

EUROPEAN PARLIAMENT

Working Documents

1982-1983

15 November 1982

DOCUMENT 1-846/82

Report

drawn up on behalf of the Committee on External
Economic Relations

on the recommendations from the Commission of the
European Communities to the Council (Doc. 1-418/82
and Doc. 1-835/82) for regulations concerning the
conclusion of new financial protocols between the
European Economic Community and certain southern
Mediterranean countries

Rapporteur : Mr R. FILIPPI

PE 80.385/fin.

By letters of 24 June 1982 and 29 October 1982 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 238 of the EEC Treaty, to deliver an opinion on the recommendations from the Commission of the European Communities to the Council for regulations concerning the conclusion of new financial protocols between the European Economic Community and certain southern Mediterranean countries (Doc. 1-418/82 and Doc. 1-835/82).

On 5 July 1982 the President of the European Parliament referred these recommendations to the Committee on External Economic Relations as the committee responsible and to the Committee on Budgets and the Committee on Development and Cooperation for their opinions.

At its meeting of 19 October 1982 the Committee on External Economic Relations appointed Mr Renzo Eligio FILIPPI rapporteur.

The committee considered the Commission's recommendations and the draft report at its meetings of 19 October and 4 November 1982.

At the second of these two meetings the committee unanimously decided to recommend to Parliament that it should approve the Commission's recommendations without amendment.

The following took part in the vote : Mrs Wieczorek-Zeul, vice-chairman; Mr Filippi, rapporteur; Mrs Baduel-Glorioso, Mr Galluzzi, Mr Lemmer, Mr Paisley, Mr Paulhan, Mr Pelikan, Mrs Pruvot, Mr Rieger, Sir James Scott-Hopkins (deputizing for Mr Spencer), Sir John Stewart-Clark, Mr Tolman (deputizing for Mr Jonker) and Mr Ziagas.

The opinion of the Committee on Development and Cooperation is attached.

The opinion of the Committee on Budgets will be published separately.

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

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the recommendations from the Commission of the European Communities to the Council for regulations concerning the conclusion of new financial protocols between the European Economic Community and certain southern Mediterranean countries.

The European Parliament,

- having regard to the recommendations from the Commission of the European Communities to the Council (COM(82) 119 final and COM(82) 438 final),
 - having been consulted by the Council pursuant to Article 238 of the EEC Treaty (Doc. 1-418/82 and Doc. 1-835/82),
 - having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Budgets and the Committee on Development and Cooperation (Doc. 1-846/82),
 - having regard to the result of the vote on the recommendations from the Commission,
1. Emphasizes the need for continuity in the Community's financial cooperation with the countries concerned;
 2. Calls attention to the need for the financial protocols to become operative as early as possible, and hence for the Community organs to ensure that the procedures necessary to make these protocols operative are completed at the earliest possible date;
 3. Given that all the countries benefiting from financial cooperation have expressed varying degrees of disappointment at the inadequacy of the amounts of aid granted by the Community, recommends that all available means be used to develop financial aid adequately;
 4. Notes that the quota of the Community's financial contributions to be financed from budgetary resources under the financial protocols here considered is lower than that under the financial protocols which expired in 1981;

5. While aware of the exigencies which have forced the Community to alter the amounts of and the arrangements for its financial aid to the southern Mediterranean countries, recommends that when the EEC's Mediterranean policy comes under review - and in the negotiations on the forthcoming enlargement of the Community - the extreme political and economic importance of these countries for the Community should be kept in sight;
6. Requests that, in accordance with the agreements, appropriate forms of collaboration should be developed between the European Parliament and representatives of these countries, including the examination of financial cooperation;
7. Instructs its President to forward to the Council and the Commission, as Parliament's opinion, the recommendations from the Commission as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENT

Financial assistance by the Community to the southern Mediterranean countries has been supplied through the implementation of financial protocols with these countries. These expired on 1 January 1981. The Council therefore authorized the Commission to begin negotiations for new financial protocols with the Maghreb countries (Algeria, Morocco, Tunisia), the Mashreq countries (Egypt, Jordan, Lebanon, Syria) and Israel.

