

EUROPEAN PARLIAMENT

Working Documents

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8 January 1982

DOCUMENT 1-846/81

REPORT

drawn up on behalf of the Committee on Budgetary Control

on exports of Community agricultural products to the
USSR and the state-trading countries

Rapporteur: Mr H. AIGNER

The European Parliament referred the following motions for resolutions to the Committee on Budgetary Control, pursuant to Rule 47 of its Rules of Procedure, on the dates indicated:

- the motion for a resolution tabled by Mr TYRRELL and others (Doc. 1-207/80) on 16 June 1980,
- the motion for a resolution tabled by Mr AIGNER and others (Doc. 1-246/80) on 10 July 1980,
- the motion for a resolution tabled by Mr De CLERCQ and others (Doc. 1-609/80) on 21 November 1980,
- the motion for a resolution tabled by Mr HORD and others (Doc. 1-908/80) on 13 February 1981.

After considering these motions for resolutions at its meetings of 16/18 February 1981, 17/18 March 1981 and 22/23 April 1981, the Committee on Budgetary Control appointed Mr AIGNER rapporteur on 4 May 1981.

The committee considered the draft report at its meetings of 9/10 November 1981 and 23/24/25 November 1981.

At the latter meeting it adopted the draft report unanimously with 3 abstentions.

Present: Mr Aigner, chairman and rapporteur; Mrs Boserup, vice-chairman; Mr Alber, Mr Antoniozzi, Mr Battersby, Mr Forth, Mr Gabert, Mr Gouthier, Mr Irmer, Mr Kellett-Bowman, Mr Key, Mr Patterson (deputizing for Mr Price), Mr Saby and Mr Simonnet.

The opinion of the Committee on Agriculture is attached.

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A

The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on exports of Community agricultural products to the USSR and the state-trading countries.

The European Parliament,

- having regard to the fact that the agricultural policy provided for in the EEC Treaty also takes account of the principles of the market economy;
- having regard to the resolutions referred to the Committee on Budgetary Control pursuant to Rule 47 of the Rules of Procedure:

Doc. 1-207/80

Doc. 1-246/80

Doc. 1-609/80

Doc. 1-908/80

- having regard to the report by the Committee on Budgetary Control and the opinion of the Committee on Agriculture (Doc. 1-846/81),
 - (a) in view of Parliament's responsibility towards Europe's taxpayers and its concern for tight and efficient management of the budget,
 - (b) whereas the amounts involved can exceed 1,000 million ECU annually,
 - (c) whereas over the last few years there has been no common approach to agricultural exports to state-trading countries and whereas traders exploit the positions of monopoly or monopsony which they often enjoy to influence the market and the EAGGF mechanisms at the expense of the Community budget,
 - (d) whereas the commercial practices of certain state-trading countries are determined not so much by the food supply requirements of the moment as by considerations unconnected with those requirements,
 - (e) whereas this situation has had an adverse effect on the Community budget, on the credibility of the common agricultural policy and on public opinion,
 - (f) whereas in recent months the Commission was forced by pressure from the European Parliament to play an active role in the organization of the world market, which led to considerable savings for the Community budget,

1. Takes the view that the Community must develop a consistent policy towards exporters of agricultural products to state-trading countries and must take particular care to ensure that the mechanisms of the CAP are not distorted to the detriment of the Community budget by the monopolist position which these traders enjoy with regard to demand and delivery;
2. Admits that these exports represent an important outlet for Community products but points out that more efficient and consistent management of such exports (especially a type of management geared towards continuity of market supply) would enable the Community to export on terms which, without jeopardizing this outlet, would serve its interests better;
3. Recommends that the Community introduce a genuine policy for exports of agricultural products to state-trading countries based on better planning and more complete information; this policy should aim - for example through agreements with major producer countries - at a more regular flow of exports of Community products, fairer terms of trade and sound budgetary management;
4. Considers it necessary therefore to adapt and supplement the provisions of the EAGGF, Guarantee Section, taking into account the particular characteristics of trade with the state-trading countries, so that the principles of the CAP can be upheld without the Community budget being adversely affected;
5. Proposes in particular that the provisions concerning the differentiation of exports according to country of destination should be maintained and their scope widened, and that, where applicable, they should again be fully enforced, with a view to facilitating budgetary control;
6. Takes the view that the provisions in force concerning the advance fixing of export refunds are not appropriate to trade with state-trading countries;
7. Proposes that the Commission create a department to administer trade in agricultural products with state-trading countries and draw up medium-term plans for such trade; it could thus enable EAGGF management to be geared to the particular characteristics of trade with these countries; the short-term function of the department would be to implement the contents of this resolution;
8. Takes the view that the Commission should have greater powers of control over the activities of the national intervention agencies and should make use of the possibilities offered by data processing to gain accurate and up-to-date information about the behaviour of the market and the budgetary situation;

9. Takes the view that there should be a more transparent and detailed breakdown of the appropriations entered in the budget for the financing of exports of agricultural products, to ensure tighter budgetary control over these transactions;
10. Will not in future accept appropriation overruns resulting from the conclusion of contracts with implications extending beyond the Community; considers prior consultation of Parliament to be necessary when these appropriations are implemented, where the measures in question are new and politically important;
11. Calls on the Commission to submit the necessary proposals without delay;
12. Instructs its President to forward this resolution and the committee's report to the Commission and the Council.

EXPLANATORY STATEMENTIntroduction

1. In the light of sensational events which have attracted public attention, the European Parliament has on a number of occasions in the past looked into the problem of the conditions under which Community agricultural products are sold to the USSR and the way in which the Commission has managed the budget appropriations which permit or encourage such exports. It was on the occasion of the most notorious of these incidents - the sale of 200,000 tonnes of butter in 1973 - that Parliament defined its basic position with regard to the problem:

- when such operations reach certain proportions and a certain political importance, they must be subject to the a priori control of the Budgetary Authority, and they should in all cases be carried out within the strict framework of budgetary authorization;
- the operations must be carried out in such a way that the interests of the Community are safeguarded;
- the operations must accord with the political objectives of the Community, which means that these objectives must be clearly defined.

