

RECORD OF DISCUSSION, AFTER LUNCHEON AT THE ELYSEE,
20 OCTOBER 1972, ON REGIONAL POLICY

(Note: this record was prepared by Mr. D.M. Thomas, who acted as interpreter for the Prime Minister)

After the Foreign Ministers had returned to the Conference, M. Pompidou opened a discussion on regional policy which, he said, looked like becoming the main problem to be resolved.

M. Pompidou said that he would frankly not be in favour of a fund to finance a Community Regional Policy. Regional industrial policies were a contradiction of liberal capitalism, and although he was not himself a fanatical capitalist, he did think that careful thought was needed before its rules were interfered with. He acknowledged that in France there was a policy of regional incentives, and that he himself had on occasion intervened to facilitate investment in a particular place. This was for good local and social reasons - the threat of unemployment or decline. But the President thought that regional aids should be used sparingly and that the problems should be tackled on a national basis. If they were moved to the Community level, he saw a danger to the development of a Community dirigisme to which he was wholly opposed.

M. Eyskens immediately intervened to remind M. Pompidou that a Community regional policy already existed in the E.C.S.C., which gave help in the reconversion

to the European coal basins and in the steel industry. This had been very helpful in the establishment of new industries, the retraining of workers, and the maintenance of their salaries during training. As he understood it, the British idea was that there should be a system of Community financing for similar purposes in other sectors of industry.

The Prime Minister then defended the case for a Community regional policy financed from Community funds. It was essentially a human problem. There would be a tendency within Europe for industry to be attracted into the "golden triangle". Without a regional industrial policy, people in less favoured areas would see their job opportunities diminishing as a direct result of the economic expansion of the Community. He could see M. Pompidou's reasoning about the distortion of the free-play of capitalism. But all our countries accepted the need for this in the field of agriculture: otherwise Europe would quickly become a dustbowl under the pressure of low cost products from elsewhere. It was for this reason that a Community regional industrial policy was needed, so that people in industrial areas which were affected by the tendency towards concentration should see that the benefit from the E.E.C. did not go simply to agricultural areas.

M. Pompidou replied that France had never been a strong supporter of the guidance side of F.E.O.G.A.

Of course she stood to benefit and would expect financial assistance from it. But he wanted to point out that the purpose of such aid was not to help agriculture as such, but to help the surplus population in agricultural regions to move into other sectors of the economy.

The President added that there was also a problem concerning foreign investment. This had to be looked at from two angles: investment from outside the Community and investment from within it. As far as investment from outside was concerned, he argued that there was a risk that regional policy would tend to be used for the benefit of foreign investors from outside, who certainly had no need for this kind of help. Mr. Biesheuvel subsequently turned this argument round by pointing out that the biggest danger lay in competition between national regional policies. The only way of preventing the big international companies from benefiting unduly from regional policies was for them to be co-ordinated within a Community framework.

M. Pompidou said that as far as investment from inside the Community was concerned, it was true that investment would normally flow to the most profitable sectors and areas. But he did not see why this should necessarily be at the expense of less favoured regions in the country of origin of the capital concerned. Developing this line of thought, he said there might be a case for Community

funds being used once it had become established that in a particular region there were no further domestic funds available for investment. The Prime Minister replied on this point that one of the basic principles of capitalism which M. Pompidou had previously been defending was that investment funds should be able to flow to places where they could be most profitably employed. M. Pompidou had thus touched on one of the basic paradoxes which would face the Community. It was precisely to resolve the human problems created by successful expansion that a Community regional policy was needed.

In the course of the discussion, Mr. Biesheuvel, Mr. Eyskens, Mr. Lynch and M. Werner intervened vigorously in favour of a Community regional industrial policy, and none argued against the use of Community finances for this purpose. M. Werner developed the idea of Community funds being used on the basis only of Community criteria, which might well in certain cases be different from national criteria. Sig. Andreotti also spoke in favour of a Community regional fund, though with the nuance that care must be taken to avoid allowing resources which should be devoted to the most needy regions being claimed by the less needy for political reasons. The Danish Prime Minister intervened once to say that although Denmark would be ready to contribute to a Community Regional Policy Fund, she herself would rely on her own national regional policy.

Herr Brandt remained silent throughout.

M. Pompidou did not attempt to synthesise the discussion, but seemed to recognise the validity of some of the points that had been made.

Prime Minister
Mr. A. De Gaulle

President Pompidou
Mrs. Aronson *A.*

after President Pompidou had expressed the pleasure of meeting Mr. Brandt, the Prime Minister said that he was delighted at the opportunity for a further meeting with Mr. Pompidou and particularly that it should be taking place in Paris on the day when the British Instrument of Ratification of the Treaty was being deposited in Paris.

President Pompidou asked whether they would have a general discussion or talk about any particular questions. The Prime Minister said that he would be happy to do both they might also have a short exchange about the proceedings at the Conference itself.

President Pompidou said that the immediate work which had been agreed between the French and the British Governments in the subjects for discussion at the Conference. The Prime Minister agreed. In particular they were agreed

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