

Annex

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NOTE TO READER

Appearing at the same time as the English edition are editions in the five other official languages of the Communities : Danish, German, French, Italian and Dutch. The English edition contains the original texts of the interventions in English and an English translation of those made in other languages. In these cases there are, after the name of the speaker, the following letters, in brackets, to indicate the language spoken : (DK) for Danish, (D) for German, (F) for French, (I) for Italian and (NL) for Dutch.

The original texts of these interventions appear in the edition published in the language spoken.

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IN THE CHAIR: MR HOUDET

(*Oldest Member*)

(*The sitting was opened at 11.10. a.m.*)

President. — The sitting is open.

1. *Opening of the annual session*

President. — Ladies and gentlemen, pursuant to Rule 1 of the Rules of Procedure, I declare the 1977-1978 annual session of the European Parliament opened.

2. *Address by the Oldest Member*

President. — Ladies and gentlemen, as the Oldest Member, I have, for the third time, the honour and privilege of opening the annual session of our Parliament — the twentieth — and of taking the Chair for a short time, here in this fine *Maison de l'Europe* where we have the pleasure of holding our monthly part-sessions.

First of all, ladies and gentlemen, may I pay public tribute to the dedication and faith in European democracy you have shown in carrying out the mandate conferred on you by our national parliaments. Some

of our Members — I regret to say that the number diminishes each year — were present at the first part-session on 19 March 1958. They have participated in the development of our Community since its inception. Those who, like myself, have become Members since that date have been able to benefit from their experience. Those of our colleagues who have only been with us for a few months soon come to share this faith in the future of our Community. They will bring to us, and will receive in return, the sincere and genuine understanding that has united us for twenty years, whatever our political beliefs, in the democratic and European spirit that characterizes our Assembly.

The dual mandate conferred upon us is extremely onerous, and it is only by unstinting efforts that you discharge your duties. I should like to bring this fact to the attention of our national parliaments, who are following our progress, and also to the public, who are often inadequately informed on this point.

Since our first session, we have had ten Presidents: Robert Schuman, Hans Furler, Gaetano Martino, Jean Duveusart, Victor Leemans, Alain Poher, Mario Scelba, Walter Behrendt, Cornelis Berkhouwer, and Georges Spénale.

I should like to pay tribute to the memory of the first four presidents, now, sadly, no longer with us. We are gratified that Mr Poher, Mr Scelba, Mr Behrendt and

President

Mr Berkhouwer elected, at the end of their terms of office, to remain with us as faithful Members of our Assembly.

In particular I should like to say how grateful we are to Mr Spénale for the invaluable services he has rendered to our Parliament over the past two years.

(Applause)

With his strong personality, his unshakeable belief in Europe, he has strengthened the position and enhanced the prestige of our Assembly. He has ably championed our views and proposals in his contacts with the other Community institutions and also with the Heads of State and Government and other leading figures in our respective countries.

His term of office has been particularly notable for the strengthening of our budgetary powers, the creation of own resources and the implementation of Article 138 of the Rome Treaty, providing for direct elections. He deserves our thanks for his independence of mind, his determination and the persuasiveness of his speeches, which reflect the poetry in him.

May I also say to all the officials of our Parliament whatever the positions they occupy, how much we appreciate all the assistance they give us in our work.

On 25 March we shall be celebrating the twentieth anniversary of the Treaty of Rome. We have come a long way since the project was first conceived by Jean Monet, since the declaration by Robert Schuman, and the inspiration provided by the enthusiasm of Adenauer, de Gasperi, Spaak and Beck. We have done a great deal of hard work, many obstacles have arisen but been overcome by the determination of dedicated Europeans, many aspirations have been thwarted, but invariably renewed.

On 28 January Mr Spénale said, in this new Chamber in which we are meeting for the first time, that for our Parliament it was an age of enthusiasm, disappointments, and new beginnings.

Of course, like any human achievement — particularly one that will have a profound effect on all our countries in the twenty-first century, and in addition, influence relations outside those countries in the new world that is undergoing profound political, social and economic changes — it will need to adapt as time goes by and circumstances change. It has often been hampered by excessively complex decision-making procedures. Declarations of intent are like ideas: they are worthless until they result in action. We can achieve nothing unless we put our ideas into practice.

I do not propose to review the Community's activities over the past twenty years and assess what Parliament's contribution has been. There would be both positive and negative aspects, but on balance the results have been positive. But we must be neither too complacent nor too self-critical, let us simply say that

we have made a useful contribution, our progress has been steady even if we have sometimes made mistakes.

At the same time, I should like to stress the importance of the continuing efforts of this Parliament to uphold the human values of justice and mutual dependence. Our determination to defend fundamental rights wherever they are threatened is exemplified in the joint declaration by the three Community institutions soon to be signed by their respective presidents. Our resolve to maintain solidarity with all peoples, especially the most deprived, is indicated by our commitment to generalized preferences as set out in the Lomé Convention, the most extensive agreement ever signed between industrialized nations and the Third World. Without the combined resources and determination of the Community, no such step could have been taken by the countries of Western Europe.

In 1972 three new States, firmly established democracies, joined the six original Member States after negotiations which, with the various refusals and resump-tions, seemed constantly in danger of breaking down, until finally, after open and realistic negotiations, agreements were reached which enabled these new Member States to be more quickly and fully integrated. With a sensible approach it was possible to ensure that enlargement did not hold up the consolidation of Community rules. I hope that we shall be equally sensible in our approach to the accession of further Member States; we want to extend our Community geographically and achieve a better balance; we want to help the more recently established and more precarious democracies to consolidate their position but, in the interests of both sides, let us make a careful assessment of the economic implications of their accession.

As a result of an agreement the advisory and supervisory powers conferred on us by the Treaty have been extended to the exercise of budgetary powers, organic consultation with the Council and the creation of own resources. We have also secured the adoption of a procedure for consultation with the Conference of Foreign Ministers on activities in the field of political cooperation. Rober Schuman foresaw in 1950 that:

Europe will not be built in a day, nor as an overall design, but through practical achievements giving rise to a sense of common purpose.

This is what we have sought to achieve by means of specific policies, the cornerstone of which is still our agricultural policy; despite all the criticism that has been levelled at it, this policy has shown that, on the basis of a joint approach, it provides a better safeguard for producers and consumers alike. It is severely threatened by monetary imbalances. It must in the near future be backed-up by an extension of our social and regional policies. This extension, which will no doubt be accompanied by provisions for direct aid, is needed

President

if small-scale undertakings are to be reorganized in a humane way.

The world is undergoing a severe economic crisis and in every country the public is disenchanted with government. This disenchantment has also spread to Europe and as a consequence the general public is extremely sceptical about our Community's activities. We must take steps to counteract, if not to control, the dramatic effects of this crisis on employment, inflation, currency and energy. Only with Community policies can we overcome these problems and avoid widening the gulf between our various countries by resorting to national solutions. This is a political issue. We must try to combat the suffering and difficulties engendered by this crisis with a bold and imaginative approach, and with energy and determination. We must have a common purpose in Europe if we are to harmonize the development of our economies more effectively and at the same time safeguard our freedoms.

Our twentieth session will be the last at which our Parliament is composed as at present. In fifteen months' time the Members of our Assembly will be elected by all the citizens of Europe.

Twelve months ago I said that 1976 could be a memorable year for Europe. I expressed the hope that the European Council would finally decide to call on our fellow-citizens to elect their representatives democratically and directly, in keeping with the desire expressed by the signatories to the Treaty of Rome and the unambiguous opinion we delivered on the Patijn report.

On 20 September 1976 we hailed the adoption of the Act confirming direct elections. It is the result of a long unflinching struggle by Parliament; we all remember the tenacity of Mr Dehousse, who unfortunately was not to see the final outcome of his efforts.

It is a major decision of whose historical significance our peoples must be aware. It should lead to an awareness of what I would venture to call European citizenship. It adds to the legitimacy of our institution in a particularly satisfactory fashion.

But our work is not finished. We are all aware that the public is not particularly inspired by the European ideal, its philosophy or its impact on their daily life or economy. Even the media give it limited attention. Only politicians, whether for or against, discuss these problems in circles that are still too restricted.

We need an information campaign aimed at all social classes and all age groups, but particularly the young. It must be brought home to the young, who will be responsible for giving an impetus to the 21st century, that the European ideal will be one of the cornerstones of the new democratic society they want to construct. Mass apathy towards European elections would be worse than no elections.

We must make our peoples understand that the best way to defend their liberty and independence and improve their living conditions is by bringing together cultural and traditional heritages which are part of the same civilization and the same human values which three centuries of bloody conflict have fortunately not been able to destroy.

Nothing should be left out of our information campaign, whether it be the impending issue of a European passport, the harmonization of diplomas or freedom of movement. Decisions have been taken on these, but their implementation has been delayed for too long.

Our campaign should deal with what Europe will have to offer in the 21st century — and what it alone can offer — to the citizens of our countries. But we must also remind them of what it has given them in the past twenty years.

We have only fifteen months to bring the action started by Parliament or the Commission to a successful conclusion and to change arrangements that no longer reflect the effects of the economic crisis.

By doing so we will answer these opponents who raise doubts by putting forward the argument that such decisions are more urgent than the decision on elections by direct suffrage.

Let us buckle down to finding solutions to these problems which are vital to the life of man, who remains the sole reason for our efforts. Studies have been made that have been the subject of mature deliberations by Parliament, and Commission proposals have been put forward. We must convince the Council of Ministers and the European Council of the urgency of their decisions. Any delay would be detrimental not only to a united Europe but also to each of our countries. These bodies must not get bogged down in electoral technicalities and must understand that it is by going forward that they will demonstrate the reality of the movement.

We have to make our own contribution to the preparations for direct elections at all levels. Let us give thought to the need to forge a link between the European Parliament elected by direct suffrage and the national parliaments. If the dual mandate presents you with serious difficulties, it also makes you the natural spokesmen for Europe in those parliaments. Each country will determine the nature of the mandate; if there is a dual mandate, the link will be maintained. But if the parliamentary mandates are separated, a way will have to be found of ensuring contact between national and European representatives.

Let us learn from the experience acquired by countries with a federal or confederal structure. Let us retain one of the characteristics of a special form of collaboration between Member States and the Community, the *Community directive*, which has to be imple-

President

mented by the national authorities and very often the legislative body in each of the Nine.

If we are to accomplish the rest of our task in the short time available, we must ask the other Community institutions to help us. We have never refused them our most loyal cooperation, and in most cases they have done their best to meet our wishes, though occasionally only after much regretted delays.

In welcoming the new Commission, I would reassure commissioners old and new that we were convinced by the maiden speech of Mr Roy Jenkins whose courage and persuasiveness in defending his European ideals at all times are well known to us:

'The Commission should be a political body, constantly aware of the public impact of its proposals but combining vision with practicality, efficiency with humanity'.

In welcoming the Council of Ministers, I would express the hope that Dr David Owen will endorse the statement made by Mr Anthony Crosland some days before his tragic death when he assured us that 'the Council will bear in mind the need to maintain a satisfactory balance between the three institutions of the Community which propose, supervise and decide its policies'.

Ladies and gentlemen, I open this session with the hope and the conviction that the work we do and the opinions we deliver will establish a solid and indestructible foundation on which the elected Assembly about to succeed us can build a united Europe that will carry the benefits of our civilization and our common values over into the next century.

