SDLP

Social Democratic & Labour Party

38 University Street, Belfast. BT7 1FZ.

☎ (0232) 223428. Telex 747848.

Remarks of

JOHN HUME MEP MP

at a Conference on

"The Future of Regional Policy

in the EEC and its implications for Ireland"

University College, Galway

Friday 26 September 1986

Some years ago John Healy made a passionate plea for an effective regional development policy. In a series of articles that were heavy with love of his native county, and the West, he complained that no-one had shouted stop to their decline. Some weeks ago, in another series of articles he made a further plea for such a policy. I hope I do not misrepresent him by summarising his argument in the slogan of 19th Century Italian nationalists when, sick of disappointments and let-downs at the hands of supposed allies they proclaimed "Italia fara de se".

Can the regions do it for themselves? Can they "take power, and make their own decisions..."? Can they supply the dynamic which has been missing in the regional policies of the member states, and of the EEC itself? Above all, can it happen in Ireland, or is John Healy right when he says "we'd rather talk about it than do something".

We can say one thing with certainty. Present policies have failed to generate the sort of economic growth and development which would bring living standards in the peripheral regions up to the Community average. 'Convergence' is the word that is used among Eurocrats - and it has not happened. Instead the divergence between the richer and poorer areas of the Community has increased, and is increasing. There was a period, from 1960 to 1970, when the original six member states experienced a significant convergence, as all boats rose on the rising tide of the EEC success story. There was even a period after the first enlargement when Ireland experienced a degree of 'convergence'. It must be said that the growth in economic activity of those years predated membership in its origins, but undoubtedly the impact of membership was positive. Why did these trends not continue.

Unfortunately, our entry into the EEC in 1973 coincided with the end of the era of high economic growth and increasing trade. The demise of the fixed exchange rate regime, and the oil crises of 1974 and 1975, were symptoms of the new era of economic instability. The economies of the western world have been depressed ever since. We did not, therefore, experience the surge in economic activity experienced by the original six, as the development of a common market in a period of expanding trade from 1956-1970 led to high economic growth and rapidly improved living standards. And the operation of the structural funds has not reversed, or even arrested the decline of the weaker regions.

We have to face the fact that, at present, the member states do not possess the collective political will to effect the transfer of resources from the centre on a sufficient scale to make a dramatic impact. With every economy under siege governments have their own priorities, and the transfer of resources to deprived regions of other member states is not at the top of the list.

In the first place the Community's total budget amounts to just 3% of the total budgets of the member states. Two thirds of the Community's budget is spent under the CAP, but only 5% of CAP expenditure goes on sturctural policy. This is much too small to play any real part in correcting regional imbalances in agriculture, or to provide compensation to farmers in poorer areas for cutbacks in price support. Indeed the price support policy itself has led to increasing regional disparities in agricultural incomes in some cases.

The European Social Fund accounts for only 7.5% of the EEC budget. Almost 50% of that is now to be expended in the super priority regions - Greece, Republic of Ireland, Northern Ireland, Portugal, parts of Spain, the Mezzogiarno and the French overseas departments. The bulk of the remainder will be spent in other priority regions identified through an objective statistical mechanism which takes account of regional unemployment and GDP. Spread over such a wide area, it has not been sufficient in face of the scale of regional problems. There has been some reduction, over the last year, of areas entitled to such priority, but much greater concentration is yet required.

And the Regional Fund itself accounts for only 7.5% of the EC budget. It is therefore very small. Its expenditure over the period since it was established in 1975 has amounted to no more than two-thirds of the Irish Government's Public Capital Programme over the same period. Its impact is further reduced by the insistence of a number of the member states that payments from the fund should be made according to national quotas. This, of course, enables them to use the ERDF as a mechanism for subsidising their own regional programmes, rather than a mechanism for generating increased or additional spending in the regions. There is a small non-quota section of the fund which gives a measure of Community control, and it has been used in the border areas in Ireland to subsidise tourist develop-projects among other things. If the ERDF is to develop, however, as an instrument for effecting change in the regions then its resources must be increased, and the non-quota section greatly expanded.

In short, existing Community instruments have so far proved inadequate to the task of stimulating development of the regions in any real sense. There have been signs of a Community willingness, on occasion, to take more dramatic initiatives. The regional aids given to Ireland and Italy after the launching of the EMS, and the introduction of the Integrated Mediterranean Programmes have been signs that the Community can take greater formal powers in this area. But as the Commission itself has stated, "unless regional policy can be developed ..... the process of integration within the Community will come to a halt".

