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EUROPEAN PARLIAMENT

# Working Documents

1982-1983

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June 1982

DOCUMENT 1-307/82

REPORT

drawn up on behalf of the Committee on Economic and  
Monetary Affairs

on the Commission's response to the Mandate of 30 May 1980

Rapporteur: Mr W. HOPPER





By letter of 9 July 1981 the Commission's response (DOC. COM (81) 300 fin.) to the mandate of 30 May 1980 was referred to the Committee on Economic and Monetary Affairs as the Committee responsible, and to the Committees on Budgetary Control, Agriculture, Budgets, Energy, Political Affairs, Social Affairs and Regional Policy and Regional Planning for their opinions.

At its meeting on 22-23 September 1981 the Committee on Economic and Monetary Affairs appointed Mr. W. Hopper as rapporteur.

A first draft interim report was considered at the Committee's meeting on 1-2 October, 20-21 October and 27-28 October 1981 and adopted at the latter meeting on a unanimous vote with four abstentions.

On 17 November 1981 Parliament agreed to refer the first interim report back to the responsible Committee so that it and the other committees asked for opinions could take into consideration the complementary documents submitted by the Commission in the framework of the mandate exercise.

The subject was again discussed at the Committee's meetings on 3-4 December 1981, 25-26-27 January 1982. An oral question with debate was submitted by the rapporteur at the February part session.

At the Committee's meeting on 23-24 February 1982 it was decided to draw up a second draft interim report. This was considered at the Committee's meetings on 23-24 February 1982 and on 5 March 1982 and adopted at the latter meeting on a unanimous vote with 1 abstention.

On April 19, 1982 the second draft interim report was referred back by Parliament to the Committee responsible.

The final report was considered at the Committee's meetings on April 27-28, May 18-19 and May 27-28, and adopted at the latter meeting by 11 votes for to nil against with 5 abstentions.

PARTICIPATED IN THE VOTE: Mr Moreau, chairman; Mr de Ferranti and Mr Deleau, vice-chairmen; Mr Hopper, rapporteur; Mr Beazley, Mr Bonaccini, Mr Giavazzi, Mr Herman, Mr Leonardi, Mr Mihr, Mr Papantoniou, Mr Purvis, Mr Rogalla (deputizing for Mr Schinzel), Mr Wagner, Mr Welsh (deputizing for Miss Forster) and Mr von Wogau.

The opinions and (where applicable) supplementary opinions of the Committees on Budgetary Control, Agriculture, Budgets, Energy, Political Affairs, Social Affairs and Regional Policy and Regional Planning will be published in a separate annex.

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A

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution.

MOTION FOR A RESOLUTION

on the Mandate of 30 May 1980

The European Parliament

- A. Having regard to the report from the Commission of the European Communities to the Council pursuant to the Mandate of 30 May 1980 <sup>(1)</sup> and to the supplementary documents transmitted by the Commission <sup>(2)</sup>;
- B. Strongly reaffirming its own previous resolutions, notably those on the restructuring of economic and monetary policies in connection with the Council decision of 30 May 1980, and on the future of the Community budget <sup>(3)</sup>;
- C. Having regard to the report (Doc 1-307/82 ) and interim reports (Doc. 1-682/81 and Doc. 1-1/82) of the Committee on Economic and Monetary Affairs;
- D. Bearing in mind the recent meetings of the Council of Ministers in which the mandate has been discussed, and the recent Council Decision of an extremely limited and temporary nature concerning the budgetary contribution of the United Kingdom;

General Observations

1. Recalls its opposition to the principle of "juste retour";
2. Considers that the 30 May Mandate exercise in the terms originally conceived by the Commission and strongly supported by Parliament has not been closed as a result either of the temporary agreement at Council level on this year's British budgetary problem or of the limited and unimplemented Council agreement of a general nature on other mandate matters which were tentatively reached at the end of last year; believes, in spite of its unsatisfactory origins, that the mandate exercise still

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(1) Bulletin of the European Communities, supplement 1/81

(2) COM (81) 344, COM (81) 572, COM (81) 639, COM (81) 540, COM (81) 620, COM (81) 574, COM (81) 638, COM (81) 152, COM (81) 589, COM (81) 608, COM (81) 637, and COM (81) 704.

(3) OJ C 172/81 pp 50,54, on the basis of reports drawn up by Mr. Giavazzi (Doc. 1-256/81) and by Mr. Pfennig (Doc. 1-264/81/Corr.)

offers a major opportunity to relaunch the Community, by taking stock of its activities as a whole, and by then establishing a framework for its more equitable and dynamic development.

3. Underlines that this can only be achieved if much greater political will to take the necessary implementing decisions is displayed at Council level, and if the Commission moves vigorously from the stage of making general observations to putting forward more specific proposals.
4. Considers that the decision-making procedures in this area should be made more effective and demands in consequence that the Commission makes substantive proposals to Parliament and Council regarding reform of the European Community's decision-making procedures, the inadequacy of which lies at the root of its current difficulties with the Mandate exercise and of the Community's malaise in general.
5. Reiterates yet again its firm opposition to any narrow interpretation of the mandate concentrating on finding short-term solutions to the budgetary problem of one member state.

Points out in this context that any "compromise" at Council level on the British budgetary contribution should not be seen as settling the mandate exercise, but only as a limited first step, which will permit the mandate to be then tackled in that wider sense repeatedly called for by Parliament.

6. Believes, however, that if the mandate exercise is still to retain any meaning that it must be much more clearly focussed than in the past, and recalls its dissatisfaction with the original Commission response to the mandate which was excessively general, and lacked both structure and a clear sense of direction. Considers, furthermore, that many of the areas for action listed by the Commission were areas on which the Commission would have had to act anyway, with or without the mandate, and that no guiding objectives were established.
7. Believes that such a guiding objective for the mandate, which should never be lost sight of in making specific proposals, is the promotion of convergence.

Implies by this:

- a greater coordination of economic policy-making between member states with a view to achieving better results for all the member states, and to making decisive progress towards much closer integration within the Community;
- a lessening of the economic disparities, which will be even greater after enlargement, between individual member states and regions, and a greater commitment towards giving the Community a stronger social dimension.



8. Regrets the failure of the Commission to take sufficient account of the important implications of Community enlargement especially as regards the adjustment problems of new and prospective southern European members.
9. Points out that the mandate exercise implies looking at the Community venture not just in purely accounting terms of immediate budgetary costs and benefits, but instead in terms of the longer term and more wide-reaching benefits of Community membership, many of which are non-budgetary in nature and may be political rather than economic (e.g. support for the United Kingdom's positions in the Falkland Islands).
10. Recalls again its strong support for the conclusions of the report on the study group on the role of public finance in European integration (the so-called MacDougall Report) <sup>(1)</sup>, which lay down a broad strategy for achieving the object of convergence.
11. Recognizes the risk, if the mandate is seen as a package on which agreement has to be reached in parallel on all three chapters, that it could actually constitute a pretext for the deferring of certain important decisions, particularly about Community policies other than agriculture.
12. Believes, however, that this risk is outweighed by the advantages of achieving a greater consistency between different Community objectives and of obtaining a coherent and comprehensive settlement on all three chapters of the mandate:
  - agricultural policy reform;
  - budgetary mechanisms (but interpreted in general Community terms, not just in terms of a specific budgetary solution for the United Kingdom);
  - the development of Community policies other than agriculture, including both those with financial and with non-financial implications.
13. Expresses disappointment at any postponement in completing the Mandate exercise by resort to temporary expedients such as a one year budget agreement and insists that an overall resolution must be prosecuted with the utmost urgency, perseverance and intensity.

#### Agricultural Policy Reform

14. Believes that on the basis of the principles of the Common Agricultural Policy, the improvement of agricultural policy is a factor in the implementation of the Mandate, particularly as regards more efficient management.

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<sup>1</sup> Commission of the European Communities, Economic and Financial series 1977, A 13

15. Recognizes the twin tears that:

- on the one hand, without an increase in own resources increased expenditure on other Community policies other than agriculture can only come at the expense of agriculture,
- and on the other hand, if the ceiling on own resources is raised without the growth in agriculture expenditure being brought under control, the major incentive for such reform would have gone

Believes that raising the ceiling on own resources should enable the Community to develop other Community policies which implies control over the growth of agricultural expenditure.

16. Considers that agricultural improvements should concentrate above all on:

- ensuring respect for the principle of Community preference;
- making the CAP more efficient, by improving the organisation of production in order to permit structural surpluses to be brought under greater control as called for on numerous occasions by Parliament, by developing more accurate forecasts for the evolution of the various agricultural sectors, without which no proper longer-term objectives can be set, and also by developing much better control mechanisms to examine how funds are actually spent;
- tackling the central problem outlined in Parliament's resolution on possible improvements to the Common Agricultural Policy, namely the existence of continued disparities between the less favoured and more favoured agricultural regions of the Community. Believes that the failure to reduce these disparities has been a central failing of the Community.