2. Parliament has periodically expressed its reaction to the way in which such operations have been carried out. Its interest in the matter has become still more evident since direct elections. It has resulted in a large number of written and oral questions addressed to the Commission, and also in several motions for resolutions which have been referred to the Committee on Budgetary Control.

This working document, drawn up in response to the interest shown by Parliament, aims to take stock of the various pre-occupations expressed in these questions and resolutions and to bring them together in a coherent set of proposals which may subsequently be used by Parliament to define its policy in this area.

I. Parliament's difficulty in discerning clearly the objectives of the policy followed by the Commission

3. The objectives of Community regulations governing exports of agricultural products are basically very general and simply refer, both in the Treaty and in the regulations and resolutions of the Council, to guaranteed income for producers, stability of prices and the desirability of selling products on the world market. However, more specific objectives have been laid down in certain situations and certain areas, as in the case of exports of food aid and the Community's decision not to replace American exports by its own exports following the embargo imposed by the USA in response to the events in Afghanistan.

4. However, even in these situations where objectives of a more specifically political nature have been laid down, Community regulations do not actually provide for the implementation of a policy, but rather the framework within which national commercial policies may be followed without risk of contradiction.
5. In the case of food aid, the quantities to be supplied as aid are determined according to the agricultural production available in the Member States, and deliveries are made when the national bodies responsible so decide. Deliveries of food aid to countries experiencing political crises would seem at first sight to constitute an exception insofar as they represent an expression of political will on the part of the Community. However, the recent example of aid to Poland, a state-trading country, shows that Community initiatives are still subordinate to national policies.
6. The Commission's attitude with regard to the United States' decision at the beginning of 1980 to impose an embargo on exports of agricultural products to the Soviet Union was, officially, highly political. It stated on a number of occasions that it would adhere strictly to the objectives laid down by the Council in January and February 1980 and not replace the American exports but simply maintain traditional patterns of trade.
7. The Commission has in fact never even come close to respecting this objective, in spite of official statements in which it claims that 'of all the exporters of agricultural products, it is the Community which has applied the embargo most earnestly'¹. Exports during the first half of 1980 alone largely exceeded the quantities exported to the USSR in 1979 in the case of most products², and the Commission's explanations of these increases, with regard to both milk products and cereals, fail to conceal its inability to carry out Community objectives and implement a Community policy.
8. The Community regulations designed to enable the Commission to control and limit exports of agricultural products to the USSR did not fulfil their task, and when the United States had lifted their embargo these regulations were repealed. The Community, in spite of pressure from Parliament, thereby abandoned control over the volume of its exports to the USSR and the amount of aid which makes such exports possible. Not only were Community exports not prevented by these regulations from partly replacing American exports, in addition, certain products exported to the USSR were also transported via the Community³.

¹ Mr VILLAIN, speaking to the Committee on Budgetary Control on 22 April 1981

² Figures supplied by the Commission in answer to Written Question No. 1273/80

³ For example, soya via the Netherlands and wheat via Germany

9. Parliament has often voiced its incomprehension and its fears with regard to the Commission's management in this area. Pressure on all sides from the Member States prevents the Commission from having a consistent policy, and the consequent day-by-day nature of its management, which involves sudden or delayed reductions in the rates of refund, renders producers' incomes uncertain and causes imbalances on the market. In particular, a form of management which is too heavily dependent on demand is likely to lead to excessive surpluses as well as shortages.
10. Furthermore, this lack of consistency encourages manipulation or speculation on the part of importers and operators.

II. Parliament's difficulty in ensuring that the measures taken by the Commission remain within the framework of budgetary authorization

11. The budgetary principles of specificity and annuality of appropriations, laid down in the Treaties and the Financial Regulation, are intended to encourage, permit or impose rigorous and sound management. They should also enable the Budgetary Authority to formulate budgetary authorization in a clearer and more precise manner and to ensure that appropriations are used for the purposes for which they were entered in the budget.
12. In the particular case of the EAGGF Guarantee Section, there is a possibility of conflict between these budgetary principles and the economic and financial machinery which assures the implementation of the CAP. Community regulations have endeavoured to respect the former while guaranteeing the functioning of the latter. But when there has been a conflict between the two sets of considerations, the Commission, in applying these regulations, has in practice always given priority ultimately to the proper functioning of the machinery in the interests of national objectives for marketing production and at the expense of sound budgetary management.
13. Parliament as a whole has refused to accept this alternative and has argued that realization of the principles of the CAP is perfectly reconcilable with budgetary economies. Specific proposals have been drawn up, concerning in particular exports of agricultural products to the USSR and the state-trading countries.
14. Since 1973 it has been Parliament's view that a necessary precondition for the realization of such economies is that there should be political supervision of the operations at Community level, and, therefore, that Parliament should be constantly informed of the situation regarding appropriations and of the possibility of any operations having a substantial effect with regard to appropriations. Nonetheless, the Commission has on numerous occasions taken such measures, in violation of the principles of annuality and specificity, without providing Parliament with complete or prior information.

15. The massive exports of 200,000 tonnes of butter in 1973 were carried out with the aid of appropriations not authorized in the budget. The operation was concluded in April and the appropriations were not adopted by the Council until October, contrary to Parliament's wishes, in a supplementary and amending budget. Parliament's discharge to the Commission in respect of the implementation of this budget was granted only with extreme reservations.
16. Parliament criticized the Commission on three counts. From the economic point of view, it considered that in determining the rate of refund the Commission had taken account of neither the butter requirements of the USSR nor the operator's margin.

From the political point of view, it observed that the operation had considerably harmed the public image of the common agricultural policy and the Community as a whole. From the point of view of budgetary regularity, it considered that the operation represented a violation of the principle of the specificity of appropriations and overstepped the limits of budgetary authorization.