In conclusion, I hope that many of you will be Members of this future Parliament which will draw the basis of its authority from your experience.

(Applause)

3. Election of the President

President. — The next item is the election of the President of the European Parliament.

I have received the following nominations: Mr Colombo, Mr Spénale and Mr Yeats.

I would remind the House that, pursuant to Rule 7 (1) of the Rules of Procedure, the election will be held by secret ballot.

I would also remind the House of the text of Rule 7 (2) of the Rules of Procedure:

If after three ballots no candidate has obtained an absolute majority of the votes cast, the fourth ballot shall be confined to the two Members who have obtained the highest number of votes in the third ballot. In the event of a tie the elder candidate shall be declared elected.

I would also remind the House that, pursuant to Rule 35 (6),

only ballot papers bearing the names of persons who have been nominated shall be taken into account in calculating the number of votes cast.

Ballot papers and envelopes have been distributed. Members should mark the name of the candidate of their choice on the ballot paper, place this in the envelope and deposit the envelope, when their names are called, in the ballot box.

I would remind you that, at its meeting of 19 April 1972, the Bureau decided that the names of Representatives who have taken part in a secret ballot would be included in the minutes. To enable this to be done and to enable the vote to run smoothly, Representatives are asked to sign the list of Members near the rostrum before placing their vote in the ballot box. They should then pass between the ballot box and the rostrum and return to their seat from the other side.

Lots will now be drawn to appoint the four tellers.

The four tellers will be: Mr van Aerssen, Mr Aigner, Mr Carpentier and Mr Leonardi.

Lots will now be drawn to determine the Representative at whose name the roll-call will commence.

The roll-call will commence with Mr Pierre Bertrand.

The ballot is open.

I ask the Secretary-General to call the roll

(The roll was called)

Does anyone else wish to vote?

The ballot is closed.

I now ask the tellers to go to room 1099 to count the votes.

The sitting is suspended.

(The sitting was suspended at 12.00 a.m. and resumed at 12.25 p.m.)

President. — The sitting is resumed.

Here is the result of the ballot:

- Number of Members voting: 177
- Blank or spoiled ballot papers: 3
- Votes cast: 174
- Absolute majority: 88.

The votes were cast as follows:

Mr Colombo: 81
Mr Spénale: 74
Mr Yeats: 19.

The following Members voted:

Mr Adams, Mr van Aerssen, Mr Aigner, Mr Ajello, Mr Alber, Mr Albers, Mr Albertini, Mr Amadei, Lord Ardwick, Mr Baas, Mr Bangemann, Mr Bayerl, Mr Berkhouver, Mr Bersani, Mr A. Bertrand, Lord Bessborough, Mr Bettiza, Mr Blumenfeld, Mr Bouquerel, Mr Bourdellès, Mr Bréggègère, Lord Brimelow, Mr Broeksz, Mr Brown, Lord Bruce of Donington, Mr Brugger, Mr Caillavet, Mr Calewaert, Mr Caro, Mr Carpentier, Mrs Cassanmagnago Cerretti, Lord Castle, Mr Cifarelli, Mr Clerfayt, Mr Cointat, Mr Colin, Mr Colombo, Mr Corrie, Mr Cousté, Mr Covelli, Mr Creed, Mr Dalyell, Mr De Keersmaecker, Mr Delmotte, Mr Deschamps, Mr Didier, Mr Donde-

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linger, Mrs Dunwoody, Mr Durand, Mr Durieux, Mr Edwards, Mr Ellis, Mr Espersen, Mr Evans, Mrs Ewing, Mr Faure, Mr Fellermaier, Mr Fioret, Mr Flämig, Miss Flesch, Mr Fletcher-Cooke, Sir Geoffrey de Freitas, Mr Früh, Mr Fuchs, Mr Galluzzi, Mr Geurtsen, Mr Gibbons, Mr Giraud, Mr Glinne, Mr Granelli, Mr Guerlin, Mr Haase, Mr Hamilton, Mr F. Hansen, Mr O. Hansen, Mr van der Hek, Mr Herbert, Mr Hoffmann, Mr Houdet, Mr Hougardy, Mr Howell, Mr Hughes, Mr Hunault, Mrs Iotti, Mr Jahn, Mr Johnston, Mr Jozeau-Marigné, Mr Kaspereit, Mr Kavanagh, Mrs Kellett-Bowman, Sir Peter Kirk, Mr Klepsch, Mr Klinker, Mr de Koning, Mr Krall, Mrs Kruchow, Mr Kunz, Mr Laban, Mr Lagorce, Mr Lange, Mr Laudrin, Mr Lenihan, Mr Leonardi, Mr L'Estrange, Mr Lezzi, Mr Ligios, Mr Liogier, Mr Lücker, Mr McDonald, Mr de la Malène, Mr Martens, Mr Martinelli, Mr Mascagni, Mr Masullo, Mr van der Mei, Mr Meintz, Mr Mitchell, Mr H.-W. Müller, Mr W. Müller, Mr Müller-Hermann, Mr E. Müller, Lord Murray of Gravesend, Mr Ney, Mr K. Nielsen, Mr Noè, Mr Nolan, Mr Normanton, Mr Notenboom, Mr Nyborg, Mr Osborn, Mr Patijn, Mr Pintat, Mr Pisoni, Mr Pistillo, Mr Plebe, Mr Poher, Mr Prescott, Mr Price, Mr Pucci, Mr Radoux, Lord Reay, Sir Brandon Rhys Williams, Mr Ripamonti, Mr Riz, Lord St. Oswald, Mr Sandri, Mr Santer, Mr Scelba, Mr Schmidt, Mr Schreiber, Mr Schuijt, Mr Schwabe, Mr Schwörer, Mr Schyns, Mr Scott-Hopkins, Mr Seefeld, Mr Shaw, Mr Sieglerschmidt, Mr Spénale, Mr Spicer, Mr Spillecke, Mr Spinelli, Mrs Squarcialupi, Mr Starke, Mr Terrenoire, Mr Thornley, Mr Vandewiele, Mr Vernaschi, Mr Veronesi, Mr Vitale, Sir Derek Walker-Smith, Mrs Walz, Mr Wawrzik, Mr Würtz, Mr Yeats, Mr Zagari, Mr Zeyer.

As none of the candidates has obtained an absolute majority of the votes cast, a fresh ballot will be held.

Nominations for the second ballot must be submitted in writing to the office of the Secretary-General before the sitting is resumed.

I call Mr de la Malène on a procedural motion.

Mr de la Malène. — (F) Mr President I should be grateful if you would suspend the sitting. The second vote could probably be taken after lunch.

President. — The proceedings will now be suspended until 3.00 p.m.

The sitting is suspended.

(The sitting was suspended at 12.30 p.m. and resumed at 3.05 p.m.)

President. — The sitting is resumed.

President. — The second ballot will now be held.

President. — I have received the following nominations for this ballot: Mr Colombo, Mr Spénale and Mr Yeats.

The ballot is open.

I ask the Secretary-General to call the roll.

(The roll was called)

Does anyone else wish to vote?

The ballot is closed.

I now ask the tellers to go to room 1099 to count the votes.

The sitting is suspended.

(The sitting was suspended at 3.30 p.m. and resumed at 3.55 p.m.)

President. — The sitting is resumed.

Here is the result of the ballot:

— Number of Members voting: 178

— Blank or spoiled ballot papers: 2

— Votes cast: 176

— Absolute majority: 89.

The votes were cast as follows:

Mr Colombo: 85

Mr Spénale: 72

Mr Yeats: 19.

The following Members voted:

Mr Adams, Mr van Aerssen, Mr Aigner, Mr Ajello, Mr Alber, Mr Albers, Mr Albertini, Mr Amadei, Lord Ardwick, Mr Baas, Mr Bangemann, Mr Bayerl, Mr Berkhouver, Mr Bersani, Mr A. Bertrand, Lord Bessborough, Mr Bettiza, Mr Blumenfeld, Mr Bouquerel, Mr Bourdèlles, Mr Brégégère, Lord Brimelow, Mr Brocksz, Mr Brown, Lord Bruce of Donington, Mr Brugger, Mr Caillavet, Mr Calewaert, Mr Caro, Mr Carpentier, Mrs Cassanmagnago Cerretti, Lord Castle, Mr Cifarelli, Mr Clerfayt, Mr Cointat, Mr Colin, Mr Colombo, Mr Corrie, Mr Cousté, Mr Covelli, Mr Creed, Mr Dalyell, Mr De Keersmaecker, Mr Delmotte, Mr Deschamps, Mr Didier, Mr Dondelinger, Mrs Dunwoody, Mr Durand, Mr Durieux, Mr Edwards, Mr Ellis, Mr Espersen, Mr Evans, Mrs Ewing, Mr Faure, Mr Fellermaier, Mr Fioret, Mr Flämig, Miss Flesch, Mr Fletcher-Cooke, Sir Geoffrey de Freitas, Mr Früh, Mr Fuchs, Mr Galluzzi, Mr Geurtsen, Mr Gibbons, Mr Giraud, Mr Glinne, Mr Granelli, Mr Guerlin, Mr Hase, Mr Hamilton, Mr F. Hansen, Mr O. Hansen, Mr Herbert, Mr Hoffmann, Mr Houdet, Mr Hougardy, Mr Howell, Mr Hughes, Mr Hunault, Mrs Iotti, Mr Jahn, Mr Johnston, Mr Jozeau-Marigné, Mr Kaspereit, Mr Kavanagh, Mrs Kellett-Bowman, Sir Peter Kirk, Mr Klepsch, Mr Klinker, Mr Kofoed, Mr de Koning, Mr Krall, Mrs Kruchow, Mr Kunz, Mr Laban, Mr Lagorce, Mr Lange, Mr Laudrin, Mr Lenihan, Mr Leonardi, Mr L'Estrange, Mr Lezzi, Mr Ligios, Mr Liogier, Mr Lücker, Mr McDonald, Mr de la Malène, Mr Martens, Mr Martinelli, Mr Mascagni, Mr Masullo, Mr van der Mei, Mr Meintz, Mr Mitchell, Mr H.-W. Müller, Mr W. Müller, Mr Müller-Hermann, Mr E. Müller, Lord Murray of Gravesend, Mr Ney, Mr K. Nielsen, Mr Noè, Mr Nolan, Mr Normanton, Mr Notenboom, Mr Nyborg, Mr Osborn, Mr Patijn, Mr Pintat, Mr Pisoni, Mr Pistillo, Mr Plebe, Mr Poher, Mr Prescott, Mr Price, Mr Pucci, Mr Radoux, Lord Reay, Sir Brandon Rhys Williams, Mr Ripamonti, Mr Riz, Lord St. Oswald, Mr Sandri, Mr Santer, Mr Scelba, Mr Schmidt, Mr Schreiber, Mr Schuijt, Mr Schwabe, Mr Schwörer, Mr Schyns, Mr Scott-Hopkins, Mr Seefeld, Mr Shaw, Mr Sieglerschmidt, Mr Spénale, Mr Spicer, Mr Spillecke, Mr Spinelli, Mrs Squarcialupi, Mr Starke, Mr Terrenoire, Mr Thornley, Mr Vandewiele, Mr Vernaschi, Mr Veronesi, Mr Vitale, Sir Derek Walker-Smith, Mrs Walz, Mr Wawrzik, Mr Würtz, Mr Yeats, Mr Zagari, Mr Zeyer, Mr Zywiets.