17. Emphasises that lessening of existing disparities in Community agriculture involves the effective protection of the interests of small farmers, the implementation of integrated regional programmes, the strengthening of the social and structural policy in less favoured areas, particularly mountain and hill areas and the Mediterranean regions, as well as the correction of the existing bias in agricultural price support against Mediterranean products. Regrets, in this instance, the total lack of precision in the Commission's paper on Mediterranean policy.

The Budgetary Chapter of the Mandate

18. Underlines that the final shape of the budget should be determined by the need for better balance between Community policies, and should not then be constrained by any artificial limit on own resources. Reiterates again, therefore, the need both to change the balance of the Community budget, and to increase its size through raising the ceiling on own resources, these two changes proceeding hand-in-hand.



19. Warns of the harmful effect for the Community of continued negotiations on reducing individual member states' budgetary contributions.
20. Recalls the remarks previously made by the Commission about the considerable disadvantages in Community terms of mechanisms dealing with deficient shares of individual member states on the expenditure side of the budget. <sup>(1)</sup>

Expresses serious reservations about the mechanism related to agricultural expenditure proposed by the Commission in its mandate paper. <sup>(2)</sup>

21. Condemns the link between the fixing of new agricultural prices and the solution of national budgetary problems.
22. Points out that the existing general financial mechanism, set up in 1976, has played no useful role and will be even less likely to do so after enlargement. Warns against the danger of tailoring any financial mechanism to criteria based on specific national circumstances that can change rapidly and unpredictably. Calls for the replacement of the existing mechanism by one conceived on a more satisfactory basis, and one with wider validity for the Community as a whole.
23. Stresses that the United Kingdom obtained a refund under the 1981 budget which is likely to solve the problem of its budgetary contribution
24. Calls therefore, for the Commission to make proposals for a general financial mechanism which would:
  - enable the Community to develop policies without constantly having to consider the financial implications of each such policy for the individual member states,
  - to prevent member states being treated differently from each other, and
  - contribute toward the convergence of the economies of the Member States.
25. Recalls, in this context, that Parliament has on several occasions, notably in paragraphs 20-24 of its resolution on the future of the Community budget <sup>(3)</sup> called for a generalized system of financial equalization, as originally suggested in the MacDougall Report. Regrets that the Commission has never given a satisfactory response to the Parliament on this suggestion, nor properly explained the reservations that it appears to hold concerning the value of such a system. Insists on a fuller such response from the Commission as soon as possible.

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(1) In its document on Convergence and Budgetary Questions of 31 October 1979 (COM(79) 620 fin) on page 9.

(2) In paragraphs 42-44 of the paper, Bulletin of the European Communities, supplement 1/81.

(3) OJ C 172/81, p.54

26. Further recalls the possibilities opened up by any increase in own resources, through the introduction of new own resources on a more progressive basis.

Priorities for the development of Community policies other than Agriculture

27. Re-affirms that the long term answer to the problem of unacceptable situations facing individual member states is the balanced development of new Community policies, and the reform of existing policies.
28. Notes the ideas put forward in the original mandate paper, <sup>(1)</sup> and in the supplementary papers submitted by the Commission, <sup>(2)</sup> supports the general objectives set forth in those documents but insists that the time has now come to put forward formal and detailed proposals in the form of draft Council directives decisions or regulations, and giving some indication of the resources required, on which the Council will have to respond.

Regrets, in this context, the practice of the Commission of sending communications to the Council, thus running the danger of seeing essential initiatives and proposals watered down at the planning stage or even of remaining dormant in the absence of a reaction from the Council.

29. Further notes that the European Council at its meeting in November 1981, showed signs of agreement in principle on some important issues in the so-called first chapter of the mandate, but that further progress has since been frozen as a result of the disagreement on the other chapters of the mandate. Insists that appropriate implementing proposals from the Commission should now be presented to the Council.

Social Policy

30. Calls, at a time of high unemployment, of industrial restructuring and of adaptation to new technologies, for social policy to be given the highest possible priority.
31. Re-iterates the need for an active Community employment policy as suggested in the Commission's Fifth Medium-Term Economic programme, and supported by Parliament in its recently adopted resolution on that programme. <sup>(3)</sup> Further reasserts the social policy priorities recently established by Parliament <sup>(4)</sup>.

~~(1)~~ Bulletin of the European Communities, supplement 1/81

(2) COM(81)344, COM(81)572fin, COM(81)639 fin, COM(81)540fin, COM(81)620 fin  
COM(81)574 fin, COM(81)638fin, COM(81)152fin, COM(81)589fin.

(3) OJ C 66, p. 37

(4) OJ C 260 of 12.10.81, pp 48,54 &63 and OJ C 287 of 9.11.81, p. 87



Strongly supports the emphasis in the Commission's paper about job creation on tackling youth unemployment, and on harnessing the job creation potential of small and medium-sized enterprises, but calls for more specific proposals in this regard. Calls for a major increase in the resources of the Social Fund, and also looks forward to receiving the Commission's promised proposals for injecting greater flexibility into the Fund's operating procedures.

32. Requests the Commission to examine carefully the following ideas for improving Community social policy:

- The development of an improved system for regulating and planning the supply and demand for labour in all the member states, the creation of a network of local and especially regional employment agencies, coordinated at national level and linked with the European Social Fund, as well as a series of employment monitoring units <sup>(1)</sup>;
- The proposal for a system of resource transfer based on job flow <sup>(2)</sup>;
- The idea of a Community unemployment benefit scheme, put forward in the Marjolin report on "Economic and Monetary Union 1980", and subsequently supported in the MacDougall Report.

#### Regional Policy

33. Underlines the central importance of a strengthened regional policy, endowed with more resources, and with much better coordination between Community and national objectives.

Reaffirms, as regards the papers on regional policy put forward by the Commission in the context of the mandate, its recently expressed views <sup>(3)</sup> on this subject. Also recalls its conclusions in its resolution on a Mediterranean plan for the benefit of Mediterranean countries belonging to the European Community and the applicant countries Portugal and Spain. <sup>(4)</sup>

34. Underlines the key need to examine in a much more rigorous way the impacts on regional development, and on convergence of all Community policies, possibly through formal statements on the likely impacts of each policy on convergence, to be published by the Commission when proposing new policies and in reviewing old ones.

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(1) Suggestions put forward by the Social Affairs Committee in its annexed opinion (PE 76.472/fin)

(2) As suggested in Doc 1-84/81 De Ferranti and others.

(3) OJ , in its motion for a resolution on the basis of the report by Mr De Pasquale, Doc. 1-61/82.

(4) OJ C 66, p. 26, based on the report by Mr. Pöttering

### Industrial Strategy

35. Emphasizes that the development of a proper community industrial strategy is at the core of any restructuring of the Community's activities within the mandate framework, and that this should be based on an integrated approach, encompassing the whole range of Community instruments and policies.
36. Further emphasizes that such a strategy should:
- help tackle the central problem of high unemployment at Community level;
  - help increase the competitiveness of European industry by allowing it to take full advantage of the scale of the Community through the completion of a true internal market, through increased research and development at Community level, through promotion of industrial cooperation consistent with appropriate competition policy objectives, through real progress in developing an adequate framework of European company law, and through providing greater coordination at Community level of disparate national programmes, national aids and public purchasing policies;
  - help the necessary restructuring of Community industry through adjustment in the more traditional industries and through promotion of the new technologies.
37. Welcomes, therefore, the Commission's analysis of these problems contained in the fifth medium term economic programme, and in the papers on job creation, on strengthening the internal market, on scientific and technical research, on a Community policy for industrial innovation and on a Community strategy to develop Europe's industry.

Further notes that the European Council has decided in principle that such an industrial strategy is needed, that a free market for services should be achieved, that there should be stricter discipline concerning state aids, that public purchasing, notably in the field of new technologies should be liberalized, that there should be real progress in setting up a common legal framework for Community industry, that there should be rapid decision on the problem of the treatment of third country products, that delays at the frontiers within the Community should be reduced, and that there should be a common strategy on research at Community level.

Insists that the Commission put specific proposals on these lines before the Council, believing that it is only when the Council is confronted with specifics rather than generalities that the true commitment (or lack of it) of the various member states will become clear.



