EMBARGO: 9.3.1978 - 18.15 hours

SPEECH TO THE INSTITUTE FUR AUSLANDSKUNDE, MUNICH,
9th MARCH, 1978

by Christopher TUGENDHAT, Member of the Commission of the European Communities,

"EUROPE: IDEALS AND MONEY"

I come before you very conscious of being a foreigner who cannot even speak your language. Yet I also come here acutely aware of being personally affected by, and involved in, what happens in Germany. For though I am British - and fiercely proud of being so - I am also a citizen of the European Community. And there is no Member of the Community that has a more decisive influence upon its destiny, and thus upon the lives of all its citizens, than the Federal Republic of Germany.

One of the things that I wish to do tonight is to outline to you what I believe West Germany's contribution to the Community has been. But I do not intend to restrict myself to delivering a richly deserved testimonial to the remarkable and beneficient rôle which your nation has played in the evolution of the Community in the past. I also want to discuss the change in present attitudes that will be necessary in many of the Member States if the Community is to continue to make progress in the future. And I should make it plain at the outset that I include Germany among the nations where such a change is now urgently needed.

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West Germany's Achievements

The accomplishments of the Federal Republic in the last thirty years make Germany the success story of post-war Europe, both in political and economic terms.

The credit for this achievement rests above all with the remarkable qualities of the German people in general and of their post-war political leaders in particular. The appalling conditions in which the Federal Republic was founded made the success of that venture anything but inevitable. Physical devastation, economic collapse, political chaos and the imposed partition of your country were scarcely circumstances which dictated the triumph of liberal democracy and the construction of one of the constitutional shopieces of the Free World. Nor did those grim circumstances render inevitable the combination of that political achievement with Germany's astounding economic success. Only the character and the determination of the German people and their leading statesmen made these triumphs possible.

The effort and the skill which the citizens of your country have brought to the task of building a nation anew has brought them great rewards - the blessings of internal stability, the enjoyment of extensive civil liberties, a very large measure of material prosperity, and a place of honour and considerable influence among the nations of the world.

But the benefits ./.

But the benefits flowing from the Federal Republic's political and economic "miracle" have not been confined within her frontiers. The rest of post-war Europe is massively indebted to you on two separate counts.

First, Europe owes you gratitude for the inspiration which it has received from your political success. The prodigious feat of constructing liberal institutions in the difficult conditions to which I have referred, and then maintaining those institutions despite all the problems that inevitably arise from West Germany's geographical location on the extreme perimeter of the Free World, has given invaluable encouragement to democrats on both sides of the Iron Curtain.

In the Free West your success has helped other nations experiencing difficulties of their own not to despair prematurely of liberal and democratic institutions: the knowledge that such institutions can survive and flourish in the face of the awesome challenges to which Germany has responded so courageously makes it much less tempting for other countries to conclude that their own, often less formidable, problems can only be resolved if the civil liberties of their citizens are diminished or eliminated.

For those who live on the other side of the Iron Curtain the example of the Federal Republic's political institutions has if anything even more significance. Because yours is the democracy physically nearest to the Communist East, its liberal institutions, and way of life act as the sharpest continuous reminder available to the victims of Communism of both the possibility and also the advantages of freedom.

Here in Bavaria ./.

Here in Bavaria you have particular reason to know just how powerfully the superiority of the Western way of life impresses itself upon the minds of your Eastern neighbours. For not far away is the frontier over which so many of them cross, or try to cross, at great risk to their lives, in order that they too may enjoy its benefits.

Germany's rôle in the creation of the Community

If one reason which many have for gratitude towards the Federal Republic is the inspiration they have received from her success, another is the way in which Germany has made use of the strength which success has conferred. And here of course I am thinking in particular of the crucial part which she played in the foundation of the Community, and of the very impressive manner in which she has subsequently supported it, often in very trying circumstances. In this context there is, of course, one man who deserves particular credit, namely Konrad Adenauer, surely one of the greatest statesmen of the post-war world. That well known Bavarian, Mr Franz Josef Strauss, who was a member of his government, provides us with a link with his achievements.