The Commission has concluded its negotiations with all the countries except Algeria and Tunisia.

The Commission now recommends the Council to approve the new financial protocols and to initiate the procedure for their signing and conclusion.

This is the issue now under consideration.

A general point to note is that all the signatory countries have expressed disappointment with the amount of aid made available by the Community for the next five-year period.

Like the Community's partners, we feel that the Community should do everything possible to develop other forms of cooperation. This is also necessary in view of the enlargement of the Community which, to degrees varying according to the country concerned, could result in a certain loss of the benefits they have derived from their trade agreements with the EEC.

Finally, it should be pointed out that the Community should do its utmost to ensure that the financial protocols become operative.

This is vital because financial assistance from the Community is likely to produce substantial results provided it is sustained in nature.

It should be noted lastly that the quota of the Community's financial contributions to be financed from budgetary resources under the financial protocols here considered is lower than that under the financial protocols which expired in 1981.

We therefore consider that the Community should seek to compensate for this situation during its review of the EEC's Mediterranean policy.

The financial assistance granted by the Community to the countries in question must also be considered in relation to the consequences of the

enlargement of the Community to include Spain and Portugal. Restructuring measures will have to be adopted by the Mediterranean partners, especially in the agricultural sector¹. The problem here is best illustrated by the fact that, as far as the most important, typically Mediterranean, agricultural products (olive oil, tomatoes, citrus fruit, new potatoes, wine, sardines, etc.) and industrial products such as textiles and footwear are concerned, the newly enlarged Community will in many cases reach self-sufficiency. It will be noted that in most of the North African countries concerned, conversion to other types of production will be made especially difficult by the absence of industrial infrastructures and by various other problems which specifically affect their economies. Hence, most of the measures aimed at the agricultural and industrial restructuring of these countries will be hard to implement.

For these reasons too, as the opinion of the Committee on Development and Cooperation points out, the total amount of the aid proposed is insufficient.

Attention should be drawn to the fact that, although the Community's Mediterranean policy has a distinct and separate field of application, its objectives broadly dovetail with those which are at the basis of the Euro-Arab dialogue and the North-South dialogue.

We would therefore recommend that, within the framework of these two dialogues too, the Community should endeavour to take account of the needs of its North African partners and do everything possible to make up for the insufficient aid it grants them, bearing in mind that, by tradition and in objective economic terms, they are Mediterranean countries which constitute a political and economic area of vital importance to the EEC.

¹ See opinion of the Committee on Development and Cooperation attached - rapporteur : Mr Angelo NARDUCCI.

OPINION

(Rule 101 of the Rules of Procedure)
of the Committee on Development and Cooperation
Draftsman : Mr Narducci

On 23 September 1982 the Committee on Development and Cooperation appointed Mr Angelo Narducci draftsman.

It considered the draft opinion at its meetings of 23 September, 29 September and 20 October 1982 and unanimously adopted the conclusions on 20 October 1982.

The following took part in the vote : Mr Poniatowski, chairman, Mr Narducci, draftsman; Mrs Caretoni Romagnoli, Mr Cohen, Mrs Dury, Mr Fellermaier, Mrs Focke, Mr Irmer, Mr Lezzi and Mr Michel.