President

As none of the candidates has obtained an absolute majority of the votes cast, a fresh ballot will be held.

Nominations for this third ballot must be submitted in writing to the office of the Secretary-General before the sitting is resumed.

I call Mr Fellermaier on a procedural motion.

Mr Fellermaier. — (D) Mr President I request on behalf of my group that the sitting be suspended for thirty minutes. I would ask the other groups to agree to this.

President. — We shall suspend the proceedings and resume at 4.30 p.m.

The sitting is suspended.

(The sitting was suspended at 4.00 p.m. and resumed at 4.35 p.m.)

President. — The sitting is resumed.

We shall now proceed with the third ballot.

I have received the following nominations for this ballot: Mr Colombo and Mr Yeats.

I call Mr Fellermaier who wishes to make a statement on behalf of the Socialist Group in connection with this election.

Mr Fellermaier. — (D) Mr President, ladies and gentlemen: before we hold the next ballot may I make the following statement on behalf of my group: With Georges Spénale, whose appointment as President of this House was confirmed in two votes, the Socialist Group once again appointed a candidate in the hope of achieving a political agreement between the political groups of this Parliament, so that in the last year before Parliament is directly elected by the peoples of Europe, continuity in the leadership of this House is assured and moreover by a Member whose experience is considerable and who has carried out his duties completely impartially. We have noted the results of the last ballot. As a political group we draw the appropriate conclusions and are withdrawing Georges Spénale's candidature, although we must at the same time thank him for his willingness to stand for election.

(Applause)

After careful consideration of the two candidates remaining in the final ballot, we had to take a decision in the light of the need for political continuity to be maintained by Members who had already proved their ability in this House over a number of years. Since Ireland's accession in January 1973 Michael Yeats has emerged as a leading European figure and the Socialist Group will therefore vote for him. But a further consideration is that it will be the first opportunity for a candidate of this House from one of the three new Member States to become a leading figure in the European Community, and this is another reason for the Socialists to vote for Michael Yeats.

President. — Chair takes note of your statement, Mr Fellermaier.

The ballot is open.

I ask the Secretary-General to call the roll.

(The roll was called.)

President. — Does anyone else wish to vote?

The ballot is closed.

As one of the tellers appointed this morning has had to leave, lots will be drawn for his replacement.

The fourth teller is Mr Spinelli.

I now ask the tellers to go to room 1099 to count the votes.

The sitting is suspended.

(The sitting was suspended at 5.05 p.m. and resumed at 5.25 p.m.)

President. — The sitting is resumed.

Here is the result of the ballot:

- Number of Members voting: 176
- Blank or spoiled ballot papers: 14
- Votes cast: 162
- Absolute majority: 82.

The votes were cast as follows:

Mr Colombo: 85

Mr Yeats: 77.

The following Members voted:

Mr Adams, Mr van Aerssen, Mr Aigner, Mr Ajello, Mr Alber, Mr Albers, Mr Albertini, Mr Amadei, Lord Ardwick, Mr Baas, Mr Bangemann, Mr Bayerl, Mr Berkhouwer, Mr Bersani, Mr A. Bertrand, Lord Bessborough, Mr Bettiza, Mr Blumenfeld, Mr Bouquerel, Mr Bourdèlles, Mr Brégégère, Lord Brimelow, Mr Broeksz, Mr Brown, Lord Bruce of Donington, Mr Brugger, Mr Caillavet, Mr Calewaert, Mr Caro, Mr Carpentier, Mrs Cassanmagnago Cerretti, Lord Castle, Mr Cifarelli, Mr Clerfayt, Mr Cointat, Mr Colin, Mr Colombo, Mr Corrie, Mr Cousté, Mr Covelli, Mr Creed, Mr Dalyell, Mr De Keersmaeker, Mr Delmotte, Mr Deschamps, Mr Didier, Mr Dondelinger Mrs Dunwoody, Mr Durand, Mr Durieux, Mr Edwards, Mr Ellis, Mr Espersen, Mr Evans, Mrs Ewing, Mr Fellermaier, Mr Fioret, Mr Flämig, Miss Flesch, Mr Fletcher-Cooke, Sir Geoffrey de Freitas, Mr Früh, Mr Fuchs, Mr Galluzzi, Mr Geurtsen, Mr Gibbons, Mr Giraud, Mr Glinne, Mr Granelli, Mr Guerlin, Mr Haase, Mr Hamilton, Mr F. Hansen, Mr O. Hansen Mr Herbert, Mr Hoffmann, Mr Houdet, Mr Hougardy, Mr Howell, Mr Hughes, Mr Hunault, Mrs Iotti, Mr Jahn, Mr Johnston, Mr Jozeau-Marigné, Mr Kaspereit, Mr Kavanagh, Mrs Kellett-Bowman, Sir Peter Kirk, Mr Klepsch, Mr Klinker, Mr Kofoed, Mr de Koning, Mr Krall, Mrs Kruchow, Mr Kunz, M Laban Mr Lagorce, Mr Lange, Mr Lenihan, Mr Leonardi, Mr L'Estrange, Mr Lezzi, Mr Ligios, Mr Liogier, Mr Lückner, Mr McDonald, Mr de la Malène, Mr Martens, Mr Martinelli, Mr Mascagni, Mr Masullo, Mr Van der Mei, Mr Meintz, Mr Mitchell, Mr H.-W. Müller, Mr W. Müller, Mr Müller-Hermann, Mr E. Muller, Lord Murray of Gravesend, Mr Ney, Mr K. Nielsen, Mr Noè, Mr Nolan, Mr

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Normanton, Mr Notenboom, Mr Nyborg, Mr Osborn, Mr Patijn, Mr Pintat, Mr Pisoni, Mr Pistillo, Mr Plebe, Mr Poher, Mr Prescott, Mr Price, Mr Pucci, Mr Radoux, Lord Reay, Sir Brandon Rhys Williams, Mr Ripamonti, Mr Riz, Lord St. Oswald, Mr Sandri, Mr Santer, Mr Scelba, Mr Schmidt, Mr Schreiber, Mr Schuijt, Mr Schwabe, Mr Schwörer, Mr Schyns, Mr Scott-Hopkins, Mr Seefeld, Mr Shaw, Mr Sieglerschmidt, Mr Spénale, Mr Spicer, Mr Spillecke, Mr Spinelli, Mrs Squarcialupi, Mr Starke, Mr Terrenoire, Mr Thornley, Mr Vandewiele, Mr Vernaschi, Mr Veronesi, Mr Vitale, Sir Derek Walker-Smith, Mrs Walz, Mr Wawrzik, Mr Würtz, Mr Yeats, Mr Zagari, Mr Zeyer, Mr Zywiwicz.

As Mr Colombo has obtained an absolute majority of the votes cast, I declare him elected President of the European Parliament. I congratulate him and invite him to take the Chair.

(Applause)

IN THE CHAIR : MR COLOMBO**President***4. Address by the President*

President. — Ladies and gentlemen, I should like first of all to express my deep appreciation at the trust you have placed in me and at your decision to elect me to a post of such high responsibility. I am aware that my term of office as President comes at a transitional stage which for the European Parliament is of historical importance because we are now approaching the moment when its Members will be elected, in accordance with the Treaty provisions, by direct universal suffrage. In this venture my duty will be to support, without fear or favour, all the political groups, inspired as they are by a democratic resolve to contribute to a constructive and impartial debate and sharing the higher objective of promoting the interests of our peoples and the unification of the European Community.

Since the Joint Assembly of the European Coal and Steel Community was set up in September 1952 its first president, Paul Henri Spaak, and since its transformation in 1958 into the present European Parliament of the European Communities under the presidency of Robert Schuman, this Assembly has seen many changes, has met with countless obstacles, but has also achieved notable successes.

The fact that the European Parliament is able today to guide the policies of the European Communities and that its ties with the Council and the Commission are becoming ever closer and more democratic are achievements that we owe to the unremitting and dedicated efforts of the many outstanding politicians who have worked within this institution: Spaak, De Gasperi, Pella, Furler, Gaetano Martino, Schuman, Scelba, Poher, Leemans, Duvieusart, Berkhouwer and Behrendt, to name but a few.

But we have particular reason to feel grateful to Mr Spénale for his success, as President of this Assembly over the past two years, in vesting it with a new authority, not only within the Community, but also in relations with the third countries and, in particular, in relations with the associated countries.

(Applause)

All of us will remember with profound gratitude the efforts made by Mr Spénale, first as chairman of the Committee on Budgets and chairman of the Socialist Group and subsequently in his capacity as President, to maintain and strengthen a power which is the prerogative of all democratic parliaments: the power to exercise control over and take decisions on public expenditure. I would also stress the value of Mr Spénale's role in persuading the governments of the Member States to sign the act which provides for the direct election of this Parliament in the Spring of 1978 and which has now been submitted to the national parliaments for ratification. Finally, we can be certain that the peoples and governments of the countries associated to the Community, and in particular the African associated states, are deeply appreciative of Mr Spénale's efforts to make the association not only an instrument of economic development, but also a means of fostering cultural ties and ties of friendship.

This Assembly is fully aware of the political problems it will encounter in exercising its responsibilities in close cooperation with the Other Community institutions.

Twenty years after the signing of the Treaty of Rome, with Europe and the world at large in the grip of a profound political, economic, psychological and moral crisis, we have come to a crucial point in the building of the Community.

Although the idealism from which the European movement drew much of its original impetus is not so strongly felt today, because of the economic crisis and the fact that it spares no one the sense of a common destiny is becoming ever more firmly rooted in the public mind. We must patiently apply ourselves to the task of reviving those basic principles underpinning a policy of European unification, which to succeed requires the consensus, the profound commitment and the participation of all our peoples.

Parliament has an essential role to play in stimulating action towards the attainment of these objectives. Over the past twenty years Parliament has acquired a specific role: that of the Community's conscience — often, it is sad to say, a bad conscience — in the slow march towards unification, with all its achievements and setbacks. With the goal of direct elections now at last in sight, Parliament can and must emphasize this role so as to enhance its standing in public opinion.

President

There must be no glossing over the problems now facing Europe, for the situation is indeed a disquieting one and public opinion is riven by doubt and uncertainty. The economic crisis is undermining the foundations of our society, sapping its vital energies and spreading strife and dissension. Only if we have the necessary political vision can we hope to overcome this crisis, a vision which is shared and therefore genuinely able to take account of the common interests of our peoples.

This political vision, by identifying the objectives, the changes needed and the path to progress, can alone lead to an acceptance of the restraints, the hardships and the sacrifices which are necessary today.

The present situation is not, however, as bleak as it may seem. There has been a rejection of the economic provincialism which in the past has driven our countries to adopt narrow, insular policies, with disastrous results. Moreover, our nine countries have enormous technological, organizational and human resources at their disposal. And finally, there have been appeals to the Community from many quarters to adopt a more united front in international affairs.

A European political vision must be able to assign a new and more dynamic role to the young, by which I mean that we must win their support for, and harness their energies to, the European cause. Most young people in Europe today are better educated, more mature and more tolerant than previous generations, and yet they find it difficult to make their political views felt. The views of minorities are often contradictory, but are expressed so earnestly that at times they are heeded.

Economic and social progress and European unity are at risk, but so too are the other great values: stability, détente, peace itself in our continent.