Since the creation ./.

Since the creation of the Community, the Federal Republic has proved one of its sturdiest pillars. I do not have time tonight to catalogue all the ways in which Germany has given Europe sustenance at every stage of its evolution. But I would like to refer to one specific contribution about whose merits I am inevitably biased. I refer to the Federal Republic's consistent support often against strenuous opposition for Britain's accession. The binding of Britain to Europe for the purposes of systematic peace-time collaboration is a step of immense significance, reversing a trend in British history which has endured for over a thousand years. Although Britain's accession has unquestionably created some difficulties for the Community, there can be no doubt that it has also greatly increased Europe's potential strength. I hope very much that that potential will be realised.

The present state of the Community

I want now to turn from the Federal Republic's record with respect to the Community in the past and to concentrate instead upon the state of the Community today and its prospects of progress tomorrow.

There can be no gainsaying,/

There can be no gainsaying that at present there is, throughout the Community a strong sense of disenchantment. In particular there is a feeling that the Community has thus far achieved very little of practical significance. And this inevitably leads some to question whether it is worth continuing to devote substantial effort and resources to what they fear will be a largely futile effort to secure Europe's further development.

But is profound disillusion really the appropriate reaction to what Europe has so far accomplished? One of the greatest problems of politics is that people tend to take success for granted, and to concentrate instead upon real or alleged failures. And with respect to Europe, public attention seems to be irresistibly drawn to the discrepancy between the aspirations of the Founding Fathers on the one hand, and the present reality of the Community on the other - to the complete exclusion of everything else.

Yet not to have translated into practical effect every detail of the Founding Fathers vision is not necessarily to have failed. For one thing the Community is only twenty years old - a fleeting instant in the life of a continent - and the radical redirection of the course of European history which is the Community's central purpose must in the nature of things take a considerable time.

For another ./.

For another, not all the details - as distinct from the underlying principles - of the Founding Fathers' original plans for the future of Europe are still appropriate objectives. The degree of progress towards achieving them is not therefore always an appropriate yardstick of success or failure.

The Community's achievements

I am not contending that when it is measured by realistic and appropriate yardsticks the Community's record is beyond reproach. Unquestionably, there are legitimate grounds for disappointment with the snail's pace that has characterised the development of Community action in many areas of considerable contemporary importance. But having acknowledged that, I would also like to remind you of some of the Community's unsung - or at least rarely sung - successes.

The most historic of these - and perhaps also the least remarked upon - is the extraordinary and profound reconciliation that has taken place since the last war between France and Germany. The Community cannot of course claim the sole credit for this startling transformation in the relationship between two traditionally bitter foes - a transformation which has made another major war between the nations of Western Europe virtually unthinkable. But cooperation between France and Germany within the framework of the Community's institutions has done much to strengthen the deep understanding and amity which now exists between them.

Another ./.

Another achievement which may not be as remarkable as the first, but is nonetheless immensely beneficial and too often taken for granted, is the construction of a Customs Union between the nine Member States. When that objective was originally set it seemed very great, and the fact that we now take it for granted shows how easily the achievements of yesterday become commonplace today.

Today, as in the past, the Community is moving forward. This is perhaps most obvious in the external sphere. To take only the latest example, the Member States are now to a very large degree dealing with Japan on a Community basis with the Commission as an interlocutor. In my view this is an important development. Moreover, it is interesting to note that there is no difference on this score between those governments which take a restrictive view of how the Community should develop, and those who want to see sovereignty pooled more quickly. Both are increasingly taking the view that the problems of gaining access to the Japanese market and of preventing unfair Japanese competition in our markets can best be tackled on a Community rather than on a purely national basis.

What is the reason for this? The answer is well illustrated by steel and textiles, two once great industries in difficulties all over Europe. For both the Community has negotiated agreements with the countries that export these commodities to us that are widely acknowledged to be more favourable than the Member States could have obtained separately.