The Committee on Development and Cooperation

1. Recalls the importance, for the European Community, of implementing a global Mediterranean policy and stresses the importance, in this respect, of the agreements concluded with the Maghreb and Mashreq states;
2. Emphasises the Community's determination, stated in the preamble to these agreements, to establish a new model for relations between developed and developing States compatible with the aspirations of the international community towards a more just and more balanced economic order;
3. Emphasises the importance, in the framework of the overall cooperation which these agreements are intended to promote, of technical and financial cooperation, particularly with a view to diversifying the economic structure of these countries;
4. Considers, in view of these countries' economic situation, the enlargement of the Community to include Greece and, as is expected, Spain and Portugal, and the amount of financial aid granted under the first financial protocols, that in certain cases there has been no progress in the overall amount of aid now proposed, which is not sufficient to help achieve the above-mentioned objectives of cooperation;
5. Hopes that the studies being carried out at present by the Commission on the revitalization of the Community's global Mediterranean policy will result in concrete proposals concerning cooperation - particularly financial cooperation - with the Maghreb and Mashreq countries, including additional financial support from the Community, particularly with a view to the enlargement of the Community to include Spain and Portugal;
6. Notes the positive orientation laid down in this respect in the Commission communication to the Council on a Mediterranean policy for the enlarged Community and in the recent Memorandum by the Commission on Community development policy;
7. Recalls the resolution on the situation in Lebanon adopted by the European Parliament on 15 October 1982 and emphasizes the urgent need for emergency aid in response to the extremely serious situation in Lebanon;
8. Demands that appropriate measures should at last be taken to establish the necessary cooperation between the European Parliament and the representatives of these States;
9. Emphasises that cooperation between the European Parliament and the representatives of every Maghreb and Mashreq State should extend to examining cooperation as a whole and the question of financial cooperation in particular, and considers that the Cooperation Council should be required to submit an annual report on developments in this field;

10. Insists that the European Parliament should be consulted on offers of financial aid at the stage when the Council actually decides on its amount - which is, as a general rule, before negotiations are opened;
11. Emphasizes that the European Parliament should take the opportunity when studying the Commission Memorandum on Community development policy, to initiate an overall study of cooperation with the Maghreb and Mashreq countries;

The Committee on Development and Cooperation hopes that the Committee on External Economic Relations will incorporate these points in its resolution.

EXPLANATORY STATEMENT

1. The cooperation agreements concluded with the Maghreb and Mashreq states and technical and financial cooperation-----

The agreements concluded by the European Community with the three Maghreb states (Algeria, Morocco and Tunisia) in 1976¹ and with the four Mashreq states (Egypt, Jordan, Libya and Syria) in 1977² arise from the Community's determination, from 1972 onwards, to develop a global Mediterranean policy.

These agreements are all drawn up on the same model and are ambitious in scope since, as stated in their respective preambles, they are intended to establish a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order.

Thus the first article of each of these agreements states that their object is to promote overall cooperation between the Contracting Parties with a view to contributing to the economic and social development of the Community's partners and helping to strengthen relations between the Parties.

The first article also states that, to this end, provisions and measures will be adopted and implemented in the fields of economic, technical and financial cooperation and of trade³.

The ambitious nature of these agreements is underlined by the fact that they were concluded for an indefinite period.

The objectives of this economic, technical and financial cooperation are very wide-ranging.

It is intended, broadly speaking, to involve the European Community in its partners' efforts to develop their production and economic infrastructure in order to diversify their economic structures.

The agreements state that, in addition to the various measures and more specific sectors which they list, the contracting parties may decide on further areas of cooperation.

¹ OJ L263/78, L 264/78, L265/78

² OJ L 266/78, L 268/78, L 267/78, L 269/78

³ and, for the Maghreb countries, in the social sphere

To implement this cooperation, the European Community established various financial mechanisms for the benefit of its partners, which are set out in detail in each of their respective protocols on technical and financial cooperation.

These protocols, which were drawn up for a period of five years, expired on 31 October 1981¹. The European Community now intends to adopt new protocols in order to enable the financial and technical cooperation provided for by the cooperation agreements to be continued.

2. Proposals concerning the new financial protocols

The new allocations of financial aid are intended—as in the original protocols—to cover a five-year period, which expires on 31 October 1986.

As in the previous protocols, the aid totals in question comprise both loans from the European Investment Bank granted from its own resources, and funds from the Community's budgetary resources, which are made available either in the form of loans on special terms or in the form of grants.

