EDITORIAL COMMENTS

Beyond the brink

No excuse is necessary for returning to the subject of the central problem areas in the current crisis which were discussed in our last issue's Editorial Comments.[1] These are firstly, the need to secure agreement on the so-called "Stuttgart package", and, secondly, the need to come to terms with the probable deficit in the Community budget for 1984, which is likely to include a shortfall for the EAGGF Guarantee Section of some 2,330 million ECUs. With regard to the latter we spoke in our last issue of two possible scenarios, each fraught with difficulty. The first would involve the unanimous agreement of all Member States to make up, *ad hoc*, any excess of agricultural expenditure over the amounts contained in the 1984 Budget. The second would involve an attempt to adapt the Budget to altered circumstances and entail massive transfers most probably to the detriment of the structural funds appropriations for regional and social policy, and for industrial and development aid. It is worth recalling that the 1983 Budget appropriations show some 63.2% of the total (16,758 million ECUs) for agriculture and fisheries, 11.8% for regional policy (3,140 million ECUs) and 6.9% for social policy.

The failure at the Brussels summit meeting to reach a final resolution of the inter-related issues which make up the "Stuttgart" package produced, predictably, a welter of mutual recriminations and dire threats of future financial retaliation by Britain over the budgetary contributions problem. Summitry and rhetoric appear inextricably linked. In this case the rhetoric also obscured how close to an agreement the parties actually came – it being understood, of course, that the negotiation of an agreement does not necessarily presage the arrival at a genuine

1. "The European Council of March, 1984: Two Scenarios", in 21 CML Rev. (1984) 5–9.

understanding of each other's positions. Some significant concessions were made – notably by France and by Britain. Furthermore, a few days after the summit, the Community Ministers of Agriculture did succeed in reaching agreement to impose the first curbs on surplus milk production and to institute a 1984/85 freeze, or one per cent price cut, in other sectors. They thus confronted, even if only partially, the two inter-connected spirals of guaranteed farm subsidies leading to over-production, these in turn leading to the need for ever larger subsidies. The cost of this confrontation was high; there will be a significant increase in the cost of the CAP and consequently an aggravation of the excess of expenditure over appropriations in the 1984 Budget.

Even so, it is a beginning. Milk production currently absorbs some 40% of the Community's agricultural expenditure and production has been growing at 3% a year, with demand only rising by ½%. The formula agreed upon for phasing out the Monetary Compensation Amounts (MCAs) (which have notoriously given marked advantages to the Member States with stronger currencies) by 1988 will be expensive and the cries of outrage from the dairy industry will be inevitably shrill. The fact remains that an attempt has been made, at long last, to grasp the nettle.

Beneath all of the arguments over the reform of the cost and the thrust of the CAP lies, as we hinted in the last issue, the overwhelming need to re-examine the historical relationship between agriculture and industry that dominated the thinking of those who framed the Treaty and has remained unchallenged for so long.

Such a re-examination cannot take place until there has been a fundamental adaptation of the CAP to changing patterns of production, consumption and dependence. The modest March success in trimming the farm budget will be lost unless its costs can be met. Those costs are as much political as financial. Agriculture has always held the centre of the Community stage because it is above all else the area of activity in which the Member States are most directly in competition with each other for available resources. Yet in each Member State economic structures are undergoing drastic changes in form and balance. Even in the two candidate countries, Spain and Portugal, where there are very large agricultural sectors, massive programmes of industrial innovation have been launched. The Community has recognised long ago – as witness, for example, the publication of strategic lines for a Community approach to industrial innovation in October, 1981[2] – that the highest priority should be accorded to its development of a new international competitiveness in its economy and to its evolution of an integrated response to the latest technological challenges. The ESPRIT programme (for research and development in information technology) is one aspect of this which will be of the greatest significance to future generations of lawyers in the Community, as well as to their clients.

Acrimony over the profit and loss figures of budgetary bargaining will only delay – and may well fatally prejudice – any move to concentrate upon the essential underlying and longer-term problem. We must now await the June round of negotiations on the "Stuttgart" package in the hope that a distinction can at last be made between obduracy and determination. Why is the view from the summit so rarely one of wide horizons?

2. *Fifteenth General Report on the Activities of the Communities, 1981*, at point 597.