COMMISSION
OF THE
EUROPEAN COMMUNITIES

The Spokesman's Group

EUROPEAN COUNCIL IN ROME

1-2 December 1975

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PRESS NOTES

KOMMISSIONEN FOR DE EUROPÆISKE FÆLLESSKABERS – KOMMISSION DER EUROPÄISCHEN GEMEINSCHAFTEN –
COMMISSION OF THE EUROPEAN COMMUNITIES – COMMISSION DES COMMUNAUTES EUROPEENNES –
COMMISSIONE DELLE COMUNITÀ EUROPEE – COMMISSIE VAN DE EUROPESE GEMEENSCHAPPEN

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TALSMANDENS GRUPPE
SPRECHERGRUPPE
SPOKESMAN'S GROUP
GROUPE DU PORTE-PAROLE
GRUPPO DEL PORTAVOCE
BUREAU VAN DE WOORDVOERDER

INFORMATION
INFORMATORISCHE AUFZEICHNUNG
INFORMATION MEMO

NOTE D'INFORMATION
NOTA D'INFORMAZIONE
TER DOCUMENTIE

Bruxelles, November 1975

EUROPEAN COUNCIL

Rome, 1-2 December 1975

Background note

For the European Council meeting to be held in Rome on 1-2 December, the Spokesman's Group has put together for the press the attached material covering the main points likely to arise.

The purpose is simply to help journalists by providing them with the relevant facts and backgound information, including notes on past discussions of these points in the Community institutions.

LIST OF DOCUMENTS

The 'EUROPEAN COUNCIL' - establishment and meetings in 1975

(Summary of conclusions on Community questions adopted by the European Council on 16 and 17 July 1975 in Brussels)

NOT IN ORIGINAL DOCUMENT, NOT REPRODUCED

THE EUROPEAN COUNCIL

I. Origin

The "European Council" was born at the Paris Summit on 9 and 10 December 1974, when the Heads of Government decided:

"... to meet, accompanied by the Ministers of Foreign Affairs, three times a year and whenever necessary, in the Council of the Communities and in the context of political cooperation.

The administrative Secretariat will be provided for in an appropriate manner with due regard for existing practices and procedures.

In order to ensure consistency in Community activities and continuity of work, the Ministers of Foreign Affairs, meeting in the Council of the Community, will act as initiators and coordinators. They may hold political cooperation meetings at the same time.

These arrangements do not in any way affect the rules and procedures laid down in the Treaties or the provisions on political cooperation in the Luxembourg and Copenhagen Reports. At the various meetings referred to in the preceding paragraphs the Commission will exercise the powers vested in it and play the part assigned to it by the above texts."

Already, at the Summit Conference held in Copenhagen in December 1973, the Heads of State or of Government of the Community had decided:

"to meet more frequently. These meetings will be held whenever justified by the circumstances and when it appears necessary to provide a stimulus or to lay down further guidelines for the construction of a united Europe. It will be for the country providing the President to convene these meetings and to make detailed proposals concerning their preparation and organisation."

II. How it has worked in 1975

The first European Council was held in Dublin on 10 and 11 March with Mr. L. Cosgrave in the chair. On the basis of a Commission proposal, the Council worked out a solution to the problem of the British contribution to the Community budget and to that of imports of dairy products from New Zealand. These were the last of the conditions of accession to the Community which the United Kingdom Government had asked to renegotiate. This Council also discussed energy matters and the dialogue between producer and consumer countries, raw materials and the economic situation in Europe and the rest of the world. This European Council also adopted a position on the Cyprus question and on the work of the Conference on Security and Cooperation in Europe.

The second European Council was held in Brussels on 16 and 17 July 1975 with Mr. A. Moro in the chair. The main item under discussion was the external relations of the Community and the Nine. The Council reaffirmed that "the Community is prepared to initiate discussions on closer economic and financial cooperation with Portugal" but that it could "give support only to a democracy of a pluralist nature"; it defined the Community's position on the United Nations and, in particular, on the special session of the General Assembly in September on raw materials and development; it agreed that the President of the Council should sign, on behalf of the European Communities, the Final Act of the European Conference on Security and Cooperation in respect of matters falling within the competence of the Community, and it welcomed the decision by the Government of the People's Republic of China to establish official relations with the Community.

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The European Council also discussed the election of the European Parliament by direct universal suffrage and the institution of the passport union (see the notes on these subjects in this compilation). It further discussed the economic and financial situation and problems relating to energy, raw materials and development.

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RESUME OF THE CONCLUSIONS ON COMMUNITY QUESTIONS ADOPTED BY THE EUROPEAN COUNCIL OF THE 16 AND 17 JULY IN BRUSSELS.

Election of the members of the European Parliament by direct universal suffrage; Passports Union; special rights for citizens of the Member States

The European Council requested the Council (Ministers for Foreign Affairs) to examine the problem of elections to the European Parliament by direct universal suffrage, taking into account the draft submitted by the latter and any factors which may emerge during the examination itself and to report back to it on this matter by the end of the year.

The European Council invites the Council (Ministers for Foreign Affairs) to ensure that further progress is made on the setting up of a Passports Union and also to submit a report on this question, if possible by the end of the year.

Finally, with reference to point 11 of the Paris Communiqué of 9 and 10 December 1974, the European Council invites the Council (Ministers for Foreign Affairs) to examine in greater detail the question of giving special rights to the citizens of the nine Member States as members of the Community with a view to submitting a report to a subsequent meeting of the European Council.

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Economic and monetary situation

The European Council confirmed the guidelines which emerged at the meeting of the Council (Ministers for Finance and Economic Affairs) on 10 July and which are summarized in the Commission's synthesis and invited the Council (Ministers for Finance and Economic Affairs) to give close attention to the development of the economic situation, and to strengthen the co-ordination of the Member States' economic and financial policies. It took note of the intention of certain Member States to adopt harmonized measures to prevent a further deterioration of the economic situation in the autumn.

The European Council recognized that the current economic problems must be tackled in co-operation with the other industrialized countries (in particular the United States and Japan) if there was to be any hope of an effective economic recovery and confirmed its readiness to do all in its power to achieve this objective.

The European Council invited the Council (Ministers for Finance and Economic Affairs) to continue to make every effort to re-establish a more stable international monetary system. With this in view it reaffirmed the importance of close co-operation within the Community, took note with satisfaction of the French franc's return to the Community exchange system (the so-called "snake") and invited the Council (Ministers for Finance and Economic Affairs) to undertake a detailed examination of the technical problems of the floating of Community currencies.

Finally, the European Council gave a favourable reception to the idea of a tripartite conference, requested by the European Trade Union Confederation, in which the Ministers Economic Affairs and for Labour would take part, and invited the Commission to prepare appropriate proposals.

Relations with Portugal

The European Council reaffirms that the European Community is willing to discuss closer economic and financial co-operation with Portugal. It also points out that the European Community - in accordance with the European policy it has followed heretofore and with its historical traditions - can only support a pluralist democracy.

Relations with the People's Republic of China

The European Council expressed great satisfaction at the decision of the People's Republic of China to establish official relations with the Community. This decision opens the way for the development of closer relations between China and Europe, to which prospect the Heads of Government attach great importance.

Energy, raw materials and development aid problems in preparation for the dialogue in the appropriate international fora

The European Council reached broad agreement on calling a preparatory meeting for late September.

Pending the ministerial conference scheduled for a later date, the basic aspects of energy policy will be examined thoroughly within the Community, and every possible effort will have to be made to ensure single representation of the Community

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at the conference itself. To this end, the suggestion was advanced that the next European Council could be scheduled for a date which would enable the common position of the Nine to be finalized, had this not proved possible in the course of the normal Community meetings.

The European Council held an exchange of views on the various aspects of the raw materials problem, and invited the Community Institutions to continue working out a common position.

/ 1 / ELECTIONS BY DIRECT UNIVERSAL SUFFRAGE

The European Parliament has at present 198 members, designated by the various national parliaments from among their members, in accordance with Article 138(1) of the Treaty of Rome.

However, this procedure has always been regarded as temporary: in 1951, the Treaty establishing the European Coal and Steel Community already provided that the Assembly (which later became the European Parliament) should at a later stage be elected by universal suffrage.

An identical provision was included in the Treaty of Rome establishing the European Economic Community. Article 138(3) requires the European Parliament itself to draw up "proposals for elections by direct universal suffrage in accordance with a uniform procedure in all Member States". However, it is for the Council, acting unanimously, to lay down the appropriate provisions "which it shall recommend to Member States for adoption in accordance with their respective constitutional requirements".

No date was fixed in the Treaties for the organization of these direct elections. However, since, in signing the Treaties, the Member States accepted the principle, the question today is no longer whether direct elections are useful, but when and how they will be organized.

Why now?

On signing the Treaties, the governments wanted to "lay the foundations of an ever closer union among the peoples of Europe". However, it is evident that there is a far too widespread sentiment among the public in the Member States that the Community is the concern of governments and specialists. The right to elect the European Parliament directly will give the voters an increased sense of belonging to a European political entity.

Another basic principle of the Community will thus be strengthened: its adherence to free elections and parliamentary democracy.

But the main argument in favour of direct elections is perhaps that they will give each citizen a greater and more direct power of control over Community policy, especially in areas where extensive powers formerly exercised by governments and national parliaments have been withdrawn and handed over to supra-national institutions. Criticism of the European administration as being "distant","undemocratic" and "technocratic" will die down of its own accord if a European Parliament elected by direct universal suffrage has powers of control.

Lastly, we must remember that since the members of the European Parliament are designated at present from among the members of the national parliaments, they are obliged to fulfil an increasingly heavy dual mandate (57 days of plenary sessions and an even larger number of days of committee meetings at the European Parliament, and 170 days at the French Parliament in 1975).

The 1960 proposals

By 1960, the European Parliament had already fulfilled the task assigned to it by Article 138 of the Treaty of Rome, by submitting a draft convention on direct elections, adopted on the basis of the report by a working party chaired by Mr. Fernand Dehousse (Belgian Socialist). According to this draft, the number of members of the European Parliament (at that time 142) would have tripled: two-thirds of the total would be elected by universal suffrage, while a third would continue to be designated as before by the national parliaments.

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However, the Council took no action on this draft, despite repeated requests by the European Parliament. The Parliament was in fact on the point of bringing "default" proceedings against the Council before the Court of Justice. At the same time, no less than fifteen bills were tabled in the various national parliaments for the organizations of direct elections on a national basis, pending a Community decision.

The new proposals

After the enlargement of the Community in 1973, it was seen that the 1960 draft convention needed to be revised, especially as the political conditions had changed as a result of the progress in the construction of Europe and particularly of the prospects for a European Union (decision taken at the Paris Summit in October 1972). At the end of 1973, Mr. Schelto Patijn(Dutch Socialist) was instructed by the Political Affairs Committee to report on a new draft convention.

1974 Paris Summit

Before the European Parliament studied these new proposals in plenary session, the nine Community Heads of State or Government, meeting in Paris on 9 and 10 December 1974, examined the problem of direct elections.

The final communiqué states "The Heads of Government note that the election of the European Assembly by direct universal suffrage, one of the objectives laid down in the Treaty, should be achieved as soon as possible. In this connection, they await with interest the proposals of the European Assembly, on which they wish the Council to act in 1976. On this assumption, elections by direct universal suffrage could take place at any time in or after 1978".

Two governments, however, expressed reservations on this commitment: the United Kingdom wished to await the results of the referendum on renegotiation before taking a position, and Denmark refused to commit itself on the date.

At the meeting held in Brussels on 16 July 1975, "The European Council called upon the Council (Foreign Ministers) to examine the problem of elections to the European Assembly by direct universal suffrage, taking into account the draft drawn up by the European Assembly and the factors which might arise during the examination, in order to present a report on this question to the European Council before the end of the year".

The adoption of the new draft convention

The new draft convention on direct elections was adopted by a very large majority at the session on 14 January 1975. It received 106 votes: 36 Christian-Democrats, 33 Socialists, 13 Liberals, 17 Conservatives, 6 Danish and Irish members of the Group of European Progressive Democrats, and 2 non-attached. Two Danish Socialists voted against the draft and 17 members abstained: 9 Communists, 6 French members of the Group of European Progressive Democrats and 2 Danish Liberals.

The new draft convention

1. All members are to be elected by direct universal suffrage.

2. Their number will be increased to 355 (as against 198) at present).

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	Draft Convention	Present situation
Germany	71	36
United Kingdom	67	36
Italy	66	36
France	65	36
Netherlands	27	14
Belgium	23	14
Denmark	17	10
Ireland	13	10
Luxembourg	6	6

(a) Up to 1 million inhabitants, each State receives six seats.
(b) States with between 1 million and 2.5 million inhabitants have six additional seats.
(c) Up to 5 million inhabitants, eahh State receives one additional seat per 500,000 inhabitants.
(d) Between 5 and 10 million inhabitants, each State receives one additional seat per 750,000 inhabitants.
(e) Between 10 and 50 million inhabitants, each State receives one additional seat per million inhabitants or part thereof.
(f) Beyond 50 million inhabitants, each State receives one additional seat per 1.5 million inhabitants or part thereof.

This distribution is not in strict proportion to the population of the Member States in order to benefit the smaller countries.

Parliament adopted this distribution, proposed by the Legal Affairs Committee, in preference to a proposal from the Political Affairs Committee, which would have given a Parliament of 550 members (six members up to one million inhabitants, one additional seat per 500, 000 inhabitants or part thereof).

3. The "uniform procedure" provided for in Article 138(3) of the Treaty of Rome has been temporarily put aside, leaving each Member State free to choose its own electoral system for the first elections (simple majority or proportional representation, minimum voting age, etc..). The only common rules are the principles governing democratic elections, i.e., equality, liberty, universality, the secrecy of the elections and direct suffrage.