The nine countries of the Community are not, of course, the only countries in the world, and the external world has had a significant impact on the shaping of our common policies, inasmuch as we have felt the need to undertake a joint reassessment of our capacities to face up to the vast problems of the modern world.

Our democracies have profound historical and cultural ties with the democracies of North America. It is to America that we look for our ultimate security, much of our prosperity derives from our economic agreements with America, and for us America provides a model of the type of structure on which depends and will depend the consensus of our countries and the future of European Union. Even with North America, though, we have had and will continue to have problems, especially as far as trade is concerned. But, while we must deal with these problems in an open-handed way, we must always be mindful of the ideals and interests which unite us and which must always take precedence over our occasional disagreements.

Europe is divided into groups of countries organized according to widely different economic, political and even moral principles. Relations between these groups have in recent times been marked by an easing of tensions. However, such détente as has been achieved could easily suffer a reversal unless it is strengthened by mutually binding agreements in all areas of activity. In this regard, we cannot ignore the problem of civil rights. The easing of international tensions cannot be viewed solely in terms of territorial integrity. All the main areas of human activity are involved and, above all, the problem of individual liberties. There can be no easy or quick solution to this problem. In tackling it, we must hold unswervingly to the principles by which we stand, yet at the same time display political wisdom and a desire to achieve a real improvement in European relations.

Let us not forget the constructive role played by the other non-member countries, including the neutral or non-aligned European States, with which we are bound by close and positive ties of friendship and cooperation. The Community countries have taken every opportunity to strengthen these ties, e.g. with the member states of the Council of Europe with which, it will be remembered, this Parliament meets once every year to discuss matters of current relevance and mutual interest.

As a citizen of a country tied by common interests to Central Europe and yet at the same time very much part of the Mediterranean area, I should also like to point out that Italy, and with it a large part of Europe, have prospered only when there has been peace and prosperity in that area. More than ever before Europe and the Mediterranean countries are bound together by a common destiny. The Community has received and will continue to receive applications for membership from these countries. In fostering closer ties with them, we must not be afraid to face up to the challenge of economic competition. In a Europe ever more closely knit by a common sense of purpose, it will be possible little by little to find solutions to the problems of the Mediterranean democracies. But at the same time it is essential for all the countries of the Community to recognize that, economically and politically, events in the Mediterranean vitally affect their interests and that they must therefore be concerned with its future. They must obviously be concerned too with the future of the countries lying further to the south and the east, which are understandably concerned to achieve a rate of development more in keeping with their great cultural traditions, although clearly any such progress is contingent upon a settlement being found to the conflicts and acute tensions which, sadly, continue to divide them.

The Community ideal is above all else an ideal based on cooperation. Thus, in the conventions concluded with the developing countries, of which the most

President

recent has been the Lomé Convention, the fundamental principle has always been that of cooperation. I would recall here the part that I personally played in the negotiation of the first convention, the Convention of Yaoundé. As is clearly evident from its provisions, the most important feature of the Lomé Convention is that it is not simply an agreement on aid; on the contrary, it embodies a programme of practical measures in the field of development cooperation.

The premium placed on cooperation is evident from the approach taken by the Convention's constituent bodies, which include the Joint Consultative Assembly and which together stand out as an example of democracy and singlemindedness of purpose to the Europe of the Nine and to other countries at this crucial phase in our history.

I would also remind this House of the urgent need for a fresh Community approach to Latin America, which adequately takes account of our historical ties with that continent.

As I said earlier, the desire to establish ties of cooperation has been one of the guiding principles of our European endeavour. Such cooperation calls for a concerted effort by all the European organizations, i.e. as much by our Community as by the political cooperation bodies which have the privileged task of formulating a common external policy. It behoves us in this Parliament to contribute all we can to this common endeavour and we may be confident that a corresponding effort will be made by all the Community institutions, particularly the Commission and the Council.

Progress towards political union will be all the more rapid if we, as men of goodwill, are able to extend the scope of our activities to all areas which call for a collective endeavour.

(Applause)

I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — *(F)* Mr President, this Parliament has had some great presidents. All were men of European stature, all were completely committed to the European ideal, all were able to accomplish their task without bias. Mr Spénale, whose qualities you have praised, was one of them. As President, he defended this Parliament with tenacity and dynamism in a truly European spirit of progress. He helped our Community to take action not only in Europe but also outside, in Africa for instance.

Nor, as you mentioned, should we forget, Mr Spénale's role in strengthening the budgetary powers of this parliament. That is one point. Mention should also be made of elections by universal suffrage, for which he has fought with great courage and admirable tenacity.

That is why, Mr President, I associate myself on behalf of the Commission with what you have said about George Spénale. None of your words of praise was

untrue. It is true that Mr Georges Spénale will be regarded as one of the great presidents of this parliament and as a credit to your Assembly and Europe in the way in which he has accomplished his task.

(Applause)

What you have said, Mr President, shows that you have the same commitment and the same ambitions. I say so readily and as a friend; it is after all many years since we met in European circles. I personally cannot forget — nor has anyone here forgotten — how, as a minister in your own country, you were one of those who felt that Italy should commit itself to Europe and that an open and liberal Europe was one of the great opportunities in this world.

You were present when the construction of Europe started, at the difficult initial stage of the Treaty of Rome and, as everyone knows, you have participated in our achievements.

Today, as President of the European Parliament, you are faced with a heavy burden and great responsibility. The year before us will be mainly one of preparation for elections by universal suffrage; as you said, it will without the shadow of a doubt be one of your main responsibilities in this Parliament to ensure that those elections are a success. Mr President, more is involved than mere elections. As you said in other words, they will not succeed unless we show that Europe is capable of solving the problems facing it. Speaking on behalf of the Commission, I appreciate the fact that when you mentioned elections by universal suffrage, you also mentioned the men of Europe and the crisis facing us which we must tackle and solve together.

It seems to me that the Members of this Parliament have a major role to play in this joint action. The role you have played in past years, what we know of you, the man you are and the competence you displayed in all the major economic and political posts you have held guarantee that you will be able to help the Community to take this further step. Progress and dynamism in the Community depend on our solving the present crisis.

Mr President, you are a rigorous economist, you are known to have exceptional talents, but what is needed above all when we have to meet such deadlines — and what you are — is an enthusiastic and rational European. Those are the qualities we see in you. Mr Jenkins has twice told this Parliament that we want to work with you, that we feel that we share an extraordinary, historic, immensely difficult and immensely ambitious responsibility.

Those are the feelings of the whole Commission. You may rest assured, Mr President, of the spirit in which my colleagues and I will work with you to attain these difficult objectives which we in the Commission, you and Parliament have so much at heart.

(Applause)

President. — I am grateful Mr Ortoli for the sentiments you have been good enough to express on my account and in particular for the assurances you have given and which, together with the statements already made to the House by the President of the Commission Mr Jenkins, make us confident that relations between Parliament and the Commission and between Parliament and the Council will continue to become closer and that our joint efforts will be even more successful in the future.

We shall now suspend the proceedings for 45 minutes to allow nominations for the posts of Vice-Presidents to be made.

The sitting is suspended.

(The sitting was suspended at 5.50 pm. and resumed at 8.20 pm.)

5. Election of Vice-Presidents

President. — The sitting is resumed.

The considerable delay in resuming our proceedings, for which I apologise to honourable Members, is due to difficulties with the submission of nominations for the election of the Vice-Presidents.

I call Mr Broeks.

Mr Broeks. — *(NL)* Mr President, I wish to register a protest about the proceedings in the last hour.

I find it strange that when six chairmen of political groups meet and agree on a list of twelve names they do not appear to be aware of the position in their own groups. We know that one of the candidates will shortly be leaving Parliament. And I understand that he will then have to be replaced by another candidate. But what I do not understand is why if this is already known, no one has explained the situation and pointed out this difficulty. Because of this we have wasted almost an hour.

Mr President, I appreciate that it is not your fault, but I should like to make a request. In future, if, as a result of a similar error, the normal procedure cannot be applied, could the Bureau tell us exactly what is happening? Then we shall not feel that we are being treated as if we are incapable of assessing the situation.
(Applause)

President. — I call Mrs Ewing.

Mrs Ewing. — Mr President, I am grateful for having caught your eye on your first day.

The first day of a new President might be a good day for a new precedent. I have taken part in the proceedings of this Parliament with great interest and contributed as best I can on a variety of subjects — not all to do with Scotland as you have noticed. I was asked yesterday about my vote in today's elections by quite a number of Members of this House from various political groups and I was glad to be asked. I was glad to

be canvassed and I was glad to hear all that the people had to say about the qualities of the various people they were nominating for President.

But there is another item on today's agenda. It does not say *Appointment of the Vice-Presidents by cabinet system*. It says *Election of the Vice-Presidents*. In the course of my day I also asked with a degree of interest who were the nominees of the various groups as far as the Members knew, so that I could see what sort of people were going to be Vice-Presidents. Mostly the answer was it was none of my business and that it was all arranged. Mr President, it says here *Election*. I am a democrat and it is not all arranged until I have voted; and if my vote matters on the presidency it equally should matter on the vice-presidency. There is no difference in principle as far as I am concerned. There is a precedent for anyone who may be a male chauvinist in that I am a woman. Mrs Strobel was a Vice-President. I think certainly that if I were a Vice-President the delay of two hours in printing thirteen names today would not have been tolerated. I would also like to say that one should never ask for Members' rights to be preempted just because they are independents. The day there is no room for an independent in this institution, then it ceases to be a democratic institution. That is true of every institution. I make no apology for being an independent. I am given great courtesy in speaking time by this House and I appreciate it very much; the rights of minorities are very well provided for. But just in this one matter it was all arranged. I do not like that. I do not think it is all arranged until we have voted and that is why I have put my name forward as a non-attached Member.

(Applause from various quarters)

President. — I agree with Mr Broeks that if the situation about which he has complained should occur again, the Assembly should be informed in good time. There were in fact considerable delays in submitting nominations and a number of those already submitted were changed. That is why there was a delay in resuming the proceedings.

I would point out to Mrs Ewing that we have a list of 13 candidates, including herself. Since the number of candidates is greater than the number of posts to be filled, a secret ballot will be held pursuant to Rule 1 (7) of the Rules of Procedure.

I would remind the House of the provisions of Rule 7 (4) concerning the election of Vice-Presidents:

Those who on the first ballot obtain an absolute majority of the votes cast shall be declared elected. Should the number of candidates elected be less than the number of seats to be filled, a second ballot shall be held under the same conditions among candidates not yet elected. Should a third ballot be necessary a relative majority shall suffice for election to the remaining seats, and in the event of a tie, the oldest candidates shall be declared elected.

President

I have received the following nominations for Vice-Presidents: Mr Spénale, Mr Berkhouwer, Mr Scott-Hopkins, Mr Yeats, Mr Bordu, Sir Geoffrey de Freitas, Mr Lücker, Mr Meintz, Mr Zagari, Mr Deschamps, Mr Adams, Mr Espersen and Mrs Ewing.

Ballot papers and envelopes have been distributed. Members should mark the names of the candidates of their choice. Only ballot papers on which the names of not more than 12 candidates have been marked will be considered valid.

Lots will now be drawn to appoint the four tellers.

The four tellers will be Mr Seefeld, Lord Castle, Mr Shaw and Mr Spicer.

