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Press Release*

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THE RT HON GEORGE THOMSON:
ADDRESS TO THE EUROPEAN CONFERENCE OF LOCAL & REGIONAL AUTHORITIES

THE NEXT STAGE OF REGIONAL POLICY

It is good news that your Conference has now decided to meet regularly each year at about this season. For those of us working to develop the Community's Regional Policy, this new annual event will be an important item in the year's calendar. We look forward to receiving at it new ideas and new inspiration at first hand from those in the Community who know most about regional problems - the representative bodies from the regions themselves.

Since the new Regional Development Fund and the Regional Policy Committee started active operations in the second half of last year, I think I can say that, within our limitations, we have got off to a good start. But the present resources of the Regional Fund of 1300 million units of account are for allocation over a period of three years 1975 to 1977, so already we must look to the future, to the next stage; and here the Commission's task is not an easy one.

It means that already by next year, 1977, we have to present an account of our stewardship of the modest resources entrusted to us to deal with an enormous and enormously changing problem. And on the basis of the lessons of only about eighteen months' experience of the first stage, the Commission will have to make its proposals and the Council will have to take its decisions about the second stage of Community Regional Policy. The shortage of time this timetable allows us to demonstrate what the Community can do, and the modesty of the resources allotted to us to do it with, compound our political problem. At the same time, the real problem, the problem of trying to close the gap between the very disparate regions of Europe, is as deep-seated as ever, and is in addition substantially changing its character. Between 1970 and 1975 the Italian British and Irish G.D.P.s per head grew by 6.3%, 6.7% and 7.2% a year respectively. The German, French and Danish figures were 11%, and in the Benelux over 12%.

In these circumstances, I am concentrating on getting a certain number of basic things right about the management of the existing Fund this year. First its administration. Here we have done well, and give the lie to those who talk of Eurocracy. The Regional Fund is the only one of the Community's Funds which actually pays out a grant within a very few months of receiving application for it. At the same time we are vigilant about the proper use of the Fund's resources, and within weeks of the first grants being made, our inspection teams were beginning their work on the ground of making their sample checks.

Our second priority is what I call the bonus principle of the Regional Fund - the principle that the Fund should be additional to what a Member Government would have

devoted in any case to its national development expenditures. This issue is as complicated as it is important, and no-one should have expected it to be resolved overnight in every Member State. But we are making good progress. The Italian Government, in particular, has already set up first-class arrangements to demonstrate as convincingly as possible that its receipts from the Fund are indeed genuinely being used as a bonus, to finance projects that Italy on her own could not have afforded to start work on until next year or the year after. This very welcome Italian decision is important not least because Italy is entitled to claim up to 40% of the Fund. I have described the details of the Italian arrangements, Mr President, in the letter I sent you in March.

Then Britain, the second biggest beneficiary of the Fund, has taken a welcome decision to pass on direct to the local and other public authorities concerned the grants the Fund makes to British infrastructure projects. This represents an additional direct form of help to hard-pressed local authorities that they would not have received if there had been no Community Fund. Last month I attended a ceremony in Wales, in one of the United Kingdom's most difficult problem areas of industrial change and decline. At that ceremony the local Mayor was, for the first time in Britain, handed a cheque on the European Regional Development Fund - for a first instalment of something over £100,000 to help to provide the basic services for a new industrial estate.

The most recent encouraging news is that the Danish Government has just decided to do the same in respect of Greenland as Italy is doing for the Mezzogiorno. This is significant because the Danish Government has substantial problems of its own in convincing the Greenlandic people that membership of the Community is worthwhile.

These examples show how important it is to identify in concrete terms the additional projects on which the money from the Regional Fund is being spent. It needs to be shown plainly, in this sort of way, that Community money is not simply disappearing in a transfer of resources from one national exchequer to another. In this sort of way we must build up the evidence on which national Governments, regional and local authorities and the Commission will form their political judgement, in a year or so's time, on the success of the initial phase of the Fund.

