF ORIGIN FOR GOODS. ALTHOUGH THE OSTENSIBLE PURPOSE OF THESE CERTIFICATES IS TO IMPLEMENT RESTRICTIONS AGAINST IMPORTS FROM THIRD COUNTRIES, THEY ALSO IMPEDE TRADE IN THOSE GOODS MANUFACTURED WITHIN THE COMMUNITY ITSELF.

THE OBSTACLES TO TRADE BETWEEN EEC MEMBER STATES ARE PARTICULARLY GREAT AND PARTICULARLY DAMAGING IN THE HIGH TECHNOLOGY SECTORS UPON WHICH BRITAIN'S INDUSTRIAL FUTURE SO MUCH DEPENDS. IN THESE SECTORS, OUR CAPACITY TO BEAT THE JAPANESE AND THE AMERICANS - WHO SCOOP THE WORLD POOL IN TELECOMMUNICATIONS AND ELECTRONICS MARKETS - IS CRITICALLY HAMPERED ON THE ONE HAND BY THE DIFFERENT TECHNICAL STANDARDS ACCORDING TO WHICH PRODUCTS IN EACH MEMBER STATE ARE MANUFACTURED, AND ON THE OTHER HAND BY THE BLATANT DISCRIMINATION OF PUBLIC AUTHORITIES IN

FAVOUR OF THEIR NATIONAL COMPANIES. THE RESULT IS THAT IN A KEY SECTOR LIKE TELECOMMUNICATIONS EQUIPMENT, AND THE EQUALLY IMPORTANT COMPONENTS INDUSTRY ON WHICH IT DEPENDS, TRADE BETWEEN COMMUNITY COUNTRIES IS NEGLIGABLE, WHILE EXPORTS TO THE OUTSIDE WORLD ACCOUNT FOR OVER 15% OF THEIR TOTAL PRODUCTION.

THE RESULT OF THIS PLETHORA OF BARRIERS IS THAT EACH OF THE COMMUNITY'S MEMBER STATES IS DENIED THE ECONOMIES OF SCALE WHICH ARE INDISPENSIBLE TO THE CAPTURE OF WORLD MARKETS. WE HAVE SEEN THIS IN ONE ADVANCED SECTOR OF INDUSTRY AFTER ANOTHER. THE EUROPEAN CIVIL AIRCRAFT INDUSTRY HAS BEEN SAVED ONLY BY THE BELATED COOPERATION ON THE AIRBUS. NOW THE AIRBUS STANDS AS PROUD TESTIMONY TO THE FACT THAT EUROPEAN INDUSTRIES WHICH COULD NOT CAPTURE A MAJOR PART OF A PARTICULAR WORLD MARKET FROM A PURELY NATIONAL BASE CAN DO SO IF THEY ARE PREPARED TO POOL THEIR SKILLS, THEIR TECHNOLOGY, THEIR MARKETING ASSETS AND THEIR FORMIDABLE PUBLIC MARKETS. WALES SHOULD BE THE FIRST TO UNDERSTAND THIS, FOR IT IS AT BROUGHTON

THAT THE SUPERBLY ADVANCED WINGS OF THE AIRBUS, WHICH CONSTITUTE BRITAIN'S CONTRIBUTION TO THAT AIRCRAFT, WERE DESIGNED AND ARE NOW MANUFACTURED.

TRADE IN SERVICES

IT IS NOT JUST IN MANUFACTURED GOODS, BUT ALSO IN SERVICES, THAT TRADE WITHIN THE COMMUNITY IS HAMPERED BY THE PERSISTENCE OF BARRIERS. AT A TIME WHEN THE UNITED STATES IS PRESSING WITHIN THE GATT FOR A LIBERALIZATION OF TRADE IN SERVICES ON A WORLD SCALE, IT IS SURELY ABSURD THAT WE IN EUROPE ARE NOT ABLE TO DO SO EFFECTIVELY EVEN ON A REGIONAL SCALE. OUR FAILURE TO DO SO WILL SEVERELY HANDICAP OUR ABILITY TO TAKE ADVANTAGE OF FREER MARKETS IN SERVICES INTERNATIONALLY, AS THEY ARE DEVELOPED.