17. Discharge was granted only after the Commission had undertaken to consult Parliament and its relevant committees before taking any decision which did not come within the framework of annual budgetary authorization. This procedure in fact functioned well until November 1978, and the chairmen of the Committees on Agriculture and Budgets were informed on a number of occasions by Mr Gundelach¹ that preparations were being made to sell agricultural products, particularly butter, to the USSR.
18. It must, however, be pointed out that during this period the volume of Community exports to the USSR was particularly low. During the subsequent period, when there was an explosive increase in exports of certain products to the USSR (butter, cereals), the notification of Parliament by the Commission left much to be desired.
19. Although exports of butter to the USSR increased from 20,876 tonnes in 1978 to 134,649 tonnes in 1979, which naturally meant a considerable increase in expenditure on refunds, the Commission supplied virtually no information to justify the necessary increase in appropriations. This was Parliament's main criticism of the preliminary draft supplementary budget No. 3/79, as expressed in particular by the rapporteur, Mr Dankert:

'But the least the Commission can be expected to do is to inform the Budgetary Authority beforehand and to make an accurate assessment of the advantages and disadvantages of planned transactions. Four lines of subsequent explanation, in the preliminary draft, of a shortfall of about 500 m is an insult both to the Budgetary Authority and to the taxpayer.

¹ The last occasion was on 13 November 1978

Clarification is required during this debate to account for the 500 m, and in the Committee on Budgetary Control to account for the whole system of sales.

For this reason I have a few more questions to ask. To whom has the butter been sold, and from which stocks? Is it true that the port of departure in the EEC tells us little about the origin of the butter, because it is frequently stored where the real price is most favourable?

To what extent does the Soviet Union hold a position of power in the market, and is this position of power such that the Soviet Union in fact determines the refund level? What structural effect does the sale of butter have on the butter mountain? And can the cost-benefit analysis of these sales that has been requested be given?'

20. In his reply, while reaffirming the Commission's intention to provide Parliament with complete information, Mr Tugendhat did not really give Parliament or the Committee on Budgetary Control the information requested by Mr Dankert.
21. This operation went beyond the limits of budgetary authorization from both a qualitative and quantitative point of view, since some of the expenditure in excess of the appropriations authorized for the 1979 financial year concerned refunds on exports of butter to the USSR. This excess in expenditure was a central issue in the debate on the discharge for 1979.
22. In principle, the budget regulations should ensure that such sales of agricultural products to the USSR cannot be carried out by the Commission unless the Budgetary Authority is informed. But the special rules drawn up for the EAGGF Guarantee Section and the Commission's interpretation of these rules have allowed the latter to behave as it has, without informing or still less consulting Parliament on the substance and nature of the operations.
23. The Commission has made use of the following machinery in particular:
 - the possibility of deciding independently on transfers within the EAGGF Guarantee Section
 - the system of monthly advances to the Member States and the procedure for allocating provisional overall commitment appropriations, followed by detailed commitments and payments
 - the fact that investigations at the time of the discharge or audit are not carried out until long after the operations have taken place does not help to discourage the Commission's tendency to present a series of 'faits accomplis'.

By these means the Commission has to a certain extent been able to allocate expenditure at will, and, therefore, to treat very lightly the process of budgetary authorization.

24. Nonetheless, this does not mean that the Commission has not had to account to Parliament, and it has been pointed out above that on a number of occasions the sales of butter to the USSR led to serious disagreements between the Commission and Parliament during the discharge procedure.
25. As a result of the criticisms and comments made by Parliament at the time of the annual discharge and in general during budgetary control procedure, Parliament now receives a more constant supply of information and, in addition to information on individual matters, the Committee on Agriculture, the Committee on Budgets, and the Committee on Budgetary Control receive the indicators concerning the management of the EAGGF for each quarter from the Commission's Directorate-General for the EAGGF Guarantee Section.
26. It is clear that this type of information, even if it is very useful and is accompanied by explanations by the Commission on specific points, only allows for routine control. Furthermore, while the Commission has adhered more rigidly to the budgetary authorization procedure since 1979, it now uses other means, based on regulations, to ensure the 'normal' functioning of the CAP, that is to prevent any obstruction to the implementation of national policies.
27. When, for example, there was a danger that the appropriations for refunds on milk products would be used up in 1980 because of the considerable demand on the world market, the Commission reduced the level of the refunds on butter, butteroil and skimmed milk powder. Some months later, however, when the USSR required milk products, a very favourable refund rate was established, but it was not to be valid until 1 January 1981.
28. This example shows that the information supplied to Parliament and the opportunities for supervision are still inadequate. If there is to be effective supervision, the budgetary nomenclature must distinguish, with regard to export refunds for milk products, between:

- the products concerned
- the destinations of the exports

The Commission's proposals in the preliminary draft for 1982 fall far short of this aim. As in the past, the refunds are covered by one sole article for all milk products. What is more, the provisions laying down a refund system differentiated according to destination have been repealed.

III. Parliament's difficulty in ensuring that the Commission remains in control of the instruments for managing the CAP

29. In view of the contradiction which it has observed between the Commission's declarations of principle and its actual management, Parliament has often criticized the Commission for being incapable of controlling the various instruments of the CAP because of insufficient information and monitoring facilities with regard to its trading partners in general, and particularly in the area of sales of agricultural products to the USSR and the state-trading countries.
30. There have been numerous examples of abortive attempts by the Commission to stop or limit exports of agricultural products to the state-trading countries and they have been fully covered by the press.
31. Firstly, on a number of occasions when massive demand from the USSR has led to imbalance on the world market, the Commission has reacted too late to prevent exports to the USSR at a price, or rather at a rate of refund which is inappropriate to the market situation and advantageous to the importers. This was the case in November 1979, when it was possible to carry out export sales first of all without licences and at the daily rate, and then with licences at pre-established but still favourable rates of refund, before the Commission adapted the rate of refund and then suspended the system of pre-established rates.
32. Secondly, when the Commission has taken measures to prevent exports of certain products at unjustified rates of refund, it has not acted in time to prevent exports of substitute products at equally unjustified rates. Thus, in 1980 and 1981, there were massive exports of whole milk powder, cream, butter in small packages, butteroil, a blend of butter and coconut oil, etc. to the USSR before the Commission had had time to act.
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33. When it learnt of these operations, Parliament was forced to conclude that the Commission was unable to control either the functioning of the instruments available to it or, still less, the movements of the market.
34. With regard to the instruments themselves, some would seem likely to permit effective control of exports, such as the five-day period for consideration when allocating licences and differentiation of the system of refunds according to geographic destination. Others, on the other hand, offer major advantages to the operators while exposing the Community to all the risk involved; this applies in particular to the system of pre-established rates of refund.

