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SOCIALIST GROUP POLICY ON THE EEC BUDGET 1980

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The rejection of the Community Budget by the European Parliament in December 1979 was an event of major political importance. The decisive role played by the Socialist Group in this matter and the united approach which the Group adopted are also particularly significant and deserve consideration by all Socialists in Europe. The attached note, prepared by Geoff Harris from the Group Secretariat, is being circulated by the Group as background material on this major issue.

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Socialist Group  
of the European Parliament



From the earliest stages of its work in the directly elected European Parliament, the Socialist Group has considered the Community Budget as a major political issue.

At its first meeting in July 1979 the Group considered the Commission's original proposals for the 1980 Budget and appointed Piet Dankert as the Group's coordinator in the Budget Committee.

The Socialist Group has acted on the basis of its conviction that the Community budget should be both the symbol and the instrument of the priorities for action by the Community. Socialist speakers in numerous parliamentary debates have made the point that the present priorities for Community expenditure are not acceptable. It has been equally firmly stated that the budget should be an instrument for implementing Socialist policies aimed particularly at narrowing the ever growing difference in the standard of life of people in the Community's richer and poorer regions, and the disparities in the economic performance of different Member states. The present Community budget which is financed in a manner which has unfair and regressive consequences and which sees 3/4 of its resources spent on agricultural price guarantees while only about 1/12th is spent on regional aid is not acceptable to the Socialist Group.

From the initial discussion in the Group it was clear that comrades from different countries had important and concrete differences of interest to represent and defend.

The fact that the Socialist Group voted virtually unanimously in December 1979 to reject the draft Community Budget for 1980 was the result of a major political

effort within the Group to come to a common view. It is worth noting that although the Socialist Group is the only Group in Parliament with MEPs from all Member states it was the only major Group in Parliament able to achieve unanimity on this complex and controversial issue - the Christian Democrats, Liberals and Communists were all openly divided in votes on the budget, whereas the Socialist Group worked as a united Community wide political body pressing for reforms.

When Parliament rejected the budget by 288 votes to 64 votes, all but 5 of the 112 members of the Socialist Group voted for rejection.

This unity was not purely fortuitous but was the result of hard work to prepare the Group's position. The Group set up an ad hoc working party with members from all parties and all committees to hammer out a Socialist Group position on all budgetary matters. Rudi Arndt, Vice-President of the Group was put in charge of organising the Group's work on this matter.

The Group also played a decisive role in Parliament's approach to the budget. Erwin Lange (SPD) was appointed Chairman of the key Committee on Budgets, and Piet Dankert (PvdA) was appointed rapporteur on the 1980 Budget.

From the outset of the 1980 budgetary procedure it was clear that the whole exercise would be a test; a test of the political effectiveness of the newly elected Parliament, a test of the political cohesiveness of the Socialist Group, and, a test of the attitude of the Council of Ministers towards the Parliament.

The Socialist Group adopted a consistent line on the budget through all stages of the budget procedure.

The Socialists called for a clear commitment from the Council to bring the ever growing cost of the CAP under control. The majority of the Group supported a move to put a ceiling on the storage costs of milk surpluses and to increase the tax on surplus milk production. The French and Irish Socialists voted against this proposal. The fact that <sup>+</sup> 65% of the 1980 Budget was to go on CAP guarantee expenditure was a signal to the Socialist Group that Council had got its budgetary priorities wrong. The fact that about 30% of Council's draft budget was intended for the dairy sector alone was simply politically unacceptable.

The Socialists called for a change of emphasis in agricultural spending away from price support policy towards a policy of aid for modernization of agricultural structures. The controversy over sales of butter to the USSR and the fact that most of CAP expenditure seemed to be going to already prosperous "industrialized" farmers and not to regions of the Community really in need of aid, such as the Mezzogiorno, only served to highlight the need for major reforms. A minority of members, whilst accepting the need for changes in agricultural policy, did not accept that the budgetary procedure was the right arena for dealing with the problem. That was, for instance, the position of the French members.

The majority of the Group, however, considered that Parliament's proposed modifications to the agricultural part of the budget were relatively modest and amounted to no more than a test of Council's commitment to reform. The Group deplored Council's refusal to accept these proposals.

The Group was particularly concerned about Council's refusal to control agricultural expenditure because it was coupled with a refusal to allow for reasonable increases in other much smaller parts of the budget which involved expenditure on the real priority issues of regional aid, social policy, energy, industrial policy and aid to developing countries. Indeed, for the first time Council actually proposed to reduce expenditure on regional aid.