These aid totals may be broken down as follows:

	SECOND PROTOCOLS (m ECU) (a)									
	B U D G E T						E.I.B.	TOTAL		
	Total budget		Special loans		Grants					
MOROCCO	109	(74)	42	(58)	67	(16)	90	(56)	199	(130)
ALGERIA	44	(44)	16	(19)	28	(25)	107	(70)	151	(114)
TUNISIA	61	(54)	24	(39)	37	(15)	78	(41)	139	(95)
EGYPT	126	(77)	50	(14)	76	(63)	150	(93)	276	(170)
JORDAN	26	(22)	7	(4)	19	(18)	37	(18)	63	(40)
LEBANON	16	(10)	5	(2)	11	(8)	34	(20)	50	(30)
SYRIA	33	(26)	11	(7)	22	(19)	64	(34)	97	(60)
TOTAL	415	(307)	155	(143)	260	(164)	560	(332)	975	(639)

(a) figures in brackets refer to amounts under first protocols

¹ see Annex I, commitments and payments

Loans funded by the EIB continue to be granted in accordance with the terms, conditions and procedures set out in its statute. The interest rate charged is that applied by the Bank at the time of the signing of each loan contract. These loans are combined, as before, with interest rate subsidies to be charged against the sum of aid available to each country in the form of grants. The interest rate subsidy is no longer set at a uniform level, however. It may be either 2 or 3% according to the wishes of the beneficiary states, which also have the option, when agreements are being negotiated, of renouncing the interest rate subsidy altogether, and thus increasing the proportion of aid available to them in the form of grants.

Lebanon has opted for this possibility.

The situation with regard to interest rate subsidies is thus as follows:

- Algeria, Jordan, Morocco: 2% on all EIB loans
- Egypt, Syria, Tunisia: 3% on all EIB loans
- Lebanon: no interest rate subsidy on EIB loans.

Moreover, the new protocols specify that loans intended to finance the petroleum sector cannot qualify for interest rate subsidies.

Loans on special terms from the Community's budgetary resources are granted, as before, for a period of 40 years, with period of grace of 10 years and an interest rate of 1%.

Investment projects continue to qualify for funding either by EIB loans or by loans on special terms. Moreover they may also now be funded either by grants, or by a combination of these three methods.

As before, loans on special terms may be used as contributions to risk capital formation, while technical and economic cooperation continue to be financed, as a general rule, by grants.

These new protocols endorse the previously stated objectives of financial cooperation as set out in paragraph 1.

Unlike the previous protocols, however, they do not place the Cooperation Council under any obligation to conduct an annual examination of the results of financial and technical cooperation.

3. Assessment of the new amounts of aid

The proposed new aid package may be assessed initially by comparison with the amount of aid granted under the first financial protocols.

In this case, the assessment should¹ not be based solely on the rise in the face value of the amount of aid proposed, but should take falling spending power into account.

Thus we see that the new global total of aid being proposed for these countries as a group over the next five years is equivalent to aid made available under the first protocols plus an average annual increase of a little over 8.8% for each of the five preceding years. But if we then take into account the real levels of inflation experienced both by the beneficiary countries² and by the Member

¹ 52.6% overall

² Annex II

States of the EEC¹, we have to conclude that, overall, the financial aid provided by the Community, far from showing an improvement in terms of spending power, has fallen by comparison with previous levels of aid. The assessment of Community aid must also take account of the economic and demographic situation of the beneficiary countries.

If we now consider certain key indicators such as the per capita Gross National Product², changes in the balance of trade³ with the EEC⁴, the pattern of exports towards the latter⁴, and population size⁵, certain general points stand out:

- the two most populous countries - Egypt and Morocco - have the lowest per capita GNP, at \$US 480 and 740 respectively,
- the balance of trade of these countries as a group has been in constant deficit to the EEC throughout the period to which the first financial protocols applied,
- these countries' exports to the EEC consist almost entirely of a small number of primary commodities,
- the population of these countries as a group rose by about 6.3 million people between 1976 and 1979,

Moreover, Lebanon is the scene of a bloody conflict on which the European Parliament has already passed a resolution⁶.

In assessing the amount of aid proposed, we should also take into account both the recent enlargement of the Community to include Greece and the forthcoming accession of Spain and Portugal, which is due to take place within the period covered by the second financial protocols.

As early as 1979, the European Parliament carried out an in-depth study of the probable⁷ consequences of enlarging the Community to include Spain, Greece and Portugal⁷, particularly for the Maghreb and Mashreq states.

The Committee on Development and Cooperation has recently drawn attention⁸ once again to the problems inevitably involved in the further enlargement of the EEC.