35. The Commission seems as a rule to be at a disadvantage by comparison with the operators and the importers as regards information and the decisions taken.
36. The importers, i.e. the USSR and the state-trading countries in the strictest sense, have an organization which manages the trade in agricultural products on a centralized basis, and they have at their disposal all the elements which allow them to negotiate with their partners from a position of strength.
37. With regard to the Community operators, there is one notable aspect of exports of agricultural products to the USSR; this is the virtually monopolistic position occupied by Mr Jean Baptiste Doumeng, the 'red millionaire' and President of Interagra. Almost all transactions with Eastern Europe pass - officially or unofficially - through his hands; for this he has two major advantages: his excellent relations with - and therefore information on - the East bloc countries, and the disorganization of his trading partners.

IV. Preconditions for the effectiveness and budgetary regularity of a Community policy on exports of agricultural products to the USSR and the state-trading countries

38. The above discussion has drawn attention to a series of obstacles which prevent strict budgetary and economic management of Community exports of agricultural products to the USSR and the state-trading countries. These obstacles, which must be removed, are the result first of all of the lack of a genuine policy in this area. Secondly, the means of action available to the Community are not sufficient to permit effective management and control. Lastly, the present liberal system does not take account of the special features of trade with the state-trading countries.
39. Parliament's attitude has often been misrepresented. Except in the case of an embargo for reasons of foreign policy, there has never been any question of demanding that exports to the USSR should cease; the demand has simply been that these exports should be carried out in such a way that the interests of the Community, its producers and its consumers are safeguarded.

A. Need for a coherent policy

40. The fact that in the past the Community has not had any policy on exports of agricultural products, particularly to the state-trading countries, has had serious consequences from both the economic and budgetary points of view, since transactions have been carried out on an individual basis and it has been impossible to ensure favourable conditions with regard to importers, operators and competitors. Because of this, the

Commission has recognized the need for an active export policy and has forwarded a communication on the subject to the Council.

41. The principle recommendation is for the conclusion of long-term framework agreements with the purchasing countries so as to decide with them on the nature of the product or products concerned, the overall level of commitments in quantitative terms, the time-span involved, provisions to ensure the implementation of commitments, price conditions and a safeguard clause.
42. This proposal, which is to be considered in detail by Parliament, could indeed form an important part of an export policy if it is included within a wider whole consisting of a price policy based on the approximation of Community prices and world prices, a credit policy and the creation of buffer stocks.
43. But, above all, as pointed out by Mr FRÜH with regard to butter¹, a policy of this sort should allow for better cooperation between Western producers, in response to the Soviet Union's dominance in the area of demand.

B. Better information and greater control by the Commission

44. Management of an export policy such as that referred to above presupposes an ability to control the relevant instruments and machinery, which the Commission, as experience has shown, does not possess. The USSR has always achieved its ends, in spite of the measures taken to control or limit exports within the framework of existing procedures, or even by using these procedures.
45. To strengthen the Commission's position with regard to its trading partners, it is necessary on the one hand to improve the political supervision of management, and on the other to improve the supply of information to the Commission on the various aspects of the market.
 - (a) Improvement in the political supervision of management
46. The Commission's position would be strengthened if its partners were aware that the management of Community machinery is subject to strict political supervision. Such supervision must operate at two levels, since the management of the EAGGF is decentralized:

¹ Written Question No. 436/81

Community supervision of operations carried out by national bodies and supervision of the Commission by the Budgetary Authority.

47. The Commission should carry out greater supervision of national bodies so that it can exercise more strict budgetary management in accordance with the political will expressed by the Budgetary Authority. In the past, it has been primarily the system of advances to the Member States from the EAGGF Guarantee Section which has obliged the Commission, when dealing with appropriations concerning exports of butter to the USSR, to take certain liberties with the budgetary authorization procedure. The use of data processing will undoubtedly enable the Commission to receive more rapid information on the use made of appropriations by national bodies, to have a more up-to-date accounting system, and therefore to manage the budget in a manner more consistent with the process of budgetary authorization.
48. With regard to the budgetary authorization procedure itself, improvements could be made to assist political supervision. With more detailed comments and a more precise nomenclature, the Budgetary Authority would be in a position to give a clearer indication of the resources it wishes to make available for its policy on exports of agricultural products to the state-trading countries. This would considerably facilitate continuous and a posteriori supervision. In particular, the budgetary nomenclature concerning refunds should be more precise and specify the product concerned, particularly in the case of cereals and milk products, and also the destination, even though, unfortunately, this system has recently been repealed.
- (b) Improvement in the supply of information to the Commission on the various aspects of the market
49. In a number of instances, and particularly in the case of the sale of a blend of animal butter and cocoa butter, the Commission's reaction has been delayed because of the lack of adequate information on the intentions and resources of the purchasers. Data processing could be very useful in this area also if national bodies were to transmit directly to the Commission available information on patterns of trade, levels of stocks, etc.

It is also interesting to compare the Commission's capabilities with the methods adopted by the American administration, which uses, among other things, teledetection by satellite to obtain information on the harvest prospects in the purchasing countries, the USSR in particular.

C. Need for special arrangements for exports of agricultural products to the USSR

50. It is unnecessary to point out that the USSR and its operators use the principles of free trade to their own advantage and make the most of its procedures while preventing them from achieving their objectives. Community regulations must therefore be adapted to the special characteristics of trade with the state-trading countries in order to restore a balanced position for the Community and enable it to sell its products under the real market conditions.
51. A first step, as we have said above, would be to conclude long-term framework agreements as part of an overall policy, and to step up cooperation with other Western producers.
52. However, these framework agreements must be accompanied by centralized management of trade, adapted to that of the state-trading countries and organized along the same lines. The Commission should play a part, directly or through the intermediary of offices set up for this purpose, in the preparation of sales contracts by negotiating with the countries concerned to determine not only the rate of refund, but also, where necessary, price levels, in order to prevent the creation of monopolies in demand or agreements between importers and Community operators.