4. The dual national and European parliamentary mandate will be neither compulsory nor forbidden.

5. Elections will be held at the same time in all Member States. The proposed date is the first Sunday of May 1978. The voting may, if necessary, take place over two days.

6. The term of office will be five years.

7. The European Parliament thus elected will draw up a uniform electoral procedure for the whole Community which shall replace the national systems in European elections.

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Conclusion

Although the summit conference in December 1974 decided that "elections by direct universal suffrage could take place at any time in or after 1978", this does not necessarily mean that the draft convention adopted by the Parliament will be applied without amendment. Even though Article 138(3) gives the European Parliament alone the right to present a draft convention, the draft must subsequently be accepted by all the governments (since the Council must decide unanimously on this subject) and submitted for ratification by all the national parliaments.

The Treaties have not laid down a procedure to be followed in the event of a refusal by the Council to apply the draft of the European Parliament as it stands. However, a procedure of consultation between the two institutions has been worked out to facilitate agreement on the final text.

A delegation from the European Parliament discussed Parliament's draft convention with the Council (Foreign Affairs) in Brussels on 5 November. The Council has drawn up a report for the European Council in Rome on 1 and 2 December. The points still under discussion are:

- single date for elections in the nine countries;
- dual mandate;
- number of seats.

/ 2 / PASSPORT UNION

Political aims

When it called - barely a year ago (*) - for a Passport Union to be set up, the European Council took a political step of major importance for the citizens of the nine Member States of the European Community.

The uniform passport

The principal aim is to create a sense of Community citizenship by creating a uniform passport to replace the variety of passports now in use. The uniform passport, the first concrete step towards the implementation of a Passport Union, will be a document issued by each Member State to its own nationals, as it would be hard to imagine the Member States delegating to the Community in the near future the right to issue passports or the international community recognizing this right.

A uniform passport could be introduced rapidly since it involves legislation only in Germany. The time required to replace all old-style passports could be from five to ten years given the length of their validity in the various Member States.

Elimination of checks at internal frontiers

However, it is not just a matter of replacing one piece of paper by another. The uniform passport - symbol of each citizen's belonging to the Community - will have to be followed by concrete political measures doing away with identity checks on the Community's internal frontiers. Efforts to dispense with other checks on internal frontiers(luggage, currency, vehicles) will run parallel to those aimed at eliminating passport controls.

Harmonization of legislation concerning non-Community citizens

This third element in the Passport Union is really only a corollary of the first two: the uniform passport and the abolition of identity checks at internal frontiers will mean that checks tend to switch to the external frontiers, and so national legislation in this field will need to be harmonized. This harmonization will come about in stages, the first step envisaged taking in regulations on entry and short stays (three to six months according to the Member State), i.e. regulations covering holiday or business trips.

Conclusion

The report submitted to the European Council will thus contain a specific proposal for a uniform passport and an outline of programmes and procedures for the other measures.

The longer-term objective will be to negotiate agreements with non-member countries under which they would accord the same treatment to all bearers of the uniform passport no matter what their nationality. The Passport Union will thus be not only an affirmation of Community citizenship for each person living within the Community but also an affirmation vis-à-vis non-member countries of the identity of the Community as such. From this point of view the Passport Union forms part of the wider political objective of European Union.

(*) Final communiqué of the European Summit in Paris on 9 and 10 December 1974.

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NORTH-SOUTH DIALOGUE :
CONFERENCE ON INTERNATIONAL ECONOMIC CO-OPERATION

I. Background note on the north-south dialogue

II. Reference documents:

Annex 1: Position of the EEC and Member States at the 7th Extraordinary Session of the United Nations (1.9.1975).

The Community and Member States' position regarding the north-south dialogue has not so far been published, therefore as a reference in development and raw material sectors the position adopted at the 7th Session of the United Nations may be found useful.

Annex 2: Final declaration after the 2nd preparatory meeting for the Conference on internation economic co-operation, adopted on 17th October.

Annex 3: Lists proposed by the United States on that occasion.

Annex 4: Documents submitted by the Group of developing countries on that occasion.

/3/ NORTH-SOUTH DIALOGUE*

THE PARIS MEETING

A Conference on International Economic Cooperation, assembling eight developing and nineteen industrialized countries will be held in Paris from 16 December for two or three days, at Ministerial level and attended by the United Nations Secretary-General. This conclusion was reached by the Preparatory Meeting in Paris from 13 to 16 October, called at the instance of the French Government.

1. Leading up to the dialogue

The recent Preparatory Meeting was born of the energy crisis and the various reactions it provoked in 1974.

The idea of a dialogue between oil-producer and consumer countries had been broached last year by the Shah of Iran; the Minister for Petroleum of Saudi Arabia, Mr. Yamani; the President of France, Mr. Giscard d'Estaing; and Mr. Gerald Ford, President of the United States.

On 1 March 1975, President Giscard d'Estaing convened a preparatory meeting in Paris for the International Conference on Energy and related problems. Invitations went out to four oil-producing countries (Algeria, Saudi Arabia, Iran, Venezuela), three non-producing developing countries (Brazil, India, Zaïre) and two industrialized consumers (United States, Japan) plus the Community as such.

The meeting, which ran in Paris from 7 to 15 April, ended in adjournment, owing to conflicting views throughout the discussions. Some of those attending (in particular the United States) wanted the Conference to focus exclusively on energy problems and especially relations with the producer countries. Conversely, the developing countries raised all the problems posed by their deteriorating economic situation: i.e. energy, but raw materials and developments as well.

The communiqué issued at the close of the meeting acknowledged moreover that the discussions did not enable a clear definition to be made of the points to be dealt with by the Conference or determine their relative importance. But it also expressed the wish of the delegates to resume the dialogue as soon as conditions are favourable.

The period between May and September was to see a substantial development in thinking and attitudes, more favourably disposed to the developing countries. At Community level, the Commission, in May and June, presented a series of communications to the Council on: the problem of raw materials and relations with the developing countries; the contribution which the Community could make to the questions to be treated at the 7th Special Session of the United Nations General Assembly in September; the agreements by product to curb excessive price fluctuations; international action to stabilize export earnings. Energy was not overlooked either: the Commission laid two Communications before the Council in June, including renewal of the dialogue begun in Paris in April.
As early as May the Council was grappling with the raw material question with a view to resolving the problems and concerns of the developing countries, and was engaged in preparation for the 7th Special Session.

A similar pattern could be seen, from the end of May, within the OECD, whose Council of Ministers (hoping, after the International Energy Agency (AIE) had been created, that the Paris dialogue would be renewed), emphasized the importance of energy problems, commodities and relations with the developing countries. Renewal of the dialogue was also desired by the AIE when it met on 1 July.

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*Text to be published in "European Communities" no. 10/1975 (December).

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Looking forward to the 7th Special Session, the European Council, meeting in Brussels on 16 to 17 July adopted a statement concerning the United Nations, which stressed the value of the dialogue in strengthening the position of the developing countries.

The seven developing countries which had attended the April preparatory meeting were getting together in anticipation of a new meeting, and defined their position at a Geneva meeting on 10 to 12 August.

The fresh Preparatory Meeting was now in sight; on 18 August the French Government sent the delegates to the coming meeting (the same as those in April) the text of an aide-memoire specifying the criteria on which it considered agreement could be reached to renew the dialogue

Having received the replies and comments of those concerned, on 15 September the French Government sent out invitations to a new preparatory meeting in Paris on 13 October. The invitation to the Community was accepted on 16 September by the Council.

2. The October Preparatory Meeting

The new preparatory meeting ran in Paris from 13 to 16 October, attended by the same number as in April (i.e. ten) and with Mr. Louis de Guiringaud, France's Permanent Representative to the United Nations as technical Chairman.

The Paris discussions unfolded in an atmosphere different from that of the April meeting, and were marked by several significant developments.

- The climate surrounding the talks was permeated by the changes in attitude and stances adopted since the spring.
- The outcome and tenor of the 7th Special Session of the UN General Assembly probably acted upon the Paris discussions.
- The Community played an activating role and carried along the other undustrialized countries, who showed that they were determined not to finish up with another adjournment, or even failure.
- The fact that the developing countries had a single spokesman (Venezuela's representative) facilitated the negotiations.
- It was significant that the title of the future conference which in April was to bear on energy, then, according to the French Government's invitation, on relations between the industrialized and the developing countries, was changed on the very first day, into Conference on International Economic Cooperation, one very much akin to that of the Resolution passed by the 7th Special Session of the UN General Assembly: International Cooperation and Development.
- The subjects with which the four Commissions of the future Conference will be dealing show that the problems of energy, raw materials, development and financial affairs are closely interwoven, which had not been acknowledged by some of the participants at the first preparatory meeting.
- The thorniest questions (the size of the Financial Affairs Commission, the general guidelines for the four Commissions) were settled at the meeting.
- But it must be noted that the United States and a group of developing countries each tabled a list of guidelines; these will be discussed within the four Commissions of the December Conference.

3. After the Paris Preparatory Meeting

Preparations on the Community side for the December Conference began immediately after the Paris meeting so that the positions to be presented on the various matters could be finalized in good time. The United Kingdom Government officially announced its decision to take part, separately, in the Conference; this was the subject of a debate and a Resolution in the European Parliament.

Preparing the Community position

The following communiqué was published after the Council meeting of 6 November:

"The Council took note of the progress made in preparing the general position to be adopted by the Community at the Conference on International Economic Cooperation which is to open in Paris on 16 December 1975.

The statement of the Community's position will comprise a general introduction and four sections on energy, raw materials, development and financial problems. At this meeting, the Council concentrated on a number of important questions submitted to it by the Permanent Representatives Committee. After noting that considerable progress had already been made, the Council instructed the Permanent Representatives Committee to complete the task of preparing the Community's general position by 20 November at the latest, so that the draft may be submitted for the approval of the Community authorities before the Conference opens."

The United Kingdom and the North-South Conference

Statement by Mr. Callaghan

Mr. James Callaghan, Secretary of State for Foreign and Commonwealth Affairs, advised his colleagues at the Council meeting of 6 - 7 October (before the Preparatory Meeting opened therefore) of his Government's position regarding the Conference. He confirmed this on 10 November in the House of Commons. Mr. Callaghan said, in particular: "It would be neglecting my responsibilities if I did not claim on behalf of the United Kingdom a seat at this Conference. We have done nothing to hinder the presence of the Community at the Conference so far, but I warn now that if they go to the Conference with the present lack of preparation, I see nothing but impotence and frustration". Earlier he had pointed out that by 1980 the United Kingdom would be producing 90% of Europe's oil and 45% of total production of energy in the Community. There was no agreement that there should be a minimum selling price. Neither was there agreement on the price of energy inside the Community. "... We believe the Conference will do useful work ... If we are present, as I trust we will be, we shall do our best to make a success of it. But we cannot afford to fail to indicate to the Community, the United States and Japan (....) that we have important interest in the matter."

Resolution of the European Parliament:

On 16 October, the European Parliament passed the following Resolution concerning the Conference on International Economic Cooperation

"The European Parliament

- having taken note of the outcome of the meeting of the Council of Ministers on 7 October 1975 concerning the preparation of the Paris Conference to be held between the industrialized countries, the oil-producing countries and the developing countries, and especially the announcement that a Member State would be individually represented,

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1. Expresses its concern at such attitudes which could present a threat to a future Community energy policy;

2. Is convinced of the need for the Community to speak with a single voice on such occasions;

3. Urges all Member States to concert their views in preparation for the conference on international economic cooperation;

4. Instructs its President to forward this Resolution to the Council and Commission of the European Communities."

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UNITED NATIONS

GENERAL ASSEMBLY

Distr.
GENERAL

1 September 1975
ENGLISH
ORIGINAL: ENGLISH/FRENCH

AD HOC COMMITTEE OF THE
SEVENTH SPECIAL SESSION
Agenda item 7

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Position paper of the European Economic Community and its member States (Belgium, Denmark, Federal Republic of Germany, France, Ireland, Italy, Luxembourg, Netherlands and United Kingdom of Great Britain and Northern Ireland)

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INTRODUCTION

1. Within the Community, the whole complex of problems concerning relations between industrialized countries and developing countries has in recent months been receiving closer attention than in the past and, in particular, the last meeting of the heads of State or of Government of the member States of the Community discussed these questions with a view to giving the political impulse necessary for taking up the dialogue.

2. The Governments of the member States and the Community authorities attach great political importance to this special session of the United Nations General Assembly, as evidenced by the statement concerning the United Nations solemnly adopted by the European Council.

3. The goal to be pursued is the attainment of real progress towards a better balanced and more equitable structure of international economic relations, including a strengthening of the position of the developing countries.

4. Proposals must cover a balanced package of subjects to meet the most important needs of the developing countries and afford genuine opportunities for progress in the near future. With this end in view, measures are proposed notably in the sphere of raw materials and development co-operation.

5. The implementation of the various proposals must take into particular consideration the problems of the poorest developing countries, for which specific measures or special arrangements would be planned.

6. The economic and commercial consequences of the measures envisaged should be evenly shared by all the industrialized countries.

7. Any financial costs resulting from certain projected measures should be shared among all the parties with adequate resources. In addition, certain international financial institutions could share in these costs, particularly by adapting and improving some of their present machinery.

I. INTERNATIONAL TRADE

A. Raw materials

Over-all approach

8. In view of the importance of trade in raw materials for a great number of developing countries for the implementation of their development plans, the Community and its member States are well aware of the cardinal importance of the examination of this problem for the further discussions.