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These external arrangements provide the shield behind which the Community has the opportunity, which it must grasp, of restructuring and modernising industries that are currently uncompetitive internationally. Europe's industrial problems are very great, but it would be infinitely more difficult to tackle them on a purely national basis without the protection and assistance afforded by the Community.

Whatever its shortcomings then - and no member of the Commission is going to deny their number or their seriousness - the Community has much to be proud of, and its citizens much to be grateful for. It is essential that all those dedicated to the European ideal seize every opportunity to point this out. For otherwise misplaced cynicism and despair will continue to sap the foundations of the whole enterprise.

The decline of idealism

But the Community is not only being threatened by a loss of confidence in its capacity to evolve further; it is also in danger of being undermined by another and even more destructive change in the way its Members look at it.

In the early days of the Community - the days when men like Konrad Adenauer, Jean Monnet, Alcide di Gasperi, Robert Schuman and Walter Hallstein bestrode the centre of the stage, the approach of the Member States towards Europe was informed by an impressive sense of high moral purpose. John F. Kennedy's celebrated injunction to the individual citizen, "Ask not what your country can do for you, but ask instead what you can do for your country", was one which the government of the original Six can truly be said to have applied to their Community.

Unhappily ./.

Unhappily, however, the exhilarating enthusiasm and refreshing idealism evinced at that time have not been sustained. There is now a growing tendency on the part of Member governments - particularly the Governments of the larger countries - to think in terms not of what they can contribute to the Community but only of what advantage they can extort from it.

All the Member States are to some extent culpable in this respect. And I would like to state very emphatically that I do not consider that the Federal Republic is by any means the worst offender. But since I am in Germany, and since also I am an admirer of Germany's, who is, as I have explained, acutely aware of the critical significance of what happens in Germany for the fortunes of the rest of the Community, I will refer primarily tonight to German examples of the attitude of mind I have described.

Germany's contribution to the Budget

Perhaps the two most striking features in the current discussion of Community matters in the media and elsewhere in the Federal Republic are first the constant emphasis upon the fact that Germany contributes more than any other Member State to what is alleged to be a grossly distended Community Budget; and, second, the almost equally constant complaint about how little Germany receives in return for undertaking the burdensome rôle of the Community's paymaster.

How far ./.

How far is comment of this kind justified? Certainly, as the most prosperous Member State, Germany does have to finance a significantly larger proportion of the Community Budget than any of her partners. Certainly, also, Germans have every right to be watchful that the large sums they contribute to the Community are put to the best possible use. And as the Commissioner responsible for the Budget, I am very aware that one can question whether this is always so at present.

Nonetheless, I regard the manner in which many in Germany currently discuss the Community Budget with deep concern. For one thing, I deplore the frequent assertion that the Community Budget should be subject to the same disciplines as national budgets. That the Community Budget should be subject to discipline I fully agree. But the comparison with national budgets is fallacious. National budgets have been built up over many years and cover a vast range of the administrative and direct services which modern governments - it is true with different degrees according to the country - are now expected to supply. They cover a wide range of different areas of activity, and have a very large administrative content. It is possible to find sums for new policies by relatively marginal adjustments in the overall total. The Community Budget, on the other hand, is very small - only some 2.5% of national budgets in the Member States, or - to take a local example - about the size of the Budget of the Bavarian Land. And of this, almost three-quarters goes on one single policy - agricultural intervention expenditure. Such a budget, which accurately and appropriately reflects the Community's immaturity allows very little scope for flexibility in the search for resources to develop new actions.

It is clear ./.

It is clear, therefore, that if the Community is to develop policies and programmes outside the agricultural field its budget must grow more rapidly than national budgets. Such programmes are badly needed both to enable action to be taken at the Community level towards reducing unemployment and restructuring uncompetitive industries and to assist the process of European integration.