Conclusion

- The European Parliament's control over the implementation and utilization of the appropriations in the EAGGF, Guarantee Section, and the pressure exerted on the Commission for tighter management have already helped to bring about considerable savings for the Community budget over the last few months¹. Although the activities of the Committee on Budgetary Control in the area of exports of agricultural products to the USSR and the state-trading countries have led the Commission to adopt a firmer stance², tighter management of appropriations, better defence against speculation, and fuller attention to the Community's interests will be possible only if an in-depth reform of current mechanisms is undertaken. This report aims to define Parliament's position on the main features of this reform. It also recognizes the more responsible attitude displayed in this sector by the Commission over recent months and its growing influence on the world market in particular.

¹ see supplementary budgets for 1981

² see: action by Mr Doumeng against the Commission

APPENDIX

European Community agricultural exports to the Soviet Union
(1979 and 1980; in tonnes and in 1 000 ECU)

Product	Quantity (t)		Value (1 000 ECU)	
	1979	1980	1979	1980
Live animals	4 121	1 651	11 102	3 464
Meat & offals	103 959	164 653	82 186	177 567
- of which				
bovine animals	22 132	97 225	19 041	114 183
- of poultry	77 106	67 405	58 465	63 365
Dairy products				
eggs, honey	143 538	177 248	126 168	206 366
- of which				
skimmed milk powder	-	-	-	-
whole milk powder	8 888	35 108	5 725	31 163
butter	134 649	100 314	120 440	123 003
butteroil	-	41 823	-	52 189
Cereals	247 160	861 605	25 093	125 496
wheat	5 050	576 204	852	79 564
barley	215 023	222 316	15 423	26 536
rice	23 890	58 874	6 665	16 098
oats	1 191	843	372	286
Sugar and sugar confectionery	225 056	832 991	48 135	307 855
white sugar	225 053	648 623	48 130	239 008
raw sugar	-	183 734	-	68 641
Beverages, spirits and vinegar	69 720	153 955	19 972	26 519
wine	49 620	132 461	6 927	12 849
alcoholic beverages	16 536	16 005	11 799	12 478
Residues & wastes from the food industries				
Prepared animal fodder	25 061	449 629	5 036	83 872
soya cake	25 061	378 823	4 949	70 279
Misc.edible preparations			103 819	170 919
Total			421 511	1 102 058

MOTION FOR A RESOLUTION (DOCUMENT 1-207/80)

tabled by Mr TYRRELL, Mr AIGNER, Mr HARRIS,
Mr HORD, Mr PÖTTERING, Mr PÜRSTEN,
Mr Konrad SCHÖN

pursuant to Rule 25 of the Rules of Procedure
on the acting of the Commission following the
Parliament's resolution

The European Parliament,

- having regard to its resolution adopted on 15 February 1980 which inter alia
 - '(1) Calls upon the Commission to impose an immediate trade embargo on all sales of surplus commodities to Russia involving subsidies;
 - (2) Warns the Commission that the Parliament as Joint Budgetary Authority may use its powers and decline retrospectively to sanction the expenditure of monies for this purpose;
 - (3) Reminds the Commission of the Parliament's other powers to express its disapproval of such sales.....',
 - recognizing that the Commission took certain steps which resulted in the cessation of such sales until 29 April 1980,
 - having regard to the sales on 29 April 1980 of 20,900 tonnes of surplus commodities, involving subsidies, for export to Russia,
 - noting that the Commission facilitated such sales and thus acted in direct contradiction to the resolution of Parliament,
 - noting the nature of the explanation given by the Commission to Parliament on 19 May 1980,
1. Expresses grave concern at the situation which has arisen between the Commission and Parliament;
 2. Instructs its competent committee to assemble all material facts and to report to the Parliament thereon and on the options now open to Parliament.

MOTION FOR A RESOLUTION (DOCUMENT 1-246/80)

tabled by Mr AIGNER, Mr KLEPSCH, Mr NOTENBOOM, Mr BARBI and Mr HERMAN¹ on behalf of the Group of the European People's Party and Mr CURRY, on behalf of the European Democratic Group with request for urgent debate

pursuant to Rule 14 of the Rules of Procedure

on unusual speculative movements in the trade of milk products exported by the nine Member States of the European Community and abuses of the provisions of the EAGGF, Guarantee Section, to the detriment of the Community budget

¹The following have signed the request for urgent debate: Mr JANSSEN van RAAY, Mr GIUMMARRA, Mr ALBER, Mr PENDERS, Mrs BOOT, Mr WAWRZIK, Mr PÖTTERING, Mr MALANGRE, Mr BLUMENFELD, Mr MICHLE, Mr HERMAN, Mr VAN DER GUN, Mr von WOGAU, Mr VERGEER, Mr GOPPEL, Mr KLEPSCH, Mrs CASSANMAGNAGO CERRETTI, Mr BERSANI, Mr LANGES, Mr BARBI, Mrs RABBETHGE, Mr LEMMER, Mr HABSBURG, Mr RINSCHKE, Mr Konrad SCHÖN and Mr HAHN

The European Parliament,

- considering that the Guarantee Section of the EAGGF must be used as economically as possible, but that this is largely dependent on world market trends,
- 1. Calls on the Commission to state whether it finds out early enough about speculative movements by traders, and in particular about high purchases of pre-fixing certificates, and through what channels and by what procedures it obtains its information;
- 2. Calls on the Commission to indicate the nature and extent of unusual movements connected with the pre-fixing of export refunds for powdered milk (a Community measure guaranteeing exporters a certain refund over a set time) noted during the last 12 months, what measures have been taken as a consequence and whether the appropriate committees of Parliament were informed;
- 3. Feels that too late a reaction to such movements results in much unnecessary expenditure for the Guarantee Section of the EAGGF;

4. Calls on the Commission to state whether it is not unusual for sales of agricultural produce to the state-trading countries to be made by the same traders or organizations;
5. Believes that such practices constitute serious offences against Community competition rules and an unacceptable manipulation of the machinery of the Guarantee Section of the EAGGF, to the detriment of the Community budget and the European tax-payer;
6. Feels that the Commission should, as a matter of urgency, examine these practices particularly rigorously and immediately inform Parliament of its findings;
7. Calls on the Commission to submit a proposal for a regulation ensuring that the advisory bodies of national bureaucracies no longer adversely affect the Community decision-making process and amending all existing agricultural regulations to this effect;
8. Instructs its President to forward this resolution to the Council and Commission.