What sort of regional policy will stimulate the development of the depressed regions, and promote convergence? I have long believed that a policy which aims to create a "Europe of the Regions" is the only policy that makes sense socially, economically, culturally and politically.

One of the most worrying aspects of economic development patterns in recent times has been the concentration of growth in huge urban areas. The massive overpopulation of the major European and American conurbations with the consequent strain on all of the public services, has generated enormous social problems. The drift into the cities, and the erosion of traditional communities, has often been accompanied by a breakdown of order and an upsurge of anti-social behaviour. There is a strong and growing body of thought which insists that this growth pattern must be halted and reversed, if the social decay, crime, violence, drug-taking is to be contained. There are, therefore, powerful social reasons for a dynamic regional policy to preserve and expand traditional communities in the weaker regions. Such communities hold people together in a relatively harmonious equilibrium, through a network of family and community constraints and pressures which generate socially considerate behaviour.

It was for such reasons among others that I put forward in 1984 a proposal for an integrated rural development programme in Northern Ireland. That proposal led to the report by T J Maher which was unanimously adopted last week by the Regional Policy Committee of the European Parliament.

I hope it will be similarly adopted very soon by the European Parliament in plenary session, and then passed to the Commission and the Council for their consideration. This proposal was a follow-up to a proposal which I made in 1979 and which led to a development programme for inner Belfast. So far that programme has attracted £63 million of additional expenditure on inner city projects. The intention of the two proposals was to lead to an integrated programme for the whole of the north.

There are also powerful cultural reasons for a regional policy which preserves and expands traditional communities. It is in such communities that the full richness of our cultural heritage, in all of its regional diversity is preserved. The decay of such communities, the erosion of their languages and regional dialects, and the disappearance of their particular cultures would leave us all a lot poorer. It was for this reason that I proposed in 1980 a programme of measures to preserve regional languages and dialects. That proposal led to the Arfe Report and ultimately to the establishment of the EC Bureau for Lesser Used Languages in Dublin.

Above all, there are powerful economic reasons for a dynamic regional policy. Some years ago the Brandt Commission produced a report which fundamentally argued that the development of the third world was not just a moral imperative but an economic necessity. Even in terms of crude self-interest, the developed countries can only gain in the longer term by the substantial transfer of resources to the poorer nations. The generation of prosperity and higher living standards in the third world could in turn revive world markets, expand world trade and revive the flagging economies of Europe. At a time when a huge part of the manufacturing capacity of the western world is lying idle, and the third world is crying out for the goods it can produce, it is short-sighted madness for the developed nations to cut back on development aid.

If these principles are applicable on the world scale they are equally applicable on the European and national scale. 'Convergence', therefore is not a welfare policy; it is probably the only policy for economic growth which offers some hope of an economic revival.

What sort of regional policy do we need, then, in the north-western fringes of the EEC? Indeed, what regions are we talking about? For the immediate future we must face the fact that there is not going to be a radical increase in the volume of resources being transferred from the centre - the political will just isn't there - but that does not absolve us from continuing to argue for such an increase. However, within the existing framework it is possible to work out a different method of approach which could enhance the impact of the available resources. For example studies of the impact of the CAP show that its operation to date has increased disparities between the regions. Proposals to reform the CAP will therefore have to take account of that. As Professor Cuddy has pointed out, simple curtailment of the price support system has the effect of freezing existing regional disparities. Therefore more radical proposals are necessary in the interests of regional development. Professor Cuddy has suggested the extension of the variable premium system.

> "This system, if coupled with the application of a maximum total variable premium, or deficiency payment per producer would be cost-efficient and equitable. Consumers would benefit from lower prices and demand would be likely to expand. Taxpayers would not have to pay intervention and storage costs for surpluses, since they would not exist. Processors would become more competitive in world markets, and expansion in production would be encouraged in the poorer regions. There would be a corresponding regional effect on the level of economic activity through the expansion of ancillary activities, and through the impact of increased incomes".

That is a powerful argument.