The Socialist Group studied the budget line by line in order to come up with a united position for the first reading of the budget in November. The Socialists went further than the other Groups in calling for a major expansion of regional development aid, the Group also decided to support amendments to the budget to allow more expenditure on social policy. The Socialists campaigned for special help for steel workers, as well as for women, young people and the handicapped. Environment policy, transport, energy, industrial policy and aid to developing countries were other major items for which the Socialists demanded extra funds.

The Socialist Group argued, however, that expansion of the budget was not an end in itself; Community expenditure could not by definition be considered a good thing and it should be the role of the European Parliament to cut out wasteful and unnecessary expenditure. The Socialists supported cuts in spending on travel expenses for Commissioners, proposed to block expenditure on the Commission's public relations work until it could be proved really necessary and they refused to support increased Community expenditure where it was intended to subsidise already profitable private companies engaged in energy prospecting. The Group felt it was necessary for the elected Parliament to avoid giving automatic support to all the Commission's requests for increased spending until the necessity was clearly proven.

The main conflict was, however, with the Council of Ministers. The Socialist Group did not, by any means, seek such a conflict and emphasised throughout the budgetary procedure that the best way to achieve acceptable reforms was through the operation of the so-called "conciliation" procedure whereby Parliament and Council should negotiate to achieve an agreed budget. When, however, Council threw out 90% of Parliament's amendments, when it rejected all changes proposed for CAP expenditure and most of those for expenditure on other policies the Socialist Group reacted firmly and was the first major Group to threaten to reject the budget. This threat was used in the hope that Council would be prepared to conciliate but although long meetings took place between Parliament and Council the final proposals put forward by Council were considered unacceptable. Indeed the manner in which they were presented and the tone of Council's statements to Parliament was also equally unacceptable. The degree of unanimity within the Group grew as the budgetary procedure progressed and the Council's inflexibility became apparent.

The Socialist Group considers that the budgetary procedure gives to Parliament substantial and well established legal rights which are laid down in Treaties and Regulations. These provisions existed before direct elections took place. The Group considers it appropriate to use these rights in order to fight for the kind of policies outlined in the Socialists' "Appeal to the Electorate". The Group would not be party to an attempt to use the budgetary procedure in order to try and extend Parliament's powers. It was, however, the case that the Council of Ministers acted in 1979 in a way which would have seriously undermined the rights of the European Parliament.

Clearly the first elected Socialist Group owed it to its predecessors and its electorate to react decisively towards such a move.

The fact that the Treaties establish a fixed limit on the amount of "own resources" which can be used to finance the Community budget (Customs duties, levies and up to 1% of VAT revenue) means that unless something is done to control the rising cost of the CAP the Community will literally run out of money and there will be no resources available for any expenditure other than that intended for agricultural price policy. Already the budget takes up nearly 0.8% of VAT revenue, and therefore such a disastrous development cannot be ruled out. The majority of the Socialist Group, however, cannot accept that the Community's "own resources" should be increased until every effort has been made to find savings within the existing budget and CAP expenditure has been fully reviewed. It was in order to force such a review of the budget that the Socialists proposed and supported the rejection of the draft budget for 1980. The following statement of the Group's view on the budget was adopted unanimously in December 1979:

POSITION OF THE SOCIALIST GROUP ON THE 1980 BUDGET

1. The Socialist Group of the European Parliament meeting in Brussels:
  - having discussed the decisions taken by the Budget Council of 23 November on the European Parliament's proposals for the 1980 budget;
  - having regard to the discussions and the recommendation of Parliament's Committee on Budgets;



2. After re-examining the 1980 draft budget, the Socialist Group, unanimously,
  - 2.1 Believes that the attainment of full employment and the fight against unemployment, the reduction of unfair regional disparities, a coherent energy policy and a meaningful policy for development aid should be the priority issues of Community policy;
  - 2.2 Notes that the European Council and the Council of Ministers pay lip-service to this view but deplors their rejection in practice of Parliament's amendments, which are intended to give substance to these policies;
  - 2.3 Cannot, therefore, accept the fact that on the one hand almost all Parliament's amendments on industrial, energy and transport policy have been rejected and on the other too small an increase has been made in the appropriations for the Social and Regional Funds;
  - 2.4 Given the difficult economic situation facing key sectors of European industry cannot understand why the Council refuses to adopt the social measures to assist workers in the steel industry proposed by the Commission and supported by Parliament;
  - 2.5 Deplores the fact that the Budget Council has reacted totally inadequately to Parliament's proposals in areas such as development aid, environmental protection and consumer policy with which the population as a whole and young people in particular are very concerned;
  - 2.6 Cannot agree with the Council's refusal to budgetize loans and the EDF, which prevents Parliament from exercising democratic control over an important instrument of Community policy;

2.7 Believes that, while a coherent common agricultural policy which will guarantee our food supply and safeguard the interests of farmers is an essential feature of Community policy, the CAP as a whole should not be regarded as a sacred cow;

Nevertheless believes that the Council has responded inadequately to Parliament's proposals on compulsory expenditure and on the question of achieving a fairer balance in the budget.