Justification

Before the 1980 budget is finally adopted, the European Parliament should be informed by the Commission whether savings could be made in the EAGGF and how many million EUA would be involved, if the Commission based its decisions on refund rates on better information on world market trends.

MOTION FOR A RESOLUTION (DOCUMENT 1-609/80)

tabled by Mr DE CLERCQ, Mr COMBE, Mr DE GUCHT, Mr DONNEZ, Mrs von ALEMANN, Mr BETTIZA, Mr BEYER de RYKE, Mr CECOVINI, Mr PININFARINA, Mr LOUWES, Mr DAMESEAU, Mr BANGEMANN, Mr HAAGERUP, Mr GENDEBIEN, Miss ROBERTS, Mr PANNELLA, Mrs MACCHIOCCHI, Mrs BONINO, Mr BERKHOUWER, Mr VERNIMMEN, Mr Van MIERT, Lord DOURO, Mr TAYLOR, Lord HARMAR NOCHOLLS, Mr HUTTON, Mr NEWTON DUNN, Mr E. KELLETT-BOWMAN, Mr HORD, Mr CURRY, Mr SHERLOCK and Mr RIPA di MEANA

with request for urgent debate

pursuant to Rule 14 of the Rules of Procedure

on sales of butter to Russia

The European Parliament,

- whereas reliable sources report that European exporters are again making use of the refund system to sell large quantities of butter to Russia,
 - whereas the drastic increase in export refunds (from 100 to 160 ECU per 100 kg) has led to great demand,
 - whereas concern has justifiably been expressed that this system is being used yet again for large-scale sales to Russia, the more so as the regulations have proved not to be watertight as regards their ultimate purpose,
 - whereas this situation has arisen in the past and produced protests from Parliament but has nonetheless repeatedly been defended by the Commission,
 - whereas the Commission clearly has sufficient funds at its disposal to provide generous subsidies for butter exports to Russia, but its coffers are empty when it comes to enabling the people of Europe to buy cheap Christmas butter,
1. Asks the Commission whether it has not committed an error of judgment in drastically increasing exports refunds;
 2. Urges the Commission to introduce and enforce the necessary measures to ensure that no scope is provided under this system for large-scale sales of butter to Russia at the expense of the European budget;

3. Takes the view that such transaction at a time when the arrangements for Christmas butter have been suspended are likely to bring the European Community even more into disrepute with the people of Europe and rightly so;
4. Points out to the Commission that Parliament will draw the appropriate conclusions if its legitimate demands are ignored;
5. Instructs its President to forward this resolution to the Commission and the Council.

JUSTIFICATION OF THE REQUEST FOR URGENT DEBATE

The request for urgent procedure is based on public reaction to possible sales of butter to Russia and the disastrous effects on the people's confidence in the EEC.

MOTION FOR A RESOLUTION (DOCUMENT 1-908/80)

tabled by Mr HORD, Mr TYRRELL, Mr HOWELL, Miss HOOPER,
Mr COTTRELL, Mr R JACKSON, Mr HUTTON, Mr KELLETT-BOWMAN,
Mrs KELLETT-BOWMAN, Mr NORMANTON, Mr HARRIS, Mr FERGUSSON,
Mr PAISLEY, Mr C JACKSON, Mr FORTH, Mr TURNER, Mr PEARCE,
Mr von WOGAU, Mr PFENNIG, Mr J D TAYLOR, Mr DE CLERCQ,
Mr de GUCHT, Mrs RABBETHGE, Miss BROOKES, Mr HUTTON, Mr HOPPER,
Mr POTTERING, Mr Konrad SCHON

with request for urgent debate

pursuant to Rule 14 of the Rules of Procedure

on the failure of the Commission to implement the instruction of the
Council and the Parliament regarding sales of butter to the Soviet
Union following the invasion of Afghanistan

The European Parliament,

- recalling the decision of the Foreign Ministers meeting in political
cooperation on 5 January 1980 that exports to Russia should not
exceed the levels of normal trade,
- recalling its own resolution adopted on 15 February 1980 which:
 - 1) Calls upon the Commission to impose an immediate trade embargo
on all sales of surplus commodities to Russia involving subsidies;
 - 2) Warns the Commission that the Parliament as Budgetary Authority may
use its powers and decline retrospectively to sanction the expenditure
of monies for this purpose;
 - 3) Reminds the Commission of the Parliament's other powers to express its
disapproval of such sales;
- concerned that notwithstanding the aforementioned Parliament resolution,
the Commission subsequently facilitated sales of butter to the Soviet
Union,
- dismayed that in spite of the aforementioned Council decision the
Commission approved the sale of 145,000 tonnes of subsidized butter and
butteroil to Russia in 1980 which exceeded the normal level of sales,
(the normal level of sales was interpreted as 70,000 tonnes as

confirmed by the Agriculture Commissioner to the Parliament on 21 November 1980),

- disturbed that the Commission on 9 June by Regulation 1306/80 reinstated export refunds for butter (82% fat content or more) to all destinations at the same rate of 163 ECU/100 kg thereby abolishing the differential between sales to Russia and non-Communist countries,
- 1. Expresses grave concern over the failure of the Commission to implement either Parliament's adopted resolution or the Council's decision in respect of sales of butter to the Soviet Union;
- 2. Considers that the action of the Commission, in addition to being in contempt of the views of the Parliament and the Council, is an affront to public opinion and the European taxpayer;
- 3. Reminds the Commission that it has acted contrary to the wishes of both arms of the Budgetary Authority and may be without budgetary cover;
- 4. Requests the Commission urgently to provide the Parliament and the Council with a full report on this subject matter;
- 5. Requests the Council to consider the situation urgently and to provide Parliament with its views in order that Parliament may consider what further actions it should take;
- 6. Instructs its President to forward this resolution to the Council and Commission.

