

SPEECH BY THE RIGHT HON ROY JENKINS, PRESIDENT OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES, AT THE NORTHERN
IRELAND ANNUAL DINNER OF THE BRITISH INSTITUTE OF
MANAGEMENT, DUNADRY - THURSDAY 20 OCTOBER 1977

I was very pleased to be able to accept the invitation of the British Institute of Management in Northern Ireland to address your dinner this evening. I think it is wholly appropriate for me to be here on this occasion - my first visit to Northern Ireland as President of the European Commission - not only because those here present are principally concerned with the economic health of Northern Ireland, but also because this is a priority for the Commission of which I am President, and for the Community as a whole. I should like to speak to you this evening about three connected themes. First, about some of the specific problems you face here; second, but developing out of the first, the way in which we in the Commission see the role of Community regional policy towards Northern Ireland and other parts of the Community; and, third, the way in which this aspect of Community policy forms an essential part of an overall economic strategy for Europe, which is relevant not just to the traditionally rich parts of the Community, but to those parts, such as Northern Ireland, which suffer both economic and political handicaps.

Northern Ireland may seem to some of you here present, and indeed may seem to some of us in Brussels, a remote part of the European Community. From time to time we may feel that communication is difficult between us. On a lighthearted note I do confess to you to having been a little concerned before my arrival that telephonic communications seemed to have broken down. In the initial handout that was prepared, after a telephone call to my office, by the British Institute announcing my presence here, I was honoured with the distinction of being described not only as Home Secretary and Chancellor of the Exchequer in the Labour Government of 1964-70, but also having been Minister for Agriculture. This, I regret to inform

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the farming population of Northern Ireland is not true. But I vividly remember my visit here to Belfast at that time as Minister of Aviation. You have honoured me also with the rare distinction of having been Home Secretary not only in that Labour Government but also in the Conservative Government of Mr Heath from 1970-72. Although it will be no secret to many of you that I have always stood for what I believe was a moderate position in British politics, to have given me this honour was, I am afraid, going a little too far.

But I should also like to comment in more serious vein on the contacts between the Commission and Northern Ireland. I assure you that we follow closely what is happening here. Signor Giolitti, the Commissioner responsible for regional policy, was here in May; there have been several visits this year by senior Commission and European Investment Bank officials; and, on a continuing basis the Commission's Information Office in London have tried, in my view with considerable success, to serve your particular needs.

However, notwithstanding the efforts which have been made both by the Commission's Office in London and directly from Brussels, I am personally persuaded that we ought to try to do more. I am glad to say that my colleagues in the Commission agree with me that it would be right for us to open here in Belfast an Information Office of the Commission. A direct Community presence would be invaluable for the Commission in transmitting directly and quickly the views on Community matters of all those interested in them in Northern Ireland. I also hope and believe that such a presence would be of value to you in providing up-to-date information about Community policies and an open channel of communication on the spot. I hope it will be possible for this Office to open in the course of 1978, but the practical arrangements have yet to be executed and will, of course, have to be done with care. It will be an outward and positive sign of the role which Northern Ireland has to play as an integral part of the Community and of the importance we attach to supporting you in confronting your pressing problems. It is to the economic aspects of these that I now turn.

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Many of the economic problems of Northern Ireland are structural difficulties of long standing, but the post-1973 economic crisis has made things much worse, and enforced public expenditure cuts have clearly been particularly painful for a region so heavily dependent on the public sector. For the United Kingdom economy as a whole the barometer is now rising again. But a massive and sustained effort will be required to ensure that Northern Ireland is not again left behind. Your unemployment now stands at 10½ per cent - over 12 per cent if the summer's school-leavers are included - which is one of the highest rates throughout the Community. And in some areas I know it goes up to the depressing levels of 20 and even 30 per cent. I note that, according to Quigley Report figures, some 60,000 new jobs will be needed by 1980 to bring average unemployment down to 5 per cent, and 40,000 to reduce it even to 7 per cent. In the circumstances of your region, the task is a formidable one.

For the Community therefore, Northern Ireland must clearly be a priority region. Although the efforts we have so far been able to make have been limited by the availability of funds and by the rules under which they are administered, the Regional Fund has so far provided £22 million, the Social £18 million, and the Agricultural Fund nearly £9 million in outright grants. This puts Northern Ireland, in relation to its population, at the head of the list of United Kingdom beneficiary regions. And an additional £21 million has come as loans from the European Investment Bank.

The last three years of Community Regional Policy have been devoted essentially to setting up, and then running in, the present Regional Fund. This has been an important task, and within its limits I feel that the Fund has been a success. But frankly, in its present form it is essentially an instrument for providing additional Community assistance for national regional policies. While it is clear that this assistance must be continued, we feel it is now time to develop the Community's own regional policy, endowed with adequate and effective means. Although it must be coordinated with, and complementary to, national regional policies, it must, in my view, have its own character. This is

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what our new proposals are designed to do.

This change of emphasis is needed in my view for three reasons.