Lots will now be drawn to determine the Representative at whose name the roll-call will commence.

The roll-call will commence at Mr Sieglerschmidt.

I call Mr Giraud on a procedural motion.

Mr Giraud. — (F) I understand quite clearly that we may not submit more than twelve names but may we submit less?

President. — Yes of course.

The ballot is open.

I ask the Secretary-General to call the roll.

(The roll was called.)

Does anyone else wish to vote?

The ballot is closed.

I ask the tellers to go to room 1099 to count the votes.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, ladies and gentlemen: I think we should consider the position in this House as regards the order of business. The situation is this: since the list of candidates contains 13 names, while only 12 can be elected, it is possible that not all the 12 candidates will be elected in the first ballot. This means that another vote will be necessary. It is now 8.51. To vote on 13 candidates, even if the votes are counted quickly, will take at least an hour. This means that the second ballot could not begin until about 9.50, and no one can really be sure at this stage that a third ballot might not be necessary. I certainly do not want a third ballot, but I would point out that the voting could go on until midnight.

In my opinion there should be a reasonable number of Members in the Chamber when we are electing our Vice-Presidents. For this reason, Mr President, I would suggest that after the first ballot we postpone the election of the Vice-Presidents until tomorrow morning.

I have a request to make on behalf of my group. Before the Portuguese Prime Minister visits Parliament, we shall be receiving him in our group in his capacity as chairman of the Portuguese Socialist Party, at 9.30 in the morning. Since an official programme

has been arranged for the Portuguese Prime Minister, the President of Parliament, the chairman of the political groups and the committee representatives, I would ask that the continuation of the voting should not begin before 11 o'clock.

It is true that this will mean cancelling Question Time, but in view of the exceptional circumstances, in that we have now elected a President but have not yet elected any Vice-Presidents, I think this would be justified. The second or third ballot could be held at 11 o'clock. The President could then convene the Bureau to examine the candidatures for the committees and the committees could be elected in the evening. I know that these suggestions might not meet with everyone's approval but I have tried to be realistic and propose a possible solution, so that the proceedings run smoothly. That is why I am suggesting these arrangements.

(Applause)

President. — I call Mrs Ewing.

Mrs Ewing. — I should like to understand the point made by Mr Fellermaier exactly. What happens to those votes that we have already cast tonight? It is very unusual in any selection I have ever been involved in for the ballot boxes not to be dealt with there and then. I am sorry about the delay. I really do feel slightly apologetic about it in a certain way, but on the other hand, it is not my fault; I am entitled to put my name in. But what happens to the votes we have cast? Those votes have been cast in accordance with the Rules. And there is no way, in my opinion, that those votes should not settle the issue so far.

President. — I call Mr A. Bertrand.

Mr A. Bertrand. — (NL) Mr Chairman, on behalf of the Christian-Democratic Group I endorse Mr Fellermaier's sensible suggestion. I do not think that we can do any more constructive work this evening. If we have to wait for the result of this vote and then vote again, there will no longer be enough Members present to hold a proper vote. I suggest that we vote again at 9 o'clock tomorrow morning and then adjourn the sitting. Then we can complete the procedure.

If we begin at 9 tomorrow morning and then hold a second ballot if necessary, the Socialist Group can meet at 9.30. In the meantime the votes can be counted. We might then have finished by about 11, and be able to pass on to Question Time. I do not agree that we should do nothing before 11 o'clock tomorrow.

I therefore propose that the sitting should now be closed, and the second ballot, if one is needed, begun tomorrow at 9 o'clock and the sitting then adjourned until 11 o'clock.

President. — I call Sir Peter Kirk.

Sir Peter Kirk. — Mr President, I am sorry to disagree with my friends Mr Fellermaier and Mr Bertrand — it is very rare that I do on points of procedure — but I see no reason why we should not conclude the business tonight and I see very strong reasons why we should. Until Parliament has its Bureau, it is incapable of carrying out certain absolutely vital functions, including the nominations of committees and the election of chairmen of committees. And there are certain things which certain committees ought to have been doing tonight, particularly the Committee on Budgets, which they certainly will not be able to do now and which they ought to be able to do at the earliest possible moment. Sir, we all know that in practice nearly every active Member of this Parliament will be only a hundred metres away in the Salle Joséphine for the next two hours. It is perfectly possible for them to be recalled, if it is necessary to have a second ballot, in order to hold it here. I see no reason why we should not do that and I would suggest that we should proceed with the election of Vice-Presidents according to the Rules, so that tomorrow morning the Bureau can constitute the committees without which this Assembly cannot perform its functions.

President. — I call Mr Johnston.

Mr Johnston. — Mr President, I quite understand and to a great degree sympathize with the view put by Sir Peter Kirk, but I honestly think that the view put by Mr Fellermaier and Mr Bertrand is the more practical one. We have to face the fact, Mr President, that because of the generous procedures of this House it has been possible for one Member to hold up, in fact, virtually break down the normal procedures. With all respect to Mrs Ewing, it is all very well for her to say that this is not her fault, but it *was* her fault since she nominated herself and so created the situation. And with all respect again, one knows from the British point of view that this situation has arisen largely because there are 10 Scottish members of the press present and one should say that bluntly. I speak as a member of a minority and Members of minorities should not take advantage of the situation that they are in, but should play the game reasonably and fairly. In any event, to reach a conclusion I would repeat again that I think the views put by Mr Fellermaier, supported by Mr Bertrand, represent the practical solution, because, with all respect to Sir Peter, I do not think in reality that you can get Members to come back in the way that he wishes in order to produce a reasonable consequence.

President. — I call Mr Nyborg.

Mr Nyborg. — (DK) Mr President, may I correct Mr Johnston on one point? I would not go so far as to

say it is Mrs Ewing's fault that we are in this situation. Mrs Ewing caused it, but we can hardly say it is her fault.

I support Mr Fellermaier's proposal, but not Mr Bertrand's since I think it is unrealistic to try to convene Parliament at 9 a.m. tomorrow. According to the agenda, there is a meeting at 10 a.m. which means that many Members who would otherwise attend will not come simply because they have not been informed. Many have after all already left. I therefore fully support Mr Fellermaier's proposal.

President. — Mr Fellermaier has proposed that the election should be suspended until tomorrow if it is necessary to hold subsequent ballots and he is supported by a similar proposal from Mr Bertrand. However, I think it is important for us to know the result of this vote and if a subsequent ballot should prove necessary, we should decide what to do when the time comes.

I cannot very well interrupt the vote which is now taking place or hold up the announcement of the result and leave matters in suspense. I think we must conclude the procedure that has already begun.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, I am sorry, but with all due respect I cannot agree with what you have said about the order of business. The House is free to decide whether to adjourn the sitting at this point. The first ballot is completed in accordance with the order of business. The tellers are duly appointed. They record the results of the ballot and if my suggested order of business is adopted you, Mr President, would announce the results to the House tomorrow morning.

I now propose, Mr President, that a vote should be taken on the order of business I have suggested.

(Scattered applause)

President. — I call Mr Lücker.

Mr Lücker. — (D) I merely wanted to say first of all that we must have an official decision this evening so that no one can challenge the results of the election in the House tomorrow. I therefore think that we should proceed accordingly.

I would also ask you to reflect on what Mr Nyborg has said. If you look around, Mr President, you will see that many members have already departed, and will not therefore know if we decide to meet at 9 o'clock tomorrow morning. This is another reason for adopting Mr Fellermaier's proposal and in view of the Socialist Group's commitments, not holding the next vote — if another vote is necessary — until 11 o'clock.

President. — I call Mr Schuijt.

Mr Schuijt. — (NL) Mr President, it seems to me that voting is a legal process that begins with the vote itself and is not completed until the results of the vote are announced by the Bureau. Thus the vote that you have initiated will only be finished then, and not before. For this reason I think that the process should certainly be concluded this evening.

The inauguration of the enlarged Bureau is another matter. This is a different process, which could be postponed until tomorrow morning, since clearly we do not have the right conditions at the moment. I therefore think that these two processes — voting and the inauguration — should be kept separate and that the first process should be properly concluded this evening.

President. I call Mr Yeats.

Mr Yeats. — Mr President, I would like to support the point just made by Mr Schuijt. We have now started on this vote; the vote must be completed by the declaration of the result. I accept completely Mr Fellermaier's point that we cannot meet late tonight and have another vote because there will not be enough people there, but I do think we should meet briefly at say 11 p.m. so that you, Sir, can declare the result of this vote. It must be declared at some time. It only needs six people here; there is no need to have a particular crowd because it is a formal matter of declaring the result. Then it would be possible — assuming that there was a definite result and that 12 Vice-Presidents had been elected — for you to have a Bureau meeting at any time in the morning. At any rate we would have at least finished this count today. I cannot see any difficulty about that; enough of us can come back at 11 p.m. to see that that is done and we can finish with this vote tonight. If there is a second vote needed I would be in favour of Mr Fellermaier's proposal. If there is no second vote needed, then we have a simpler problem and we could perhaps deal with it early in the morning. Certainly I think we should finish this vote tonight with the declaration of the result.

President. — Since opinions are divided the matter can only be resolved by a vote.

We have three possibilities to consider: it has been proposed that we should resume our proceedings at 9 a.m., or at 10 a.m., as arranged, or at 11 a.m. I think that in order to avoid having to take 3 separate votes on these proposals we should consider a single proposal to resume at 10 a.m. tomorrow as originally arranged. We could then proceed with a second ballot if necessary.

I call Mr Lücker.

Mr Lücker. — (D) No. I think, Mr President, that it is always a good principle in this House to take account of the fact that a political group has commitments — as in the case of the Socialist Group, which has told us that it will be unable to take part in the vote before 11 o'clock. I therefore propose that the vote should not begin until 11.

President. — I had understood the situation differently. Mr Bertrand has proposed that we resume at 9 o'clock. Do you maintain that position, Mr Bertrand?

Mr A. Bertrand. — (NL) Mr President, I agree with your suggestion that we should begin tomorrow's sitting at 10 a.m. and that the tellers should count the votes now and announce the results this evening. This is essential if the result of the vote is not to be challenged. From the legal point of view I think that it is advisable. We can then begin the second ballot — if it proves necessary — at 10 o'clock tomorrow morning. I am therefore in favour of your proposal. In this way we shall avoid wasting too much time.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, I am sorry, but the argument that we must announce the result tonight does not hold water. The House is free to adjourn the sitting for one hour, for two, ten or even twelve hours, since now that the new session has been opened by the oldest member, the session will not be interrupted, and you, Mr President, can then announce the result tomorrow morning — I agree that 10 o'clock would be a good time. If necessary a second and third ballot could then be held.

(Scattered applause)

President. — The proposal to be considered is that the proceedings should now be suspended and resumed tomorrow at 10 a.m. In the meantime the tellers will count the votes. The result will thus be announced tomorrow at 10 a.m.

I put to the vote the proposal by Mr Fellermaier just stated.

The proposal is adopted.

6. Agenda for the next sitting

President. — The next sitting will be held tomorrow, Wednesday 9 March 1977, at 10 a.m. and will be devoted to the continuation of today's agenda.

The sitting is closed.

(The sitting was closed at 9.10 p.m.)

SITTING OF WEDNESDAY, 9 MARCH 1977

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IN THE CHAIR : MR COLOMBO

President

(The sitting was opened at 10.00 a.m.)

President. — The sitting is open.