JUSTIFICATION

Urgent procedure is justified in consequence of the important constitutional issue and the likelihood of a decision being taken by the Commission on 18 February 1981 on the sale of 50,000 tonnes of butter to the Soviet bloc.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr W. VERNIMMEN

On 24 September 1980, the Committee on Agriculture appointed Mr Vernimmen draftsman.

The committee examined the draft opinion at its meeting of 28 to 30 January 1981.

The draft opinion was adopted unanimously at the same meeting.

Present: Sir Henry Plumb, chairman; Mr Ligios, vice-chairman; Mr Caillavet, vice-chairman; Mr Vernimmen, draftsman; Miss Barbarella; Mr Barbagli (deputizing for Mr d'Ormesson); Mr Curry; Mr Delatte; Mr Diana; Mr Fanton; Mr Jürgens; Mr Provan; Mr Tolman; Mr Vitale and Mr Woltjer.

1. On 15 February 1980, following the Soviet invasion of Afghanistan and the treatment suffered by Nobel Peace Prize winner Mr Andréi Sakharov at the hands of the Soviet authorities, the European Parliament adopted a motion for a resolution by Mr Hord and others (Doc. 1-773/79) calling on the 'Commission to impose an immediate embargo on all sales of surplus commodities to Russia involving subsidies'.¹ On 29 April 1980, however, the Commission allowed the sale of 20.900 tonnes of subsidized butter to the Soviet Union.

2. This sale prompted Mr Tyrrell and others to table a motion for a resolution on the acting of the Commission following the Parliament's resolution (Doc. 1-207/80) on which the Committee on Agriculture has been asked to give an opinion.

On 18 November 1980 Mr De Clercq and others also tabled a motion for a resolution on sales of butter to the USSR (Doc. 1-609/80), arguing that the possibility of these sales of butter was having the effect of destroying all confidence in the EEC in public opinion in Europe, particularly as the Commission had refused to put 'Christmas butter' on the market for the end of 1980.

3. There is no doubt that the sale of butter to the USSR is arousing strong feeling in Europe. The Committee on Agriculture must therefore try to make a dispassionate analysis of the matter.

4. First of all, on the matter of the sale of 20.900 tonnes of butter in April 1980, it is interesting to look at the answer given by Mr Jenkins, President of the Commission, to a question on this subject by Mr Tyrrell during question time at the sitting of 7 July 1980²:

'For the tender of 29 April offers were received for a total quantity of 20.900 tonnes at prices just above 110 ECU per hundred kilogrammes. The Commission, after obtaining the advice of the management committee, decided to fix the minimum selling price at 110 ECU per hundred kilogrammes, thereby accepting the offers. This intervention butter was at least a year old and, after taking account of quality deterioration and the cost of its further storage, we decided it was advantageous to us to proceed with the sale.....

¹O.J. No. C 59 of 10.03.1980, p. 56

²Debates of the European Parliament. Verbatim Report of Proceedings from 7 to 11 July 1980, p. 24 (question No. 11)

We have now abandoned the system of tenders for intervention butter and this was a commercial decision based on the fact, among other things, that intervention stocks of butter in the Community have been substantially reduced thanks to our successful management of the markets. We have taken the necessary administrative measures to ensure that exports of butter to the Soviet Union of whatever type do not exceed traditional levels, in fact no export certificates for butter to the Soviet Union have been issued since the end of May.

Now as the Commission has made perfectly clear to the House on a number of occasions, the Commission has responsibility for managing this policy. It does not have responsibility for introducing a totally different political dimension into it from that which the Council has approved. The Council position is that we should not exceed traditional export levels, which average 75.000 tonnes for the last three years. The total export certificates to the Soviet Union for the first six months of this year are for 37.000 tonnes, 8.000 of which was in the first part of January before the introduction of special measures. This is within the limit and we have every intention of ensuring that the average for the traditional exports in the last three years, which I may say is less than half of the sales in 1979, will not be exceeded. This is the Commission's policy in a difficult position, as it has made clear to this House in a number of debates and in replies to questions, and it is the policy to which the Commission will stick.

This sale of old butter, which accounts for over half the sales to the Soviet Union during the past half year, and which was costing us 36 ECU per hundred kilogrammes to keep in stock was, in our view, a sale which was advantageous to the Community, which is why we did it, and not to the Soviet Union.'

5. This reply calls for the following comments :

- the Commission allowed the sale of poor quality butter, which could not have been sold to Community consumers without damaging the image of the Community.
- the Commission ensured that traditional levels were not exceeded.
- it would have been more expensive to keep this butter in storage than it was to export it, particularly as the butter would only have deteriorated further.

6. At the last meeting of the Committee on Agriculture (26-28 November 1980), Mr Gundelach himself confirmed that the Commission had sold no more butter to the USSR since 29 April 1980 and that the 'Christmas butter' scheme could not be repeated this year because of budgetary constraints and the low level of stocks (160.000 tonnes of public stocks at 9 October 1980, or slightly more than one month's consumer supply), stocks having dwindled by 43% in comparison with the previous year. This had moreover led to an increase in world prices and a 25% reduction in the amount of export refunds in comparison with 1979. Mr Gundelach also warned against the tendency to see a connection between sales of butter outside the Community and internal consumer promotion schemes.

Mr Gundelach pointed out that in 1979 direct consumer subsidies aid for certain socially disadvantaged consumers or aid for the use of butter in the food industry and confectionery concerned more than one third of Community butter consumption, i.e. 700.000 tonnes. He emphasized that this quantity was twice the quantity exported by the EEC on the world market.