The third point, which your Conference has consistently underlined, is concentration on priority regions where the needs are greatest. This has already been substantially achieved, and indeed the system of giving regions like the Mezzogiorno a percentage of the Fund which it is entitled to claim provides an important guaranteed minimum of concentration.

But in addition I would like to see the Fund concentrated to a significant extent on substantial new projects within the framework of a regional development programme. It is not enough to ensure that the Fund is not simply transferring resources from Government to Government, but is doing something extra for the development of the regions. We must go further and use the Fund to bring about the creation of a significant number of investments of major regional and even national importance. The discipline which must go hand in hand with this new act of Community solidarity is the economic discipline of putting these new investments within the framework of comprehensive regional development programmes which can be demonstrated to the Community as furthering the general Community interest.

The fifth point I would mention is the importance of publicity for the Fund's operations. The Regional Fund is a natural instrument for promoting the consciousness of the ordinary Community citizen of the value of the Community's existence and the importance of developing it further. It really deserves to catch the public imagination. Local authorities can help with one small but useful contribution to making the Community mean something to its citizens. I want to see notice boards on the public works projects where the Fund is helping, making it clear that the project is a partnership operation between the European Community and the local or regional authority.

Making a success of each of these five points I have described depends on the Governments of the Member States as well as on the Commission. I hope you will agree that regional and local authorities have a strong interest in maintaining their vigilance on the decisions taken by national Governments in 1976, which can contribute so much to making the case in 1977 for a stronger and more flexible second stage of Community regional policy.

The second stage of Community Regional Policy will need to be different from the first because the problems are different. The first stage, following the decisions taken at the December 1972 Summit, has been addressed to the problems of the predominance of agriculture, of industrial change and of structural under-employment. But between 1972 and 1977 the regional map of Europe will have changed in radical and unforeseen ways. Your Conference has rightly urged the need to make Community Regional Policy more comprehensive in future.

As the tide of the present slump recedes, it is likely to leave behind new pools of unemployment in regions that were previously considered among the most prosperous. Eradicating these new pools of technological unemployment will be as difficult as the more familiar development tasks of modernising an area of decaying and declining industry, or attracting industry into an area of agricultural poverty and over-population.

Now I would be the last to exaggerate the economic importance of the part that funds financed from the Community Budget can in the foreseeable future play in tackling these problems. The present size of the whole Community Budget is $7\frac{1}{2}$ thousand million units of account (£3125m), of which the Agricultural Fund takes up some $5\frac{1}{2}$ (£2291m). If the new own resources system were to be exploited to the full, with the Community calling up its full 1% of VAT, we should on present figures have about $11\frac{1}{2}$ thousand million units of account (£4800m) to dispose of. But even then, with $5\frac{1}{2}$ thousand million earmarked for agriculture - which by the way now employs about 9 million people in the Community - there would be only 6 thousand million units of Community money (£2500m) available for all other Community policies, including the massive problems of structural and regional unemployment. Two things follow from these facts. First that, whereas the Community is responsible for the major part of the agricultural sector, national expenditures will continue to have the biggest role to play in dealing with industrial problems. Second, that given the high proportion of Community money spent on agriculture, the agricultural funds have a big role to play in ensuring that the Community Budget we can expect to have in the next few years is not actually regressive, transferring resources from poorer regions to richer and further delaying our achievement of the Community's major objective, Economic and Monetary Union. We need to use the Community's resources to the very best advantage in the regional interest; and the Agricultural Fund has the potentiality to be the biggest regional fund of all. What is needed from the 1977 Budget onwards is two things. One, to coordinate the use of existing Community funds so that, at the very least, they do not work against the aim of bringing about convergence between economic trends in the rich and the poor regions. The Commission has recently established its own internal machinery to measure on a continuing basis the regional impact of existing financial instruments. Second, there is a need to develop new activities, or new aspects of old ones, which best promote structural reforms serving to expand employment. This will, I think, imply a considerable change.