These problems will affect both the agricultural sector - for products such as olive oil, tomatoes, citrus fruits, new potatoes, wine and sardines - and the industrial sector, with regard to textiles, garment-making and footwear.

The rapporteur stated his firm belief that, 'the Community must provide finance where required to assist in the restructuring that will be necessary as a result of Community enlargement'⁹.

¹ Consumer prices for the EEC as a whole rose, from 1977 to 1981, by 9.9%, 7.4%, 9.6%, 11.9% and 11.6% per year. Source:EEC Commission

² Annex II

³ Annex III

⁴ Annex IV

⁵ Annex II

⁶ Resolution on the situation in Lebanon, 17.6.1982, P.V 21, PE 79.234, p. 4

⁷ OJ C 140/77, 5.6.1979 and report by Mr Pintat, Doc. 42/79, 6.4.1979

⁸ Report by Mr Enright on an Opinion for the Political Affairs Committee on the enlargement of the Community to include Spain and Portugal, PE 78.895/fin., 6.7.198

⁹ Ibid. pp. 7 and 8

In view of the extent of the existing or expected problems on the one hand, and the size of the overall aid package on the other, it is not surprising that the Commission, in its explanatory memorandum ¹, drew attention to the fact that 'all the partners to a greater or lesser extent expressed disappointment at the amount of aid made available by the Community for the next five-year period'.

As regards the Commission, it underlines - in its recent communication to the Council on a Mediterranean policy for the enlarged Community ² - the necessity for the future enlarged Community to increase greatly its financial contribution if it really wants to contribute in the future to the development of its partners ³

4. The European Parliament and the financial protocols

We must begin by pointing out - yet again - that the procedure for consulting the European Parliament is completely inadequate.

Firstly, because Parliament is consulted only after the agreements have been signed and the amount of aid to be made available has been finally decided.

Secondly, because it seems that the total amount of aid and the different sums allocated to each country are, in fact, decided before the negotiations have even begun ⁴

Finally, because the Council of the EEC does not regard the amounts of aid offered as negotiable ⁵

In view of the foregoing, we must repeat our call for the European Parliament to be consulted at the time when the amounts of aid are actually being decided, i.e. before the negotiations have even begun.

As for the operation of these agreements, it should be recalled that one of their effects was to set up a Cooperation Council ⁶, the main task of which is to take any appropriate measures to facilitate the necessary cooperation and contacts between ⁷ the European Parliament and the representatives of the countries concerned ⁸. Too little use has been made of this provision, the only result of which so far has been a single meeting between Members of the European Parliament and the representatives of Morocco ⁸

1 Recommendations for Council Regulations on the conclusions of the new financial protocols between the EEC and the Southern Mediterranean countries, (COM(82) 119 final)

2 COM (82) 353 final, 24.6.1982

3 idem, para. 18, p. 14 and 15

4 Exact figures for the amounts proposed for the various states - broken down according to whether they come from the EEC budget or the EIB - appear in Agence Europe No. 3186, 25.7.1981

5 On these points, see the Opinion of the Budget Committee on the Mashreq agreements, Doc. 99/77, 11.5.1977, p. 31 et seq., and Doc. 312/77, 10.10.1977, p. 22 et seq.

6 Consisting, on the one hand, of members of the EEC Council and the EEC Commission and on the other, of members of the governments of the countries concerned.

7 See, for example, Art. 46 of the EEC-Algeria agreement

8 Bull. EC, 3 - 1981, 2.2.48

We must, finally, draw attention to the fact that it has not proved possible up to now to pass any regulations on the implementation of the first protocols within the Community.

In fact, as a result of the European Parliament's disagreement with the steps already taken in this field,¹ the consultation procedure which was initiated has not so far been completed.

We must therefore call for the consultation procedure to be completed as swiftly as possible so that a lasting solution might be found to this problem.