7. The Vice-President of the Commission stated categorically that the Commission had authorized no further advance-fixing of export refunds for butter to the USSR for 1981. He pointed out in conclusion that it was less costly to export butter than to sell it at a reduced price on the Community market. (In its answer to Written Question No. 566/79 by Mr Battersby,¹ the Commission stated that the cost was half as much).

8. The Committee on Agriculture takes note of these statements. The debate on the sale of butter to the USSR must become less emotionally charged and an answer must be found to the following fundamental questions :

1. Should the Community sell butter on outside markets or should it promote internal consumption ?
2. If the Community is to pursue a policy of exportation, should it sell butter to the USSR ?

¹OJ. No. C 328 of 31.12.79, p. 7

9. In 1979 the Community produced 1.940.000 tonnes of butter, imported 120.000 tonnes (mostly from New Zealand) and consumed 1.686.000 tonnes. In view of the cost of subsidizing internal butter consumption and the amounts already subsidized (700.000 tonnes), it is debatable whether the Community could pursue this line much further, particularly as it is important to maintain a buffer stock.

In 1981 the Commission plans to sell butter at a reduced price for

- confectionery (100.000 tonnes),
- the armed forces and non-profit making organizations (35.000 tonnes),
- processing into concentrated butter (15.000 tonnes),
- ice-cream manufacture (35.000 tonnes),
- persons in receipt of social security (20.000 tonnes),

and to allocate aid for the consumption of butter in the Community for a total quantity of 496.000 tonnes (United Kingdom : 410.000 tonnes; Ireland : 40.000 tonnes; Luxembourg : 3.000 tonnes; Denmark : 43.000 tonnes) at a total cost of 238 m EUA.

10. The Community therefore has to export a part of its butter, especially as exportation proves to be only half as expensive as storage. The Commission must however take care that these exports do not cause prices on the world market to collapse as this would raise the level of refunds and neutralize part of the benefit of exportation. It should also be emphasised that butter exporting has a positive effect on the balance of payments of the Community, which is having to import a large proportion of its energy at increasingly higher prices.

11. The Community has to export butter, but should it sell it to the USSR? This question lies well outside the terms of reference of the Committee on Agriculture; nonetheless it would make the following observations:

- (a) It is the Commission's responsibility to manage the agricultural markets within the limits imposed by the Council. In selling butter to the USSR it was carrying out this responsibility, as has already been pointed out. It is perhaps worth mentioning that from 1974 to 1979 (first 8 months) the Community delivered a total quantity of 23.731 tonnes of butter to Eastern European countries (GDR : 400 tonnes; Yugoslavia : 2.428 tonnes; Bulgaria : 1.158 tonnes; Poland : 19.543 tonnes;

Hungary 1 tonne: Rumania: 201 tonnes). During the same period the amount delivered to the USSR was 151.000 tonnes:

- (b) The Council's responsibility is to draw up directives for the Commission of the European Communities (Council of Ministers. Foreign Ministers meeting in political cooperation. European Council) as part of the Community's overall strategy with regard to the Communist countries, particularly the USSR. However, these authorities have never formulated a coherent strategy with regard to the Soviet Union.

Thus, following the Soviet intervention of December 1979 in Afghanistan, the Council (Ministers of Foreign Affairs), at its meeting of 15 January 1980¹, adopted declarations in which it decided to cancel the Community 1979 food aid programme for Afghanistan. In addition, following the measures decided by the United States on deliveries of agricultural products to the USSR, the Council declared that the Community adopted the principle that Community supplies should not replace, either directly or indirectly, US supplies on the USSR market. It therefore invited the Commission to take the necessary measures as regards cereals and derived products and to propose other measures for other agricultural products, having regard for traditional trade patterns.

The Council did not therefore decree a total embargo on butter for the USSR and the Commission, anxious to ensure the proper management of the agricultural markets, did not go beyond its powers in this area. On the other hand, it can be criticized for not taking account, at the time, of the opinion of the people's representatives. This is a clear illustration of an institutional problem, namely the role of the Commission in relation to the directly elected Parliament and the Council.

The Council reacted very late to events in Poland, since 6 months elapsed between the beginning of the Gdansk strikes and the declaration on Poland by the European Council (1. - 2. 12. 1980) and on 16 December the Council (foreign ministers) decided to deliver to Poland 50,000 tonnes of sugar, 30,000 tonnes of butter, 35,000 tonnes of pigmeat, 15,000 tonnes of beef and veal, 6,000 tonnes of olive oil, 40,000 tonnes of colza seed, 3,000 tonnes of milk powder, 100,000 tonnes of feed grain, 100,000 tonnes of rye and between 15,000 and 25,000 tonnes of rice, at prices which were 10% below world prices for sugar and 15% below for the other products. At its sitting of 18 December 1980, the European Parliament supported this programme (Doc.-1-743/80/rev).

12. These two examples show that the problem of sales of butter to state-trading countries is a highly political problem. Special rules should therefore be drawn up for sales of agricultural products to these countries inasmuch as such sales are not merely a matter of market management.

¹ PE 62.660

13. The Committee on Agriculture therefore submits the following conclusions to the Committee on Budgetary Control:

- (a) whenever the possibilities for bringing about a substantial increase in internal consumption of agricultural products have been exhausted, steps must be taken to encourage exports of agricultural products as these exports will have a favourable effect on the balance of payments in the Member States.
- (b) the European Parliament must urge the European Council, the Ministers of Foreign Affairs meeting in political cooperation and the Councils of Ministers to adopt a clear strategy with regard to non-member States and to define the Community's role in the world.
- (c) in the context of its trade relations with the rest of the world, the Community should treat agricultural and industrial products equally.
- (d) however, special rules should be drawn up for the sale of agricultural products where political, economic or commercial circumstances make this necessary.
- (e) every three months the Commission should provide the European Parliament with information on the management of agricultural markets relating in particular to the future prospects for these markets, stocks, exports, the amount of refunds paid etc.