The first goes back to the way in which the original Community of Six developed. The establishment of the common market during the 1960s did much to stimulate economic growth, which brought benefits to both richer and less rich regions. But frankly, it is now clear that this growth on a tide of prosperity tended to conceal as much as reduce the gaps between regions. And seen at Community level these gaps are of course even wider than within a purely national framework.

Then the continuation of inflation and recession since 1973 both aggravated the traditional problems of parts of the Community such as Northern Ireland, and created new problems throughout the Community. It exposed the limitations of a pure 'common market'.

Finally, there has been increasing recognition that Community decisions in a number of policy fields often have important regional effects. And if those effects are adverse the Community must assume responsibility for correcting them. The result is that Community regional policy must have two aims. On the one hand, it must add its effort to that of national, regional and local authorities to help reduce the regional imbalances which already exist. On the other hand, it must seek to prevent new imbalances from appearing as a result of changes in world economic patterns or of policy decisions taken by the Community. To meet these challenges a comprehensive and active Community regional policy is required.

What should be its characteristics? First, we must establish an effective monitoring system so we can know when and where Community action is required. This is a fundamental albeit routine exercise.

Second, we have to introduce a 'regional dimension' into Community decisions in all fields in order to protect the interest of regions faced with special problems. Regional policy cannot

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be considered in isolation from the other policy fields with which the Community is concerned. The Commission has therefore undertaken that, in preparing its proposals in other fields, it will take proper account of the possible regional effects, in particular on employment. We have invited the Council to accept a similar undertaking. And where necessary we will also propose appropriate supplementary measures, such as special Regional Fund aid, to correct any adverse effects which do occur.

Let me give you an example - in the field of external trade policy, and of particular concern to Northern Ireland. As you know the Community is involved in negotiations in the GATT on the future of the Multi-Fibre Arrangement - the agreement regulating trade in textiles between the industrialised and developing countries. The Commission position, now accepted by the Council, is to seek a reduction in the rate of increase of Community textile imports from the 22 per cent of recent years to 6 per cent. And for countries with a very high level of import penetration, like the United Kingdom the figure will be lower still. The aim is to stabilise the market share of imports over the next four years so as to give the European textile industry a period of calm during which it can modernise, and to protect the interests of regions such as this, where textiles are still an important employer.

Third, there needs to be better coordination of national regional policies. In saying this let me make it clear that the Commission has neither the wish nor the power to impose a uniform pattern of regional development measures on Member States. This would be not only impossible politically, but also economic nonsense, since the problems of the regions vary so much. But there are certain aspects of national regional policy to which these caveats do not apply. Let me take the example of what in the United Kingdom are called Industrial Development Certificates. Three other Member States use measures which, while different in nature, share the same aim of encouraging investment away from the highly developed into the less developed areas. The remaining five countries have no investment control powers beyond the normal local planning controls. What then is

to stop a company, when refused an IDC to invest near London, from deciding to move to Brussels or Frankfurt rather than to Scotland or Northern Ireland? This seems to me another area where Community-level coordination is clearly required.

The fourth element of a new-style regional policy concerns finance. Before turning to the Regional Fund itself, which by definition spends its money where there are regional problems, I should like to say a word about the other Funds at the Community's disposal. In recent years some 75 per cent of European Investment Bank loans have gone to regional development projects; and proposals for a major extension of the Bank's lending limits are under consideration. Proposals for the reform of the Social Fund were approved by the Council in June; these will give that Fund a greater regional impact. And we are looking at the Agricultural Fund to see how the same can be done there.

It is also now widely accepted that the closer coordination of all the various funds could do much to increase their regional impact. These ideas were urged very forcefully last year by George Thomson, then Commissioner for regional policy. The new Commission, when it took over in January of this year, gave to his successor, for the first time, the specific job of coordinating all our different financial instruments and of pursuing an overall approach that cannot but result in greater benefit for the development regions.

Then there is the Regional Fund itself. And let us here be quite clear of one thing. It is not some sort of pension fund from which the Community can give assistance to certain 'retired' regions and then forget about them. Our aim is to help regions to play their full part in the Community's economic development. This is in the essential interest of both the region and the whole Community.

For the Regional Fund, we have proposed an increased budget. Converted into sterling the Fund has available this year £208 million, of which the United Kingdom share is £58 million. For 1978 we are asking for the equivalent of about £490 million at today's exchange rates, out of which the United Kingdom will

get a guarantee of £118 million; with the possibility of a certain amount more on top.

The new Fund will be split into two parts. For the first and largest section would be shared out according to the existing system of national quotas. The new and smaller 'quota-free' section would have £65 million available next year.