To say this is not to preach indiscipline in the growth of the Community budget. The European Commission with whom most proposals for increased Community expenditure originate understands very well the inflationary dangers of excessive public expenditure and bears this very much in mind when formulating its own proposals.

One objective we must bear in mind therefore when envisaging new Community actions is that an increase in spending at Community level need not - and, unless the case is demonstrated, should not - entail an increase in total public expenditure at all levels. For the Community does not exist to duplicate the activities of the nation states, though it may on occasion - like steel and textiles - need to reinforce them, if only temporarily. Rather, its purpose is to perform those necessary tasks which can be fulfilled more effectively by common action at a supra-national level than by individual nation states acting separately. Such a purpose implies not the creation of additional layers of public sector activity, but rather the transfer of certain responsibilities in spending programmes from national to Community level.

Indeed ./.

Indeed, far from increasing total expenditure, such a transfer may actually reduce it. Expenditure on research into advanced technology, for instance, can become very much cheaper if common action replaces the duplication of work programmes in several national laboratories.

It should be noted, in a more distant perspective, that it has been estimated that the Community Budget could sustain an economic and monetary union, of the kind for which the Commission is now campaigning, if it was increased to only about 5 - 7% of Community GNP and that such an increase in the Community Budget could imply an increase in total public expenditure at all levels of the Community of only about 1% of GNP.

If there is widespread misunderstanding about the Community Budget, I know nevertheless that there are many in Germany who appreciate the points I have been making. This is true of none more than the three German Members of the European Parliament's Budget Committee, Herr Lange, its Chairman, Herr Aigner, the well-known Bavarian who is its Vice-Chairman & also Chairman of the Sub-Committee on Financial Control, and Herr Bangemann. All three, with their colleagues, make a notable contribution to the work of the European Parliament which, as the other half of the Community's Budgetary Authority with the Council of Ministers, is called upon to discuss these matters also.

If we turn ./.

If we turn from these general considerations about the size of the Community Budget to Germany's contribution, I should stress that the system of financing the Community Budget so laboriously worked out is carefully designed to enable each Member State to contribute roughly according to its economic strength. Criticism that concentrates exclusively upon the fact that the Federal Republic pays more into the Budget than any other Member State may lead Germans to delude themselves into thinking that they alone have to make sacrifices. Indeed, in per capita terms Germany actually gets away more lightly than some other Member States. In 1977, Germany's contribution to the European Budget cost each individual German citizen an average of DM 149. The equivalent figure for Belgium was DM 192 and for Holland it was DM 205.

A further reason for deploring the way in which the Community Budget is too often discussed in Germany is equally fundamental. It is that once a Member State starts to think of the Community Budget in terms of the size of its financial return, the relationship between that Member State and the Community stands in danger of being stripped of an essential element. In sinking their differences, in pooling their strengths for the common purpose of building a new and better Europe, the nine Member States are engaged upon an historic venture with a much higher objective than can be measured in narrowly defined terms of national balance-sheets. And the whole venture is threatened if any of the Community's Member States allow themselves to forget that this is so.

During the referendum campaign in the United Kingdom in 1975, I and others campaigning for a "Yes" vote were frequently asked why Britain should stay in the Community if this meant that food prices would be higher than outside. The answer we gave - the answer that was overwhelmingly endorsed by the referendum's result - was that the Community was about much more than certain food prices and questions of agricultural trade.

That membership of the Community implies a willingness sometimes to subordinate considerations of immediate national economic advantage to a broader and longer term purpose is something which I think is still widely understood in Germany, perhaps more so than in many other parts of the Community. But it is a truth from which undue attention upon the ratio between national receipts from and national payments into the Community Budget can too easily deflect attention with damaging consequences.

Moreover, such arguments tend to concentrate on the narrow budget flows. It must not be forgotten that many economic benefits flow from the Community which do not pass through the Budget. A strong industrial state, highly dependent on exports, such as the Federal Republic, has a major interest in the maintenance of free trade in the countries to which most of its exports go. Some 40% of Germany's exports are sold to other Community Member States and Germany's prosperity is thus very dependent both on continued and uninterrupted access to the markets of the other Member States and on their prosperity.

