EDITORIAL COMMENTS

The Delors Plan for implementing the Single European Act

On 18 February 1987, the President of the European Commission announced before the European Parliament a "complete and coherent package of policies and suggestions for implementing the Single Act, the whole Single Act and nothing but the Single Act". The plan comes in two parts, setting out the conditions for successful implementation of the policies contained in the Single Act and an agenda of reform in the Common Agricultural Policy, the structural policies and the budgetary policies of the Community.

1. The conditions for success

These are that:

- the large market should be realised in the context of a common economic area, not a minimalist free trade area;
- the Member States should act on the implementation of the co-operative growth and employment strategy;
- the institutional effectiveness needs to be reinforced;
- a spirit of rigour should be applied both to the quality of policies and to their execution;
- the Community should speak to the world with a clear voice on external economic policy including commercial, development and monetary aspects.

All this is not new. President Delors has returned again and again to these themes throughout his Presidency but the plan as a whole contains sufficiently new and interesting aspects to deserve particular comment.

2. The reforms needed

2.1 *Common Agricultural Policy*

Reform of the Common Agricultural Policy receives priority attention. The basic ingredients of the package – restrictive pricing policy, more flexibility in market support and a greater assumption by producers themselves of the burden of restoring the equilibrium – remain the same. What is new is the idea of differentiated income support, and the inclusion of national aids. Such a combination of measures may provide a solution for the apparently contradictory position taken in public by the German Ministers of Finance and Agriculture. While Mr. Stoltenberg has argued for the strict limitation of Community expenditure, Mr. Kiechle has called for more resources for the Common Agricultural Policy. Income support is in clear conflict with the philosophy on which the CAP was originally based according to which the consumer was to pay a price which should guarantee a reasonable income to the farmers. However, such a philosophy was also based on a reasonable amount of competition through which the less economical farms would gradually disappear. For political and environmental reasons the governments want to keep a number of less economical farms in operation. It seems not unreasonable that the necessary finance should be collected from sources other than agriculture. Because of the Single European Act environment is a common responsibility which justifies some common financing of the protection of farms for environmental reasons. National governmental support to some farmers may only then be justified by reasons of national policies with respect to, for example, employment or spreading of population.

2.2 *Community policies with real economic impact*

The interest of the Delors plan lies in the definition of a common philosophy to encourage greater competitiveness and to promote convergence between the Member States outlined over several areas of Community competence. To avoid a regionalisation and diversity of aims, the reform of the structural funds, in particular, foresees the integration of the application of funds and loan instruments and the encouragement of regional initiatives. Similarly long term unemployment and youth employment and areas with industries in decline or backward development are spotlighted as areas where the *Community* should become more actively engaged. Such a common philosophical approach is in order to counteract the growing tendency by national governments to view policies in terms of budgetary compensation.

2.3 *Budgetary and financial proposals*

The most radical proposals concern the budget. It is proposed to diversify the sources of Community revenue, basing it on a new ceiling of 1.4% of the Gross National Product of Member States. The revenue would be raised from four sources: customs duties, agricultural levies, 1% of VAT, and a variable tax on Member States to be assessed on the basis of that part of Gross Domestic Product not covered in the VAT base. It is proposed that 1.4% GNP ceiling would represent an upper limit sufficient for the Community to operate until 1992, the deadline for the achievement of the Internal Market.

One aim in using the non-VAT source is to redistribute the burden of funding the Community, thus turning away from notions of net balance. This is also witnessed by the specific attention given to the "British problem" in linking that country's "compensation" to agricultural expenditure, whilst among the four poorest Member Countries – Ireland, Greece, Portugal and Spain – from contributing to this arrangement.

A parallel goal is the imposition of a much strengthened budgetary discipline, by means of binding annual ceilings and a system of budget stabilisers to constrain excessive spending on agriculture. This would not, however, restrict the implementation of new policies laid down in the Single Act.

VAT is directly linked to the amount of trade and therefore to the interest one has in a large market. Such a linkage makes VAT a suitable source of income for the Community as reflecting the interest every citizen has in its functioning. This, however, has not proved to be entirely satisfactory or equitable. An alternative proposal was to base contributions to the Community on Gross National Product. This also may have some advantages. In general, as the amounts of money involved increase, so the taxation base should become more and more diversified and detailed. It therefore seems a good solution to add a fourth source of income to meet the wishes of those who are not content with the present three.

3. How soon will the package be adopted?

The complexity and wide range of this impressive package has led many commentators to conclude that it constitutes an agenda for negotiation until 1990. On past form, they could well be correct.

There are, however, several pointers to the possibility of more rapid action. In the first place, the package is well balanced, with something in it for everyone. Further, many of the measures are developments of existing instruments and need not be subject to unduly long drawn out technical examination. But, perhaps most important of all, the very serious financial crisis which the Community is facing in the second half of 1987 creates a propitious environment for decision taking.