38. Points out again the lack of progress to date in the whole area of industrial policy, as emphasized in its previous resolution on industrial cooperation (1). Recalls that it had previously given its support to the Commission's proposal for a regulation on Community aid for industrial restructuring and conversion, (2) and subsequently on the designation of the shipbuilding and synthetic fibres sectors as being eligible for such aid, (3) but that the Council never pronounced on the framework proposal, and the Commission has recently withdrawn its entire set of proposals.
39. Points out that there are a number of broad strategic questions concerning industrial policy, including the appropriate balance between Community and national, and between public and private efforts, the desirability of a strategy of "picking the winners", and the appropriate trade-offs between reorganizing working time; and maintaining industrial competitiveness, and between cooperation and competition policy objectives, which need to be analysed more systematically at Community level.
40. Insists, in particular, that:
- it be kept closely involved in the elaboration of Community strategies for individual industrial sectors, such as the automobile sector where it has already suggested such a strategy (4), and the sector of the new information technologies, where it has again laid down certain guidelines (5), and where it understands the Commission to be preparing a set of major new initiatives, such as the INSIS and CADDIA projects, and the ESPRIT programme;
  - the proposals submitted by the Commission for a Council Decision on strengthening the internal market should cover both goods and passenger traffic within the Member States and should be implemented as quickly as possible by means of practical measures;
  - the Commission continues and accentuates its work on the opening up of public markets;
  - the Commission amplify its suggestion for the establishment of a European Fiscal Model, setting out a common approach, albeit gradual and flexible, to the balance between direct and indirect taxation and

(1) OJ C144/81 p.60 based on a report by Mr. Delorozoy (DOC. 1-157/81)

(2) OJ based on a report by Mr. Spinelli (DOC. 637/78 )

(3) OJ based on a report by Sir David Nicolson and Miss Forster (1-623/79)

(4) OJ C 28/81, p. 17, based on a report by Mr. Bonaccini (Doc. 1-673/80)

(5) OJ C 144/81 pp. 69 & 71, based on reports by Mr. Leonardi (Doc. 1-137/81) and Mr. Herman (Doc.1-138/81) and Mr. Seal (Doc. 1-41/82)

parafiscal charges, and a framework for value added tax comprising bands of tax rate within which all products subject to VAT would gradually be grouped according to a common approach <sup>(1)</sup>;

- the obstacles to freedom to provide services in the Common Market must be eliminated:
- the Commission again examine Parliament's proposal for a fund for industrial innovation and development, as put forward in its resolution on industrial cooperation. <sup>(2)</sup>

#### Other Policies

41. Calls for the adoption of a coordinated monetary policy, and for further progress towards economic and monetary union, in particular by developing and extending the use of the ECU as a step towards the completion of the EMS. Recalls the priorities established in its previous resolutions on this subject. Points out that successful completion of the mandate exercise leading to greater convergence within the Community will provide the framework within which irreversible steps towards economic and monetary union can proceed.
42. Underlines that the borrowing and lending activities of the European Community, particularly if linked with interest rate subsidies, can strongly reinforce the process of convergence and have the effect of stimulating the structurally weakest economies, and believes therefore, that these borrowing and lending activities should be greatly reinforced.

Welcomes, as a first step only, the European Council's decision that the New Community Instrument's loan capacity should be increased by 3 billion ECU, and awaits speedy implementation of this decision of principle, but remains extremely critical of the spirit in which the Council has treated Parliament's proposals in this sphere, and insists that they be taken account of in the forthcoming NIC III.

43. Emphasizes the importance of establishing a proper Community energy policy. Recognizes that not all Community action in the energy field will require Community funding (e.g. alignment of energy pricing and coordination of national efforts) but regrets the lack of specific proposals for regulations or directives in energy and research which would have the advantage of ensuring that an increased Community contribution would rapidly have a positive effect on employment, economic development and the balance of payments.

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(1) Suggested in point 63 of the foreword to the Commission's fifth medium-term economic policy programme (COM (81) 344 fin.)

(2) OJ C 144/81, page 60



44. Calls for a strong Community role in the promotion of new infrastructure projects of Community-wide interest.
45. Recalls again the total lack of progress in developing a Community transport policy as called for in the Treaties.
46. Emphasizes the strategic role which cooperation with developing countries and development policy can and must have, and the need to endow it with the necessary resources and instruments.

#### Concluding Remarks

47. Expresses its extreme concern and disapproval at the state of paralysis threatening the process of Community integration as a result of Member States inability to find inspiration for and solidarity with the great Community ideal in the light of the new challenges facing Europe.
48. Notes that the Commission's activities in implementing the Mandate are inadequate, that it has failed to produce practical proposals to fulfil the Mandate and above all that it lacks both the determination and effective policy called for by the Mandate.  
  
Invites the Commission, therefore, in exercising its powers as the institution responsible for providing initiative and impetus in the Community to submit such proposals taking account of current needs, the severe state of crisis within the Community and the content of both this and previous resolutions of the Parliament.
49. Calls finally for a Commission study to assess non-budgetary advantages and disadvantages for each Member State of membership of the Community; recognizes the difficulties of quantifying such aspects, but feels that such an analysis is possible and absolutely necessary if the prevalent over-emphasis on national budgetary balances is to be put within fairer perspective.
50. Points out again the Commission's failure to take sufficient account of the implications of enlargement for the mandate exercise.
51. Points out the further failure of the Commission to examine more rigorously the reasons which have prevented or hampered the successful implementation of existing Community policies. Underlines yet again the need for more clearly defined Community objectives for each policy, and for much closer monitoring to see if results match up to these objectives.
52. Points out that the Council of Ministers which conferred the Mandate on the Commission recognised the need to take action itself as quickly as possible in the areas for which it had invited the Commission to submit proposals, thus making any hesitation or delay by the Council in taking decisions of general interest to the Community unjustified and a serious political matter particularly in the light of the worsening of the economic and social crisis which occurred in the period following the formulation of the Mandate.

53. Charges its Economic and Monetary Affairs Committee in liaison with the different committees concerned, to examine the implementation of the Mandate exercise as a whole, maintain the maximum pressure on the Commission and on the Council, and to ensure that Community efforts do not become fragmented, but remain consistent with the general objectives of the mandate
54. Calls on the Commission to draw conclusions regarding the Community's decision-making process from its experience with the Mandate exercise and to come forward with proposals to improve it.
55. Instructs its President to forward this resolution to the Council and Heads of State or Government and the national parliaments of the Member States, the Council and the Commission.



B.

EXPLANATORY STATEMENT

Introduction

1. The Mandate exercise has been lengthy, and often unsatisfactory in nature. The purpose of the present report is to take stock of the situation, and to set down Parliament's views on the steps that now need to be taken. For, in spite of the faltering progress so far, your rapporteur believes that a vital opportunity is still open to the Community, one that must be grasped as soon as possible. The road forward, however, is not an easy one, and a number of hard questions need to be asked not just within the Community institutions as a whole, but within the Parliament itself. This report seeks to provide a framework for the debating of these issues and to examine the Commission's proposals put forward in the various mandate documents within this framework.

Unresolved questions concerning the Mandate

2. These central issues are as follows:
  - (i) Is the mandate exercise still a valid exercise or not?
  - (ii) If it is, what should be its guiding objectives?
  - (iii) Should a package settlement still be sought or not? What are the advantages and disadvantages of linkage?
  - (iv) How can Community agricultural objectives, both in terms of extending its product and geographical scope, as well as making the policy more efficient, best be reconciled with the other objectives of the mandate.
  - (v) How should the Community tackle "unacceptable" budgetary situations facing one member state, by temporary "ad hoc" solutions or by more general mechanisms based on objective criteria?
  - (vi) As regards the development of Community policies other than agriculture what should be the major Community priorities, in terms both of policies without and with major financial implications? (In the latter case should the Community spread its efforts widely or concentrate its resources on one or two key programmes?)

3. In reviewing these above issues your rapporteur has sought to be as objective as possible, and to avoid national or sectoral bias. In the course of a lengthy rapporteurship, however, in which a first interim report was withdrawn before a vote because of a fear that it would not be topical enough, and a second interim report, addressed to the European Council and the Council of Ministers before two crucial meetings, was not voted upon partly because of a fear in certain quarters of a linkage between agricultural issues and the rest of the mandate exercise (shortly after a decision within the responsible committee that such a linkage be maintained), your rapporteur has become convinced that there is no perfect timing for his report, nor can all the competing points of view within the Parliament be fully satisfied. He believes, consequently, that Parliament should decide now on the priorities to be followed, and that achieving a cohesive and non-contradictory position within the Parliament, is more important than achieving total consensus. The remarks of your rapporteur as expressed in the following pages have been prepared in this spirit. He has also studied the opinions of the various committees with care, and believes that his remarks are in line with the recommendations of the majority of these committees.