The Council of Ministers has already proposed cutting these figures drastically - from £490 million to the equivalent of £260 million. As I stressed at the European Parliament last month, the Commission takes the view that this is quite unacceptable. Indeed, we consider our original figure a very modest one. The £208 million the Fund has available this year was fixed in 1974. Inflation since then - highest in the areas where the worst regional problems exist - means that our figure of £425 million for the main section of the Fund does little more than maintain the value of the Fund's resources. The only addition in real terms is then the £65 million for the 'quota-free' section. We could have proposed a much higher figure. In my view this could have been justified in terms of the needs of the regions, by the Council's own calls for action to improve the Community's regional and industrial structures and the employment situation, and by the need to establish a better balance in our budget between agriculture and other actions. But the Commission also has a duty to be realistic. So we stuck at £490 million, or 750 million European units of account.

It is now up to the European Parliament to make its view known, and I hope and believe they will do all they can to restore the cuts. Restoration is necessary. I would remind you, and the governments concerned in the Council, that the cut the Council has proposed means that jobs will be lost - on our best present estimate perhaps as many as 120,000.

The budget apart, the revised Fund is in part the continuation of the existing Fund, essentially providing support for national actions, and in part a new development. On the former, eligible regions will have the double guarantee of the national quota and -

an innovation - that they should never receive less in a given year than in the previous year. We propose to divide these regions into first and second priority groups. The first priority group - basically covering Northern Ireland and the Republic, and the south of Italy - would need guaranteed aid over a longer period, and in some circumstances could qualify for higher percentage rates of assistance. We also want to see greater flexibility in the types of investment we can help. And on the vexed question of what, in the jargon, has come to be called "additionality" - that is, the principle that Community aid must be added to national aid, and not substituted for it - we have proposed new provisions which aim to oblige all governments to demonstrate clearly that their receipts from the Fund are effectively used as an additional contribution.

This second and new section of the Fund will be an instrument of Community regional policy, financing specific Community measures and not simply supporting national policies. It will not therefore be subject to the system of national quotas - so one cannot say in advance how much will go to which country. It will be used to help regions which suffer or are likely to suffer because of their dependence on a particular economic sector - be it farming, or textiles, or shipbuilding, or whatever - which is faced with difficulties stemming either from the changing world economic situation or from Community policy decisions.

Clearly one cannot fix in advance which regions will need such help nor the form the help should take. It will depend on the nature and scale of the problems. The Commission will therefore propose, as and when necessary, specific actions to be financed under the new section.

I would like to conclude by commenting on how regional policy in the broadest possible sense would fit into our hopes and plans for the long run, notably the objective of economic and monetary union. In the Commission it is our intention now to revive the debate about monetary union. It is clearly not our intention to do this in any sense for its own sake or as an academic exercise. Quite the contrary, I believe that the case for monetary union has now to be seen in a radically different light
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compared to a few years ago. My belief is that monetary union, if properly defined and supported with other policies, can offer a fundamentally better deal for Europe on inflation and employment. We are no longer in a situation in which we can contemplate with equanimity a gradual evolutionary move towards monetary union, for reasons that stem from the disordered and tempestuous state of the international monetary system. But beyond shattering the old Werner Plan for monetary union, present international monetary arrangements in my view bear a heavy responsibility for the inability of the European economy so far to recover convincingly and with long-term strength from its present recession.

In fact, to restore throughout Europe steady employment - creating growth, within a climate of price stability - is the first priority to improve the economic prospect of the regions. Properly redefined and coupled with the right associated policies, I believe that the prospect of monetary union can also be the prospect of a new era of economic growth, trade expansion, prosperity and stability in Europe. But the emphasis on the 'right associated policies' is crucial. There are two vital points here. First, the need for powerful financial and other regional policy mechanisms for redistributing employment and prosperity in an acceptable and balanced way. Monetary union, purely on its own, contains no 'invisible hand' to assure this, and that is why the new regional policy I have described is so vital. The second point is to offset the inevitable degree of centralisation implicit in monetary union with a deliberate policy for a strong decentralisation of policy in other domains.

Mr Chairman, I have mentioned this vast subject in a few and perhaps excessively simple words. But I do not want the present opportunity to pass without stressing them. They go to the heart of the issue of what sort of Community we want, and may have a direct bearing on the future of regional policy. We can have two distinct but not, in my view, conflicting concepts of this policy. The first consists of our present short-run efforts with the Regional Fund, our loan proposals and other initiatives. These are valuable developments and essential, operational

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current-business, but they have to be seen in the perspective of today's institutional relationship between the Community and its Member States. But secondly I want you to appreciate that a further and much more last concept of regional policy is one that we intend to place at the centre of our efforts to raise the sights of Community policy.

I hope that you here in Northern Ireland, together with us in the Community institutions, will add these wider perspectives to your own longer-run political horizons. I believe you are in a good position to play an active and constructive part in this debate. It is vital that in the United Kingdom as a whole, discussion about the Community can be turned away from the arid, inward-looking and ultimately sterile arguments about whether we should or should not have gone into the Community, and whether we should or should not come out. I welcome the fact that the United Kingdom Government have made it clear that that is not the purpose of the debate. The discussion is about what policies to pursue in the Community, not about whether there should be any. I have outlined some of those today which are in my view vital to the economic future of Northern Ireland. At most I shall hope for your constructive criticism, but in fact I hope that I will get your support.