NO COUNTRY HAS A GREATER INTEREST IN SUCH A

LIBERALIZATION OF TRADE THAN BRITAIN, WHICH SUPPLIES 9% OF ALL WORLD SERVICE EXPORTS AND HAD A NET SURPLUS OF £4 BILLION IN TRADE IN SERVICES IN 1981, THE LAST YEAR FOR WHICH THE FIGURES ARE AVAILABLE. THIS SHOULD BE PARTICULARLY APPRECIATED IN AN AREA LIKE CARDIFF, IN WHICH SERVICES ACCOUNT FOR 81% OF INDUSTRIAL OUTPUT.

THE EUROPEAN MONETARY SYSTEM

IT IS NOT OFTEN REALIZED THAT ONE OF THE GREATEST BARRIERS TO TRADE IS CURRENCY INSTABILITY. THE UNCERTAINTY CREATED BY SUCH INSTABILITY, COMBINED WITH THE FLUCTUATIONS IN MANUFACTURERS' COSTS TO WHICH IT GIVES RISE, HAVE A PROFOUNDLY DAMAGING EFFECT BOTH ON TRADE AND ON THE INVESTMENT WHICH BRITAIN AND HER EUROPEAN PARTNERS SO VITALLY NEED.

THIS IS WHY THE SUCCESS OF THE EUROPEAN MONETARY SYSTEM IN STABILISING EXCHANGE RATES BETWEEN ITS MEMBERS IS SO

FUNDAMENTAL TO THE PROSPECTS FOR GROWTH AND EMPLOYMENT IN THE COMMUNITY. IT IS WHY I HAVE REITERATED SO OFTEN MY REGRET THAT THE UNITED KINGDOM IS NOT A FULL MEMBER OF THE EUROPEAN MONETARY SYSTEM; FOR AS A MAJOR TRADING NATION WHICH TODAY SENDS 43% OF ITS EXPORTS TO THE REST OF THE COMMUNITY, WE STAND TO GAIN AS MUCH AS ANYONE FROM IT.

I WOULD THEREFORE AGAIN APPEAL TO THE BRITISH GOVERNMENT TO RE-EXAMINE THE EMS ON ITS RECORD. THE FACT IS THAT IT HAS LARGELY ELIMINATED VIOLENT FLUCTUATIONS BETWEEN ITS CONSTITUENT CURRENCIES; CHANGES IN PARITY HAVE BEEN SMOOTH; AND THEY HAVE CORRESPONDED MUCH MORE CLOSELY TO REAL CHANGES IN THE RELATIVE ECONOMIC PERFORMANCE OF ITS MEMBERS THAN WAS THE CASE BEFORE ITS ESTABLISHMENT. THOSE CRITICS WHO CONFIDENTLY PREDICTED THAT PARITIES WOULD LURCH FROM ONE RATE TO THE NEXT UNDER THE PRESSURE OF SPECULATORS GIVEN A ONE-WAY OPTION HAVE THEREFORE BEEN

CONFOUNDED. SHOULD THE US DOLLAR FALL OVER THE NEXT YEAR FROM ITS PRESENT GIDDY HEIGHTS, THE EMS WOULD HELP TO PROTECT THE ECONOMIES OF EUROPE FROM SOME OF THE WORST EFFECTS OF THE FINANCIAL STORMS WHICH WOULD THEN BUFFET OUR SHORES.

WHILE THE EMS HAS BEEN IMPORTANT AS A MEANS OF BRINGING ABOUT A BETTER COORDINATION OF MONETARY AND FISCAL POLICIES WITHIN THE COMMUNITY, THIS HAS NOT INSULATED EUROPE FROM THE PERNICIOUSLY HIGH EXCHANGE RATES OF THE UNITED STATES. IT IS VITAL THAT URGENT STEPS BE TAKEN BY THE US ADMINISTRATION ITSELF TO CURB THE INORDINATELY HIGH FEDERAL BUDGET DEFICIT AND THEREBY TO EASE AMERICAN INTEREST RATES AND THE OVERVALUED DOLLAR.