(i) Is the mandate exercise still a valid exercise or not?

4. The unsatisfactory origins of the mandate exercise are apparent to all, and certainly give the impression of an attempt to provide a communautaire "fig-leaf" for the dispute over the United Kingdom's budgetary contributions. Furthermore the terms of reference given to the Commission by the Council were restrictive and unsatisfactory.
5. Whatever these origins and terms of reference, however, it is clear that the mandate exercise will offer a major opportunity for the Community to take stock of its activities as a whole, and to establish a better framework for its future development. The Commission interpreted the mandate in these terms, and has been consistently supported in this interpretation by the Parliament.
6. The narrower interpretation of the mandate is that it concerns the need to find a short-term solution to the unacceptable situation facing one member state (the mandate itself concludes, in a defeatist tone "If this (a wider solution) is not achieved the Commission will make proposals along the lines of the 1980 to 1981 solution and the Council will act accordingly), with Community business going on as usual in other fields. This interpretation is unacceptable. It would be hard to distinguish from achievement of that "juste retour" against which Parliament has repeatedly warned, would set an unfortunate precedent, and would only lead to further temporary solutions. Further disputes would be inevitable, whether concerning the United Kingdom or another member state.



7. Public perception of the mandate, however, is unfortunately focussed on this narrow interpretation. If a "solution" is reached for the United Kingdom, if only on a temporary basis, much of the heat will go out of the mandate exercise. This would lead to a continuing impasse on the development of the Community, with little or nothing having been achieved.
8. Your rapporteur believes, therefore, that the mandate exercise is still worthwhile in keeping Community policy-making focussed towards the wider goals of improving the balance of its activities and of achieving a new sense of direction for the Community, one which is sadly lacking at present.

(ii) What should be the guiding objectives of the mandate?

9. If the mandate exercise is still to retain any meaning, however, it will have to be more clearly focussed than in the past. This was the main cause for a certain Parliament dissatisfaction with the original Commission response to the mandate (1), which was excessively general and lacked structure and a clear sense of direction. The feeling that emerged was that the areas for action listed by the Commission were areas on which the Community would have had to act anyway, with or without the mandate, and that no guiding objectives were established.
10. The first interim report (2) adopted by the Committee on Economic and Monetary Affairs, but never voted upon by Parliament as a whole, set down clearly the view of the Committee (in point 2) that "the primary objective of the mandate should be to promote convergence", admittedly a rather unsatisfactory term, but one which the Committee chose to interpret in two senses:
  - a greater convergence of economic policy-making between member states with a view to achieving better results for all the member states
  - a lessening of existing economic disparities between member states (and between regions as well).

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(1) Report from the Commission of the European Communities to the Council pursuant to the mandate of 30 May 1980, Bulletin of the European Communities Supplement 1/81.

(2) Doc. 1-682/81

11. The first implies the development of greater cohesion within the Community on a wide range of issues, such as industrial policy and monetary policy. It also implies taking much greater advantage of the scale of the Community, both internally and externally. Conversely, it also entails not just looking at the Community venture in purely accounting terms of immediate budgetary costs, but instead in terms of the longer-term and more wide-ranging advantages of Community membership, many of which are non-budgetary in nature.

12. The second meaning of convergence entails a much greater commitment to lessening the economic disparities between countries and regions within the Community which will be even greater after enlargement. The record of the Community in this respect has so far been poor. The distributive effects of all Community policies need to be more carefully taken account of than in the past, and this too should provide a unifying theme for the mandate exercise.

13. Most fundamentally of all the relaunching of the Community that should be synonymous with the mandate exercise should be aimed at making the Community more meaningful for its citizens. Even in terms of a narrow economic conception of the Community, new barriers to trade and new distortions are constantly springing up to take the place of the tariffs and quotas that have been abolished, and customs bureaucracy has been intensified rather than diminished. In addition to making real progress on these fronts, the Community should also aim at developing a much stronger social dimension .

14. For these reasons Parliament has on several occasions cited with approval the conclusions of the "Report of the study group on the role of public finance in European integration" (the so-called McDougall Report), which lay down a broad strategy for tackling the problems of convergence. The terms of the debate need to switch from shorter-term tinkering to these bolder longer-term objectives.

(iii) Should a package settlement still be sought? What are the advantages and disadvantages of linkage?

15. In the course of the negotiations over the mandate, it was decided that the three main elements involved, the development of common policies other than agriculture, agricultural policy and budgetary policy, needed to be treated as a "package", and that decisions on all three elements should proceed in parallel, with agreement on any particular point being only provisional until agreement was reached on the whole text.



16. This has been the object of some controversy within the Parliament. There would appear to be general consensus within Parliament that decisions on the British budgetary contribution should not be treated in isolation but need to be tackled in a wider Community framework. In the course of preparing his interim report (Doc. 1-1/82) on the mandate exercise, however, your rapporteur expressed his growing concern that the tentative agreements that had been reached at Council level on certain elements of the first chapter of the mandate, that dealing with the development of Community policies other than agriculture, should not be put at risk by the stalemate on the other chapters. If this were to be the case, the mandate exercise, far from being a catalyst for a relaunching of the Community, could actually constitute an impediment to the taking of certain more limited decisions nevertheless essential in their own right for the development of the Community. He therefore initially proposed the separation of the first chapter of the mandate from the other two chapters in the case of failure to agree at the next Council meeting, so that progress could be made on those issues. In the course of debate in the Committee on Economic and Monetary Affairs, however, this approach was rejected in favour of supporting continued linkage. The Committee voted for a text "underlining again that the mandate consists of three chapters which intimately depend one upon the other", while the Commission was asked to make proposals on those items on which substantial agreement had been reached. It was also emphasised that such proposals should in no way compromise the future completion of the mandate exercise as a whole. (Para. 10 of the motion submitted by the Committee).

17. The need for continued linkage does not, however, appear to be supported by all in Parliament. More specifically there appears to be a fear of linking the issue of agricultural reform with the other elements of the mandate. The draftsman of the first opinion for the Committee on Agriculture is critical of the Commission for its amalgam of the problem of the British contribution and that of reforming the Common Agricultural Policy. Furthermore, amendments were tabled in the April plenary discussion of the interim report to delete the reference to the inter-relationship between the three chapters. Finally, as mentioned before, the interim report was not voted upon because of the action of those who were opposed to any report on the mandate exercise being discussed at the same time as the report on agricultural prices.

18. Your rapporteur believes that these latter criticisms of linkage are misguided, and that they would only be justified if the basic principles of the common agricultural principles were at stake, something which is expressly ruled out by the terms of the mandate.

19. Your rapporteur subscribes instead to the view expressed in Parliament's resolution of 10.12.1979 (OJ C 309/34) on the communication from the Commission on "Convergence and Budgetary Questions" in which it stated (in paragraph 4): "Notes further that the slowness of the Community in adapting its own resources, in developing common structural policies in the economic and agricultural sectors and in restoring the balance of its Common Agricultural Policy may well be a serious obstacle to its development and is rendering the attainment of convergence even more difficult".

Furthermore in paragraph 3 of its resolution on "Community own resources" (1) Parliament stated clearly:

Reaffirms its conviction, expressed on a number of occasions, that in order to allow a more equitable and rational distribution of financial resources between different policies, it is urgently necessary to

- bring agricultural guarantee expenditure under control
- end the uncontrolled expansion of spending under this heading and the creation of unnecessary and structural surpluses".

Even more recently, in its resolution "on the future of the Community Budget" Parliament said that "... without calling into question the basic principles of the CAP as laid down in Article 39 of the EEC Treaty agricultural policy reform should be seen as the most urgent short-term task of budgetary reform". (2)

20. Your rapporteur believes that these are all clear statements of Parliament that agricultural reform is inextricably linked to the rest of the mandate exercise since proportionately less spending on agriculture and more on other policies is perhaps the essential key to resolving the mandate given to the Commission "to resolve the problem by means of structural changes".

21. To summarise then, your rapporteur believes that a package settlement should still be sought, as long as Community rather than just purely national objectives are kept foremost in mind. There are disadvantages in linkage, in that worthwhile agreement on many issues may be held up by failure to agree on one, but that they are still outweighed by the advantages of attaining a coherent overall settlement.

(1) OJ

Based on the report by Mr. Spinelli (1-772/80)

(2) OJ C 172/81, p. 54



(iv) How can Community agricultural objectives best be reconciled with the other objectives of the mandate?

22. One of the concerns about linking agricultural policy reform with the rest of the mandate exercise seems to stem from the fear that with a continuation of the existing 1% VAT ceiling for own resources, increased expenditure on other Community policies other than agriculture can only come at the expense of agriculture.