Another point ./.

Another point that is often forgotten is that Germany's industry enjoys a particular advantage from its proximity to the richest markets of the other Community countries. Again, that is hard to evaluate but one has only to think of how much easier it is to deliver to France, Holland, Belgium and Denmark from the principle industrial regions of Germany than it is from other less well placed locations, to understand the force of this point. Perhaps you in Bavaria are particularly able to appreciate this.

Common Agricultural Policy

Moreover, though Germany is traditionally seen elsewhere as an industrial power, agriculture is a major sector - and Germany is a substantial beneficiary from the Community's CAP - not so much through the budget as in more general terms. I should also like to discuss this situation - and the rather contradictory anxiety frequently voiced in Germany, namely that the Common Agricultural Policy costs too much.

Before proceeding further, let me immediately affirm my unequivocal support for the basic principles of the Common Agricultural Policy - principles of which another celebrated Bavarian, Herr Ertl, is so doughty a champion. In a world threatened by a massive population explosion, it is essential that we give to the Community's farmers - and of course Bavaria, which possesses some 3.8 million hectares of farmland, and provides a quarter of the Federal Republic's food supply, is one of the Community's most important farming areas - the support and the incentives to produce which the CAP provides. We must equally ensure for all our citizens security of supply and stability of price, on a wide range of agricultural products.

At present ./.

At present agriculture is the internal activity in which there is the most thorough going Community policy. As such it is a corner stone of the European construction. I would wish it to remain so - and with it a substantial expenditure policy. But a building needs more than one corner stone. As I have already said, I would like to see Community spending policies extended and initiated in other appropriate areas. As that happens the proportion of the Community budget accounted for by agriculture is bound to diminish.

Quite apart from this it is, as all those who wish to curb public expenditure will agree, unquestionably the case, that the continuous growth of CAP expenditure, which in 1977 accounted for over three-quarters of the Community Budget must be checked. Since 1973 expenditure on the FEOGA guarantee section has grown by over 80%. This was an increase in real terms of about 3.5% a year. Milk has on average accounted for about 35% of guarantee expenditure. The 1978 estimate for butter storage alone exceeds the appropriation for payment under the Regional Fund. The cost of the sugar sector has trebled since 1973, while the cost of MCAs is six times as high.

It is against this background that Chancellor Schmidt has referred to what he calls the "massive misguidance" of resources that the CAP in its present form entails.

What, however, many in Germany allow themselves to forget is that the German Government itself carries a large part of responsibility for the manner in which CAP expenditure continues remorselessly to rise and that Germany's farmers are among the major beneficiaries.

By far ./.

By far the greater part of CAP expenditure arises in those sectors where we have the largest surpluses: milk, sugar, cereals, and to a lesser extent, beef and wine. Some of these surpluses have until now been only temporary phenomena; not so long ago there were world shortages of beef, sugar and cereals. For milk, however, there has been a consistent surplus currently equivalent to nearly 15% of production, and this sector alone now consumes 27% of the Community Budget. Furthermore, analysis of the long-term trends suggests that structural surpluses of a similar nature are in store in other sectors too.

Many people are surprised to learn that the lion's share of many of these surpluses are now held in Germany; 73% of the Community's butter stocks and 61% of skimmed milk powder stocks are found there. 22% of total intervention purchases of beef have taken place in Germany since July 1973 and Germany now holds 37% of total remaining stocks. As for those surpluses which are exported, Germany also accounts for her fair share: e.g. 20% of the Community's sugar exports last season.

There can be no doubt that one of the main causes of this state of affairs has been the more favourable price levels guaranteed to German farmers, compared with their colleagues in other Member States, as a result of the green currency system. The German Government has persistently refused to accept any revaluation of the green Mark which was not accompanie by a corresponding increase in common prices, thereby at least maintaining the price to German farmers in DM. At real rates of exchange, support prices in Germany are currently 35% higher than in France, 40% higher than in the UK and 20 % higher than the average Community level of price support.