The Opinion your Conference adopted in September 1974 spoke of "the need for specific regional and structural measures to deal with the effects of a liberalisation of trade which may have benefitted a given developing area to the detriment of another". This is a good example of my point. Here are some striking statistics. Imports of fruit into the Community from outside rose appreciably over the ten years from 1964 to 1974: in the case of peaches by 9%, of apples by 46%, cauliflowers by 19%, lemons by 1%, tomatoes by 32% and mandarines by 20%. But over the same period Italian

exports of these fruits to her Community partners actually fell - by respectively 25%, 29%, 31%, 52%, 58% and, in the case of mandarines, by as much as 78%. I am glad to add, for the sake of completeness, that in the market for table grapes Italy held her share, and that in pears she increased it, but these remain astonishing statistics, with big implications for Community policy.

The figures are not to be ascribed solely to the Community's commercial policy to other Mediterranean countries. Nor are they entirely a function of the allocation of the Community's Agricultural Fund. It is nonetheless remarkable that in the first ten years of the existence of the Guarantee Section of that Fund only 2.2% of it was spent on supporting fruit and vegetables; and that in the first ten years of the Guidance Section scheme for Community grants to farm modernisation projects, less than 5% of that was spent in the Mezzogiorno.

The magnitude of the unemployment problem has added impetus to the search for a more coherent Community regional and structural policy. After your Conference, the next main event for me will be the Tripartite Conference in June between the Social Partners, the Commission and the Governments. The Trade Unions have asked that the Tripartite Conference should consider not only short-term measures for dealing with unemployment, but also longer term structural measures, and above all regional policy.

Then, following the Tripartite Conference, the Commission will go on to marshall its first thoughts for the proposals it is to make to the Council in 1977, not only for the future of the Regional Fund, but for the development of Community Regional Policy. It is too early for me to say anything firm about the proposals the Commission will make, but some of the directions in which we may go are perhaps already beginning to become clearer. We shall, I think, in many important respects, be going in broadly the same general directions as those suggested by the Opinions of your Conference. Certainly we shall take the fullest account of what is said at this meeting here. And, above all, for the second state of Community Regional Policy: solidarity, matched by discipline, will be our watchwords.

The present emphasis of the Regional Fund's operations is shared roughly equally between industrial investment and associated infrastructure. In respect of new manufacturing investment, creating new industrial jobs or maintaining existing ones, we shall need to see the problem perhaps in more global terms than we have up to now. We must measure the balance of industrial investment as between one type of Community region and another; we must see where the needs for job creation or maintenance are the most urgent; we must analyse the obstacles to a decisive shift in the geographical pattern of manufacturing investments; and we must provide Community solutions for overcoming these obstacles.

The new solutions may comprise not only grant funds, as at present, but other elements too, both financial and non-financial. And then, to the extent that there may simply not be enough manufacturing investment to go round during the period of the second stage, we must consider also the contribution the services sector can make to mopping up the stagnant pools of unemployment of which I spoke. There may be a case for a new Community emphasis on action to influence the location of new service sector jobs.

Next, this investing for a new type of industrial Community will require a radical re-thinking of European industrial infrastructure investment. Perhaps the Community, as opposed to national regional policies, should concentrate particularly on this. We must decide what the Community's most effective contribution to the provision of new and improved infrastructure can be. There may be particular types of infrastructure that call for an investment strategy decided at the level of the Community; and a large element of Community finance would then be particularly appropriate.

Nor must we forget the particular problems of congested areas, of border areas, of areas with special geographical handicaps - and, last but not least, of inner urban areas decaying under the influence of dereliction, depopulation and unemployment. Such problems are common to most, if not all, the Member States. We have much to learn from each other's experience of success and failure, not least from the fund of knowledge on these subjects which is to be found in this hall.

For let Community Regional Policy be concerned not only with funds of money, but with funds of wisdom also: funds of knowledge, funds of goodwill, funds of common sense. Europe's regional problems are not only ones of finance, they are problems of psychology and attitude. The institutions and the organs of the European Community should be uniquely well placed to start removing the physical and the mental barriers to a better inter-regional investment balance. The local and regional authorities represented in your Conference are uniquely well placed to help us choose the right ways to tackle the job.

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