23. The alternative hypothesis is for the 1% ceiling to be raised, allowing a major increase in expenditure on other policies without putting lower limits on agricultural spending. The snag of this solution is that certain Member States are clearly opposed to this raising of the ceiling.

24. Your rapporteur is convinced that this second solution is the best one for the Community. Nevertheless, he does also recognise the concerns of those who are reluctant to see the 1% ceiling raised without a better management of Community policies, and clearer objectives being set for budget restructuring, and agricultural policy reform. In his view, therefore, the raising of the VAT ceiling must go hand-in-hand with such a reform.

25. Besides the section on agricultural policy objectives in the original mandate documents, the Commission has prepared a paper on "Guidelines for European Agriculture" and another on "Mediterranean Programmes - lines of action". Specific comments on these papers are given in the two opinions of the Committee on Agriculture, the first on the general mandate document, and the second complementary opinion on the two new papers<sup>(1)</sup>. Your rapporteur does not intend to make further detailed comments on these papers, but to underline a few fundamental points connected to the mandate exercise.

26. The first objective of course should be to make the CAP more efficient, by bringing surpluses under greater control (as called for in Parliament's resolutions cited above), by developing more accurate forecasts for the evolution of the various agricultural sectors (the Committee on Agriculture is highly critical of the Commission's imprecision in this respect), without which no proper longer-term objectives can be set, and also by developing much better control mechanisms to examine how funds are actually spent, and how this matches up with Community objectives

This latter point is heavily emphasised in the opinion of the

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(1) A number of opinions from other committees comment in passing on these documents as well.

Committee on Budgetary Control, which points out that the restructuring of Community activities called for in the mandate exercise must be based on a much more careful analysis of how Community policies are and have been working in the past. Finally, in making the CAP more efficient the objective should be kept in mind of ensuring that the rate of growth of agricultural expenditure should be less than that of own resources. Furthermore, while the achievements of the CAP should not be undermined, and while the development of the CAP should not be seen purely in terms of budgetary constraints, Community agricultural policy objectives must be kept consistent with other Community objectives. Your rapporteur cannot help pointing out in this context that not all of Parliament's own resolutions on agricultural issues (notably its recent resolution on agricultural prices) have met this requirement.

27. The second key point in the mandate context is the need to redress the problem clearly stated in Parliament's resolution on "possible improvements to the Common Agricultural Policy", namely the existence of "continued disparities between the agricultural incomes of the various sectors of production and between the less favoured and more favoured agricultural regions of the Community". (1)

28. The Committee on Agriculture's original opinion<sup>(2)</sup> points out some of the possible solutions to this problem, such as the need for integrated regional programmes (point 7 of the conclusions) and for a strengthening of the social and structural policy in less favoured areas particularly in mountain and hill areas and the Mediterranean regions (point 31). The opinion did not, however, believe that direct income aids to farmers should have any role in an efficient agricultural policy (point 20).

29. The need to strengthen market regulations for Mediterranean product lines was also given strong emphasis (point 32). This is clearly a fundamental element in Common Agricultural Policy reform, and are strongly supported by your rapporteur on the proviso that the existing faults in the CAP are not merely repeated.

30. In the context of Mediterranean policy, your rapporteur notes that the Commission's paper on this subject is severely criticised for its lack of precision in the Committee on Agriculture's complementary opinion.<sup>(3)</sup>

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(1) Point 8(b) of the resolution

(2) Contained in Doc. 1-682/81

(3) PE 76.300/fin



31. Finally your rapporteur again notes the failure of the Commission, in the context of agricultural as well as of other Community policy objectives, to take sufficient account of the important implications of the enlargement of the Community. The mandate exercise should serve to constitute a framework for the future development of Community policies. This cannot be done if the implications of enlargement are not carefully examined, and appropriate measures planned.

(v) What position should be taken at Community level towards "unacceptable" budgetary situations facing individual Member States?

32. As mentioned before, popular attention has focused on this element of the mandate exercise at the expense of that broader vision of what is involved that both the Commission and Parliament have felt are necessary. It must again be emphasised that a short-term solution to the problem of net budgetary contributions facing one Member State does not mean that the mandate has been satisfactorily carried out. Firstly, the budgetary issue is only one out of three chapters of the mandate package. Secondly, even within the budgetary chapter, attention has been too narrowly concentrated on the immediate problem facing the United Kingdom. In trying to take a broad view, then, for the mandate exercise your rapporteur has not just looked at the short term dispute in isolation, but instead in the wider context of budgetary mechanisms as a whole.

33. The concept of an "unacceptable situation" facing an individual member state is difficult to define. Does it refer to a large net budgetary contribution on the part of any member state, or only on the part of a poorer member state? Can it even be stretched to the loss of a previously advantageous budgetary position of a particular member state? Whatever the problems of definition, however, the concept of an "unacceptable situation" is not a new one, but one that has been recognized at Community level from as long ago as 1970 when the Community declared <sup>(1)</sup> "Should unacceptable situations arise within the present Community or an enlarged Community, the very survival of the Community would demand that the Institutions find equitable solutions."

34. As a result of the Wilson renegotiations in 1974-75 the Council decided that a correcting budgetary mechanism of general application should be set up at Community level to prevent the development of such unacceptable situations, with the proviso that such a mechanism not undercut the functioning of the system of our resources. A financial mechanism was firmly established in 1976, of

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(1) cited in COM (81) 704/fin page 2.

general Community and not just specific British application, and on the basis of Article 235 of the Treaty which calls for a contribution "to the realisation of the objectives of the Community."

35. As is shown by the Commission's helpful paper on "report on the application of the financial mechanism" (COM (81) 704 fin), prepared in the context of the mandate exercise, this mechanism has almost entirely failed to meet the objectives for which it was established.

36. Until 1979 the mechanism was not needed because of special accession safeguards which initially restricted the new member states' contributions. When it eventually became apparent, however, that the mechanism would become needed it also became clear that the restrictions to its use, particularly the balance-of-payment deficit criterion, would severely undercut its utility. The United Kingdom met all the other key criteria set out in the mechanism but it was moving towards long-term balance of payments surpluses because of the effects of North Sea oil.

37. The 1978-80 negotiations between the United Kingdom and its Community partners led to:

- changes to the financial mechanism
- special supplementary Community spending in the United Kingdom

The changes to the financial mechanism only related to the United Kingdom, the terms of the original mechanism remaining in force for the other member states, none of whom have needed to invoke it. Among the changes that were made was the removal of the balance of payments rule. The others related to the tranche system, and the removal of the rule that any payment should not exceed 3% of the budget.

38. Even after these changes three key criteria for qualification remained:

- the per capita GNP of the member state concerned would have to be less than 85% of the Community average;
- the growth rate of per capita GNP of the member state would have to be less than 120% of the Community average;
- the member state's total contribution to the budget would have to be 110% of what it would have been if the budget had been financed on a GNP basis.

It is interesting to note that in the Commission's paper on "convergence and budgetary questions" (COM (79) 620 fin) of 31 October 1979 the Commission concluded (on page 5)



that "in present circumstances, however, it is unlikely that they would disqualify the United Kingdom from a repayment, at least before the enlargement of the Community."

The Commission's recent report on the application of the financial mechanism (COM (81) 704 fin) demonstrated (on page 11) that this was no longer the case, and that the United Kingdom did not now meet the third of the remaining criteria, since its share of financing the Budget, which had exceeded its would-be share under a GUP system by 17.4%, now only exceeded it by 8.53%, not because of a fundamental increase in the United Kingdom's relative prosperity but because of the increase in the value of the pound sterling against the ECU. Even after special modification to meet the United Kingdom's needs the financial mechanism is clearly still not working.

39. In its general paper responding to the mandate <sup>(1)</sup> the Commission turned its attention away from adoption of either the original or modified financial mechanism towards an entirely new idea. In point 42 of its report the Commission proposed that there be a system of compensation for the United Kingdom to be based on a comparison of the United Kingdom's share of the Community's gross national product with the proportion it obtained of EAGGF Guarantee section expenditure, the compensation being financed from the Community budget on the basis of own resources. If this were to be impracticable however, (e.g. if there were insufficient funds in the budget) this compensation could be financed (point 44) by other member states demonstrating their solidarity with the United Kingdom by accepting "abatements on their receipts from the Community, based on the payments they receive under the EAGGF Guarantee section." Account could also be taken of the relative prosperity of each member state.