¹ OJ No. C 183/64, 1.8.1977 and OJ C 131/8, 5.6.1978

FIRST FINANCIAL PROTOCOLS

COMMITMENTS AND PAYMENTS ON 31 MARCH (EIB) AND 30 APRIL 1982
(EEC BUDGET) AS PERCENTAGES OF TOTAL

	EIB		EEC BUDGET				
	<u>Own resources</u> <u>Committed</u> %	<u>Special Loans</u> <u>Committed</u> %	<u>Loans</u> <u>Paid</u> %	<u>Grants</u> <u>Committed</u> %	<u>Paid</u> %	<u>Total grants and loans</u> <u>Committed</u> %	<u>Paid</u> %
ALGERIA	100	78.9	0	81.6	14.3	80.5	8.1
MOROCCO	100	100	49.1	100	17.4	100	42.2
TUNISIA	100	69.2	19.7	95.6	45.2	76.5	26.8
EGYPT	100	0	0	85.3	17.5	69.8	14.3
JORDAN	100	100	99.1	82.7	19.5	85.8	33.9
LEBANON	100	60.0	0	51.1	18.6	52.9	14.9
SYRIA	46.2	50.0	0	77.4	18.9	72.8	14.4
TOTAL	94.5	76.0	28.0	84.2	20.0	80.4	23.7

Source: Commission of the European Communities

<u>Country</u>	<u>Population</u> (Millions)		<u>GNP</u> <u>Per capita</u> <u>\$ US</u>		<u>Average annual</u> <u>growth of</u> <u>per capita GNP</u>	<u>Annual average</u> <u>rate of</u> <u>inflation</u>
	<u>1976</u>	<u>1979</u>	<u>1976</u>	<u>1979</u>	<u>1960-1979</u> %	<u>1970-1979</u> %
ALGERIA	16.2	18.2	990	1,590	2.4	13.3
MOROCCO	17.2	19.5	540	740	2.6	7.3
TUNISIA	5.7	6.2	840	1,120	4.8	7.5
EGYPT	38.1	38.9	280	480	3.4	8.0
JORDAN	2.8	3.1	610	1,180	5.6	-
LEBANON	3.2	2.7	-	-	-	-
SYRIA	7.7	8.6	780	1,030	4.0	12.7

Source: World Bank reports on world development, 1978 and 1981

**BALANCE OF TRADE BETWEEN EUROPEAN COMMUNITY AND MAGHREB AND
MASHREQ COUNTRIES: 1976-1980 (in m ECU)**

		<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
ALGERIA	EEC exports to	2747.3	3674.3	3635.1	3814.7	4710.3
	EEC imports from	2152.3	2095.9	2001.4	2761.1	4026.8
	balance of trade	+ 595.0	+1578.3	+1633.7	+1053.6	+ 683.4
MOROCCO	EEC exports to	1310.3	1524.3	1341.9	1676.8	1479.2
	EEC imports from	779.5	834.3	840.8	1012.4	1163.8
	balance of trade	+ 530.8	+ 690.0	+ 501.1	+ 664.4	+ 315.4
TUNISIA	EEC exports to	834.7	997.1	1120.5	1232.5	1541.3
	EEC imports from	408.6	552.2	565.2	790.3	1090.6
	balance of trade	+ 426.1	+ 424.9	+ 555.3	+ 442.2	+ 450.7
EGYPT	EEC exports to	1475.4	1679.8	1820.9	2324.0	3105.3
	EEC imports from	675.2	700.6	943.1	1182.1	1742.1
	balance of trade	+ 800.2	+ 979.2	+ 877.8	+1141.9	+1363.2
JORDAN	EEC exports to	454.2	371.0	387.2	531.0	686.9
	EEC imports from	13.1	9.6	15.2	18.0	20.8
	balance of trade	+ 441.1	+ 361.4	+ 372.0	+ 513.0	+ 666.1
LEBANON	EEC exports to	145.8	601.2	607.6	818.4	1032.2
	EEC imports from	40.1	31.9	27.6	38.0	43.8
	balance of trade	+ 105.7	+ 569.3	+ 580.0	+ 780.4	+ 988.4
SYRIA	EEC exports to	1027.2	858.6	799.5	1053.0	1244.8
	EEC imports from	649.2	601.5	504.9	611.2	927.1
	balance of trade	+ 378.0	+ 257.1	+ 294.6	+ 441.8	+ 317.7