At the same time ./.

At the same time, prices paid for soya, fertilisers, tractors and other equipment - all of which are bought in real money rather than "green money" - are much lower relative to the prices received for the final product in Germany than in other Member States. It has been argued, for example, that to buy a tractor a German farmer needs to produce 47.6 tonnes of wheat, whereas a French farmer needs to produce 85 tonnes of wheat.

It is of course true that the price increases received by the German farmer have been lower than those received by producers elsewhere in the Community; but then the rate of inflation has also been much lower. In real terms, the German farmer has consistently done better, or suffered less than most other Community farmers. The result has been greatly increased output and higher levels of self-sufficiency. Overall, during the period 1966-70, Germany was on average 87% self-sufficient in common wheat and sugar and just self-sufficient in butter. The most recent figures suggest that Germany is now completely self-sufficient in wheat, while her production of sugar exceeds consumption by 10% and butter production exceeds consumption by 37%. Similar increases in self-sufficiency can be observed for practically all other products covered by the MCA system, while German exports of beef in the first eight months of 1977 were an estimated 35% higher than in 1976.

These increases, which are the result of the German Government's deliberate policy, are in those products already in or tending to surplus, which carry such heavy costs for the Community Budget .

Ironically, it is by no means certain that this policy of high prices for German farmers, through high common prices and an artificially undervalued green Mark, in fact benefits the German economy. It is increasingly argued by German economists that for Germany, as a net agricultural importer with a comparative advantage in industrial production such a policy involves serious resource misallocation.

But whether or not the CAP in its present shape is of real economic benefit to Germany, it certainly behoves her Government not simultaneously to criticise its cost on the one hand, and to pursue policies which increase those costs on the other. The criticism I welcome, but let it be accompanied in the future by action to restrain the rate of increase in the prices of surplus products and by other means of containing the total level of spending in this sector.

Rekindling idealism

I have spoken strongly. I can assure you however that I do so elsewhere - especially in my own country.

The reason ./.

The reason I feel obliged to do so is that I believe that present attitudes are inflicting great damage. The further progress of the European cause will be possible only if we succeed in rekindling a sense of European purpose among Member Governments, and the electorates to which they are responsible. If the European ideal is to survive and be strengthened, those of us who believe in Europe must ceaselessly draw attention to the harm that is being done by the posture towards the Community which far too many now adopt. It is after all a paradox, and none too flattering a comment on human nature that as the peoples of Europe have become more prosperous they have at the same time seemed less, rather than more willing to join in common endeavour for a higher goal.

Therefore we must remind people that Europe is about the ordinary but important things of every day life: jobs, prices, the range of goods and services which we buy and the quality of the environment in which we work and spend our leisure. We have to show that in each of these areas of immediate concern to all Europe's citizens the Community can, if it is permitted, make a very valuable contribution.

But that will not ./.

But that will not be enough. If we are once more to elicit strong and enduring enthusiasm for the Community, we will also have to remind people that Europe is about extraordinary things as well. It is all too easy to forget that throughout the area that it covers - from Scarpa Flow to Sicily, and from Bantry Bay to Bavaria - the Community is distinguished not merely by the profession but also by the practice of those democratic ideals based upon respect for the individual which are among Europe's greatest gifts to human civilisation. Free elections, freedom of speech, equality of opportunity, equality before the law, and freedom from arrest without trial are rights which are the common and precious property of all the Community's citizens - and they are rights which are by no means enjoyed universally elsewhere.

The liberal and democratic way of life that characterises modern Europe does not owe its origin to the Community. All the Member States were fully fledged democracies before they joined the Community. But the safeguarding and enhancement of basic democratic liberties - has from the outset been a paramount objective of the European adventure.