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9. The Community has concentrated on studying these problems in depth during the last few months and has concluded that new guidelines should be outlined by the special session in the field of raw materials, taking account of the work already undertaken on this subject within UNCTAD. This work should be accelerated in order to reach agreement, if possible in UNCTAD IV, on an over-all approach in the field of raw materials which constitute a major proportion of the export earnings of developing countries, in order to:

- encourage their economic development through the stability of their export earnings from raw materials and through increasing their foreign currency earnings, in particular by the diversification of their production and by the processing of raw materials;

- achieve prices which are fair for consumers and remunerative for producers and to encourage a long-term equilibrium between expanding production and increasing consumption;

- provide special treatment for the poorest producers;

- create more outlets for producing countries and more stable supplies for consumer countries. The application of these principles will be assisted by a steady and balanced growth in international trade;

- achieve adequate investment levels in the commodities-producing sectors.

10. This approach would comprise a series of complementary measures which constitute an entity in the following fields:

- measures to limit excessive price fluctuations;

- stabilization of export earnings;

- production and supply;

- information and consultation;

- trade co-operation,

- industrial co-operation.

Proposed action

11. Measures to limit price fluctuations

With regard to the price of raw materials, it is in the interest of everyone, and in particular the producer developing countries, to avoid excessive fluctuations and to find levels which are fair for consumers and remunerative for producers, encouraging a long-term balance between expanding production and increasing consumption. The Community is thus prepared to examine which products

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create difficulties for the developing countries and to examine instruments and means of solving these difficulties. The instruments (e.g. commodity agreements) may cover a very wide range and may, where necessary, be combined. A choice cannot be made without considering specific cases. The implementation of such solutions should also promote stability of supplies.

12. International action on the stabilization of export earnings

The Community recognizes with regard to export earnings the seriousness of the problems created by the instability of the earnings of developing countries which export raw materials. In order to tackle these problems - and bearing in mind the specific action agreed under the Lomé Convention - the Community and its member States undertake to promote and participate in international action with the aim of:

- improving the compensatory financing mechanisms of the International Monetary Fund for developing countries which produce raw materials;

- implementing specific measures for the benefit of the poorest developing countries, to be applicable in the event of a fall in export earnings from their products, the detailed implementing rules being adjusted to the general financial situation of the countries in question.

13. Production and supply

Conditions should be sought at international level to facilitate the production and supply of raw materials in a spirit of co-operation.

14. Information and consultation

Action should be taken to improve information and consultation on the supply and demand situation.

15. Trade co-operation

In the context of the general proposals referred to in part B of this section, a special effort should be made to improve access to the markets of industrialized countries for raw materials and products of first-stage processing from developing countries.

16. Industrial co-operation

In the context of the general proposals referred to in section III of this paper, a special effort should be made to promote exploitation and on-the-spot processing of raw materials under economically viable conditions.

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B. Other aspects of trade co-operation

17. The Community will make a constructive contribution to the international discussions in order substantially to improve the conditions of access to markets for primary and processed products of interest to the developing countries.

18. As regards the multilateral trade negotiations, the provisions adopted in the Tokyo Declaration on developing countries continue to guide the Community and are gradually being implemented within the context of the GATT. In this respect provision is made for:

- priority treatment (tariff and non-tariff) for tropical products;
- a joint quest for appropriate tariff solutions on the basis of the general formula to be worked out in the negotiations for adapting the size of tariff reductions, or graduating them, to suit the specific needs of the developing countries;
- special arrangements for implementing any solutions adopted in respect of non-tariff barriers.

19. In parallel with this, the Community 1/ has demonstrated its willingness to improve its system of generalized preferences continuously and progressively, and feels that a further period of application beyond 1980 will be necessary.

20. The improvement of the generalized preferences system and the results of the multilateral negotiations should lead to decreased protection of added value for products of first-stage processing.

21. Improved access to markets for the exports of the developing countries should be complemented by stronger action in the field of trade promotion.

22. Equitable solutions should be sought to the problems of export restrictions.

II. TRANSFER OF REAL RESOURCES FOR FINANCING THE DEVELOPMENT OF DEVELOPING COUNTRIES AND INTERNATIONAL MONETARY REFORM

A. Transfer of real resources for financing the development of developing countries

23. The importance of the question of transfers of resources in the context of a balanced over-all approach is acknowledged, particularly in view of the advantages which they have for the poorest developing countries which do not produce raw materials.

1/ It will be recalled that, following resolution 21 (II) of UNCTAD, the Community was the first to implement a system of generalized preferences and has since improved it annually.

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24. The Community has recently considerably increased her aid - leaving aside the bilateral aid granted by each of the member States - despite the fact that economic and budgetary conditions have been far from easy. 2/

25. In respect of the target of 0.7 per cent of GNP for official development assistance mentioned in the International Strategy for the Second Development Decade, the Community and its member States confirm the undertakings which they have already given in this matter and adopt as their common aim an effective increase in official development assistance taking into account their respective economic abilities to contribute.

26. To the extent that the oil-exporting developing countries continue to dispose of financial surpluses, such surpluses could be further mobilized for the purposes of development assistance, particularly by working out structures to encourage triangular co-operation.

27. The Community and its member States stress the importance of transferring financial resources on favourable terms, especially to the poorest developing countries. They are also aware of the importance of the question of the debt burden of developing countries; they are ready to examine the problems which arise in each case and to seek suitable means to resolve them. The agreed report of the Expert Group in the framework of UNCTAD has, in the opinion of the Community and its member States, confirmed the validity of this approach.

28. The Community and its member States confirm:

- their positive attitude to the setting up of a financing mechanism somewhere between IBRD and IDA credits;

- their willingness to contribute, on a reasonable basis of assessment of ability to do so, together with the other countries possessing adequate financial resources, to the special IMF account set up to reduce the interest burden payable under the oil facility by the hardest hit countries.

B. Reform of the international monetary system

29. The Community and its member States think that the international monetary system should be reconstructed taking into account the concerns of developing countries. In this respect, in-depth studies are currently under way and should be actively pursued. The Community and its member States favour the establishment of the SDR as the principal reserve asset and the reduction of the role of gold and of reserve currencies in the international monetary system.

2/ Mention might be made here of the financial provisions of the Convention of Lomé, Community food aid efforts, technical assistance for trade promotion and regional integration, the Community contribution to the United Nations emergency action and the resolution adopted by the Council on 16 July 1974 which confirms the principle of Community financial and technical aid to non-associated developing countries. The conditions for implementing this resolution in the near future are currently being examined by the Community authorities.

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30. No decision concerning gold and the creation of SDRs should accentuate the disequilibria in the distribution of international liquidity.

31. The member States of the Community agree that the present representation of developing countries in the decision-making bodies of the Fund and of the Bank should be substantially improved and the broad geographical representation of developing countries should not be adversely affected.

32. They are convinced that solutions acceptable to all for the improvement of compensatory financing facilities of the IMF could be found. The possible part of IMF in financing buffer stocks will of course depend on the agreements reached on this subject.

III. INDUSTRIAL CO-OPERATION

33. The aim in this sector should be to contribute to speeding up the industrial development of the developing countries by improving the international division of labour through the creation of an expanding production capacity and by taking particular account of the employment problems facing both the developing and the industrialized countries.

34. The Community and its member States are willing to strengthen co-operation on industrialization with the Governments of the developing countries:

- on the one hand, in financial and technical co-operation and trade co-operation, with a view to supporting efforts to bring about regional co-operation between the developing countries;

- on the other hand, in order to bring about a reasonable balance between the interests of the developing countries (e.g. by preventing the abuse of dominant positions) and those of undertakings (e.g. by achieving stable conditions for their operations).

35. Measures would be envisaged in the field of the development of industrial promotion and co-operation:

- industrial promotion measures aimed at studying in concrete terms the potential for industrialization and industrial co-operation and at making contacts between promoters, operators and those concerned in industrial development easier;

- improvement of systems for exchanging information on industrial development and, in particular, on forecasts of supply and demand;

- co-operation from the developing countries to provide a more receptive atmosphere and more stable working conditions for foreign operators.

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36. In the light of the guidelines set out above, the Community and its member States have proposed a text on this subject for consideration by the special session, which is set out below.

"The General Assembly:

1. Adopts resolution 45 (IX) of the Industrial Development Board and specially requests that all Governments take individually and/or collectively the measures and decisions necessary for practical effect to be given to the commitments they entered into pursuant to the Lima Declaration and Plan of Action on Industrial Development Co-operation.

2. Emphasizes that the existence of an interdependent relationship between all members of the international community and the need for a spirit of co-operation based on sovereign equality and on the removal of the existing imbalances between them entail the introduction of new forms of collaboration and the encouragement of increased industrial growth in the developing countries.

3. Invites the Governments to determine promptly and jointly the new forms of international industrial co-operation which would form part of all development and development aid policies and which would be actively promoted for the mutual benefit of the developed and the developing countries.

A. System of consultations

4. Decides that, to this end, a consultations system will be set up within UNIDO and, where appropriate, the other relevant United Nations agencies, which will make it possible for the developed and the developing countries regularly to exchange views on prospects for industrial development with a view to establishing the broad outlines of co-ordinated policies for the creation of industrial production potential in the developing countries (particularly with regard to the processing of raw materials).

5. Emphasizes the need for due regard to be paid, when the said consultations system is being organized, to the special importance which is to be attached to economic co-operation at regional level and to the dialogue commenced between States or groups of States.

6. Suggests that, because of the special role played by public and private investment in industrial development, those in control of the undertakings concerned should take part in the said dialogue in accordance with appropriate procedures.

7. Asks the Executive Director of UNIDO to submit to the Industrial Development Board's next meeting proposals for establishing such a consultation system, and invites the Industrial Development Board to draw up the rules according to which it would operate.

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B. Incentives for the establishment of industrial concerns in the developing countries

8. Invites the Governments of the developed countries to take jointly such steps as would be appropriate to encourage and persuade firms and nationals which are able to do so, to promote the growth of industrial activity in the developing countries, having regard to the priorities and development plans of those countries.

9. Asks the Governments of the developed countries to examine in the light of the consultations proposed above, those policies which they could adopt jointly - taking account of their economic structure, their economic and social objectives and the constraints imposed on them by matters of security - in order that their production facilities might be geared more effectively to helping the industrialization of the developing countries.

10. Invites the Governments of the developing countries to provide details of their plans and priorities in order to elicit the co-operation of firms and nationals in the developed countries, particularly those which are considering adapting their industrial activity to the industrialization requirements of the developing countries, and to create the facilities essential for the continuity of industrial co-operation relations between the various partners.

C. Industrial co-operation agreements

11. Invites the Governments to undertake a joint study on the preparation of diversified financial and technical co-operation methods which are geared to the special and changing requirements of international industrial co-operation.

12. Recommends in particular that the Governments concerned should work out industrial co-operation arrangements under which the financial surpluses of some developing countries - supplemented, if necessary, by capital from the developed countries and the host developing countries - would be used in conjunction with the technological, management and vocational training facilities provided by the developed countries and with the human and material resources of the developing countries in which the new industrial projects are to be carried out."

IV. SCIENCE AND TECHNOLOGY

37. The Community and its member States recognize the need to improve the conditions for transferring technology to the developing countries. The preparation of decisions on a code of conduct for the transfer of technology should therefore be continued within UNCTAD and concluded as quickly as possible. The international conventions on patents and trade marks should be reviewed and revised where necessary as part of the work of WIPO, in collaboration with UNCTAD and the other relevant United Nations bodies, in order to enable them to become more satisfactory instruments for facilitating the transfer of technology and its development in the developing countries.

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38. In the light of the above considerations, the Community and its member States, after studying the position paper of the Group of 77 on this subject (A/10003/Add.1 (Part I), annex I), have proposed the following alternative formulation:

"Developed countries should co-operate with developing countries in the establishment, strengthening and development of their scientific and technological infrastructures and appropriate measures, including consideration of the establishment of an industrial technological information bank, should be taken.

Developed countries should significantly expand their assistance to developing countries in research and development programmes and in the creation of suitable indigenous technology.

They should further undertake projects in the field of information, advice and training to bring about improved transparency of the industrial property market and to facilitate the technological choices of the developing countries.

All States should co-operate in evolving internationally acceptable guidelines for the transfer of technology, taking into account the special needs of developing countries. The work on preparing an international code of conduct for the transfer of technology should therefore be continued within UNCTAD and concluded according to a precise time-table to be decided upon in UNCTAD IV.

International conventions on patents and trade marks should be reviewed and revised as necessary, taking into particular account the special needs of the developing countries, as part of the work of the World Intellectual Property Organization (WIPO), in collaboration with UNCTAD and other relevant United Nations bodies, in order that they may become more satisfactory instruments for aiding developing countries in the transfer and the development of technology.

Developed countries should facilitate the access of developing countries, under fair, equitable and mutually acceptable conditions, to relevant information on advanced and other technologies suited to their specific needs as well as on new uses of existing technology, new developments, and possibilities of adapting them to local needs.

The United Nations system should play an appropriate role in achieving the above-stated objectives and in ensuring the application of science and technology to development. The work of UNCTAD, UNDP, UNIDO, WIPO and UNESCO in facilitating the transfer and diffusion of technology should be given urgent priority. The United Nations Secretary-General should take steps to ensure that the technology and experience available within the United Nations system is widely disseminated and readily available to the developing countries in need of it."

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V. FOOD AND AGRICULTURE

39. The Community and its member States recognize that the world food problem poses one of the most important and urgent challenges. It is therefore appropriate to recall the results of the World Food Conference and give them a new political impetus. They reaffirm in particular those recommendations which have a direct impact on increasing food production and on improving nutrition in developing countries.

40. In this context, the fundamental aim of the Community is the promotion of agricultural development in developing countries rather than concentration on food aid, which can have the side effect of discouraging domestic efforts for increased food production. For this reason, the transitional character of food aid should be kept in mind when forward planning is considered. Whilst giving priority to increasing food production in the developing countries, the Community is ready, in view of the urgency of current food needs, to continue its food aid efforts taking into account the objectives accepted at the World Food Conference.