Source: Statistics Office of the EC

THE THREE MAIN PRODUCTS (OR GROUPS OF PRODUCTS) AS
A PERCENTAGE OF ALL EXPORTS TO THE EEC IN 1980

Country						Total	
ALGERIA	Crude oil	73.2	Refined petroleum products	17.3	Natural and manufactured gas	7	97.5
MOROCCO	Non-edible raw materials (excluding fuel) (including untreated fertilizer 23)	32.5	Fruits and vegetables	27.7	Mineral fuels	4.1	64.3
TUNISIA	Mineral fuels (including crude oil, 33.8)	35.7	Chemical products	11.3	Vegetable oils	8.9	55.9
EGYPT	Crude oil	71.2	Refined petroleum	9.2	Non-edible raw materials (excluding fuel) (including cotton 4)	4.3	84.7
JORDAN	Non-edible raw materials (excluding fuel) (including calcium phosphate 28.9)	34.4	Machinery and transport equipment	29.5	Various manufactured goods	10	73.9
LEBANON	Non-edible raw materials (excluding fuel)	38.4	Foodstuffs (including fruit and vegetables, 5.7)	6.5			44.9
LIBYIA	Crude oil	74.6	Refined petroleum products	20.2	Non-edible raw materials	3.7	98.5

Source: Commission of the European Communities

European Communities

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Working Documents

1982-1983

16 November 1982

DOCUMENT 1-846/82/ANNEX

OPINION

of the Committee on Budgets

on the recommendations from the Commission of
the European Communities to the Council
(Doc. 1-418/82. and Doc. 1-835/82) for regulations
concerning the conclusion of new financial protocols
between the European Economic Community and certain
southern Mediterranean countries

Draftsman: Mrs M. HOFF

PE 80.385/fin./Ann.



On 22 September 1982 the Committee on Budgets appointed Mrs Hoff draftsman.

It considered the draft opinion at its meeting of 15 November 1982 and adopted it unanimously.

Present: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mrs Barbarella, vice-chairman; Mrs Hoff, draftsman; Mr Adam (deputizing for Mr Arndt), Mr Baillet, Mr Balfe, Mr Bonde, Mr Brok (deputizing for Mr Pfennig), Mr Gouthier, Mr Kellett-Bowman, Mr Langes, Mr Louwes, Mr Newton Dunn, Mrs Nikolaou, Mr Price, Mr Saby and Mrs Van Hemeldonck (deputizing for Mr Lalumière).

1. The proposal referred to the committee for its opinion concerns cooperation with the MAGHREB countries (Algeria, Morocco and Tunisia), the MASHREQ countries (Egypt, Jordan, Lebanon and Syria) and Israel (see point 3 below).

The Community is linked to these countries by cooperation agreements of indefinite duration which are intended to promote the economic and social development of the countries concerned and strengthen their relations with the Community.

The agreements are supplemented by financial protocols of limited duration which lay down the provisions governing technical and financial cooperation and specify the amount of the financial aid and the conditions under which it is granted. Most of these protocols expired on 31 October 1981.

2. The Commission renegotiated these protocols on the basis of the Council directives of 27 July 1981 and 29 September 1981. In the present documents, COM(82) 119 final of 16 March 1982, and COM(82) 438 final of 20 July 1982, it has submitted the outcome of the negotiations to the Council in the form of 'Recommendations for Council regulations' approving the financial protocols with each of the aforementioned countries.
3. These agreements between the Community and third countries are concluded pursuant to Articles 228 and 238 of the EEC Treaty. Parliament is informed of the progress of the negotiations in accordance with the 'LUNS-WESTERTERP' procedure. A meeting between the Council and Parliament under this procedure took place in Strasbourg on 21 April 1982. Parliament was officially consulted on 24 June 1982 (in respect of Egypt, Morocco, Syria, Jordan and Lebanon) and on 29 October 1982 (in respect of Algeria and Tunisia); the protocol concerning Israel has not yet been signed. Parliament would like to improve the consultation procedure in such a way that agreements are ratified by the European Parliament. At least, the Commission should inform Parliament of its intentions before obtaining its negotiating mandate from Council.
4. In 1977 and 1978 the Commission proposed financial regulations for the implementation of these financial protocols. The Council drew up joint guidelines on this matter (Doc. 5/1311/78). The conciliation procedure has never been completed, and the proposals are still pending. Until now the Commission has simply followed an 'ad hoc' procedure for consulting Member States. It is now calling for a resumption of the conciliation procedure. The Committee on Budgets regards this as the most important