3. The Socialist Group believes that, given this situation and the fact that the possibilities and implications of the various courses of action available under the Treaties have been carefully examined, the 1980 budget should be rejected in its present form;

Is aware of the real difficulties which may arise, particularly as regards staff, and calls on the Commission and the Council to present a new draft rapidly.

4. In conclusion, the Socialist Group feels that Parliament has shown a great sense of responsibility in the light of the impending depletion of own resources, but that the attitude of the Council prevents Parliament from exercising its responsibility as joint budgetary authority.

The Socialist Group therefore calls on Parliament to play the political role which the people of Europe now expect it to assume following the first direct elections.

5. If, however, before the final vote in Parliament the Council makes new and acceptable proposals, the Socialist Group would, naturally, be ready to reconsider what would be a new situation.

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Another major budgetary issue during the first months of the directly elected Parliament has concerned the problem of relative shares of different Member states in the revenue of the Community budget. Various studies, including those made by the Commission, showed that one Member state, the United Kingdom, would be paying (net) in 1980 20,5% of the budget in spite of the fact that it produced only 16% of the Community's GDP. The Socialist Group considers this situation unacceptable and in October issued a public statement calling for an urgent solution to this problem. In debates on the issue and on the Dublin Summit Socialist speakers demanded that the need for a solution to the "British Problem" was a further illustration of the urgent need for the Community to review the fundamental role and nature of the Community budget. Whilst the figures produced by the Commission had provoked the controversy the Socialists did not accept that the problem could be looked at in simple financial or statistical terms. The Community should look at the budget in terms of the urgent necessity to work towards economic convergence, and the budget should play a major role in the Community's efforts to tackle unemployment, recession, inflation and regional inequality. Clearly the present budget which apparently exacerbates some of these problems is not doing this. These problems will not be solved by merely removing certain particular problems through a short-term financial solution. They require a complete review of the role and functioning of the Community budget.

#### Other aspects of the Group's work on the Budget

Controlling the way the Community spends money authorised in the budget has also been a major concern of members of the Socialist Group. The Group appointed Marcel Colla (BSP) to coordinate the work of the Socialist members in the new budgetary Control Committee and Piet Dankert was appointed Vice-Chairman of this Committee, which is modelled on the British Public Accounts Committee.

The Socialists aim to use this Committee to throw as much light and publicity as possible into the way the Community works, and they share the widespread public apprehension that there is a substantial element of waste and also some unacceptable practices in the way the Community spends public money.

The report of the Court of Auditors on the Commissioners' expenses was the first major document to be considered by the Control Committee. Brian Key (UK, Labour) was appointed rapporteur on the subject. The Socialists pressed that the matter be considered at a public hearing at which the President of the Commission answered MEPs questions in the presence of the press and television. This hearing was held in October 1979. The Socialists criticised the manner in which some Commissioners completely ignored the rules established to avoid wasteful and unnecessary use of expenses, such action only served to bring the Community into disrepute with the public. They fought for tougher new rules to control the use of expenses and supported a reduction in mission expenses for Commissioners in the 1980 budget.

The Socialists also moved to use the Control Committee to get more information on who are the beneficiaries of the controversial Community subsidies on sales of butter to the USSR. They are using the discharge procedure to insist that more information be included in the Community's accounts on the fixed assets of the Community, and in particular the total value of agricultural products held in storage. They demand that in future the accounts be presented in a way which can be easily understood by the public.

In conclusion it may be said that the Socialists see a major political role for the Community budget in the years ahead; but if the budget is to expand in certain policy areas, there is room for savings in other areas, changes in the CAP and more efficient financial control are ways of making more resources available for the real priority actions. The Socialists have in these early months tried to operate on the basis of this broad strategy; it is a strategy on which the Group is fully united. The rejection of the budget is only a first step towards the achievement of the Socialist Group's aims.

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