40. In the course of the recent Council discussions the above Commission proposal does not appear to have been at the centre of attention, which has been focussed on other formulae. The sharpest differences have been between the positions of the British and French governments, the former seeking a longer term arrangement based on objective criteria, dealing not only with the problem for which the financial mechanism was created but with imbalances in the distribution of Community expenditure, the latter calling instead for an ad hoc arrangement to alleviate the United Kingdom's budgetary burden on a short term basis only. Disagreement has centred therefore, on the length of compensation, the question of "degressivity" (whether there should be a declining compensation over the period of the settlement, and under what conditions), and finally on the distribution of the resultant budgetary burden on the other member states.

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(1) Report from the Commission of the European Communities to the Council pursuant to the Mandate of 30 May 1980, supplement 1/81.

The latest proposals have been those put forward by Mr. Thorn and Mr. Tindemans for 5 year compensation to the United Kingdom, including a formula for adjustment to the compensation in the case of changed circumstances.

41. A number of conclusions can be drawn from the above analysis.

42. Firstly every effort should be made to ensure an end to periodic renegotiations of member states budgetary contributions, which damages the rest of the Community enterprise. A short-term deal will lower tension in the short-term but only lead to more problems in the future, perhaps involving other countries besides the United Kingdom.

43. The second conclusion is that the existing financial mechanism has worked badly. It has not helped to mitigate the specific problem of the United Kingdom (nor the problem of the growing German contribution). Its future looks even more unpromising, since Spanish and Portuguese accession would probably make it more permanently inapplicable for the United Kingdom, irrespective of future economic performance.

44. The third conclusion is closely related to the second, and that is the dangers of tailoring any financial mechanism to a specific set of circumstances that can change rapidly and unpredictably. The example cited in paragraph 38 above of the failed predictions of the Commission illustrates this point. Furthermore the financial mechanism set up in 1976 was based on a particular set of circumstances which were held to define an unacceptable situation at that time but may be overtaken by other events in the future. For instance a country with a much lower than average GDP per capita than the Community average, and with a high net contribution would not benefit from the existing financial mechanism, even in its 1980 modified form (which only affects the United Kingdom), if it had a much faster than average growth rate of per capita GNP in real terms, irrespective of its starting point.

If there is to be a general mechanism then, it needs to be conceived on a different basis.

45. Parliament has suggested such a mechanism on several occasions <sup>(1)</sup> The idea was originally given strong support in the MacDougall Report. The latest restatement of Parliament's position came in its recently adopted "resolution on the European Parliament's Guidelines for the 1983 Budget" <sup>(2)</sup> which stated (in point 40) "... that the right solution to problems of balance in the Community

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(1) It was outlined in particular detail in its resolution on the future of the Community budget (OJ C 172/81 p. 54)

(2) Based on the report by Mr. Jackson (Doc. 1-97/82)



Budget lies in the combination of a restructuring of either a generalized system of financial equalization or a progressive rate for VAT contributions."

46. The Commission has continually failed to give a detailed critique of these ideas, the latest accession being its weak response to the oral question with debate posed at the February 1982 plenary <sup>(1)</sup>. It appears to feel that the idea is premature. Even within Parliament, there appear to be certain hesitations. No strong arguments, however, have been put forward against the proposals. Your rapporteur believes that a more comprehensive debate is needed as to whether a general mechanism is necessary, and the form it should take, with a more rigorous look at the advantages and disadvantages of these proposals.

47. In theory all that should be necessary is not a budgetary mechanism but a balanced set of Community policies which should set the framework for the Community budget rather than the budget setting a framework for Community policies. In practice the current budget reflects not just adopted Community policies but also the lack of ability of the Council to adopt the necessary policies. The present budget is arbitrary in its effects at best and regressive at worst. It has even failed to reduce disparities in the agricultural sector. Without entering into the details of any mechanism your rapporteur would argue then that there is a strong case for the continuation of some form of general mechanism aimed at making the budget more progressive and promoting economic convergence rather than being more narrowly aimed at correcting specific national circumstances. He strongly supports the criteria laid down in paragraph 7 of the enclosed opinion of the Committee on Budgets. <sup>(2)</sup>

48. As regards the specific budgetary mechanism proposed by the Commission in the original mandate document, and outlined in paragraph 39 above, there is no evidence that there have been substantive discussions on this proposal at Council level. The Committee on Budgets has made no comments on it in their opinion, but the Committee on Agriculture has expressed serious reservations. Your rapporteur would also recall the comments made by the Commission itself in its earlier document on "Convergence and Budgetary Questions" of 31 October 1979 (COM (79) 620 final), where the Commission pointed out the very considerable disadvantages in community terms of mechanisms dealing with deficient shares of an individual member state on the expenditure side of the budget (on page 9), among them that they raised more directly the issue of "juste retour" than did mechanisms on the financing side.

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(1) Oral question O-96/81

(2) Contained in Doc. 1-682/81

49. Parliament has insisted that measures on the expenditure side should be only on a temporary basis. Your rapporteur can only re-iterate this point, and again emphasize the criteria by which these exceptional measures should be judged which were firstly spelled out in paragraph 15 of Parliament's resolution on the restructuring of economic and monetary policies <sup>(1)</sup> and again supported in paragraph 41 of its recent resolution on the European Parliament's Guidelines for the 1983 budget <sup>(2)</sup>.

50. To conclude, your rapporteur believes that any temporary measures should be strictly scrutinized according to the above criteria, expresses serious reservations about the mechanism related to agricultural expenditure proposed by the Commission, calls for an in-depth debate about whether there should be a more general budgetary mechanism on a long-term basis and the objectives that should govern it if it is established in a new form, and points out that the existing general mechanism should be abandoned, given its lack of success in the past, and its likely even greater inapplicability in the future as a result of Community enlargement.

#### The development of Community policies other than agriculture

51. As has been pointed out on numerous occasions by Parliament the long-term answer to the problem of unacceptable situations is the development of new Community policies, both with and without major financial implications.

52. The Commission has put forward a number of policy papers to complement its original mandate paper. These include the proposals (particularly in the forward) in its fifth medium-term economic policy programme (COM (81) 572), on a Community strategy to develop Europe's industry (COM (81) 639/2), on the development of an energy strategy for the Community (COM (81) 540 fin), a policy for industrial innovation (COM (81) 152 fin and COM (81) 589 fin). In addition a paper on Mediterranean programmes (COM (81) 637 fin), which has already been mentioned on in paragraphs 25 and 30 above, has been submitted by the Commission, and which covers both agricultural and non-agricultural issues.

53. The quality of these papers is extremely uneven. Some, such as that on a community strategy to develop Europe's industry, contain valuable elements for reflection. Others, such as that on industrial innovation, job creation and Mediterranean policy, are extremely weak, and appear to add very little to what was said in the already very general mandate paper, or elsewhere.

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(1) OJ C 172/81, p. 50, based on a report by Mr. Giavazzi, Doc. 1-256/81

(2) OJ based on a report by Mr. Jackson, Doc. 1-97/82



54. Parliament has expressed its very considerable disappointment at the general nature of most of these proposals, both in the original mandate document, and in the complementary papers referred to above. This disappointment has been reflected both in the statements made by spokesmen for the various political groups in the debates which have been held in Parliament over the last few months on the mandate exercise, and in many of the opinions submitted by the responsible Committees.

55. The Committee on Budgets has expressed a particularly important point of general principle in its original opinion<sup>(1)</sup> when in Paragraph 4 it expressed "its deep concern, therefore, at the Commission's repeated attempts to gauge the Council's attitude towards proposed reforms by sending it communications, thus running the danger of seeing essential initiatives and proposals watered down at the planning stage or even of remaining inactive in the absence of a reaction from the Council."

In its draft complementary opinion (PE 78.301) on the new papers submitted by the Commission the draftsman for the Committee on Budgets expresses (in paragraph 6 of the draft) "deep disappointment that, despite repeated demands by the European Parliament, the Commission has not been able to put forward specific proposals in the form of Council directives, decisions or regulations giving some indication of the resources required for the various policies to solve the problem of the imbalances in the Community, which is universally regarded as urgent".

56. This lack of specific proposals has also had a predictable result at Council level in that the Council has not been forced to take specific decisions but has been able to stick to the much easier route of expressing general principles. Nevertheless on this so-called first chapter of the mandate there have been certain encouraging signs at Council level or at least there were in the Council negotiations in late 1981 before further progress was frozen by the breakdown in talks over the British contribution.