aspect of the proposal. In 1978, the management committee was the subject of conciliation. It was decided not to open formally the conciliation procedure on the financial protocols since conciliation was already underway in two other areas involved : the non-associated developing countries and the ERDF. The problem still remains unsolved.

Financial cost

5. The total financial allocation (including Algeria, Tunisia and Israel) has increased by 52% from 669 to 1,015 million ECU. There are differences in the way this figure is made up :

<u>First protocols</u>		<u>Second protocols</u>
	(million ECU)	
Special loans	143	155 = + 8.4%
Grants	164	260 = + 58.5%
Total from budgetary resources	<u>307</u>	<u>415</u> = + 35.2%
EIB Total	362 ===	600 = + 65.8% ===
Overall Total	669	1,015 = + 51.7%

6. Since the 'grants' consist largely of interest rate subsidies on loans granted by the EIB, it is apparent that the increase in the financial allocation is primarily of benefit to the EIB's projects and scarcely assists the Commission's own projects. In a sense this is in breach of the agreement to include such expenditure in the budget.
7. The allocation of financial aid to the countries concerned generally varies by no more than $\pm 0.5\%$ compared with the first protocols, except in the case of Algeria, where the relative share falls from 17.04% to 14.88% and Egypt, where it increases from 25.41% to 27.19%.
8. The Commission points out in its explanatory memorandum (last paragraph of point 1) 'that all the partners to a greater or lesser extent expressed disappointment at the amount of aid made available by the Community for the next five-year period'. Parliament shares this view.
9. It is consistent with Parliament's policy on budgetary matters for it to insist that the amounts entered in the protocols are 'for guidance' only. The European Parliament has always wished to increase the appropriations granted for this cooperation policy.

In order not to complicate the conclusion of the present protocols unnecessarily, an acceptable solution might be a joint declaration by the Council and Parliament that the amounts entered in the protocols are minimum commitments which may be exceeded under the annual budgetary procedure.

Other budgetary aspects

10. Parliament's main concern at the time of the first protocols was to ensure that this expenditure was included in the budget. Attention was drawn even then to the excessive share of responsibility for implementation which had been transferred to the EIB and to the unacceptable role of the proposed management committee. Experience has shown, moreover, that the Council takes over from the Commission when it comes to deciding on proposals to finance projects.
11. It would seem more appropriate to resume the conciliation procedure - abandoned in 1978 - on the financial regulations for the implementation of the protocols rather than attempt to hold up the protocols. In order to ensure that the negotiations are continued with reasonable speed, it should also be made clear that the tacit agreement on the 'ad hoc' procedure for consulting the Member States, which the Commission regarded as temporary, will not apply in the case of the new protocols.

Conclusion

12. The Committee on Budgets requests the Committee on External Economic Relations to include the following points in the resolution to be submitted to the European Parliament.

The European Parliament :

- A. Regrets that there has been no response to its request that the Commission be given a greater role than the EIB in the cooperation policy with the Mediterranean basin;
- B. (a) Cannot accept ceilings set on expenditure by any means other than the budgetary procedure;
- (b) Regards the amounts entered in the financial protocols as minimum commitments by the Community which may be exceeded under the annual budgetary procedure;
- (c) Invites the Council and the Commission to join with it in making this declaration;

- C. (a) Supports the Commission's request to the Council that it complete the conciliation procedure initiated in 1978 on the implementing rules for the financial protocols;
 - (b) Invites the Commission to update its proposals;
 - (c) Points out that the temporary ad hoc procedure for consulting the Member States on proposals to finance projects cannot be extended to the new protocols.
- D. Demands that, for negotiations to which the Luns-Westerterp procedure applies, the Commission inform Parliament of its intentions before obtaining its negotiating mandate from Council.