41. It is also necessary to mobilize technical and financial aid capacities in all countries which are actual or potential donors.

42. The Council of the European Communities will be further considering the question of the International Fund for Agricultural Development in October.

43. In the light of the above considerations, the Community and its member States, after studying the position paper of the Group of 77 on this subject (A/10003/Add.1 (Part I), annex I), have proposed the following alternative formulation:

> "1. The solution to world food problems lies primarily in increasing rapidly food production in the developing countries. To this end, the necessary changes in the pattern of world food production should be introduced. Trade policy measures should be implemented in order to obtain a notable increase and diversification of agricultural production and export earnings of developing countries.
>
> 2. In order to achieve these objectives it is essential that:
>
> - developed and developing countries in a position to do so increase substantially the volume of assistance to developing countries for agriculture and food production in particular to those countries with food deficits and to the "msa" countries;
>
> - developed countries continue to give increasing access to their markets for agricultural and food products, both in raw and processed form, of developing countries;
>
> - developing countries accord high priority to agricultural and fisheries development, increase investments accordingly and adopt policies which give adequate incentives to agricultural producers.

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3. In view of the importance of food aid as a transitional measure, there should be universal acceptance both of the principle of a minimum aid target of 10 million tons of food grains in cash or kind set for 1975-1976, and of the concept of forward planning of food aid for more than a single season.

4. Where food aid is not at present provided as grants, donor countries should increase the grant component. Donors should further accept the aim of an over-all increase in multilateral channelling of food aid. In providing food, grains and finances on soft terms to developing countries in need of such assistance, donor countries should take due account of the interests of the food-exporting developing countries. Where appropriate such assistance can take the form of purchases from the food-exporting developing countries.

5. Developed countries and developing countries in a position to do so should provide food grains and financial assistance on soft terms to the most seriously affected countries, to enable them to meet their food and agricultural development requirements within the constraints of their precarious balance-of-payments position. Donor countries should also provide aid on soft terms, in cash and kind, through bilateral and multilateral channels to enable the most seriously affected countries to obtain the necessary quantity of plant nutrients.

6. Developed countries and developing countries in a position to do so should in channelling both their bilateral and multilateral food aid take into due account the normal commercial market practices and prevent disruptive practices which cause undue fluctuations of market prices.

In order that such aid should, to the maximum possible extent, correspond to an objective assessment of requirements of food-importing developing countries, all countries should participate in the global information and early warning system.

7. The Consultative Group on Food Production and Investment in developing countries should quickly identify developing countries with potential for the most rapid and efficient increase of food production as well as the potential for rapid agricultural expansion in other developing countries. On the basis of such an assessment, developed countries, developing countries in a position to do so, and the competent international organizations will be better able to concentrate resources for the rapid increase of agricultural and food production in all developing countries.

8. All countries should adopt individually and collectively policies aimed at ensuring a stable supply and sufficient quantity of fertilizers and other production inputs at reasonable prices. Developed and developing countries in a position to do so should provide assistance to and promote investments in developing countries to improve the efficiency of their fertilizers and other agricultural input industries, in particular taking advantage of the mechanism provided by the International Fertilizers Supply Scheme.

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9. All countries should subscribe to the international undertaking on world food security and to the arrangements formulated in the framework of FAO and co-operate in the implementation of the political objectives and guidelines contained in that undertaking.

These policies should include measures on food stocks which have sufficient flexibility to enable the international community to respond adequately to unforeseen emergency situations.

Developed countries and developing countries in a position to do so should provide the necessary assistance to developing countries so that they can formulate and implement national stockpiling."

FINAL DECLARATION
OF THE
PREPARATORY MEETING FOR THE CONFERENCE
ON INTERNATIONAL ECONOMIC CO-OPERATION

Paris, 16 October 1975

1. The participants in the Preparatory Meeting for the international Conference proposed by the President of the French Republic, which was held in Paris from 7 to 15 April 1975, met again at the International Conference Centre from 13 to 16 October 1975 under the technical chairmanship of Mr. de Guiringaud, Ambassador of France, with a view to pursuing preparation for the dialogue on energy, raw materials , problems of development, including all related financial questions.

2. The ten delegations confirmed the agreement of their authorities on the convening of an international conference on these questions. They decided that the Conference will be called the "Conference on International Economic Co-operation", that it will be held in Paris, that it will be composed of 27 members designated as indicated below, and that it will be convened at ministerial level on 16 December 1975 for a session of two or possibly three days. The Secretary-General of the United Nations will be invited to the Ministerial Conference.

3. The European Economic Community, the United States and Japan, on the one hand, and the seven developing countries participating in the Preparatory Meeting (Algeria, Brazil, India, Iran, Saudi Arabia, Venezuela, Zaïre), on the other hand, will assume responsibility for the designation, from among their respective groups and according to the procedures which the industrialized countries and the developing countries, respectively, deem

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appropriate, of five industrialized countries and twelve developing countries, to be added to the present participants so as to bring to twenty-seven the number of participants in the Conference. The French Government will be notified, within a period which should not exceed one month, of the list thus established of the delegations to be invited to the Ministerial Conference.

4. The ten delegations also decided that the Conference should have two co-chairmen chosen respectively by each of the two participating groups from among its members, and that they should preside alternately over the meetings in a manner to be agreed between them. The participants in the Preparatory Meeting recommend that the two co-chairmen should be designated as soon as possible after the lists of participants in the Conference have been completed, and they suggest that the two co-chairmen should begin, immediately after being designated, to take together all necessary steps, in liaison with the host country, to ensure that the Ministerial Conference proceeds satisfactorily.

5. The Preparatory Meeting proposes to the Ministerial Conference that it set up a commission for energy, a commission for raw materials, a commission for development and a commission for financial affairs. Each of these commissions should consist of fifteen members, ten of them representing developing countries and five representing industrialized countries, chosen by each of the two groups of participants in the Conference from among its members.

6. In determining the composition of its representation in each commission, each of the two groups at the Conference should choose from among its members those who, because of their special interest and the overall significance of their participation, seem best suited to take part in order that the work may be carried out in an effective and responsible manner.

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7. The chairmanship of each of the commissions should be assumed by two co-chairmen designated by each of the two groups respectively. Joint meetings of the co-chairmen of the commissions may be planned if the need arises.

8. The Preparatory Meeting recommends that the intergovernmental functional organizations which are directly concerned with the problems considered, and which the Ministerial Conference deems to be able to make a useful contribution to their discussion, be represented on a permanent basis in the corresponding commissions by observers with the right to speak but without the right to vote, and hence not participating in the formation of a consensus. In addition to the United Nations Secretariat, the list of these organizations should include, in particular, OPEC, IEA, UNCTAD, OECD, FAO, GATT, UNIDO, UNDP, IMF and IBRD. Furthermore, each commission may invite appropriate intergovernmental functional organizations to participate as observers ad hoc in the examination of specific questions.

9. Members of the Conference wishing to follow the work of a commission to which they do not belong should be entitled to appoint a representative in the capacity of auditor without the right to speak.

10. The activities of the four commissions whose establishment is recommended by the Preparatory Meeting will proceed on the basis of the relevant paragraphs of the Aide-Memoire annexed to the French Government's invitation to this Meeting, in the light of the following clarifications and interpretations:

(a) It is understood that the Commission on Energy will facilitate all arrangements which may seem advisable in the field of energy.

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(b) It is understood that the Commission on Raw Materials will take into account the progress made in other international forums and will be entrusted with facilitating the establishment or reinforcement, as the case may be, of arrangements which may seem advisable in the field of raw materials - including foodstuffs - which are of particular interest to developing countries.

(c) It is understood that the Commission on Development will take into account the progress in other international forums and the results achieved, and will be entrusted with facilitating the establishment or reinforcement, as the case may be, of arrangements for accelerating the development of developing countries, on the basis of close co-operation.

(d) It is understood that the Commission on Financial Affairs may discuss financial issues, including their monetary aspects, of importance to member countries, while respecting the jurisdiction of international institutions (IMF, IBRD).

(e) It is understood that the four Commissions should function in parallel and that the results of their work are linked and should be submitted to the Ministerial Conference.

11. It is agreed that any delegation may raise any subject relevant to the themes of the dialogue for discussion in the Commissions.

12. It has been agreed in accordance with the relevant paragraphs of the above-mentioned Aide-Memoire that the Ministerial Conference will be called upon to set the general guidelines for the work of the Commissions.

13. The Preparatory Meeting recommends to the Ministerial Conference that the relevant paragraphs of the above-mentioned Aide-Memoire, as interpreted and clarified above, as well as

the above-mentioned principle that any relevant subject may be raised for discussion in the Commissions, serve as the general guidelines for the Commissions.

14. Some delegations have already tabled with this Preparatory Meeting documents proposing subjects to be discussed in the Commissions. The Preparatory Meeting recommends that the Ministerial Conference agree that these and any other proposals which may be tabled subsequently in accordance with the general guidelines be discussed in the Commissions.

15. As regards the practical measures, the Preparatory Meeting recommends that the Conference adopt English, Arabic, Spanish and French as official languages and working languages.

16. The Preparatory Meeting recommends that the Conference adopt the Rules of Procedure which it itself had adopted, and which are based, in particular, on the principle of "consensus", according to which decisions and recommendations are adopted when the Chair has established that no member delegation has made any objection.

17. The Preparatory Meeting considers that the Conference should have,an international secretariat with an exclusively administrative and technical function, the Ministerial meeting being responsible, on the basis of proposals by the two co-chairmen, for determining its organization, establishing its operational procedure and allocating the financial costs in respect of it. It is understood, however, that pending a decision on the provisions to be adopted for the continuation of the work, the French Government will assume responsibility and provide the secretariat for the Ministerial meeting scheduled for December 1975, under the conditions in which these services were provided for the Preparatory Meeting.

18. The Preparatory Meeting finally recommends that the Ministerial Conference decide to meet again at ministerial level in about twelve months' time. One or several meetings of the Conference at the level of government officials could possibly be held at least six months after the first meeting of the Conference at ministerial level.

19. In conclusion, the participants paid tribute to President Giscard d'Estaing for the initiative taken by him, thanks to which a dialogue was successfully initiated, and to the French Government for all the efforts it has made towards that end.

P-73 /3-Annex 3 (39)

PREPARATORY MEETING FOR THE
CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION

Original: English
Presented by: United
States of America

PARIS, October 13th 1975

LISTS OF SUBJECTS TO BE DISCUSSED BY THE COMMISSIONS, AS PROPOSED BY THE UNITED STATES OF AMERICA

Commission on Energy:

(1) Oil prices, their relationship to long term demand and supply for energy and to world economic progress;

(2) Security of supply and markets for oil and oil products;

(3) Cooperation among developed and developing countries to promote increased energy supplies.

Commission on Raw Materials:

(1) Access to supply and markets for raw materials;

(2) Problems of stability of export earnings;

(3) Growth and diversification of export trade;

(4) Enhancement of long run supply of raw materials through application of capital, management, and technology with mutual respect for contractual obligations;

(5) Enhancement of functioning and stability of markets for commodities, including food, on a case-by-case basis.

Commission on Development:

(1) Problems caused by payments deficits of developing countries particularly the most seriously affected;

(2) Financial assistance, arrangements conducive to the transfer of technology, international investment and capital market access to accelerate growth in developing countries;

(3) Promotion of agricultural and food production through, inter alia, enlargement of world food production capacity, particularly in developing countries, and food aid;

(4) Promotion of development through enhanced trade opportunities among developed and developing countries;

(5) Policies for promoting rapid industrial growth.

Commission on Financial Affairs:

Financial issues related to work of other commissions, for example:

On Energy

-- Financial consequences of energy prices;

-- Conditions for international investment, including placement of surplus oil funds.

On Raw Materials

-- Financial implications of commodity arrangements;

-- Export earnings stabilization.

On Development

-- Financing of investment projects in the developing countries;

-- Financing of food imports of developing countries and increased agricultural production;

-- Approaches to payments deficits of developing countries.

PREPARATORY MEETING FOR THE
CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION

Paris, 13 October 1975

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P-73 /3-Annex 4

Submitted by: ALGERIA, SAUDI ARABIA, BRASIL, INDIA, IRAN, VENEZUELA and ZAIRE (42)

Original : English

DOCUMENT SUBMITTED BY ALGERIA, SAUDI ARABIA BRASIL, INDIA, IRAN, VENEZUELA AND ZAIRE, IN CONNECTION WITH THE SUBJECTS TO BE DISCUSSED BY THE COMMISSIONS

The delegations of the countries mentioned above recommend that the general guidelines be inspired by the provisions of the Resolution 3362 of the Seventh Special Session of the United Nations General Assembly on "Development and International Economic Cooperation", and also take into account, inter alia, the following :

1.- The Commission on Energy should consider: development and demand of energy, hydro-carbons and other resources, including the protection of the purchasing power of energy export earnings.

2.- The Commission on Raw Materials should consider : development and supply conditions of raw materials in respect of development needs of developing countries, including the revalorization and protection of the purchasing power of developing countries export earnings

3.- The Commission on Development should consider: trade (access to markets for products of developing countries, etc): accelerated industrialization: transfer of technology: development of agriculture: development of infrastructure: problems of supply of food and fertilizers (special attention to devising measures for ensuring adequate supplies of food and fertilizers at reasonable prices to developing countries): special and urgent attention to the question of

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the grave difficulties of MSAC's created by the current economic situation; and the need to increase present assistance to meet their pressing requirements

4.- The Commission on Financial Affairs should consider: relevant aspects of international monetary problems; financial co-operation and investment; and financial flows and investments in industrialized countries, including the problems of long-term investments, the protection of the real value of financial assets, and problems of the international financial markets

15 October 1975

4 EUROPEAN UNION

Background and Progress

1. The decisions taken by the Heads of State or of Government

At the Summit meeting of the Nine in Paris on 19 and 20 October 1972, "The Heads of State or of Government, having set themselves the major objective of transforming, before the end of the present decade and with the fullest respect for the Treaties already signed, the whole complex of the relations of Member States into a European Union, request the Institutions of the Community to draw up a report on this subject before the end of 1975 for submission to a Summit Conference."