1. *Approval of minutes*

President. — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments ?

The minutes of proceedings are approved.

2. *Welcome*

President. — Ladies and gentlemen, at the beginning of this sitting we are pleased to see that the Prime Minister of the Republic of Portugal, Mr Mario Soares, is present in the official gallery.

(Loud applause)

I am sure I speak for the whole House in extending a warm welcome to him and saying how much the House appreciates his consideration : during his tour of European capitals and his meetings with the Community institutions, he has decided to stop in Strasbourg and visit our Parliament.

I am sure that during his visit to Parliament today he will be able to have fruitful talks with your President and the political groups.

3. *Election of Vice-Presidents*

President. — I shall read out the result of the vote for the election of Vice-Presidents :

Number of Members voting : 140

Blank or spoiled ballot papers : none

Valid votes : 140

Absolute majority : 71

The following votes were obtained :

- Mr Spénale : 136 votes
- Mr Yeats : 128 votes
- Sir Geoffrey de Freitas : 127 votes
- Mr Adams : 127 votes
- Mr Espersen : 127 votes
- Mr Zagari : 123 votes
- Mr Deschamps : 113 votes
- Mr Scott-Hopkins : 112 votes
- Mr Meintz : 112 votes
- Mr Lücker : 110 votes
- Mr Berkhouwer : 98 votes
- Mr Bordu : 87 votes
- Mrs Ewing : 53 votes

The following Members voted :

Adams, Van Aerssen, Aigner, Ajello, Alber, Albers, Albertini, Amadei, Baas, Bayerl, Berkhouwer, Bersani, Bertrand Alfred, Lord Bessborough, Bettiza, Blumenfeld, Bouquerel, Bourdellès, Brégère, Broeks, Brown, Lord Bruce of Donington, Brugger, Cassanmagnago Cerretti, Lord Castle, Cifarelli, Colombo, Corrie, Covelli, Creed, Dalyell, Deschamps, Dondelinger, Dunwoody, Durieux, Edwards, Ellis, Espersen, Evans, Ewing, Fellermaier, Fioret, Flämig, Flesch, Fletcher-Cooke, Sir Geoffrey de Freitas, Früh, Fuchs, Galuzzi, Geurtsen, Giraud, Granelli, Hamilton, Hansen Frankie, Hansen Ove, Houdet, Howell, Hughes, Iotti, Jahn, Johnston, Jozeau-Marigné, Kavanagh, Kellest-Bowman, Sir Peter Kirk, Klepsch, Klinker, Kofoed, De Koning, Kruchow, Kunz, Laban, Lange, Lenihan, Leonardi, L'Estrange, Lezzi, Ligios, Lücker, McDonald, Maigaard, Martens, Martinelli, Mascagni, Masullo, Van der Mei, Meintz, Mitchell, Müller Hans-Werner, Müller Willi, Lord Murray of Gravesend, Ney, Nielsen Knud, Noè, Normanton, Notenboom, Nyborg Osborn, Patijn, Pisoni, Pistillo, Plebe, Prescott, Price, Lord Reay, Sir Brandon Rhys Williams, Ripamonti, Riz, Sandri, Santer, Scelba, Schmidt, Schreiber, Schuijt, Schwabe, Schwörer, Schyns, Scott-Hopkins, Seefeld, Shaw, Sieglerschmidt, Spénale, Spicer, Spillecke, Spinelli, Squaricialupi, Starke, Vandewiele, Vernaschi, Veronesi, Vitale, Sir Derek Walker-Smith, Walz, Wawrzik, Würtz, Yeats, Zagari, Zeyer, Zywiets.

The following Members obtained the greatest number of votes : Mr Spénale, Mr Yeats, Sir Geoffrey de Freitas, Mr Adams, Mr Espersen, Mr Zagari, Mr Deschamps, Mr Scott-Hopkins, Mr Meintz, Mr Lücker, Mr Berkhouwer, Mr Bordu.

I declare them elected Vice-Presidents of the European Parliament.

I warmly congratulate these Members on their election and look forward greatly to working with them.

Pursuant to Rule 7 (5) of the Rules of Procedure, the order of precedence of the Vice-Presidents is the order in which they were elected.

The Presidents of the institutions of the European Community will be informed of the membership of the new Bureau.

The House will rise.

(The sitting was suspended at 10.10 a.m. and resumed at 11.10 a.m.)

President. — The sitting is resumed.

4. *Membership of committees*

President. — The next item is the election of members of the committees of the European Parliament.

President

Pursuant to Rule 37 (2) of the Rules of Procedure, the enlarged Bureau has drawn up the list of candidates for the various committees.

The list, which has been printed and distributed, is as follows :

(1) *Political Affairs Committee :*

Mr Amadei, Mr Amendola, Mr Ansart, Mr Bagemann, Mr Berkhouwer, Mr Alfred Bertrand, Mr Bettiza, Mr Blumenfeld, Lord Brimelow, Mr Colin, Mr Covelli, Mr Durieux, Mr Espersen, Mr Faure, Mr Fletcher-Cooke, Mr Granelli, Mr Jahn, Mr Johnston, Sir Peter Kirk, Mr Klepsch, Mr Lenihan, Mr de la Malène, Mr McDonald, Mr Mitchell, Mr Patijn, Mr Prescott, Mr Radoux, Lord Reay, Mr Scelba, Mr Schuijt, Mr Seefeld, Mr Sieglerschmidt, Mr Spinelli, Mr Terrenoire, Mr Zagari.

(2) *Legal Affairs Committee :*

Mr Alber, Lord Ardwick, Mr Bangemann, Mr Bayerl, Mr Bouquerel, Mr Broeks, Mr Calewaert, Mr De Keersmaecker, Mr Espersen, Mrs Ewing, Mr Fletcher-Cooke, Sir Geoffrey de Freitas, Mr Geurtsen, Mrs Iotti, Mr Jozeau-Marigné, Mr Krieg, Mr Kunz, Mr Masullo, Lord Murray of Gravesend, Mr Pianta, Mr Plebe, Mr Pohér, Mr Rivierez, Mr Riz, Mr Santer, Mr Scelba, Mr Schmidt, Mr Schuijt, Mr Schwörer, Mr Shaw, Mr Sieglerschmidt, Mrs Squarcialupi, Sir Derek Walker-Smith, Mr Zagari, ... (S).

(3) *Committee on Economic and Monetary Affairs :*

Lord Ardwick, Mr Bordu, Lord Bruce of Donington, Mr Carpentier, Mr Cifarelli, Mr Clerfayt, Mr Cointat, Mr Cousté, Mr De Keersmaecker, Mr Deschamps, Mr Glinne, Mr Guldberg, Mr Haase, Mr Van der Hek, Mr Hougardy, Mr Jakobsen, Mr Lange, Mr Leonardi, Mr Van der Mei, Mr Müller-Hermann, Mr Knud Nielsen, Mr Normanton, Mr Notenboom, Mr Nyborg, Mr Prescott, Sir Brandon Rhys Williams, Mr Ripamonti, Mr Schwörer, Mr Spinelli, Mr Starke, Mr Thornley, Mr Zagari, Mr Zeyer, Mr Zywiets, ... (L).

(4) *Committee on Budgets :*

Mr Van Aerssen, Mr Aigner, Mr Alber, Mr Albertini, Mr Bangemann, Lord Bessborough, Lord Bethell, Lord Bruce of Donington, Mr Caillavet, Mr Caro, Mr Clerfayt, Mr Cointat, Mr Dalyell, Mr Faure, Mr Früh, Mr Hamilton, Mr Frankie Hansen, Mr Kofoed, Mr Lange, Mr L'Estrange, Mr Maigaard, Mr Martens, Mr Mascagni, Mr Meintz, Mr Notenboom, Mr Patijn, Mr Radoux, Mr Ripamonti, Mr Schreiber, Mr Shaw, Mr Spinelli, Mr Terrenoire, Mr Vitale, Mr Würtz, Mr Yeats.

(5) *Committee on Social Affairs, Employment and Education :*

Mr Adams, Mr Albers, Mr Bouquerel, Mr Caro, Mr Carpentier, Mrs Cassanmagnago Cerretti, Mr Delmotte, Mr Dondelinger, Mrs Dunwoody, Lady Fisher of Rednal, Mr Galluzzi, Mr Geurtsen, Mrs Goutmann, Mr Granelli, Mr Guldberg, Mr Van der Gun, Mr Ove Hansen, Mr Howell, Mr Kavanagh, Mrs Kellett-Bowman, Mr Laudrin, Mr Lezzi, Mr Meintz, Mr Hans-Werner Müller, Lord Murray of Gravesend, Mr Nolan, Mr Pianta, Mr Pisoni, Mr

Pistillo, Sir Brandon Rhys Williams, Mr Santer, Mr Schreiber, Mr Vandewiele, Mr Wawrzik, ... (L).

(6) *Committee on Agriculture :*

Mr Albertini, Mr Bourdellès, Mr Brégégère, Mr Brugger, Mr Cifarelli, Mr Corrie, Mr Creed, Mrs Dunwoody, Mr Durand, Mr Früh, Mr Gibbons, Mr Guerlin, Mr Frankie Hansen, Mr Ove Hansen, Mr Hoffmann, Mr Houdet, Mr Howell, Mr Hughes, Mr Hunault, Mr Klinker, Mr Kofoed, Mr De Koning, Mr Laban, Mr Lemoine, Mr Ligios, Mr Liogier, Mr Martens, Mr Mitchell, Mr Ney, Mr Pisoni, Mr Pistillo, Mr Pucci, Mr Schwabe, Mr Scott-Hopkins, Mr Vitale.

(7) *Committee on Regional Policy, Regional Planning and Transport :*

Mr Albers, Mr Brugger, Mr Colin, Mr Corrie, Mr De Clercq, Mr Delmotte, Mr Durand, Mr Ellis, Mr Evans, Mrs Ewing, Mr Fuchs, Mr Giraud, Mr Van der Gun, Mr Haase, Mr Hamilton, Mr Herbert, Mr Hoffmann, Mr Johnston, Mr Kavanagh, Mrs Kellett-Bowman, Mr Ligios, Mr Liogier, Mr McDonald, Mr Mascagni, Mr Meintz, Mr Knud Nielsen, Mr Noè, Mr Nyborg, Mr Osborn, Mr Pistillo, Mr Schyns, Mr Seefeld, Mr Starke, Mr Zagari, Mr Zywiets.

(8) *Committee on the Environment, Public Health and Consumer Protection :*

Mr Van Aerssen, Mr Ajello, Mr Alber, Mr Baas, Mr Pierre Bertrand, Mr Bethell, Mr Bourdellès, Mr Brégégère, Mr Brown, Mrs Cassanmagnago Cerretti, Mr Creed, Mr Didier, Mr Edwards, Mr Evans, Lady Fisher of Rednal, Mr Gibbons, Mr Guerlin, Mr Hunault, Mr Jahn, Mrs Kruchow, Mr Willi Müller, Mr Emile Muller, Mr Ney, Mr Noè, Mr Plebe, Mr Rivierez, Lord St. Oswald, Mr Schwabe, Mr Schyns, Mr Spicer, Mr Spillecke, Mrs Squarcialupi, Mr Vernaschi, Mr Veronesi, Mr Wawrzik.