UNLESS THIS IS DONE IT IS UNLIKELY TO BE POSSIBLE EITHER FOR THE CURRENT EXPANSION IN THE US ECONOMY TO BE SUSTAINED OR FOR INTEREST RATES IN EUROPE TO BE SUBSTANTIALLY REDUCED WITHOUT INFLATIONARY CONSEQUENCES. INDEED, LOWER INTEREST RATES IN THE US AND THUS A LOWER

DOLLAR WOULD DECISIVELY HELP THE ECONOMIC RECOVERY OF EUROPE BY REDUCING THE PRICE OF OUR IMPORTS AND BY ENABLING OUR BUDGET DEFICITS TO FALL MORE QUICKLY THAN IS NOW ANTICIPATED. THIS IN TURN WOULD PERMIT GOVERNMENTS EITHER TO CUT TAXES OR TO ADOPT LESS DRASTIC MEASURES TO CURTAIL PUBLIC EXPENDITURE THAN CURRENTLY APPEAR TO BE NECESSARY.

FISCAL BARRIERS TO TRADE

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THE FINAL IMPEDIMENT TO TRADE WITHIN THE COMMUNITY THAT I WOULD LIKE TO MENTION IS THE DIFFERENT TAXATION POLICIES WHICH THE MEMBER STATES IMPOSE. IN ADDITION TO ITS INITIATIVE ON THE EUROPEAN COOPERATION GROUPING THE COMMISSION HAS FOR LONG HAD PROPOSALS ON THE TABLE COVERING THREE AREAS IN WHICH ACTION URGENTLY NEEDS TO BE TAKEN. ALL WOULD BENEFIT THE ABILITY OF BRITISH INDUSTRY

TO EXTEND ITS OPERATIONS THROUGHOUT THE COMMUNITY WITHOUT FEAR OF TAX PENALTIES. THE FIRST IS A COMMON SYSTEM OF TAXATION APPLICABLE TO MERGERS OF COMPANIES IN DIFFERENT MEMBER STATES. THE SECOND IS A COMMON TAX SYSTEM APPLICABLE TO PARENT COMPANIES AND THEIR SUBSIDIARIES WHEN THEY ARE LOCATED IN DIFFERENT MEMBER STATES. AND THE THIRD IS THE ELIMINATION OF DOUBLE TAXATION ON THE PROFITS OF ASSOCIATED INDUSTRIAL ENTERPRISES. THE PERSISTENCE OF DOUBLE TAXATION IS AN ANACHRONISM WHICH IS PROFOUNDLY DAMAGING TO THE ABILITY OF BRITISH INDUSTRY TO EXPLOIT THE CONTINENTAL MARKET ON ITS DOORSTEP IN EUROPE.

THE WEEK BEFORE LAST I SENT A COMMUNICATION TO THE COUNCIL OF MINISTERS OF THE TEN MEMBER STATES URGING THEM TO ACT ON THESE PROPOSALS. I VERY MUCH HOPE THAT THE FRENCH GOVERNMENT WILL TREAT THEM AS A MAJOR PRIORITY DURING ITS CURRENT TERM OF OFFICE AS PRESIDENT OF THE COUNCIL OF MINISTERS.

CURTAILING CAP SPENDING

EVERYTHING I HAVE SPOKEN ABOUT SO FAR CAN BE ACHIEVED WITHOUT THE EXPENDITURE OF LARGE SUMS OF COMMUNITY MONEY.

IT IS WORTH REMINDING THOSE WHO CRITICIZE THE COMMUNITY FOR PROFLIGACY THAT THE OVERWHELMING MAJORITY OF ITS CURRENT POLICIES, AND OF THOSE WHICH MOST URGENTLY NEED TO BE DEVELOPED, ARE INEXPENSIVE BY ANY STANDARDS OF FINANCIAL RIGOUR. THERE IS, HOWEVER, ONE SIGNAL EXCEPTION TO THIS RULE: NAMELY THE EXCESSIVELY EXPENSIVE COMMON AGRICULTURAL POLICY.