At the Summit Conference in Copenhagen on 14 and 15 December 1973 the Heads of State or of Government:

"Decided to speed up the work required to define the European Union which they had set themselves as their major objective at the Paris Summit. They asked the Presidency to make the necessary proposals without delay."

Lastly, at the Summit Conference in Paris on 10 December 1974, the Heads of Government noted that:

"The process of transforming the whole complex of relations between the Member States, in accordance with the decision taken in Paris in October 1972, has already started. They are determined to make further progress in this direction.

In this connection, they consider that the time has come for the Nine to agree as soon as possible on an overall concept of European Union. Consequently, in accordance with the requests made by the Paris meeting of Heads of State or of Government in October 1972, they confirm the importance which they attach to the reports to be made by the Community institutions. They request the European assembly, the Commission and the Court of Justice to bring the submission of their reports forward to before the end of June 1975. They agreed to invite Mr. Tindemans, Prime Minister of the Kingdom of Belgium, to submit a comprehensive report to the Heads of Government before the end of 1975, on the basis of the reports received from the Institutions and of consultations which he is to have with the Governments and with a wide range of public opinion in the Community."

2. Preparation of the reports of the Institutions and progress made by Mr. Tindemans

On 25 June 1974 the Council sent the Governments of the Member States and the other Community Institutions a "questionnaire on setting up European union" prepared by the Permanent Representatives' Committee with the assistance of an ad hoc group of experts from the Member States

The Court of Justice set out its own suggestions on European Union in an internal Community paper sent to the other Institutions on 15 July 1974.

On 26 June 1975 the Commission sent its own report on European Union to the President of the Council. In his covering letter, President Ortoli stressed that "it is by action to meet the challenges which continually arise that the existing Community can develop towards Union by demonstrating its will to go beyond simple coordination and to carry into effect common policies".

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On 10 July 1975 the European Parliament adopted a resolution on European Union "to contribute to the work on European Union and to the drawing up of a summary report by Mr. Léo Tindemans".

At its session on 16 and 17 July 1975, the Economic and Social Committee added further points for the benefit of Mr. Tindemans to the opinion on European Union previously published in March 1974.

Mr. Tindemans' mission has already led him to meet a great many people and in particular taken him on a tour of the capitals of the Member States.

/5/ THE COMMUNITY BUDGET

I. THE BUDGET IN FIGURES

1. Expenditure

2. Revenue

3. The budgetary u.a.

II. BUDGET MANAGEMENT

III. THE BUDGETARY PROCEDURE

Annex: Conclusions of the report by the Budgetary Committee of the European Parliament presented on 10 November 1975

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I. THE BUDGET IN FIGURES

1. Expenditure by sector 1974 - 1975 - 1976

(million units of account)

COMMISSION	1 approps. 1974	2 approps. 1975	3 %	4 1976 prelim. draft	5 %	6 % difference 1976/75	7 1976 draft budget	8 %	9 % difference 1976/75	10 Draft 1976 budget amended by the Eur.Parl.
A. Operating appropriations (*)	238	294	4.65	373	4.6	+ 28	361	4.8	+ 23.7	365
B. Appropriations for intervention										
1. Agricultural sector	3,714	4,567	72.9	5,493	68.1	+ 20.2	5,491	73.6	+ 20.2	5,491
2. Social sector	331	375	5.9	516	6.4	+ 37	413	5.5	+ 9.9	483
3. Regional sector[1]	-	150	2.4	450	5.5	+ 200	300	4	+ 100	450
4. Research-tech.-industry-energy	113	130	2.0	249	3.1	+ 92	136	1.8	+ 3.6	190
5. Development cooperation[2]	387	252	4.0	419	5.2	+ 65	215	2.8	- 16.4	377
C. Reserve for unforeseen expenditure	2.5	3	0.05	5	0.06	+ 66	3	0.04	-	3
D. Reimbursement to the Member States[3]	315	393	6.2	437	5.4	+ 11	427	5.7	+ 8.6	435
Total Commission	5,143	6,167	98.4	7,943	98.4	+ 28.8	7.344	98.3	+ 18.9	7,793
Other Institutions	81	101	1.6	128	1.6	+ 25.9	128	1.7	+ 26.1	128
Grand total	5,224	6,268	100	8,071	100	+ 28.6	7,472	100	+ 19	7,921

Notes

Column 2: including supplementary budgets 1, 2, 3

Column 4: preliminary draft prop.by the Commission

Column 7: Draft adopted by the Council on 29 July '75

Column 10: following vote on 13 November 1975

[1] Appropriations for payment

[2] This item does not include expenditure from the European Development Fund, which is not entered in the Budget

[3] Expenditure on collecting own resources

(*) Personnel, Operational expenses, Information, Aids and Grants

What the Community budget represents

The Community budget represents only 0.57% of the GNP of the nine Member States and 2.04% of the total of the national budgets. The nominal increase in Community expenditure has not resulted in an increase in the relative size of the European budget. In fact, since the enlargement of the Community, the size of the budget has scarcely varied: this underlines the fact that the Community budget shows the static nature of the Community's finances (report by the Committee on Budgets in the European Parliament on 10 November 1975).

Similarly, in spite of the increase, it has undergone expenditure in the agricultural sector - which is by far the largest item in the Community budget - has remained relatively stable, if expressed as a percentage of the GNP of the nine Member States (see "Agricultural Policy" in this memorandum).

Community expenditure and the Community's gross national product

Year	Expenditure in m.u.a.	Expenditure as a % of the Community's gross national product
1971	2,358	0.45
1972	3,292	0.55
1973	4,653	0.56
1974	5,224	0.57

2. Revenue

(a) Financing of the budget - by nature of revenue

Since 1 January 1975 the Community budget should have been financed entirely by the Community's own resources, consisting of all customs duties and agricultural levies and the revenue from the collection of value-added tax, the latter not exceeding 1% of a tax base determined uniformly in all the Member States. As no agreement has been reached on a uniform tax base, it has not yet been possible to apply this provision: consequently the budget is being financed provisionally by contributions from the Member States calcualted on the basis of the relative size of their GNP.

(m.u.a.)

	1975 budget	%	Preliminary draft budget for 1976	%	Draft budget for 1976	%
Own resources (including customs duties)	3,930	62.8	4,374	54.2	4,274	57.2
	(3,400)	(54.3)	(3,637)	(45.1)	(3,537)	(47.3)
Contributions	2,265	36.1	3,621	44.9	3,127	41.8
Sundry revenue	70	1.1	76	0.9	71	1.0
Total	6,265	100	8,071	100	7,472	100

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(b) Participation by the Member States in the financing of the budget
(1976 - figures drawn up on the basis of the preliminary draft budget)

(m.u.a.)

	Relative share	Own Resources	Contributions	Total
Belgium	6.55	267	257	524
Germany	27.57	997	1,208	2,205
France	21.7	640	1,095	1,735
Italy	16.8	638	707	1,345
Luxembourg	0.15	4	8	12
Netherlands	8.37	410	260	670
Denmark	2.0	74	86	160
Ireland	0.51	41	-	41
United Kingdom	16.3	1,303	-	1,303
Total	100	4,374	3,621	7,995

(c) The transitional provisions applicable to the new Member States

The Acts of Accession (Article 127-132) provide for transitional provisions laying down the arrangements for the participation of the new Member States in the financing of the Community budget up to 1977, with certain guarantees being applied up to 1979.

What is involved up to 1977 is basically a "cut-price ticket", i.e. a reduction in the total revenue which those countries should pay in accordance with the normal rules. Thus the own resources and, up to 1975, the financial contributions to be paid by the Member States have been reduced by:

55% in 1973
45% in 1974
32.5% in 1975
20.5% in 1976
2% in 1977

Furthermore, like the Member States of the Community as originally constitued, the new Member States are subject to the cut-off rule which prevents the relative shares of the various Member States from varying excessively (the cut-off which, as indicated above, is ± 2% from 1975 to 1977, was ± 1%-1.5% during the financial years 1971-1974).

Finally, special rules will still apply to the new Member States in 1978 and 1979 to prevent the application of the definitive arrangements from causing an excessively rapid increase in their relative shares.

3. The budgetary unit of account

1 u.a. = 0.88867088 grams of fine gold

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It is converted into national currencies at the exchange rate applied by the IMG.

1 u.a. = Dm 3.66
Fl 3.62
Bfrs/Lfrs 50.0
Lit 625.0
FF 5.55
Dkr 7.5
£ 0.416

II. BUDGET MANAGEMENT

Over the past few years the Governments of the Member States have developed a growing interest in the management of Europe's finances.

The Commission has adopted a number of measures or decisions designed to improve the way in which Community expenditure is planned, affected and monitored, a list of which it has recently drawn up (communication to the Council of 29 October 1975). It has decided to continue its work for improving budgetary procedures.

1. The drawing up of the budget and the terms on which decisions with financial implications are taken

- The concern of the Commission to consider the budgetary year in a longer-term frame of reference has led it to present three-year forecasts together with the preliminary draft budget.

- A major concern of the Commission is how to estimate accurately the financial implications of new measures proposed by the Commission and decided on by the Council. The Commission therefore attaches a financial record sheet to all its proposals. However, no action has yet been taken with regard to the Commission's proposal (18 January 1974) urging the Council, whenever it takes a decision involving new expenditure, "to decide at the same time to allocate the amount of appropriation required..."

- The Commission welcomes any measure designed to render the annual budget estimates more accurate. It has therefore taken numerous decisions in connection with the drawing up of estimates (budgetary teams in the "spending" Directorates-General which affect expenditure - specialised budgetary rapporteurs within the Directorate-General for Budgets - an examination debate on applications for appropriations, etc.). However, the Commission feels that as a forecasting document the budget should include all foreseeable items of expenditure: this implies that the Council must eschew supplementary budgets - except, of course, in the event of unforeseen circumstances arising or entirely new decisions being adopted. Finally, the Commission considers that its proposals (presented in August 1975) that, in the case of measures extending over several years, provision should be made for the appropriations for commitment and for payment to be made available simultaneously, could likewise improve the quality of both the forecasts and the budget management, by preventing the actual cash requirements for the financial year concerned from being overestimated.

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2. Implementation and monitoring of the budget

This is one of the aspects which gives the Governments greater cause for concern: the Commission has paid particular attention to this aspect, as indicated by the number of measures and decisions which it has adopted.

- As regards monitoring the expenditure from and the implementation of the budget within the Commission, the provisions already in force correspond largely to the proposals drawn up by the Governments.

  The Member of the Commission responsible for the Budget must be consulted on any new measure with budgetary implications; he may block its adoption and bring the matter up at a meeting of the Commission where a decision is taken following a majority vote. The same procedure is applied in the event of the implementation of the budget following the delivery of a negative opinion by the Budget Directorate or the refusal of the Financial Controller to grant approval. Thus, no programme of expenditure can be undertaken or extended without the endorsement of the Commission whose role it is to ensure that the cost of the programme has been duly established and that appropriations are available in the budget for this purpose.

- Strengthening of the external audit is currently being carried out.

  The European Court of Audit, the creation of which was proposed by the Commission in October 1973 (and which requires only the ratification by the Member States of the Treaty establishing it for it to begin operating) will play a major role in this connection. In particular, its action will enable the Parliament, its Budget Committee and its Accounts Sub-Committee to assume in a suitable manner the responsibilities incumbent upon them as regards the political control of the budget.

- The fact that 80% of Community expenditure is effected through the through the national authorities requires increased cooperation between the departments of the Commission and the authorities in the Member States responsible for the management and monitoring of Community funds. This is why the Commission set up a Special Committee of Inquiry in October 1973 of which senior officials from the Member States are members. The reports and recommendations produced by this Committee have resulted in numerous measures, aimed in particular at detecting and proceeding against cases of fraud. However, it has not yet been possible to implement some of those measures because of the lack of replies from all the Member States.

  Finally, an increase in on-the-spot inspection, which is urgently required, is not yet possible with the entirely inadequate number of staff available at present.

III. THE BUDGETARY PROCEDURE

The adoption of the budget has from the outset been governed by quite different rules from those governing the adoption of other Community acts.

The original provisions laid down in the Rome Treaty were amended for the first time by the Treaty of 2 January 1971 amending certain budgetary provisions. The new provisions provide for definitive procedure (Article 203) applicable with effect from the financial year 1975 and for a transitional procedure applicable during the preceding financial years (Article 203 a). This implies the application of new arrangements with effect from 1975.

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This procedure was amended by the Council Decisions of 11 February 1975[1] and is now as follows:

1. Preliminary draft budget
   drawn up by the Commission.

2. Draft budget
   drawn up by the Council by a qualified majority and transmitted to the Parliament.

3. First reading by the Parliament
   (a) If the Parliament grants its approval or does not put forward any amendments or proposals for amendments within forty-five days, the budget is deemed finally adopted.

   (b) Amendments and proposals for amendments:

   - compulsory expenditure[2]: the Parliament has no right of amendment but may only propose amendments to the draft budget by a majority of the votes cast;

   - non-compulsory expenditure: the Parliament may vote for amendments by a majority of its members. However, the exercise of its right of amendment is limited by the provisions of Article 203(8) which provides for a maximum rate of increase for this category of expenditure from one year to the next.[3]

4. Second reading by the Council

   The Council delivers its opinion on both the amendments and the proposals for modifications.

   The Council may modify those amendments relating to non-compulsory expenditure, but only by a qualified majority.