57. Among the Council's conclusions at the meeting in November 1981 were that:

- National economic policies should be better coordinated (the Commission was invited to consider ways of strengthening this);
- Monetary cooperation should be strengthened and the use of the ECU should be encouraged (without specific mention, however, of progress towards any further phase of the system);
- The loan capacity of the New Community Instrument should be increased by 3 billion ECU;

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(1) Contained in Doc. 1-682/81

- A Community industrial strategy was necessary to increase the competitiveness of Community industry, and to create new jobs;
- There should be progress towards setting up a common legal framework for Community industry;
- There should be stricter discipline concerning state aids in distortion of competition;
- A free market for services (such as insurance) should be achieved;
- Public purchasing, notably in the field of new technologies, should be liberalized;
- There should be rapid decision on the treatment of third country products;
- Frontier delays should be reduced with the Benelux as a model to aim for;
- There should be a common strategy on research at Community level, with increased coordination of national and Community policies, and the Commission should put forward specific proposals to these ends. Practical proposals should also be put forward by the Commission with regard to the application of innovation by Community industry;
- Technological training should be strengthened;
- Progress should be made on a number of key objectives in the energy field, such as energy pricing, energy savings and research and development in the energy sector;
- A major priority should be given to Social policy, with an increase of the financial resources of the Social Fund to support vocational training, access to the labour market for young people, and occupational mobility. The various proposals for re-organization of working time should be examined at Community level;
- The regional fund should be increased in size and restructured, and there should be a better coordination of national regional aids and Community efforts.

Finally the Council was asked to examine the existing Commission proposals, and the Commission was asked to submit further proposals. Unfortunately, as mentioned above, very little progress has since been made.

58. The time has now come to build on these worthy commitments, and to translate them into specific actions. The first step is to establish priorities, the degree of financial commitment which is needed and the implications for the Community budget. In this spirit your rapporteur welcomes the initiative taken by Parliament to establish a set of guidelines for the fixing of the 1983 budget.



59. This report is not the place to examine each policy area in great detail, which should be the task of the specialist committees of Parliament, but to briefly examine the major priorities that need to be followed in implementing this key section of the mandate exercise.

#### Social Policy

60. At a time of high unemployment, of industrial restructuring and adaptation to new technologies, social policy must be given the highest possible priority. In this context your rapporteur regrets that the proposal for a specific 130% increase in the Social Fund in Parliament's resolution on the fixing of guidelines for the 1983 budget was rejected in favour of "a considerable increase" instead.

61. The Commission's original mandate paper only touched briefly on Social policy and set down a series of unexceptionable but very general objectives, although it also expressed its intention to present proposals for injecting greater flexibility into the funds formal operating procedures. The Commission's subsequent complementary papers added little to these remarks. The paper on job creation (COM (81) 638 fin) is one of the weakest in the entire series, although its emphasis on tackling youth unemployment, and harnessing the job creation potential of small and medium-sized enterprises and cooperatives can only be supported, and should now be backed up by more concrete proposals.

62. The need for an active Community employment policy was also given a strong emphasis in the foreword to the Fifth Medium-Term Economic programme, and supported by Parliament in its recently adopted resolution (OJ C 66/82, page 35) on that programme.

63. The Social Affairs Committee in its opinion on the mandate (PE 76.472/fin) also discusses these proposals, and reasserts the social policy priorities recently established by Parliament <sup>(1)</sup>. It also points out the urgent need for the Commission to put forward proposals for reforming the Social Fund. The Commission is also asked to take direct action to plan and implement pilot job creation programmes at regional and local level.

The Committee considers that three years should be the maximum period within which the Commission can and must identify the most suitable mechanisms and instruments to improve the employment situation within the Community.

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(1) OJ C 260 of 12.10.81, p.p 48,54 and 63, and OJ C 281 of 9.11.81, p. 87

An idea given considerable emphasis by the Social Affairs Committee in its opinion is for an improved system for regulating and planning the supply and demand for labour in all the member states, though monitoring the labour market, assisting in job placement, providing training and retraining facilities and creating new jobs. The Committee further suggests that a network of local and especially regional employment agencies be created, coordinated at national level and linked with the European Social Fund, as well as a series of employment monitoring units (paragraphs 18 to 23 of the opinion).

64. Besides the approach suggested by the Social Affairs Committee a number of other ambitious ideas have been put forward. One is the idea that consideration be given to a resource transfer scheme whereby all member states would pay an agreed percentage of VAT into a fund whose prime purpose would be to promote convergence and to underwrite schemes furthering job mobility <sup>(1)</sup>. Another is for a Community unemployment benefits scheme, put forward in the report of the study group "Economic and Monetary Union 1980", of March 1975, and subsequently supported in the MacDougall Report.

#### Regional Policy

65. The importance of a strengthened regional policy is also clear, endowed with more resources and with much better coordination between Community and national objectives. This report does not go into any detail concerning the papers put forward by the Commission in the context of the mandate, as the ground has already been covered by Parliament's recently adopted report on the basis of a report, (Doc. 1-6 /82 by Mr. De Pasquale) on the revision of the European Regional Development Fund, which proposed a number of amendments to the Commission's proposals, although generally welcoming the Commission's major proposals.

66. Your rapporteur also notes the opinion and complementary opinions of the Committee on Regional Policy and Regional Planning, and supports the conclusions put forward. With regard to the problems of the Mediterranean countries in particular, he also recalls the major conclusions of Parliament's adopted resolution on a Mediterranean plan for the benefit of Mediterranean countries belonging to the European Community and the applicant countries Portugal and Spain (OJC 66/82, p.26 on the basis of a report, Doc. 1-736/81, by Mr. Pöttering) which called for integrated development programmes, for a development fund for the Mediterranean Regions of the Community and the

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(1) Motion for a resolution on resource transfer based on job flow (Doc. 1-84/81). Each member state with below average 60% per capita would receive from the fund each month a sum proportional to the number of people who have joined the unemployment register plus the number of people who left the register in that month.



applicant countries, and for the Commission to consider the advisability of establishing a European Development Company.

67. Your rapporteur would conclude by laying particular emphasis on the need not just to increase and reform the Regional Fund, and to introduce special new funds for the disadvantaged areas of the Mediterranean, but also on the need to examine in a much more rigorous way the impacts on regional development and on convergence of all Community policies, possibly through formal statements on the likely impacts of each policy on convergence, to be published by the Commission when proposing new policies and in reviewing old ones.

#### A Community Industrial Strategy

68. The development of a proper Community industrial strategy is at the core of any restructuring of the Community's activities within the mandate framework. Such a strategy is needed to:

- help tackle the central problem of high unemployment outlined above;
- help increase the competitiveness of European industry by allowing it to take full advantage of the scale of the Community, through the completion of a true internal market, through increased research and development at Community level, through promotion of industrial cooperation consistent with appropriate competition policy objectives, through real progress in developing an adequate framework of European Company law, and through providing greater coordination at Community level of disparate national programmes, national aids and public purchasing policies;
- assist in the necessary restructuring of community industry, through adjustment in the more traditional industries and through promotion of the new technologies.

69. The need for an integrated approach, encompassing the whole range of Community instruments and policies, has now been emphasized on several occasions by Parliament. The Commission and Parliament's current work on examining Community Competitiveness is an essential complementary activity in setting a firm analytical basis for such action. There are also a number of broad strategic questions, such as the appropriate balance between Community and national, and between public and private efforts, the desirability of a strategy of "picking the winners", and the appropriate trade-offs between reorganizing working time and maintaining industrial competitiveness or between cooperation and competition policy objectives, which need to be tackled at Community level.

70. Both the Commission's original mandate paper, and a considerable number of its complementary papers deal with these themes, and indeed there is often considerable overlap between them. Two of the main themes for instance, of the foreword to the fifth medium term economic programme (COM (81) 344 fin) are the needs to increase levels of investment in the Community, (through, for example, the steady development of its financial instruments and through systematic Community scrutiny of all financial or tax measures in favour of investment and of the savings required to finance it), to complete the Common market, introduce a Community policy for technology and innovation based on the internal market (through standardization, public purchasing coordination, training and research), and further real harmonization of the conditions of production, including the establishment of a "European Fiscal Model".

Among the other directly relevant mandate papers are those on job creation (COM (81) 638 fin) mentioned above, which says little, but does emphasize the very real need to harness the potential of small and medium-sized enterprises, and on scientific and technical research and the European Community (COM (81) 574 fin), which shows the small size of community R. & D. efforts and the need for an overall Community approach, and the need for much greater research to assist industries of strategic importance which are undergoing drastic changes, such as the chemical and motor vehicle industries, and also the new industries such as biotechnology and the new information technologies, including research on mastering the relationship between technological progress and social change.

There is also a short paper on strengthening the internal market (COM (81) 572 fin) which includes a proposed Council resolution, concentrating on the simplification of customs formalities, simplifying the payment of VAT and increasing substantially tax-free allowances, and tackling various problems posed by the gathering of statistics at Community frontiers.

Finally, and most directly of all, there are two papers on a Community policy for industrial innovation (COM (81) 620 fin) and on a Community strategy to develop Europe's industry (COM (81) 639 fin/2), which amplify on some of the key themes mentioned above, and in the fifth medium term economic programme.