FOR SOME YEARS NOW, I AND MY COMMISSION COLLEAGUES HAVE REPEATEDLY WARNED THAT THE COMMUNITY WOULD INEVITABLY FIND ITSELF IN A FINANCIAL CRISIS IF NOTHING WERE DONE TO CURB THE FUNDAMENTAL REASONS FOR THE CAP'S EXCESSIVE COSTS. FACED WITH THE IMPENDING CRISIS OF WHICH WE WARNED, THE COMMISSION HAS TAKEN DRASTIC ACTION WITHIN ITS POWERS TO KEEP SPENDING ON THE CAP WITHIN THE OVERALL

LEGAL LIMIT OF RESOURCES AVAILABLE TO THE COMMUNITY. IN OCTOBER 1983 IT TOOK A SERIES OF MEASURES TO THIS END, WHICH SAVED SOME £165 MILLION ON THE 1983 BUDGET. IT FOLLOWED THESE UP AT THE VERY BEGINNING OF THIS YEAR WITH FURTHER ACTION TO CUT COSTS, NOTABLY EXTENDING THE DELAY IN PAYMENTS TO TRADERS FOR PRODUCTS BOUGHT INTO INTERVENTION.

HOWEVER, THE MEASURES WHICH ARE NEEDED TO TACKLE THE FUNDAMENTAL PROBLEMS OF THE CAP CAN ONLY BE PROPOSED BY THE COMMISSION; THEY HAVE TO BE TAKEN BY THE COUNCIL OF MINISTERS, WHICH REPRESENTS THE GOVERNMENTS OF THE TEN MEMBER STATES. HERE TOO THE COMMISSION HAS EXERCISED ITS RESPONSIBILITY TO THE FULL. IN JULY LAST YEAR IT PUT FORWARD A WIDE-RANGING PACKAGE OF MEASURES DESIGNED TO ACHIEVE THESE OBJECTIVES. THIS MONTH IT HAS TABLED FARM PRICE PROPOSALS WHICH IF ACCEPTED WOULD MAKE A MAJOR CONTRIBUTION TOWARDS CURBING THE PRODUCTION OF SURPLUSES AND HENCE THE COST OF THE CAP. THESE PROPOSALS GO TO THE ROOT OF THE CAP'S PROBLEMS BY ADVOCATING A FREEZE OR EVEN

A REDUCTION IN THE PRICE OF THOSE PRODUCTS WHICH ARE MOST SEVERLY IN SURPLUS. MOREOVER, THEY SUGGEST THAT DIFFERENCES IN AGRICULTURAL PRICES BETWEEN THE MEMBER STATES SHOULD BE NARROWED.

THIS INEVITABLY MEANS THAT FARMERS WHO CURRENTLY ENJOY PRICES FOR THEIR PRODUCTS WHICH ARE SIGNIFICANTLY ABOVE THE COMMUNITY NORM, SUCH AS THOSE IN BRITAIN AND OTHER COUNTRIES WITH STRONG CURRENCIES, WILL HAVE TO GIVE UP SOME OF THEIR ADVANTAGES SO AS TO PLAY THEIR PART IN SOLVING THE PROBLEM OF OVER-PRODUCTION. THOSE WHO CLAIM THAT THESE PRIVILEGED FARMERS ARE BEARING A DISPROPORTIONATE BURDEN ARE THEREFORE ENTIRELY WRONG. THEY WOULD SIMPLY BE LOSING SOME OF THE ADVANTAGES WHICH THEY CURRENTLY ENJOY AT THE EXPENSE NOT ONLY OF THE COMMUNITY BUDGET BUT OF CONSUMERS AND PROCESSORS OF FOOD IN THEIR OWN COUNTRIES. INDEED, EVEN WERE THE MEASURES PROPOSED BY THE COMMISSION TO BE FULLY IMPLEMENTED NOW, AT CURRENT RATES OF EXCHANGE, BRITISH FARMERS WOULD STILL RECEIVE PRICES SOME 40% ABOVE THE COMMUNITY NORM.

I CANNOT SAY THAT I AM SURPRISED BY THE BARRAGE OF CRITICISM AIMED AT THESE PROPOSALS OF THE COMMISSION BY THE AGRICULTURAL LOBBY. WHAT DOES SURPRISE ME, HOWEVER, IS THE EERIE SILENCE FROM SOME OF THE VERY GOVERNMENTS WHO UNTIL RECENTLY WERE DEPLORING THE EXCESSES OF THE CAP AND URGING THE NEED FOR LOWER PRICES IN ORDER TO CUT COSTS. NOW IS THE TIME WHEN THEIR SUPPORT FOR A MORE FINANCIALLY RESPONSIBLE CAP IS MOST NEEDED AND WHEN THEY HAVE THE OPPORTUNITY TO TAKE THE SORT OF CONCRETE ACTION FOR WHICH THEY HAVE CONSISTENTLY CALLED.