   In the case of proposals for modifications relating to compulsory expenditure, a distinction should be made between:

   - proposals not involving any increase in the overall expenditure; to reject such proposals the Council must vote against them by a qualified majority;*

   - proposals involving an increase in the overall expenditure; such proposals must be approved by the Council by a qualified majority.

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[1] These Decisions were adopted after long discussions with the Parliament on the basis of Commission proposals dated 10 October 1975. The amendments made - which are indicated by an asterisk - will enter into force automatically only after they have been ratified by the Member States.

[2] According to Article 203, this is "expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith"... This is the case, for example, of expenditure from the EAGGF. In 1975 compulsory expenditure represented 74% of the Commission budget.

[3] The maximum rate is calculated on the basis of three indices: trend of the Community's gross national product in terms of volume - average variation in the Member States' budgets - trend of the cost of living.

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5. Second reading by the Parliament

At the second reading the Parliament adopts the entire budget. It is therefore the Parliament which formally takes the final decision on the budget. However, when taking this decision there are limits to the modifications which the Parliament can make to the budget:

(a) It may not restore proposals for modifications rejected by the Council (compulsory expenditure);

(b) however, it may - by a majority of its members and three fifths of the votes cast - take a new decision on the amendments rejected by the Council. It therefore has the "last word" in the case of non-compulsory expenditure - but in exercising this power it does not have much room for manoeuvre, the extent of which is subject to complicated provisions and which has given rise to controversy as far as its correct interpretation is concerned. In the case of the 1976 budget this room for manoeuvre represents some 75 m.u.a., i.e. approximately 1% of the total Community budget or 7% of the total non-compulsory expenditure;

(c) finally, the Parliament may reject the entire budget by a majority of its members and two-thirds of the votes cast (and require a new draft budget to be drawn up).

CONCLUSIONS REACHED IN THE REPORT OF THE EUROPEAN PARLIAMENTS' BUDGETARY COMMISSION OF 10.11.1975

Criteria to be met by the budget of the Communities

The budget must provide the Institutions with an outstanding opportunity to draw up a comprehensive, binding, short-term action programme:

- comprehensive, because it must review all sectors of Community life down to their smallest details;
- binding, because it defines a precise financial framework which cannot be exceeded and must be effectively utilized except in special cases;
- short-term, because the achievements can be assessed after the brief period of only one year.

The budget must be a forecasting act which, while enabling current policies to be developed also provides, as far as is possible and reasonable, for the financing of actions to be launched in a particular financial year. It must enable the Institutions to meet all their financial requirements during the year in question so as to avoid successive calls for funds which are disastrous in terms of an orthodox financial policy and give the impression of short-sighted management, causing in addition a regrettable lack of smoothness in the administration of the Communities.

The budget must be a fundamental political act because it is the practical reflection of the Community decisions, commitments and strategy to which it gives their true dimension. In this respect it is the moment of truth at which the Institutions must give practical effect to their statements of intent and translate them into figures; far from being a mere accounting record of the financial implications of current policies, the budget is, therefore, the act which reflects the degree of determination to develop the Communities. In addition, the budget is a pre-condition for Community life whose nature and extent it is largely instrumental in determining.

The budget must be a coherent act; in other words it must reflect an overall resolve to take action centring on a number of priorities; it must not be a heteroclite set of sectoral actions without any links between them.

The budget must be a democratic act, deriving its legitimacy from the parliamentary authorization to raise resources and commit expenditure. In this respect, it is today the privileged instrument by which Parliament can influence the direction of Community action: pending real legislative powers, and following in this respect an altogether classical historical pattern, Parliament makes its voice heard through the budget and provides the necessary democratic legitimacy for Community life.

Criteria to be met by the 1976 budget

The draft budget drawn up by the Council is particularly disappointing to the extent that it reflects a strained attitude and a reluctance to face the economic difficulties encountered by the Member States; this attitude deserves criticism from the dual angle of economic theory and Community action.

A victim of its own indecision and uncertainty, the Council is proposing a budget which merely renews appropriations entered in the previous financial year with the corollary of a deterioration of the agricultural imbalance. This short-sighted policy has led the Council to limit any consolidation of existing actions, to refuse to initiate new actions and to prohibit the Community from specifically reacting to the economic difficulties it is now experiencing.

The 1976 budget should on the contrary allow the Community to face up to the economic crisis while also achieving further integration in the key sectors:

- facing the crisis means providing aid to the worst affected individuals and sectors in order to contribute to their reintegration into the economic circuit. In social terms this means more aid for the handicapped, for migrant workers and for the unemployed: it would be particularly disappointing if on this point the Community budget could not add its contribution to the efforts made at national level and were to seem, in the eyes of the general public, unrelated to the hard economic realities of the present time; in regional terms, it means further aid to the least favoured regions which are the most seriously affected by the crisis. But facing the crisis also requires an awareness of its repercussions on the least developed countries and an increase in Community aid; withdrawal into isolation would be particularly inappropriate on the part of a Europe which professes its faith in world solidarity and has set up ambitious aid mechanisms. Assistance to the developing countries has become part and parcel of the Community's activities and in some measure, conditions its image in the world at large.

- further integration in key sectors of the European economy; the present difficulties bring cruelly home the need for a common energy policy which will enable the Nine to solve jointly the major problems of ensuring their energy supplies. The 1976 budget must also encourage the acceleration of the joint research programmes which exceed national capabilities and are essential to solve the technological problems and enable further economic progress to be made. Finally it must facilitate integration of the industrial structures of the Member States so as to make them more competitive in a particularly difficult world environment.

/6/ STOCKTAKING OF THE COMMON AGRICULTURAL POLICY

Annexes: Adjustment of the Common Agricultural Policy 1973-1978 : P - 58/73

Stocktaking of the Common Agricultural Policy : P - 15/75

Data on the Costs of the Common Agricultural Policy

Simplification of the Agricultural Legislation : P - 68/75

/6/ STOCKTAKING OF THE COMMON AGRICULTURAL POLICY

1. 1973 Memorandum (see p - 58 of November 1973 : Annex 1).

Although the common agricultural policy has been constantly adjusted since its establishment in 1962, the first comprehensive analysis of its merits and defects dates from 31 October 1973. In a Memorandum on the "Improvement of the Common Agricultural Policy" of the same date, the Commission of the European Communities not only put forward a programme of improvements for the period 1973-78, but at the same time drew a series of conclusions regarding the functioning of the policy.

Among the positive points, the Commission noted that, while the world market was undergoing considerable disturbances, the common agricultural policy was introducing an element of stability into the provision of supplies for Community consumers, as regards both quantities and prices, and that it had helped to increase considerably intra- and extra-Community trade, thus offering consumers an increasingly varied choice of foodstuffs. With regards to production, the common agricultural policy had, according to the Commission, helped to speed up structural modernization and increase productivity. The Commission therefore stated that the principles of the policy (prices and markets policy geared to modern undertakings and the market situation) should be retained. A generalized system of direct income subsidies, which would entail higher costs, considerable administrative difficulties and the risk of slowing up structural modernization, did not therefore provide a valid alternative.

The Commission also underlined the need for some improvements in order to correct certain market imbalances, such as the surpluses on the market in milk and milk products. It therefore proposed about thirty-five improvements, including a better scale of guaranteed prices for producers, the introduction of a degree of financial responsibility on the part of producers for milk surpluses, greater flexibility in market administration and many technical adjustments on the different markets. It considered that the improvements proposed for the markets in cereals and milk products could alone help to achieve savings of one thousand million units of account over the period 1973-78.

It may be said that, since then, about half of these savings have been achieved by the adoption of certain proposals by the Council. This achievement was, however, nullified by the consequences of the monetary disturbances, which add to the 1976 agricultural budget alone an amount of more than 500 million units of account, i.e., 10 % of the total budget (5.2 milliard u.a.). This state of affairs indicates that the defects of the common agricultural policy cannot all be attributed to that policy: many of the difficulties are caused by the discrepancy between the high level of integration achieved in the common agricultural policy and the shortcomings in other fields such as economic, monetary, social, fiscal policies, etc.

2. 1975 Stocktaking (see P - 58 of November 1973: Annex 2).

These assessments by the Commission were largely confirmed in the stocktaking of the Common Agricultural Policy which it submitted to the Council of Ministers on 27 February 1975. In view of the growing criticism of the agricultural policy, the Council called for a comprehensive stocktaking when an interim 5 % increase in agricultural prices was adopted on 2 October 1974.

In order to solve the difficulties, the Commission is again urging the need for progress in other spheres of integration and for the rapid and effective application of the measures aimed at the structural modernization of European agriculture. It repeats that prices and markets policy must remain the chief instrument, while accepting the possibility of temporary direct subsidies in specific cases where the existing policies would not enable satisfactory results

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to be obtained within a reasonable time. The other solutions proposed include priority treatment of consumers in the event of surpluses arising - which would entail a greater financial outlay by Member States (consumer subsidies - and a more stable export policy based on long-term delivery contracts.

3. Background to the Stocktaking

Since 2 October 1974, the date on which the Council rquested the Commission to take stock of the CAP, many documents have appeared. Already in November 1974, the Danish Government had published a kind of stocktaking which proposed certain changes. The Government in Bonn followed its example on 15 January 1975 by presenting a document containing its conception of the improvements required. Other contributions to the stocktaking were subsequently published by the Agricultural Committee of the Italian Socialist Party, the Permanent Assembly of the Chambers of Agriculture (Chambres de l'Agriculture) in France, the UIEC (Union of Industries of the European Community), the Confederation of German Farmers and by the CPAO (Committee of Professional Agricultural Organization in the EEC) (and this list is no doubt incomplete). The Parliament delivered its opinion on 17 June and the Economic and Social Committee on 17 July 1975. It should be noted that none of the documents questions the principles of the CAP. The German Government, which, in September 1974, had agreed to an increase in agricultural prices subject, in particular, to the compilation of the stocktaking, confirmed the arguments which the Commission had already advanced in its "Memorandum on the Improvement of the Common Agricultural Policy" (October 1973): a prudent prices policy geared to modern undertakings and the market situation; the idea of making producers help to defray the expenditure resulting from surpluses, the encouragement of structural improvement, technical improvements in different sectors, etc. The Danish Government said that it shared this opinion : the principles must not be changed but improvements must be made, in particular by gradual abolition of monetary compensatory amounts, adoption of a longer-term export policy and introduction of technical changes for certain products.

The position adopted by the European Parliament and the Economic and Social Committee reflect, among the many comments and suggestions for improvements, the fact that both institutions regret that the Council has not taken sufficient action on the proposals formulated by the Commission in its Memorandum of October 1973. They agree with all those who wish to maintain the principles of the CAP and subscribe to most of the ideas expressed by the Commission in its stocktaking.

They underline, however, the need for a kind of planning by the fixing of overall objectives for agricultural production.

4. Discussions of the Council of Ministers for Agriculture concerning the Stocktaking

After holding two meetings given over mainly to the Commission's Stocktaking of the Common Agricultural Policy, the Council of Ministers for Agriculture formulated, on 11 November 1975, a document for the European Council of Rome on 1 and 2 December.

On the whole, the Ministers for Agriculture share the opinions of the Commission, although there are still certain differences of opinion between the national delegations, particularly as regards the means of solving the structural surpluses, the comparability of the guarantees given to producers in different sectors and the amendment or strengthening of the policy on structures. The points on which there is agreement include the rejection of the general application of direct income subsidies and of a ceiling for EAGGF expenditure.

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5. Frequent criticisms: surpluses, cost, complexity

The Commission replied to each of these criticisms in its Stocktaking or in subsequent documents, either by making proposals for improvements (surpluses) or by rejecting the criticism (cost, complexity).

Surpluses: Proposals have been made concerning the sectors where imbalances now exist, i.e. milk, wine, beef and veal. As regards milk the Commission has provided for the introduction of financial contributions by the producers to costs arising from surpluses. In the wine sector the Commission has proposed amendments to the basic regulation which provide in particular for a strict control of quantities and qualities produced. Finally, with regard to the beef and veal sector, the Commission has suggested a more flexible intervention system and that production be steered along better lines.

Costs: The Commission emphasized that :

- expenditure by the Eurpean Agricultural Guidance and Guarantee Fund amounts to less than 0.4 % of gross national product (see Annex 3, point 1),
- the rise in expenditure is partly due to inflation (see Annex 3, point 1),
- the cost of the common agricultural policy only amounts on average to 2 % of all expenditure on foodstuffs (see Annex 2, point 6),
- each 1 % increase in guaranteed prices gives rise to an increase of only 0.2 % in retail prices (see Annex 2, point 9),
- at times of disturbed world agricultural markets Community consumers paid considerably less for some products (sugar, cereal products, fats), thanks to the common agricultural policy, than consumers in other countries such as the United States and Japan (Annex 3, point 2),
- frauds against the EAGGF between 1970 and 1974 amounted only to 0.12 % of total expenditure and over half of the amounts wrongly paid have been subsequently recovered (see Annex 3, point 3).

Complexity: Numerous initiatives have been taken by the Commission to simplify application of the rules governing the common agricultural policy (consolidations, simplification of customs nomenclatures, etc.). In a communication to the Council of Ministers the Commission emphasized, however, that there were limits to the process of simplification, in particular with regard to the number of regulations, the frequency of amendments to the regulations and the complexity of nomenclatures (see P - 68 of November 1975: Annex 4).

On page 3 under "Costs" please replace the text after the fourth dash with the following:

- In theory, any 10 % increase in the guarantee price has a 2 % increase effect on consumer prices (see Annex 2, point 9). The actual effect is, however, much less. In 1975 the effect of an average guarantee price increase of 10.2 % was around 0.7 %.