There would be major problems in applying a variable premium system across the entire Community in a situation where the EEC is now a major exporter in a number of agricultural products. And recent studies have raised doubts as to the cost-effectiveness of such a system in comparison with intervention. However, the variable premium system has worked reasonably well in England especially in the sheep meat sector, and at least consideration ought to be given to its use elsewhere. In the longer term we need a much more regionalised approach to the price support system and to the CAP as a whole, and there is no reason why we should not have a much greater mix of support mechanisms. Such a radical change in the price support system could release scarce resources for structural aids; coupled with a positive policy to promote expansion of and diversification into the non-food sector - forestry, peat, biomass - it could have a significant effect upon the less developed regions in Ireland.

In respect of the ERDF it is clearly imperative that we break the stranglehold of the national quota system, expand the non-quota sector, and prioritise its operations in a more concentrated way. The Social Fund's operations to date have largely been limited to the part-financing of national training programmes. There must be a community strategy to use the social fund in a more coherent way to actually stimulate job-creation in target areas. So far the fund has not adequately adopted to the needs of non-industrialised agricultural regions.
In respect of both the regional and social funds, what Michael Ross once called the "work-house principle" still largely applies - people (or regions) should not be given anything for nothing. To avail of EEC schemes, regional authorities or states must put up some of the money. This arrangement best suits those that have the most money already, and is therefore a hurdle to the achievement of a real redistribution of resources.

The present Commission has undertaken to bring forward a comprehensive proposal on the structural funds which will promote convergence, increase the efficiency of the funds, and co-ordinate their activities.
In fact the Single Act of European Union, which the Commission steered through the Intergovernmental Conference last December, lays an obligation upon the Commission to bring forward such proposals, and the Commission is now engaged in rethinking the approach of the Community to this whole area. It is too early yet to anticipate the full extend of that rethink, but the Commission has strongly committed itself to the support of integrated operations throughout the Community. The Commission now has the means to enhance the effectiveness of community assistance by promoting coherent multi-annual operations, and by using the various financial instruments in conjunction with national and local resources. A good deal of progress has already been made with the conception and implementation of an integrated approach in the Mediterranean region (IMPS), and the integrated programme for the steel areas. The integrated approach offers several distinct advantages - adaptation of community policy to distinct regional needs, taking account of differing human and physical resources locally, the co-ordination of the full-range of the Community's structural instruments, the potential involvement of regional authorities in the planning and implementation of programmes.

Can we in Ireland take advantage of this renewed commitment to integrated programmes on the part of the Commission. Quite simply, we can and we must. I have been working within the Parliament to bring into existence an integrated programme for the rural areas in the north. Yet even within so small an area there are distinct regions with their own particular local needs and problems - my own North-West for instance, the City of Derry and its natural hinterland in Donegal, Tyrone and County Derry. Similarly there are distinct regions within the republic, with their own local character and particular needs and problems. Connacht needs a different type of development programme from the City of Dublin.

Some months ago, Commissioner Sutherland, speaking in Belfast on these matters, asked the question, "To what extent is regional underdevelopment due to lack of funds, and to what extent is it due to the misallocation of resources, bad planning, poorly thought-out programmes and wasteful projects"? He went on to say that "what is needed is a credible development strategy for each region containing a programme of projects which are carefully prepared, relate to each other, are cost effective and maximise local involvement".
The first step in that strategy is to carry out Preparatory Feasibility Studies, which can be financed by the Commission under Budget Line 5410. Unfortunately Ireland is lagging behind the other member states in this regard. I suggest that it is time we took a look at the opportunities available in this area, and at the very least the appropriate studies should be set in train.

I would suggest that if such development strategies are to succeed, then it will involve significant changes in the way the Commission itself does business. At present there is insufficient co-ordination of the three structural funds. Although a Task Force has been set up to co-ordinate the financial structural instruments, there is need for structural change within the Commission to develop and implement the integrated approach.

I would suggest that there is a need for change at national level also. Up to now development policies at the national level have favoured concentration and centralisation. If development is to be decentralised then power needs to be decentralised. Strong decentralised participating communities can best identify local needs, and discern local opportunities, and they can bring a motivation into play which remote centralised bureaucracies do not have. This does not necessarily involve a rivalry between the periphery and the centre, but rather a dynamic tension which can stimulate both in a partnership for progress. Such a partnership could, as John Healy has said "harness the dynamic of the regions", in a new growth of national prosperity. If this is to be done then regional administrative structures must be developed which can undertake the work.