THE COMMISSION HAS THEREFORE FACED UP TO ITS RESPONSIBILITIES FOR CURBING AGRICULTURAL EXPENDITURE. IT IS NOW TIME FOR THE GOVERNMENTS OF THE COMMUNITY TO RESPOND TO ITS PROPOSALS FOR DOING SO. I CAN ONLY WARN ONCE AGAIN THAT THERE CAN BE NO ALTERNATIVE TO PROMPT ACTION TO LIMIT THE COST OF THE CAP, FOR THE COMMUNITY IS VIRTUALLY AT THE LIMIT OF THE FINANCIAL RESOURCES AVAILABLE TO IT.

OUR OBJECT IN PUTTING THEM FORWARD IS TO PRESERVE WHAT HAS BEEN ACHIEVED WITH THE CAP AND IN OTHER AREAS, AS WELL AS TO LAY THE FOUNDATIONS FOR NEW DEPARTURES IN INDUSTRIAL RESEARCH AND DEVELOPMENT, IN THE DIVERSIFICATION OF OUR ENERGY SUPPLIES, IN THE TACKLING OF UNEMPLOYMENT AND REGIONAL PROBLEMS AND OTHER PRIORITIES.



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Brussels, 30 January 1984

TUGENDHAT SAYS COMMISSION'S PROPOSALS ON CAP DESERVE SUPPORT

In a speech to the Cardiff Business Club today, Mr. Christopher Tugendhat, Vice-President of the European Commission, calls for full support to be given to the Commission's proposals on reforming the Common Agricultural Policy (CAP).

Here are some extracts from the speech to be given at Cardiff's Royal Hotel this evening.

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For some years now, I and my Commission colleagues have repeatedly warned that the Community would inevitably find itself in a financial crisis if nothing were done to curb the fundamental reasons for the CAP's excessive costs. Faced with the impending crisis of which we warned, the Commission has taken drastic action within its powers to keep spending on the CAP within the overall legal limit of resources available to the Community. In October 1983 it took a series of measures to this end, which saved some £165 million on the 1983 budget. It followed these up at the very beginning of this year with further action to cut costs, notably extending the delay in payments to traders for products bought into intervention.

However, the measures which are needed to tackle the fundamental problems of the CAP can only be proposed by the Commission; they have to be taken by the Council of Ministers, which represents the Governments of the ten Member States. Here too the Commission has exercised its responsibility to the full. In July last year it put forward a wide-ranging package of measures designed to achieve these objectives. This month it has tabled farm

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price proposals which if accepted would make a major contribution towards curbing the production of surpluses and hence the cost of the CAP. These proposals go to the root of the CAP's problems by advocating a freeze or even a reduction in the price of those products which are most severely in surplus. Moreover, they suggest that differences in agricultural prices between the Member States should be narrowed.

This inevitably means that farmers who currently enjoy prices for their products which are significantly above the Community norm, such as those in Britain and other countries with strong currencies, will have to give up some of their advantages so as to play their part in solving the problem of over-production. Those who claim that these privileged farmers are bearing a disproportionate burden are therefore entirely wrong. They would simply be losing some of the advantages which they currently enjoy at the expense not only of the Community budget but of consumers and processors of food in their own countries. Indeed, even were the measures proposed by the Commission to be fully implemented now, at current rates of exchange, British farmers would still receive prices some 40% above the Community norm.

I cannot say that I am surprised by the barrage of criticism aimed at these proposals of the Commission by the agricultural lobby. What does surprise me, however, is the eerie silence from some of the very governments who until recently were deploring the excesses of the CAP and urging the need for lower prices in order to cut costs. Now is the time when their support for a more financially responsible CAP is most needed and when they have the opportunity to take the sort of concrete action for which they have consistently called.

The Commission has therefore faced up to its responsibilities for curbing agricultural expenditure. It is now time for the Governments of the Community to respond to its proposals for doing so. I can only warn once again that there can be no alternative to prompt action to limit the cost of the CAP, for the Community is virtually at the limit of the financial resources available to it.

Our object in putting them forward is to preserve what has been achieved with the CAP and in other areas, as well as to lay the foundations for new departures in industrial research and development, in the diversification of our energy supplies, in the tackling of unemployment and regional problems and other priorities."