Please also insert in the same section between the second and third dashes the following text:

- EAGGF payments also include substantial sums which are not attributable to the Common Agricultural Policy but to monetary problems. So that in the 1976 EAGGF budget of 5.2 thousand million u.a., more than 10 % (i.e. 526 million u.a.) is concerned with monetary payments. In the 1975 budget this percentage was even higher: more than 13 % of a total budget of 4.6 thousand million u.a., i.e. about 600 million u.a..

KOMMISSION DER EUROPÄISCHEN GEMEINSCHAFTEN
COMMISSION OF THE EUROPEAN COMMUNITIES - COMMISSION DES COMMUNAUTES EUROPEENNES -
COMMISSIONE DELLE COMUNITÀ EUROPEE - COMMISSIE VAN DE EUROPESE GEMEENSCHAPPEN

P - 58

(61)

TALSMANDENS GRUPPE
SPRECHERGRUPPE
SPOKESMAN'S GROUP
GROUPE DU PORTE-PAROLE
GRUPPO DEL PORTAVOCE
BUREAU VAN DE WOORDVOERDER

INFORMATION
INFORMATORISCHE AUFZEICHNUNG
INFORMATION MEMO

NOTE D'INFORMATION
NOTA D'INFORMAZIONE
TER DOCUMENTIE

Brussels, November 1973

ADJUSTMENT OF THE COMMON AGRICULTURAL POLICY 1973 - 1978

The European Commission has just submitted to the Council a Memorandum containing a programme of adjustments to the common agricultural policy for the period 1973/1978. The purpose of this programme is to achieve a better price and markets policy, to strengthen and supplement the socio-structural policy and to support the efforts in these two areas through practical achievements in other common policy fields. In addition, the Commission proposes to expand the contribution which the common agricultural policy can make in other areas such as the protection of consumers and of the environment.

While recognizing the validity of certain criticisms of the common agricultural policy, the Commission emphasizes its great advantages, alike for producers and consumers. The common agricultural policy has a very large increase in the intra-Community and extra-Community trade brought about in agricultural products, thus providing consumers with a wide choice of foodstuffs which has grown considerably in the last few years. Through intervention measures at the external frontiers the common agricultural policy has introduced an element of stability into the internal market, which has been clearly illustrated by the latest disturbance on the world market. It has also helped to expedite improvements in the structure of European agriculture which have been associated with a steady increase in productivity.

It is true that the common agricultural policy has not been able to solve all the problems of European agriculture, such as differences in earnings and imbalances on certain agricultural markets. The Commission considers, however, that it would be unfair to attribute these de facto to the common agricultural policy alone. These problems can only be solved by giving effect to series of coordinated Community measures relative in particular to economic and monetary policy, regional policy and social policy. The Commission lays particular stress on the principal objective of dismantling the monetary compensatory amounts between now and 31 December 1977, and also on the necessity of setting up the Regional Development Fund before 31 December 1973 and of taking certain other measures, in the social and fiscal fields, in the near future.

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PRICE AND MARKETS POLICY

The Commission considers that the price and markets policy, based on modern farms, must remain the principal instrument of the common agricultural policy. Nevertheless, an improvement in this policy is necessary in the light of experience. The amendments proposed by the Commission in which better price relationships, a certain financial responsibility on the part of producers, and more flexibility are important features, will enable considerable savings to be made in the Guarantee Section of the EAGGF, particularly in the cereals sector (580 million u.a.) and the milk products sector (470 million u.a.). They should also lead to a reduction of the imbalances on certain agricultural markets and the simplification of some of the mechanisms of the common organzation of markets. (The measures proposed by the Commission for each of the agricultural sectors are set out in the annex.)

As regards the Council's annual decision on agricultural prices, the Commission is of the opinion that these ought to be based more on an assessment of objective criteria. The Commission will increasingly base its price proposals on modern farms and on the market situation. The Commission has reached the conclusion that a more or less general system of direct aids to farm income does not offer a valid alternative. Such a system would be liable to put a brake on structural developments, to create administrative difficulties in the majority of Member States and to be too heavy a burden on national budgets. The Commission considers that a fair and appropriate increase in farm incomes could be ensured through the series of measures already initiated in the socio-structural area, the further measures under discussion at Council level and thoseproposed in the Memorandum.

STRUCTURAL POLICY

While underlining the complementary nature of the price and markets policy and the structural policy, the Commission proposes to supplement the existing provisions (socio-structural directives adopted by the Council in 1972) and its current proposals (hill-farming and farming in certain less favoured areas, measures in favour of agricultural priority regions). At the end of 1973 it will therefore prepare a proposed directive concerning the encouragement of forestry measures.

At the beginning of 1974, the Commission also intends to supplement its proposal on producer groupings by a proposal for joint action to promote and rationalize the marketing and processing of agricultural products.

PROTECTION OF CONSUMERS AND THE ENVIRONMENT

While stressing the positive aspects of the common agricultural policy for consumers and the advantages for them in the measures described in the Memorandum, the Commission proposes that high quality crops should be encouraged and their effective supervision organized. As part of a coordinated programme of agricultural research the Commission proposes that research should be undertaken on the effects of the consumption of different fats on human health.

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As regards protection of the environment, the Commission recalls that in July 1973 the Council adopted an action programme on the environment which inter alia provides for measures relating to the development of cropping and stock rearing techniques not harmful to the environment and t to the protection of certain animal species, particularly migrating birds. Finally, the proposals regarding hill-farming and forestry which the Commission is soon to make should also be seen in the context of the protection of the environment.

ANNEX

MEASURES PROPOSED WITH REGARD TO THE PRICE AND MARKETS POLICY

MILK AND MILK PRODUCTS

1.- Introduction of a temporary contribution collected at producer level and not passed on to the consumer. The contribution would be related to the size of surpluses and could reach a maximum of 2% of the target price for milk. The revenue accruing from this contribution would be used in consultation with the appropriate trade interests, to finance measures to promote the sale of milk products, and in particular butter, on the internal market.
Each farm would have exemption on 10,000 litres of milk delivered to the dairy. An additional contribution would be levied on dairies delivering for intervention more than a certain percentage, to be determined.

2.- Reduction of the intervention price for butter from 176 u.a./100 kg to 153.35 u.a./100 kg. Increase of the intervention price for skimmed milk powder from 66 u.a./100 kg to 76.80 u.a./100 kg. In this way the fat/milk protein price ratio would be fixed at 50/50 (at present 58/42).

3.- Exclusive use of butterfat in milk products and in food ices.

4.- Reduction of support for farm butter.

5.- Technical adjustments to make for more flexible management of the market.

- The Commission considers that these measures would offset the drop in butter consumption and would temporarily discourage butter production. The savings for the EAGGF at the end of the adjustment period may be estimated at 470 million u.a.

BEEF AND VEAL

1.- Abolition of guide price for calves.

2.- Simplification of import system by substituting a single import charge for "customs duties plus levies differentiated according to cut". This charge would be related to market prices.

3.- Strengthening of measures to promote beef and veal production.

MUTTON AND LAMB

1.- Introduction of a market organization including : the abolition of all quantitative restrictions, the application of the rules of competition and the introduction of degressive compensatory amounts between the United Kingdom and Ireland on the one hand and the other Member States on the other hand.

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2.- Subsequently, review of the trade arrangements with non-member countries, in the light of the Community's international obligations.

3.- Guidance measures to encourage mutton and lamb production.

CEREALS

1.- Gradual introduction of a better price structure by means of a temporary standstill in the price of wheat and a relative increase in barley and maize prices.

2.- Gradual abolition of the denaturing system. Where appropriate, introduction of exceptional measures facilitating the use of wheat as fodder.

3.- Replacement of regionalized intervention prices by a system of single intervention prices for common wheat and barley.

4.- Abolition of intervention measures for cereals of inferior quality.

5.- Adjustment of the production refunds system (starches, etc.)

6.- Implementation of a comprehensive coordinated storage policy based on common wheat.

7.- Technical adjustments to make for more flexible management of the market.

According to the Commission's estimates, these measures, which would contribute to a better balanced cereals market, would enable savings to be made in the EAGGF sector of the order of 580 million u.a. at the end of the adjustment period.

PROTEINS

1.- Encouragement of sunflower production by increasing the sunflower price relative to the price of colza.

2.- Extension to soya seed of the support system, applies to colza seed and sunflower seed, without however altering the present arrangements for soya.

3.- Encouragement of the dehydration of forage plants such as lucerne.

4.- Reduction of the price of selected leguminous forage seed such as peas and field beans.

5.- Institution of a research programme to develop new seed varieties, in particular of field beans and of cereals with a high protein content.

6.- Use of urea feed by all Member States.

7.- Study of other techniques for protein production.

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OILSEEDS

1.- Review of price regionalization with a view to the abolition of additional aid for colza seed processed in Italy.

2.- Establishment of a programme of research and distribution of selected colza seed. From the 1976/77 year, aid would be granted only to colza produced from selected seed.

OLIVE OIL

1.- Adjustment of the calculation of aid, taking more account of the development of the market.

2.- Strengthening, from the 1974/75 year, of aid supervision.

WINE

Introduction of the possibility of distilling wine during the first two months of the season, on the basis of a purchase price situated between 50 and 60% of the guide price.

POTATOES

Establishment of a common organization of markets including the application of the rules of competition and the introduction of quality standards.

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TER DOCUMENTIE

Brussels, February 1975

STOCKTAKING OF THE COMMON AGRICULTURAL POLICY

The Commission of the European Communities has just completed the stocktaking requested by the Council of Ministers on 2 October 1974. In this document the Commission examines to what extent the policy pursued has helped to achieve the objectives specified for agriculture in the Treaty of Rome. As regards security of supply, the guarantee of reasonable prices to the consumer, the stabilization of markets and increased productivity in agriculture, the Commission concludes that the common agricultural policy has, on the whole, worked well. This policy has not, however, been able to prevent short-term imbalances on certain markets such as that for beef and veal or the development of a structural surplus in the milk sector. Although agricultural incomes have increased considerably, the late start made on a true socio-structural policy has meant that agricultural incomes still lag behind those in other economic sectors and is a cause of income disparities within agriculture itself. Many difficulties result from the failure to achieve complete implementation of the single market for agricultural products. Another handicap has been insufficient correlation between agricultural policy on the one hand and regional, fiscal and social policies on the other, these latter still being relatively undeveloped at Community level.

While making a number of recommendations on how existing weaknesses could be remedied, the Commission stresses that the instrument of guaranteed prices as applied in the past should remain the cornerstone of the common agricultural policy. Such prices should be determined for modern farms and should take into account the situation on the markets for the various products. Here as elsewhere, the Commission can refer to the proposals already submitted to the Council of Ministers in October 1973 in the form of the "Memorandum on the Improvement of Agricultural Policy". The stocktaking contains some new points concerning joint responsibility of milk producers, subsidies to consumers, the use of direct aids and a policy for exports involving the conclusion of contracts over a longer term.

Assessment of the policy in the light of its objectives and the proposed improvements.

The Commission considers that, far from being a static policy, the common agricultural policy has, on the whole, been successfully adjusted, consistently with its objectives, to the economic and social development of the Community. The objectives pursued under the Treaty are: the extension of the common market to agriculture and trade in agricultural products, increased productivity, a fair standard of living for the agricultural community, reasonable prices for consumers, the harmonious development of world trade, a contribution towards the solution of the problem of world hunger and, lastly, the protection of the environment.

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1. The Common Market

Apart from the removal of all barriers to trade, this objective is also concerned with specialisation in the various agricultural regions with a view to a better division of labour and the economic advantages which this can bring. Although intra-Community trade has greatly developed, specialization has only been achieved to a limited extent. This lack of progress is due to the late start made on the structural policy, the maintenance of excessively high guaranteed prices or unsatisfactory price relationships in certain sectors, insufficient removal of technical barriers and distortions of competion arising from national legislation and the maintenance of production quotas in the sugar sector. The greatest obstacle consists in the monetary compensatory amounts, which lead to different price levels from one Member State to another and create distortions of competition which are incompatible with the Common Market. The lack of complete unity of markets tends to thwart efforts to achieve the other objectives specified in the Treaty of Rome.

Proposed improvements

As regards compensatory amounts, the Commission has announced proposals to eliminate distortions of competition. The Commission is of the opinion that such amounts may only serve as an instrument to prevent short-term monetary fluctuations being immediately refelcted in agricultural prices expressed in national currencies.

As regards State aid, the Commission intends to outline the requirements to be satisfied. Aid satisfying such requirements may undergo a simplified control procedure or may even be exempt from the conditions concerning prior notification of the Commission. Where agreements and dominant positions threaten to affect intra-Community trade in agricultural products (e.g. sugar, fertilizer) such instances will be given priority consideration by the Commission. Measures relating to energy supplies for agriculture will be continued (harmonization of duties on petroleum products, coherence and transparency of prices) or expanded (natural gas, production under glass).

2. Increased productivity

Although the increase in productivity in agriculture was greater than in any other economic sector, further progress could still be achieved. Only a dynamic improvement of agricultural structures can contribute to the achievement of this objective.

Proposed improvements

The Commission is urging Member States, therefore, to implement without delay the existing directives concerning the improvement of structures and the special arrangements for hill-farming and farming in other less favoured areas.

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The Commission stresses how important it is that its proposals concerning producer organisations, young farmers and forestry should be quickly adopted. A new proposal concerning improvements in processing and marketing will shortly be submitted to the Council of Ministers, while the Commission also intends to propose the expansion and intensification of Community measures relating to vocational training, the lack of which is a frequent cause of low productivity.

3. Fair standard of living for producers

Between 1964 and 1973 agricultural incomes greatly increased, without however drawing level with incomes in other economic sectors. The Commission also notes that disparities in income from one country to another and from one region to another still persist. Generally speaking, increased disparity has meant that regions with an inadequate agricultural structure have lagged even further behind. Only limited improvement in the distribution of agricultural incomes can be achieved through the price policy alone, since important factors such as national legislation on social and fiscal matters are outside the scope of the common agricultural policy. Another adverse factor consists in the great diversity of structural situations and the delay in implementing a socio-structural policy at Community level.