(9) *Committee on Energy and Research :*

Mr Adams, Lord Bessborough, Mr Brown, Mr Covelli, Mr Dalyell, Mr Edwards, Mr Ellis, Mr Fioret, Mr Flämig, Mr Fuchs, Mr Giraud, Mr Van der Hek, Mr Houdet, Mr Hougardy, Mr Krall, Mr Krieg, Mr Lenihan, Mr Leonardi, Mr Lezzi, Mr Liogier, Mr Martens, Mr Van der Mei, Mr Hans-Werner Müller, Mr Willi Müller, Mr Brøndlund Nielsen, Mr Knud Nielsen, Mr Noè, Mr Normanton, Mr Osborn, Mr Pintat, Mr Ripamonti, Mr Spillecke, Mr Veronese, Mrs Walz, Mr Zeyer.

(10) *Committee on External Economic Relations :*

Mr Van Aerssen, Mr Amadei, Mr Baas, Mr Bayerl, Mr Bersani, Lord Brimelow, Lord Castle, Mr Cousté, Mr De Clercq, Mr Didier, Mr Galluzzi, Mrs Goutmann, Mr Kaspereit, Mr Kirk, Mr Klepsch, Mr De Koning, Mr Kunz, Mr Laban, Mr L'Estrange, Mr Maigaard, Mr Martinelli, Mr Emile Muller, Mr Nyborg, Mr Pintat, Mr Price, Mr Pucci, Mr Radoux, Mr Sandri, Mr Schmidt, Mr Schwörer, Mr Scott-Hopkins, Mr Spicer, Mr Thornley, Mr Vandewiele, Mr Waltmans.

(11) *Committee on Development and Cooperation :*

Mr Aigner, Mr Bersani, Mr Pierre Bertrand, Mr Broeks, Lord Castle, Mr Deschamps, Mr Dondelinger, Mr Durieux, Mr Fioret, Mr Flämig, Miss

President

Flesch, Sir Geoffrey de Freitas, Mr Glinne, Mrs Goutmann, Mrs Iotti, Mr Jakobsen, Mr Jozeau-Marigné, Mr Kaspereit, Mr Krall, Mrs Kruchow, Mr Lagorce, Mr Laudrin, Mr Lezzi, Mr Martinelli, Mr Nolan, Mr Price, Lord Reay, Lord Oswald, Mr Sandri, Mr Schuijt, Mr Spénale, Mr Vernaschi, Mrs Walz, Mr Wawrzik, Mr Würtz.

(12) Committee on the Rules of Procedure and Petitions:

Mr Berkhouwer, Mr Calewaert, Mr Hamilton, Mr Kunz, Mr Lagorce, Mr Leonardi, Mr Martens, Mr Masullo, Mr Willi Müller, Lord Murray of Gravesend, Mr Brøndlund Nielsen, Mr Rivierez, Mr Riz, Mr Spillecke, Sir Derek Walker-Smith, Mr Yeats, Mr Santer, ... (C-D).

(13) Delegation to the Joint Parliamentary Committee of the EEC-Greece Association:

Mr Amadei, Lord Bethell, Mr Bourdellès, Mr Cailavet, Mr De Clercq, Mr Galluzzi, Mr Giraud, Mr Glinne, Mr Jakobsen, Mr De Koning, Mr Laban, Mr L'Estrange, Mr Lücker, Mr Pisoni, Mr Price, Mr Rivierez, Mr Schmidt, Mr Terrenoire.

(14) Delegation to the Joint Parliamentary Committee of the EEC-Turkey Association:

Mr Adams, Mr Baas, Mr Carpentier, Mr Cousté, Mr Fellermaier, Mr Frankie Hansen, Mr Hughes, Mr Hahn, Mr Klepsch, Mr Lemoine, Mr Lezzi, Mr Ligios, Mr Mitchell, Mr Emile Muller, Mr Notenboom, Mr Pintat, Mr Spicer, Mr Vandewiele.

Since there are no objections, these appointments are ratified.

5. Order of business

President. — The next item is the arrangement of the order of business.

Pursuant to Rule 27A (5) of the Rules of Procedure, the following Commission proposals to the Council have been placed on the agenda for consideration without report:

- regulation amending Regulation (EEC) No 816/70 as regards the rules on the maximum sulphur dioxide content of wine
- regulation amending Regulation (EEC) No 2893/74 on sparkling wines produced in the Community and specified in Item 12 of Annex II to Regulation (EEC) No 816/76 and Regulation (EEC) No 817/70 laying down special provisions relating to quality wines produced in specified regions

(Doc. 554/76).

This document has been referred to the Committee on Agriculture.

Unless any Member asked leave to speak on these proposals, or amendments were tabled to them before the opening of the sitting of Friday, 11 March 1977, I shall declare these proposals to be approved.

The Bureau Proposes that at 3.00 p.m. we hear the statement by Vice-President Gundelach on the problems of the dairy market, which will be followed by a debate and the Commission's reply.

We shall then continue our proceedings until 7.30 p.m. in accordance with the draft agenda which has been distributed.

Are there any objections?

I call Mr McDonald.

Mr McDonald. — I wish you a successful term of office, Mr President. May I ask that the report in my name from the Committee on Agriculture (Doc. 582/76) should be included on the agenda for this part-session? There is some urgency attached to it, as the regulation is intended to come into force next month. Perhaps the Bureau might consider including it in this week's proceedings.

President. — If there are no objections, it will be possible to include it in Friday's agenda.

That is agreed.

The agenda for the present part-session will therefore be as follows:

This morning

— Question Time

This afternoon at 3.00 p.m.

— Commission statement on the dairy market, followed by a debate

— Oral question with debate to the Conference of Foreign Ministers on the UN General Assembly meeting of 24 November 1976

— Oral question with debate to the Council on the control of concentrations between undertakings

— Oral question with debate to the Council on the meeting of the Social Affairs Council of 9 December 1976

— Schmidt report on the recommendations of the EEC-Greece Joint Parliamentary Committee

— Baas report on economic and trade relations between the EEC and Japan

— Oral question with debate to the Commission on the EEC's commercial relations with India

— Sandri report on trade cooperation with the developing countries

— Deschamps report on certain provisions of the ACP-EEC Convention (without debate)

Thursday, 10 March 1977, at 10.00 a.m. and 3.00 p.m.

— Question Time

— Lange report on international economic activity of enterprises and governments

— Schwörer report on medium-term economic policy

Friday, 11 March 1977, from 9.00 a.m. to 12 noon

— Procedure without report

— Any outstanding items from Thursday's agenda

— McDonald report on the sale of agricultural products on board ship (without debate)

— Oral question with debate to the Commission on Community transport policy towards state trading countries

President

- *Nyborg report on the approximation of legislation relating to boats*
- *Shaw report on the application of the European unit of account*
- *Gerlach report on the ECSC Auditor's report for 1977*
- *F. Hansen report on flat-rate aid granted to Italy from the EAGGF*
- *Dunwoody report on the European Convention on the protection of farm animals*
- *W. Müller report on health protection standards for sulphur dioxide*
- *Oral question with debate to the Commission on titanium dioxide waste*
- *Oral question with debate to the Commission on the danger to health of asbestos*

Since no one else wishes to speak, the agenda is adopted.

Now that the President, the Vice-Presidents and the Committee Members have been elected, the constituent sitting of Parliament is over.

I feel I must especially thank Mr Houdet, who assumed the arduous task of presiding — with a great deal of youthful spirit, even though he is the oldest Member of our Parliament, and admirable skill — over what was without doubt a very difficult sitting.

His statement to Parliament at the beginning of the proceedings was not only effective in content but, I believe, also created an atmosphere in which we could begin our work constructively, feeling that we were initiating a new phase of activity by this House.

I therefore once again extend our warmest thanks to Mr Houdet.

(Loud applause)

IN THE CHAIR : MR BERKHOUWER

Vice-President

6. Question Time

President. — The next item is questions addressed to the Conference of Foreign Ministers, the Council and the Commission of the European Communities (Doc. 1/77), pursuant to Rule 47A (1) of the Rules of Procedure.

I would ask Members to put their questions in strict conformity with these rules.

We begin with questions to the Council and to the Conference of Foreign Ministers. The President-in-Office of the Council and of the Conference of Foreign Ministers is invited to answer each question and also any supplementary questions that may be put.

Question No 1, by Mr Berkhouwer :

Is it correct that the Portuguese government has announced its intention of submitting a formal applica-

tion for membership of the European Community? What is the Council's position on this application?

Mr Tomlinson, President-in-Office of the Council.

— The Portuguese government has stated publicly on several occasions its intention to apply for membership of the Community under Article 237 of the Treaty of Rome. It is not, however, possible for the Council to express its attitude before formal application has been made by Portugal and the opinion of the Commission obtained.

Mrs Dunwoody. — Is the President-in-Office of the Council aware that we hope in this Assembly that in the negotiations for Portuguese entry especial care will be taken to allow the longest possible period of accession to the Portuguese, who, although they are in need of very positive and immediate economic help, nevertheless will suffer very considerable economic problems if the period of accession is not long enough to give them time to bring their general standard of living up to that of the other nations of the Community?

Mr Tomlinson. — I note what the honourable lady says. Obviously that is a question for the future and it would obviously be inopportune at this time to anticipate the course of negotiations.

Lord Bethell. — Do you recall that a year ago important decisions were made about the proposed entry of Greece into the Community and that at that time there was no reasoned, lengthy discussion in this Parliament about the question of the accession of new Member States to the Community? Does the Council feel that it would benefit by having a serious debate in this Chamber on the whole subject of further accessions to the Community? Does the Council feel that it would welcome the advice of this House on the question of future accessions?

(Applause)

Mr Tomlinson. — I am sure the Council welcomes advice on that or any other questions on which Parliament wants to give it; but obviously the way in which the Parliament conducts its business is a matter for the Parliament and not for the Council.

President. — Question No 2, by Mrs Ewing :

In view of the decision taken by the Community Heads of Government and Ministers of Foreign Affairs, at their meeting in Paris in December 1974 that the European Parliament should be granted certain powers in the Communities' legislative process, and following the proposals made in the Tindemans Report on this matter, what action does the Council now propose to take to grant powers of legislative initiative to the European Parliament?

Mr Tomlinson, *President-in-Office of the Council.* — At its meeting of the 29 and 30 November 1976 at The Hague, the European Council, having taken note of the proceedings of the Ministers of Foreign Affairs in connection with Mr Tindemans' report on European Union, asked the Ministers of Foreign Affairs and the Commission, in those areas which come within its competence, to report to it annually on progress and short-term prospects in the various areas of activity leading towards the transformation of the concept of European Union into a reality. The questions raised by the Honourable Member could best be brought up under that procedure.

Mrs Ewing. — Does the Minister not agree, however, that after direct elections, if coming to this Parliament on a full-time or nearly fulltime basis is to be meaningful, there must be greater powers of initiating legislation? I really do feel, while thanking the Minister for his answer, that he has not really answered the question that I put to him.

Mr Tomlinson. — A constitutional development in the Community is a gradual organic process, and it is not a matter for heavy, dramatic or drastic changes. Obviously, the Council take due note of everything that is said in this Parliament, but I do not think this is the occasion or the time to get deeply involved in its discussion.

Mr Patijn. — (NL) Does the President of the Council not agree with me that in the present circumstances Parliament already has the right of initiative by virtue of the EEC Treaty? There is nothing to prevent us submitting any proposal we like. Is it not the case that in essence nothing needs to be changed if Parliament itself wishes to give expression to this right to make proposals?

