

STATEMENT BY MR. CHRISTOPHER TUGENDHAT, VICE-PRESIDENT OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES, TO THE BUDGET COMMITTEE
OF THE EUROPEAN PARLIAMENT ON TUESDAY 5 JULY 1983 AND TO THE
PLENARY SESSION ON WEDNESDAY 6 JULY 1983

Preliminary draft supplementary and amending budget No 2/1983

The Commission has been obliged to present a second preliminary draft supplementary and amending budget for 1983 involving additional commitment appropriations of 2.442 Billion ECU and payment appropriations of 2.380 billion ECU

This is not a budget reflecting new policy choices by the Commission itself. It is one which flows almost mechanically from decisions already taken by the Council.

The most significant items in the budget are increased appropriations for FEOGA Guarantee and for certain other measures accompanying the agricultural price decisions for 1983/84, urban renewal for Northern Ireland, expenditure arising from the risk-sharing element of the 26 October 1982 Council agreement, solidarity measures for the less prosperous Member States agreed upon at the same Council, aid to Poland, and the financial protocols with a number of Mediterranean countries. In addition there are a number of technical adjustments which derive in the main from the fact that the Commission has, in response to Parliament's own past strictures, not this year proposed to the Budget Authority any non-automatic transfers

/from one budget

from one budget year to another.

The effect of these proposals, taken together with the anticipated modifications to the Community's revenues which will need to be made later this year, will involve the full use in 1983 of the whole 1% of potential VAT resources. The major element in this budget is an increase in FEOGA Guarantee expenditure of 1811 MECU. This increase is necessary both because the present credits do not take account of the 1983/84 agricultural price agreements and because the evolution of agricultural markets has been more unfavourable in recent months than could be foreseen last year when the budget was adopted.

The price agreement increases expenditure for 1983 by 483 MECU. The main factors in the unfavourable development of agricultural markets are higher production than estimated for several products notably cereals, milk, sugar, oil seeds, and wine, relatively low world market prices, sluggish exports especially in milk products, and an increased pattern of payments for certain Mediterranean products.

An increase on this scale in agricultural expenditure is extremely disquieting. It means that expenditure in 1983 on FEOGA Guarantee will be 28 % more than expenditure in 1982, at a time when the Community's own resources are growing at an annual rate of 9 %.

/I should like therefore

I should like therefore to remind the House of where the responsibility for the increase lies. Over the past four years, the Council of Agricultural Ministers has doubled the costs of the proposals for agricultural prices and related measures which had been put forward by the Commission. In this way, some 2500 MECU has consciously been added to the cost of the Common Agricultural Policy over and above the cost of the Commission's original proposals. The Parliament itself has, I must observe, in most years, requested even more costly price packages than were finally adopted by the Council. If over the last few years the Commission's own proposals in the agricultural field had been followed, the present framework of appropriations would be adequate, if Parliament's agricultural resolutions had actually been implemented the present own resources would have been more than exhausted already this year.

The figure proposed for FEOGA Guarantee is based on a rigorous examination by the Commission of the possibilities of achieving economies in the agricultural area and of the need for extremely strict market management. Tight financial discipline will be required in order to ensure that agricultural expenditure in the remainder of 1983 grows at a less rapid rate than hitherto.

/I might observe

I might observe that in the first seven months of this year, the FEOGA advances paid by the Commission were 40% higher than the advances paid for the first seven months of last year, and that if this trend were to continue for the last five months of this year, even the extra credits of 1.8 billion ECU now proposed would not be sufficient.

Let me now mention briefly the other principal elements in this supplementary budget. During the discussions on agricultural prices for 1983/84, the Council decided on a series of accompanying measures. The cost for the 1983 Budget is 23 MECU in commitments and 20 MECU in payments.

Following the adoption of the regulation by the Council on 21 June 1983 for urban renewal in Northern Ireland, an amount of 16 MECU in commitments and 9.6 MECU in payments is asked for in addition to the amounts of 16 MECU already in Chapter 100 of the budget for 1983. The additional amounts cover appropriations previously available in the 1982 Budget.

The adjustment in compensation for the United Kingdom in respect of the year 1982 is a mechanical application of the Council agreement of 26 October 1982. In that agreement, it is foreseen that the compensation is to be adjusted if the net contribution of the United Kingdom turns out to be higher than 1530 MECU.

/In fact it has

In fact it has turned out to be 2036 MECU. As a consequence, additional expenditure in favour of the United Kingdom of 385 MECU and in favour of Germany of 78 MECU becomes due. Taking account of the declarations made by Council and by Parliament when adopting the first amending and supplementary budget for 1983, the Commission proposes that these credits should be used in the same manner and in the same proportions as the comparable credits in the first supplementary budget. Thus 218 MECU has been earmarked for special measures of Community interest under the energy strategy and 245 MECU for supplementary measures in favour of the United Kingdom.

In the agreement of October 1982, the Council also agreed on measures of solidarity with the least prosperous Member States. The Commission proposes, in this respect, appropriations of 20 MECU for Greece, Ireland and Italy which will be used for projects in the agricultural guidance field.

The Community wishes to prolong the humanitarian aid to Poland which has been offered for the past two years. The Commission proposes to continue with a monthly tranche of 2 MECU for the remaining seven months of 1983 which implies a cost to the 1983 budget of 14 MECU.

/Finally

Finally the Commission proposes credits for a number of financial protocols agreed upon by the Community with some Mediterranean countries. These amount to 19.4 MECU in commitment appropriations.

The Commission will have, under the terms of the Financial Regulation, to put forward a third supplementary budget later this year. This will be concerned mainly with adjustments in the revenue side and with the balance of resources from last year. The Commission's best estimate at present is that this will lead to a reduction of total available resources of up to 550 MECU. This implies that, after the rectification of the revenue side in the autumn, the full 1% of VAT will be called up, that is total available own resources will be used in full in 1983. For the time being, that is without the rectifications on the revenue side, the VAT rate is 0.96%.

/This situation

This situation makes it all the more imperative that early decisions should be taken on the future financing of the Community so that adequate additional own resources can be made available. The Commission has of course already presented proposals in this field in time to enable the necessary decisions to be taken and the guidelines for further work agreed at the Stuttgart European Council take these proposals fully into account. The presentation of this Preliminary Draft Supplementary Budget reinforces the urgency of reaching rapid results.

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