71. Your rapporteur strongly agrees with the analysis contained in these papers. Most of their key objectives are worthy of strong support, and indeed many have already been supported in principle by the European Council (as cited in paragraph 57 above). Here more than anywhere, however, the time has come to move from broad statements of principle, and for the Commission to put forward formal implementing proposals on which the Council will have to take formal decisions. For it is only when they are confronted with specifics rather than generalities that the commitment (or lack of it) of the various member states will appear on such key objectives as liberalizing public purchasing, agreeing on a stricter discipline for state aids, and so on.

72. Rather than examining these proposals in detail your rapporteur would only wish to emphasize a number of specific points:

- the need for Parliament to be kept very closely involved in the elaboration of Community strategies for individual industrial sectors. The Parliament has already laid down such a strategy for the automobile sector ( OJC 28/81, p.17 based on the report by Mr. Bonaccini, Doc 1-673/80 ), and is also particularly interested in the Commission's attempts to provide leadership in promoting a stronger Community role in the new information technologies. The Parliament has approved the Commission's proposals in microelectronics,<sup>(1)</sup> telecommunications<sup>(2)</sup> and the principle of the INSIS and CADDIA projects.<sup>(3)</sup> Parliament should be kept closely informed of the state of implementation of these proposals, and the ancillary activities being planned, not least on the sensitive social aspects of these technologies. So far the budgetary implications of these projects have been small, but they will almost certainly have to become much greater as, for instance, the ESPRIT<sup>(4)</sup> project is developed;
- the need to give the Commission the strongest possible support for its proposed Council resolution to strengthen the internal market. This is a concise but valuable proposal which must be vigorously pushed through;
- the need for firm action in opening up public purchasing policy. The Commission's suggestion (page 20 of its paper on a Community strategy to develop Europe's industry) that the time has come to

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(1) OJ C 144/81, p. 69 (Leonardi report Doc. 1-137/81)

(2) OJ C 144/81 p. 71 (Herman report, Doc. 1-138/81)

(3) OJ C (Seal report, Doc. 1-41/82)

(4) European Strategic programme for Research in Information Technology.

take a firm step towards opening up these contracts, and that this could in certain cases be done more easily if the exclusive powers of the public authorities and national agencies were to be handed over to a European body that would develop a supply policy, or if there were Community-level consultations between national authorities is worthy of strong support, as is its suggestion that a European Public agency for coordination and execution for new telecommunications products and services is both necessary and possible;

- the need for a new push on the fiscal front, including the development of that European "fiscal model" proposed by the Commission. The Committee on Economic and Monetary Affairs will shortly be examining this theme, with Mr. Rogalla as rapporteur;
- the need to really open up the Community market for services and not just for manufactured goods. The existing restrictions, in such fields as insurance, are a legitimate cause for complaint for the United Kingdom in particular, which would otherwise derive greater benefits from the Community, and have its arguments about its budgetary contributions undercut to some extent.

73. Your rapporteur would also recall Parliament's previous demand (in its resolution on industrial cooperation, OJC 144/81, p 60 based on a report by Mr. Delorozoy (Doc. 1-157/81) for the setting up of a fund for industrial innovation and development intended to promote the development of research into new technologies and industrial innovation.

74. Parliament's resolution on industrial cooperation also made one key point that should be recalled again in the context of the mandate and that is the extreme lack of progress to date in this whole area of industrial policy. It is worth recalling that one concrete initiative was taken some years ago by the Commission, and that was to propose a fund for industrial restructuring and reconversion. Parliament approved both the general principle of this fund <sup>(1)</sup> and the subsequent designation of the shipbuilding and synthetic fibres sectors as deserving of aid under this fund <sup>(2)</sup>. The sums involved were small but the actual use of the funds entered in the budget under this heading makes a sorry tale. The Council never took the appropriate

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(1) Spirelli report, Doc. 637/78

(2) Nicolson, Forster Report, Doc. 1-623/79



implementing decisions and the Commission refused to take the fact of entry into the budget as sufficient authorization, the levels of carry-over from year to year were high, and the moneys that were spent on synthetic fibres were as the result of an unsatisfactory ad hoc procedure in which Parliament was ignored. The Court of Auditors report for the financial year 1980 brings out much of this <sup>(1)</sup>. The original Commission proposals have now been withdrawn by the Commission. This whole episode is recalled as a warning of what must be avoided in the future in the area of industrial policy, and as a call for much greater boldness by the Commission.

#### Other Priority Areas

75. A number of other priority areas are suggested by the Commission.

The fourth area brought out in the foreword of the fifth medium term economic programme is the need to consolidate and develop joint action in monetary affairs. This objective is strongly supported by the Parliament which has on several occasions, most recently in the February plenary of this year called for more vigorous action in this area. Parliament has, however, also emphasized the importance of placing action on the monetary front within a wider framework of promoting convergence, in order to provide a more stable longer-term backing for further monetary integration. Successful implementation of the mandate is therefore indispensable if a monetary union is every to develop.

76. The Commission has also set out a number of energy objectives in its paper on the development of an energy strategy for the Community (COM (81) 540 fin). The importance of investment in the energy sector has also been emphasized in several of the other mandate papers. Again your rapporteur can only support the general objectives set out, and urge that they do not merely remain as pious wishes.

77. Successful development of community borrowing and lending activities is of paramount importance, and has been given great emphasis in Parliament. Although welcoming as a first step the European Council's decision that the New Community Instrument's loan capacity should be increased by 3 billion ECU, and while awaiting speedy implementation of this decision of principle, Parliament remains extremely critical of the spirit in which the Council

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(1) On pages 98-101 of C 344/81

has treated Parliament's proposals in this sphere and should push hard for further progress.

78. Two other points should be emphasized where the Commission's mandate proposals have been severely lacking. One is its failure to take sufficient account of the implications of enlargement, which has already been mentioned above in the context of Mediterranean policy and also in the context of the likely effects on the existing financial mechanism. So broad are these implications that they should have been the subject of a separate mandate paper, or at least been taken greater account of in the individual mandate papers.

For the short run at least enlargement will make the task of promoting convergence that much the more difficult.

79. Another important failure has been forcefully brought out in the complementary opinion on the mandate that has been submitted by the Committee on Budgetary Control (PE 77.307), in which it stated (in the second half of paragraph 3 and in paragraph 4) that "the principle underlying the idea of restructuring is that to enable its action to be extended to new objectives, the Community must examine the reasons which have prevented or hampered the successful implementation of existing policies. Instead of proposing the conditions needed for the restructuring of the Community and its budget, the Commissions shortsightedly presents a whole series of objectives and policies without discussing the means of implementing them. It thus neglects an essential aspect of the Mandate of 30 May ....." These observations are strongly supported by your rapporteur. Clearer defined objectives, proper means and better matching of results to objectives are going to be essential if the mandate exercise is to succeed.

80. Partly because of its very title "the mandate of 30 May", with its hint of meaningless Community jargon, partly because of its unfortunate origins and unsuccessful history so far, partly because of the various fears that have been mentioned in this report the mandate exercise appears discredited in certain quarters. For the reasons mentioned before your rapporteur feels this is a mistaken attitude, and that the mandate exercise still retains great potential value for the Community. The Commission must now make more specific proposals, and the Council must be put under pressure to respond. Although it would have been better at an earlier moment in the exercise your rapporteur feels that it may still not be too late to set up a small ad hoc working group of the Parliament, with members from the various affected committees in order to exert this pressure and to ensure that the wider objectives of the mandate exercise are not lost.



LIST OF MANDATE-RELATED PAPERS

Under the heading: Development of Community Policies

- General economic policy: the fifth medium-term economic policy programme (COM (81) 344 fin)
- The strengthening of the internal market (COM (81) 572 fin)
- A Community strategy to develop Europe's industry (COM (81) 639 fin/2)
- The development of an energy strategy for the Community (COM (81) 540 fin)
- A policy for industrial innovation - strategic lines of a Community approach (COM (81) 620 fin)
- Scientific and technical research and the European Community
  - proposals for the 1980s (COM (81) 574 fin)
- Job creation: Priorities for Community action (COM(81) 638 fin)
- New regional policy guidelines and priorities (COM(81) 152 fin)
- A regional policy based on a recast Regional Fund (COM (81) 589 fin)

Under the heading: Common Agricultural Policy

- Guidelines for European Agriculture (COM(81) 608 fin)
- Mediterranean Programmes - lines of action (COM(81) 637 fin)

Under the heading Budget there are no specific new proposals but a report has been issued:

- Report on the application of the financial mechanism (COM (81) 704 fin)