One of the great and guiding insights of the Founding Fathers was their recognition that if the leading nations of Europe dared to transcend their ancestral rivalries and to enter an entirely new relationship in which each brought the best of its individual traditions to bear upon the construction of a greater whole, then, in addition to eliminating the prospect of armed conflict between them, those nations would also immensely fortify the individual rights and freedoms which each of them cherished.

The accuracy ./.

The accuracy of this perception has I believe been amply vindicated by subsequent events. It has been demonstrated for instance, by the remarkable resilience which our liberal institutions are currently displaying in the face of current economic problems, in some ways as intractable as those which proved so damaging to democracy in the nineteen thirties. And it has also been shown by the manner in which European democracy is withstanding the terrifying epidemic of ruthless terrorism. I know this is a matter of particular concern to Germans. But of course other countries of the Community have the same problem - my own included - and we must stand together in combatting the menace.

What the Founding Fathers failed to anticipate, however, was that while their policies would meet with success, the attempt of others outside Western Europe to build similarly sturdy democracies would all too often meet with failure. Indeed a glance at a list of the world's nations reveals that something like a quarter of the globe's pitifully small number of full democracies are to be found within the Community.

In these circumstances the Community is, I believe, called upon to undertake a task which understandably the Founding Fathers did not envisage. In a world in which freedom and democracy are rare and frequently ephemeral it falls to us to provide an example and an inspiration for humanity at large. We must show that freedom and democracy can be achieved in practice on a lasting basis. The particular achievement of Europe will be to show that this can be done more easily when proud nations choose to bury ancient animosities in order to cooperate with their neighbours.

And above all ./.

And above all we have to show that freedom and democracy are justified by their fruits: that liberty under a democratically determined law enables men and women more completely to realise their potential and to live happier more fulfilled and more useful lives than is possible under any other system.

Proving that liberty is a prize so valuable that its attainment is fully worth the prolonged struggle which in many parts of the world it will certainly require is a daunting task. But I am confident that once the peoples of the Community recognise that this is the high vocation to which Europe is called, they will be prepared once more to give their Community the whole-hearted and sustained support it so sorely needs.

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KOMMISSIONEN FOR DE EUROPÆISKE FÆLLESSKABERS – KOMMISSION DER EUROPÄISCHEN GEMEINSCHAFTEN –
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"EUROPE - MONEY AND IDEALS"

Summary of a speech to be given by Christopher Tugendhat in Munich on 9 March 1978

Christopher Tugendhat, Member of the Commission of the European Communities, will be addressing the Gesellschaft für Auslandskunde in Munich (Saal des Schweizer Hauses, Leopoldstraße) at 18.15 hours on 9 March 1978. His subject will be the European Community and issues of special relevance to Germany. This will be his maiden speech in Germany.

Mr Tugendhat's address has five main themes:

- Germany's achievements over the last thirty years and the importance of Germany's role in the European Community;
- The state of the Community today;
- German concern over the Community budget;
- The common agricultural policy and its cost and consequences for Germany;
- The Community's responsibility as an island of democracy in the world.

The summary concentrates on the sections of Mr Tugendhat's speech dealing specifically with Germany.

1. Germany's achievements and her importance to the Community

Germany today is one of the constitutional showpieces of the Free World. Germany has succeeded in combining this political achievement with astounding economic success, a "miracle" when one remembers that it was accomplished under the unbelievably difficult conditions of thirty years ago. Only the character and the determination of the German people and their leading statesmen made these triumphs possible. "The effort and the skill which the citizens of your country have brought to the task of building a nation anew has brought them great rewards - the blessings of internal stability, the enjoyment of extensive civil liberties, a very large measure of material prosperity, and a place of honour and considerable influence among the nations of the world." The benefits flowing from Germany's political "miracle" reach out beyond her frontiers: "The prodigious feat of constructing liberal institutions in (...) difficult conditions (...), and then maintaining those institutions despite all the problems that inevitably arise from Germany's geographical location on the extreme perimeter of the Free World, has given invaluable encouragement to democrats on both sides of the Iron Curtain."