Proposed improvements

Apart from the immediate and full implementation of the structural directives, which the Commission has particularly urged on the Member States, the improvements which the Commission recommends in other fields (common market, productivity, market stability) should have a positive effect on agricultural incomes. The Commission does not, however, rule out that, in specific and well-defined cases and within reasonable budgetary limits, temporary direct aid measures may be necessary, in addition to those already applied under the common agricultural policy. This could be the case when the instrument of the market and price policy and the socio-structural and regional policies do not enable satisfactory results to be obtained within a reasonable time.

4. Stability of markets

A certain instability is inherent in agriculture and fluctuations in production are inevitable. Apart from the structural surplus which persists in the milk sector, the common agricultural policy has, however, obtained satisfactory results on the whole. Between 1968 and 1974, for example, market prices in the Community showed much smaller fluctuations than prices on the world market and in the United States. For cereals, for example, the average fluctuation was 3% in the Community, 11% on the world market and 13% in the United States.

Proposed improvements

If, in spite of a prudent price policy geared to the modern farm and sensitive to market situations, surpluses were to occur, consumers in the Community should be the first to benefit, for example, through the mechanism of consumer subsidies. Since such aid measures are costly, however, Member States intending to implement these measures should provide any sums in excess of the expenditure which would result from the application of the traditional means used in the past to dispose of surpluses.

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COST FACTORS OF COMMON AGRICULTURAL POLICY

1. EAGGF expenditure

Total EAGGF (Guarantee and Guidance) expenditure rose from 2,888 million u.a. in 1970 to 1,998.5 million u.a. in 1971, 2,614 million u.a. in 1972, 4,140 million u.a. in 1973 and 3,432 million u.a. in 1974. The estimated figures for 1975 and 1976 are 5,044 million u.a. and 5,493 million u.a. To judge these figures correctly, it should be realised, as the Commission recently pointed out in its reply to written question No 741/74 by Lord O'Hagan, a member of the European Parliament, that they incorporate the effects of inflation and thus give a distorted picture of the rise in expenditure. Expressed in constant 1970 prices (thereby eliminating inflationary effects since 1970) EAGGF expenditure was 2,888 million u.a. in 1970, 1,873 million u.a. in 1971, 2,307 million u.a. in 1972, 3,374 million u.a. in 1973 and about 2,620 million u.a. in 1974. (The correction for 1975 and 1976 has not yet been made.) It should also be borne in mind that the expenditure for 1973 and 1974 related no longer to six Member States but to the enlarged Community of nine. The figures show that in real terms, expenditure in 1974 was lower than in 1970 in spite of the enlargement of the Community. The same conclusion can be drawn from the percentage of Community gross national product that goes on EAGGF expenditure: 0.61 % in 1970, 0.38 % in 1971, 0.44 % in 1972, 0.50 % in 1973 and 0.37 % in 1974, 1975 and 1976.

2. Stability of Community prices as compared with world prices

During the agricultural year 1973/74 several agricultural products were less expensive in the Community than on world markets. Towards mid-November 1974 world prices for the more important cereals were 30-40 % higher, and prices for olive oil 70 % higher than intervention prices, whereas the price for white sugar on the world market was almost five times the Community intervention price.

Taking sugar alone, the stabilizing effect of the common agricultural policy was of considerable benefit to Community consumers. In the period June 1974 to May 1975 the Community consumer was protected from the rises on the world market and paid for each ton of sugar about 341 u.a. less than the American consumer, who was subjected to these rises. Taking the Community sugar consumption at 10 million tons, the total benefits or advantages secured, if one considers the prices for sugar paid by United States consumers, amount to 3.41 milliard u.a.; this was the equivalent of the average of EAGGF budgets during the period 1970 - 1975. Although more difficult to quantify, there were also considerable advantages with regard to the more important cereals, oilseeds and olive oil.

In the meantime the fluctuations on world markets have subsided to some extent and there has been a drop in prices. During the agricultural year 1974/75 average prices for sugar, rice, oilseeds and olive oil were, however, lower in the Community than on the world market, whereas average prices for cereals were only slightly higher in the Community than elsewhere.

3. Irregularities detected between 1971 and the first quarter of 1975

During the period from 1971 to the first quarter of 1975 the total of the amounts wrongfully paid out by the EAGGF due to irregularities was 16.39 million u.a., i.e. 0.12 % of the total expenditure made during the same period (about 13,446 million u.a.). Subsequently 10.13 million u.a. have been recovered and recovery is under way for the remainder. The irregularities not so far corrected thus amount to 6.26 million u.a., i.e., 0.05 % of total EAGGF expenditure during that period.

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Most of the irregularities have been at the expense of the Guarantee Section of the EAGGF (market support). These related to 15.86 million u.a., of which 62 % or 9.88 million u.a. have been recovered. In the Guidance Section (improvement of agricultural structures), again during the period 1971 to the first quarter of 1975, irregularities were discovered relating to 0.53 million u.a., of which 48 % or 0.25 million u.a. have so far been recovered.

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Brussels, November 1975

SIMPLIFICATION OF THE AGRICULTURAL LEGISLATION

In a communication just forwarded to the Council of Ministers and the European Parliament, the Commission examines to what extent the common agricultural policy may be simplified in order to make its application by the national authorities (customs and excise, etc.) more straightforward. It believes that, apart from the amendments already made, this simplification is both possible and desirable for a considerable number of the measures and procedures. For this purpose, it will put forward the necessary proposals and take the decisions which it is competent to take. Other amendments, on the other hand, are proving difficult or even impossible, at least insofar as one wishes to preserve sufficient clarity and command and to avoid an increase in the European Agricultural Guidance and Guarantee Fund (EAGGF) expenditure.

In setting out its conclusions, the Commission asks the Council and the Member States to note the problems arising and to support the simplification project which it has undertaken or plans to undertake later. Consequently, it is forwarding a proposal for a resolution in which the Council would undertake to fix a period of at least a week between the date of a decision being made and the date of its being put into effect. This period ought to allow the national authorities and anyone else involved (manufacturer, trader, etc.) to take note of the decisions made and to comply with them. ~~In this proposal~~ for a resolution, the Commission also urges on the Member States the need to strive for a better coordination between all the national departments involved and especially with the customs and excise departments. This would avoid a situation where the customs authorities of a country make complaints about complications arising from the express requirement of other authorities in the same country. The Commission is asking, in fact, to be granted the minimum time needed to apply the Council's decisions.

The Commission project in the area of agricultural simplification will be carried out at two levels, namely:

- measures necessary to ensure greater reliability of the regulations themselves and to make them easier to apply by making them clearer, by codifying them, by adopting in the areas where this appears desirable and possible, joint legislation for the various sectors which would replace the various regulations applying to individual sectors, by simplifying the procedures relating to periodic actions and by attempting to simplify the nomenclature of agricultural products;
- working procedures, by fostering greater involvement of staff representatives who will be called upon to apply the legislation when proposals and decisions are being drawn up, by ensuring that the drafts are submitted to the experts in time for them to examine them effectively and by arranging reasonable periods between the date of publication of the legislation and its entry into force, except in cases justified by over-riding economic considerations.

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Of the comments and suggestions for amendments in the Commission's communication to the Council dealing with the various technical aspects of the agricultural legislation, whether of a general nature or connected with the various sectors (cereals, wine, fruit and vegetables, oils and fats, processed products), the following points may be borne in mind:

1. Number of agricultural rules: Faced with the criticisms which arise against the excessive number of agricultural rules, the Commission underlines the fundamental importance of referring to the regulations in administering the common agricultural policy. According to the Commission, this principle cannot be called into question again. Thanks to its mandatory publication in the Official Journal and its direct applicability, the regulation represents a contribution towards clarification and simplification for those involved. In many cases, reference to the regulations is imposed by the Treaty anyway. The Commission is finding out in which cases technical arrangements, fixing of market prices of recovery of levies, refunds, etc. which have remained unchanged, might perhaps no longer be subject to publication in regulation form. It recalls the considerable amount of work already achieved on the subject of codification of the agricultural legislation (new publications of basic legislation and main regulations of application taking into account all the amendments which have been made since the first publication). Proposals for codification have been submitted to the Council in pigmeat, eggs, poultrymeat and cereals sector. The basic legislation on fruit and vegetables has already been codified and a proposal on rice will shortly be forwarded to the Council. In addition, the Commission, which intends actively to pursue its work, has already codified the legislation common to the various sectors in the area of refunds and export, import and advance-fixing certificates.

2. Frequency of amendments to legislation: As far as modifications to that agricultural legislation are concerned whose frequency of amendment has also been criticized, the Commission finds that the agricultural markets are particularly unstable and that the legislation is only anticipating or keeping up with the market development.

3. Nomenclature complexity: As far as the complexity of Common Customs Tariff Nomenclature is concerned, the Commission is continuing its efforts at improvement (revising the definitions of certain goods, removing certain sub-divisions). It emphasizes, however, the restrictions put upon this action: some sub-divisions have been created at the request of the Member States while other complex aspects are due to internal negotiations and are subject to binding GATT agreements. The Commission points out also its proposals for an improvement and a simplification of the import arrangements for beef, proposals which the Council was not able to adopt.

   The same situation occurs for the nomenclature relating to the fixing of export refunds. The sub-divisions, frequently requested by the Member States themselves, do not serve a theoretical purpose; they are necessary, for example, to avoid payment of unwarranted refunds. Any other system would also run the risk of being more complicated and less fair in application.

The Communication contains the result of simplification work also announced in the stock-taking Common Agricultural Policy forwarded by the Commission to the Council on 27 February 1975 and also in its programme 3 March 1975 aimed at simplifying the Community customs and agricultural provisions. It takes into account the comments made by the Federal Republic in its Memorandum of 20 June 1974, suggesting a number of amendments by the Directors General of Customs and Excise in the Member States and by the participants at a colloquium on Community agricultural legislation organized by the Commission and held in Brussels on 24-27 September 1974.

/8/ THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

The Community is in the throes of the worst recession since the war. Great efforts will have to be made if the short-term difficulties and the structural problems, with their social implications, are to be properly dealt with. The political authorities, the unions, the employers and other forces in society must all work together towards this goal. Economic recovery, the fight against inflation and the restructuring of the economy can only be successfully carried through if governments coordinate their actions at Community level.

1. On 17 July 1975, the European Council, meeting in Brussels, instructed the Finance Ministers' Council to ensure that the Member States pursued concerted economic and financial policies and that measures taken to revive economic activity were coordinated with those of the other industrialised nations of the West.

On 23 July 1975, the Commission, acting under Article 155 of the EEC Treaty, issued a recommendation to the Member States to introduce economic recovery measures coordinated in respect both of content and of timing.

On 24 August, the Conference of Finance Ministers, meeting in Venice, decided that it was time to implement such measures. It was felt that if Member States were to announce their measures simultaneously, this would have a positive psychological effect on the business climate.

In the following weeks almost all the Member States announced programmes to boost economic activity (Denmark on 28 August, Germany on 27 August, France on 4 September, Italy on 8 August, the Netherlands on 16 September; in Belgium and Luxemburg the necessary formalities have not yet been completed).

On 17 November, the day after the Rambouillet Summit, the Finance Ministers meeting in the Council approved the Annual Report on the Economic Situation in the Community and adopted the economic policy guidelines for 1976. This policy framework will be submitted to the national Parliaments.

The Member States thus reaffirmed their view that further measures to spur on the economies are not necessary at present but that on the other hand, measures the impact of which can be reversed at short notice should be prepared because of the danger of a fresh bout of inflation.

The Economics and Finance Ministers invited the Commission to prepare a summary report on current economic trends, to be laid before the Heads of State and Government at the European Council. A combination of various factors should be sufficient to ensure that the downturn, which has now lost virtually all all its momentum, gives way to a moderate recovery. There are still no reliable indications, however, as to the scale or duration of the recovery. The Member States must therefore maintain their present budgetary and monetary policies while monitoring carefully the trend of inflation rates and be ready to take any necessary corrective action. It is vital in this critical phase to bring home to the authorities and the various social groups the collective responsibility they bear and that they should be induced to cooperate in constructive and concerted action.

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2. The number of unemployed in the Community has already reached 5 million and may continue to rise in some Member States in 1976. More than 4.5% of the labour force are out of work and almost a third of these are school- and university-leavers and other young people. There is also 1.5 million workers on short time and thousands of foreign workers have had to return to their homes outside the Community.

These developments pose a threat to the very foundations of democratic states and the dangers for society, particularly as a result of the disappointment felt by young people, should not be underestimated.

On 17 July 1975, the European Council agreed to the suggestion that Ministers of Economic Affairs and Social Affairs, employers' and trade union representatives should get together at a Tripartite Conference. The Commission was asked to prepare a working document for the Conference.

On 22 October the Commission accordingly prepared for the participants and published facts and figures on the economic situation, the immediate outlook and the approaches to the crisis adopted by the authorities, the unions and industry.

At the Tripartite Conference held on 18 November all sides agreed in their assessment of the crisis and on the need to try to achieve solidarity in tackling the problems before them. The Conference was almost unanimous in rejecting protectionism as a means of dealing with the recession. The Commission believes that the climate of understanding in which the Conference was held is particularly significant and has every hope that cooperation will prevail in attempts to solve the current difficulties.

The Commission is to inform the European Council of the results of the Tripartite Conference: the participants acknowledged the existence of certain structural shortcomings alongside short-term economic difficulties. Speakers attached particular importance to investment policy as a means of providing more jobs. The Commission will study in detail the various points raised at the Conference and make any appropriate proposals. It will also try to ensure that the two sides of industry are more closely involved, within the present institutional framework, in work on the preparation of economic and social measures.