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But this inspiring example is not the only reason for the gratitude many of us feel towards Germany. Another is the way in which Germany has made use of her refound strength. She played a crucial part in the foundation of the Community and has subsequently supported it in a very impressive manner, often in very trying circumstances. One token of this was her consistent support often against strenuous opposition for Britain's accession.

2. Germany and the Community's budget

Germans tend to complain that the Community's budget is grossly distended and that Germany receives very little in return for being the Community's paymaster. Are these complaints justified?

The Community's budget is very small - only about 2.5 % of national budgets. In fact it is about the same size as Bavaria's budget. Almost three quarters of it goes on the common agricultural policy. Such a budget, which accurately and appropriately reflects the Community's immaturity, leaves very little scope for new policies and programmes. And new policies and programmes are sorely needed if we are to further the process of European integration. This objective by no means implies an increase in total public expenditure. What it does imply is the transfer of responsibility for tasks - and hence expenditure - which can be performed more effectively and economically at Community level than by the Member States acting separately. Indeed, far from increasing total expenditure, such a transfer may actually reduce it.

It is obvious from this that the Community budget must grow more rapidly than national budgets if the Community is to develop policies and programmes outside the agricultural field.

As to being the Community's paymaster, Germany is not only the richest but also - even in terms of population - the biggest Member State. This means that her contribution to the Community's budget is automatically larger than that of partners. At all events each Member State contributes according to its economic strength. In per capita terms, Germany actually gets away more lightly than some other Member States. In 1977 Germany's contribution to the European budget cost Germans DM 149 a head. But the Belgians paid DM 192 and the Dutch DM 205.

It is regrettable that the budget is too often discussed in terms of financial return. The Community is not the kind of undertaking that can be discussed in terms of a profit and loss account. In pooling their strengths for the common purpose of building a new and better Europe, the nine Member States are engaged upon an historic venture with a much higher objective than can be measured in the narrowly-defined terms of national balance sheets. Moreover, many economic benefits flow from the Community which do not pass through the budget. An industrial state like Germany, which is highly dependent on exports, has everything to gain from the fact that it now has uninterrupted access to the markets of its main customers.

3. The common agricultural policy and its cost and consequences for Germany

The common agricultural policy is a corner-stone of the Community. It is absolutely essential if our citizens are to have guaranteed supplies of farm products at stable prices. Agricultural policy is unique in that it has been transferred almost entirely from national to Community competence. It is no accident that agriculture dominates the Community's budget. But the aim now should be to extend Community spending in other appropriate areas. When this happens the proportion spent on agriculture will automatically fall.

The remorseless rise in agricultural expenditure is alarming. It is partly attributable to enormous market surpluses and the monetary compensatory amounts deriving from the green currency system. We must call a halt. The 1978 estimate for butter storage alone exceeds total appropriations for payment under the Regional Fund.

German commentators often criticize agricultural expenditure. But they tend to forget that Germany herself is largely responsible for this and that Germany's farmers are among the major beneficiaires. A large proportion of the biggest - and hence most

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costly - surpluses, that is to say milk, milk products and beef and veal, stems from German production. Something like 73 % of the Community's butter stocks and 6 % of its skimmed milk powder stocks are now held in Germany. Since July 1973 22 % of total intervention purchases of beef took place in Germany and Germany now holds 37 % of total remaining stocks.

The main reason for this is that the play of the green currency system has guaranteed German farmers more favourable price levels than farmers elsewhere in the Community.

The German Government has persistently refused to accept any revaluation of the green Mark which was not accompanied by a corresponding increase in common prices.

The German farmer also enjoys a relatively favourable position as regards imports of fertilizers and machinery, since these are bought in real money rather than "green money".

It is by no means certain that this favourable position of German farmers is of real economic benefit to the German economy. German economists are now arguing that for Germany, as a net agricultural importer with a comparative advantage in industrial production, artificial benefits to agriculture involve serious misallocation of resources.