Mr Tomlinson. — The position is quite clear: the Council can only act on proposals from the Commission. As I have said a number of times, obviously the Council listens with great interest to everything that this Parliament says.

Sir Derek Walker-Smith. — Will the President-in-Office of the Council confirm that, whatever may be the desirability of a legislative initiative in this Parliament, the legislative structure of the Community is in fact defined in the Treaty, and that any change would require an amendment of the Treaty and that, in turn, would require the processes of Article 236 of the Treaty and ratification by the national parliaments of the Member States?

Mr Tomlinson. — I would certainly confirm that the Council are fully bound by the Treaty and can only act in accordance with the obligations laid down in that Treaty.

President. — Questions No 3, by Mr Cousté :

The USA are reported to be willing to abolish their DISC legislation, which infringes Article 16 (4) of GATT, if, in return, three Member States of the Community amend their tax-laws and if a world-wide review of tax legislation is undertaken.

Does not the Council consider that this give-and-take approach is inadmissible, since the USA introduced and applied the DISC system unilaterally, and what action does it now intend to take?

Mr Tomlinson, *President-in-Office of the Council.* — The United States' Domestic International Sales Corporation legislation was examined at the request of the Community by a GATT panel, which concluded that this legislation, specifically drawn up to favour United States' exports, was incompatible with the rules of GATT. At the request of the United States, certain tax provisions of France, Belgium and the Netherlands were, moreover, also examined by a panel, whose findings called into question the admissibility of certain aspects of these laws under the rules of GATT. However, these last findings are being contested by the Member States concerned.

The GATT Council of Representatives is currently examining the report by the four panels dealing respectively with the DISC legislation and the tax-law of the three Member States to which I have referred. The Council is not aware of any United States intention to abolish their DISC legislation on conditions that the tax-laws of these three Member States are amended. Indeed, no such official — or unofficial — approach has been made by the United States towards the Community. As far as principles are concerned, the Council considers that the measures to be taken by the United States to bring DISC legislation into line with the provisions of GATT should in no way be linked with the disagreement between the United States and the three Member States of the Community in the field of their tax-laws.

Mr Cousté. — (F) I welcome the Council's reply, which does not link the abolition of the American legislation with the tax laws of France, Belgium and the Netherlands. But does the Council intend in its own right to approach the United States to put an end to this tax discrimination, which benefits 55 % of American exports and involves nearly 9 000 American undertakings? I believe that something should be done here. This is the point of my supplementary question to the President-in-Office of the Council.

Mr Tomlinson. — The Commission expressed the views of the Community on the report of a GATT panel on DISC at the GATT Council on 2 March. Our objective is to secure the repeal of this scheme.

Mr Dalyell. — Could the Council make a statement on this important matter — or if they don't have one easily available or if it is too long, circulate one

Dalyell

outlining precisely the basis of incompatibility with the rules of GATT, because some of us in our committee work would like to study this?

Mr Tomlinson. — It is possible to give the text of the Commission's statement to the GATT panel. If there was anything further that the honourable Member thought would be useful, obviously it would have to be considered, but the one thing we can circulate is the text of the Commission's statement to the GATT panel.

President. — Question No 4, by Mr Howell :

Will the Council state what progress has been made towards economic and monetary union in the Community during the last 4 years and what steps it intends to take to achieve this aim during the next four years?

Mr Tomlinson, *President-in-Office of the Council.* — During the last four years the Council has taken certain specific decisions such as the adoption of the regulation setting up a European Monetary Cooperation Fund, the decision regarding the attainment of a high degree of convergence in the economic policies of member countries, the directive concerning stability, growth and full employment in the Community, the resolution concerning short-term monetary support and the regulation concerning Community loans. That is a fairly impressive list. The Council has also improved the machinery at its disposal, for example by setting up an economic policy committee, by its utilization of the coordinating group for short-term economic and financial policies and by the use which it has made of the monetary Committee and the Committee of Central Bank Governors and in its own regular discussions of economic and financial problems.

The reaffirmation by heads of government at their meeting in Paris in December 1974 that economic and monetary union remains their objective has been the Council's guideline, and the European Council at its most recent meeting in The Hague in November 1976 reiterated that the achievement of economic and monetary union was fundamental for the consolidation of the Community's coherence and for the establishment of European Union. But I would, Mr President, remind you of the difficulties achieving this aim in the present economic circumstances. These were set out at some length by the late Mr Crosland in his keynote speech to this Parliament at the January part-session.

Mr Howell. — I would like to thank the President-in-Office for his full reply. While recognizing the tremendous difficulties which have confronted the Community in recent years, I hope that I did not detect any note of complacency in the President-in-Office's reply.

May I urge the Council to recognize the danger of stagnation and of even drifting into reverse? The

problem of the Irish green pound being no longer in phase with the British green pound has created an extra difficulty in this respect. I would urge the Council to take drastic and immediate action to phase out the green currency system at the earliest possible date and to take a bold step towards economic and monetary union.

Mr Tomlinson. — I hope that no Member of the House found any note of complacency in what I was saying. I am sure the honourable Member won't expect me to engage in discussion with him about the particular problem of the green pound. But I would say to this Parliament that much will depend on the international economic and financial situation, as my original answer made clear. We are all increasingly conscious of the need for closer convergence of economic performance of the Member States as a necessary precondition to significant movement towards economic and monetary union.

Sir Brandon Rhys Williams. — Can the President-in-Office assure the House that momentum will not be lost in bringing forward concrete proposals, perhaps on the lines of the Duisenberg plan, for a monetary constitution for the European Community which it is practical for all members to participate in, and not only those members that already adhere to the snake?

Mr Tomlinson. — Various aspects of the Duisenberg proposals are at present being studied by the Council, and I am sure the honourable Member will remember the rather more detailed answer I gave to this Parliament last month, in reply to a supplementary question, which I think the honourable Member then welcomed. The position is in fact exactly the same now as it was a month ago.

Sir Peter Kirk. — Following the point just made by Sir Brandon Rhys Williams, can the President-in-Office give us any date by which the Council might end its reflections on the Duisenberg proposals and bring forward concrete suggestions which we could then get our teeth into?

Mr Tomlinson. — It is not possible at the moment to say when they will conclude their discussions. What I can say is that they are having a further discussion on this next Monday. The matter is receiving the urgent consideration that the proposals merit and demand, but it is of course impossible to say when those discussions will be concluded.

Mr Lange. — (1) Mr President of the Council, you have been kind enough to inform us that the Council is aware of specific needs. Can you tell us when the Council intends to act on its awareness of the need for closer economic cooperation and greater convergence

Lange

of the economic policies of the individual Member States, i.e. can we expect to see before the end of 1977 a somewhat altered position of the Council and the Member States with regard to a coordinated economic policy and to be told something about it?

Mr Tomlinson. — Coordination is a permanent activity; it is something that is going on all the time. But of course it is impossible to say when a process of coordination is going to reach some particular and specific conclusions.

Mr Price. — While I accept the detailed list of activities that the President-in-Office gave, would he not agree that pursuing what are fundamentally impracticable goals brings the whole reputation of Europe into disrepute? Would he not agree that it is not so much temporary economic circumstances as the fundamental impracticability of absolutely total economic and monetary union that has produced such slow progress so far? Would it not be best to use other avenues to secure genuine European Union than merely concentrate on this particular goal which has eluded us so far and so much in the past?

Mr Tomlinson. — Mr President, as I believe implicit in that question was a misstatement or a misunderstanding of what the ultimate goal of economic and monetary union is, then I have to say to this Parliament that I would not agree with the conclusions that the honourable Member drew from his misunderstanding and mistatement of the objective.

Mr Giraud. — (F) I am no economist, but I should like to ask the representative of the Council whether he does not think that there soon will be not enough colours of the rainbow left to identify the currencies used for various purposes in the Community. And since there is constant talk of presenting a Europe with a human face to the European citizen, ought it not to be one of our main aims to reduce to a minimum these difficulties involved in exchange and exchange rates between the different Community currencies?

Mr Tomlinson. — I think that in that question, what we are stating is the ultimate aim. The problems in achieving that aim and that goal are manifest. My original reply, Mr President, did refer to the keynote speech by the late Mr Crosland. Movement towards economic and monetary union was in fact stopped in its tracks by the after-effects of the massive rise in oil prices in 1973, which were followed by inflation and recession unprecedented in the post-war period. We have still by no means recovered from that situation and we are obviously in a very difficult position in terms of monetary policy. But the decisions that have been made — and which I referred to in my original answer — relate to long-term goals. It is a matter of

great debate and great division of opinion as to how long is 'long' when we are talking about long-term objectives.

President. — Question No 5, by Mr Dalyell:

Has the President-in-Office carried out his promise to explain to other members of the Council why certain British MPs are prepared to jeopardise the Direct Election Bill in order to prevent the Devolution Bill getting through the House of Commons?

Mr Tomlinson, President-in-Office of the Council. — The honourable Member's question would appear to be based on a misunderstanding. In reply to a supplementary question from the honourable Member during Question Time on 9 February I said that speaking as a United Kingdom Minister I took note of his observations. I did not in any way enter into any undertaking of the sort apparently envisaged by the honourable Member's question.

Mr Dalyell. — Well, since we have had some 'misunderstanding', as I think the word was, about the state of civilization in Britain at the present time, will the Minister continue his good work by explaining just how wise the House of Commons was to eschew the guillotine?

(Laughter)

President. — We are not in the House of Commons!

(Laughter)

Question No 6, by Sir Peter Kirk:

What progress can the Council report from individual Member States about preparations for direct elections in May 1978?

Mr Tomlinson, President-in-Office of the Council. — As the Council already informed the Parliament at its last part-session, procedures are underway in all the Member States with a view to approving the Council's decision of 20 September 1976. The Italian Chamber of Deputies have already approved this decision.

Sir Peter Kirk. — As some Member States seem to be moving faster than others and progress in one Member State appears to be invisible to the naked eye and even with a magnifying glass, could the Council undertake to stimulate the laggards a bit more forcefully than they have done so far?

(Laughter)

Mr Tomlinson. — The question here is one which receives close consideration by all member governments and there is only one member government on whose behalf I can speak in a personal capacity. If there was any suggestion that the United Kingdom might fall into the particular category that the honourable Member was referring to, I can assure this House, speaking as a United Kingdom minister, that

the United Kingdom are fully aware of their obligations that they entered into seriously last year.

Mr Ellis. — Does the Council agree with the view of the President of the Commission given to this Parliament on 8 February that to deny the need for direct elections at this stage in the Community's history is in fact to deny one of the fundamental axioms of representative democracy?

Mr Tomlinson. — I am sure that nobody in this Parliament needs to be reminded that the Council have fully done their job. What is required, now that the Council have made their decision, is for the Member States to put into effect the decisions which they have entered into in the Council.

Mr Mitchell. — The President-in-Office will be aware of the statement made a few days ago in the House of Commons in London that the British Government intended to introduce a White Paper with green edges. Could the President-in-Office of the Council pay a special visit to London to find out from the British Government exactly what is meant by a White Paper 'with green edges'?

(Laughter)

Mr Tomlinson. — Unfortunately Community business will preclude me from taking the opportunity to visit London this week but I will be there next week, and I am sure that I will find it just as easy to comprehend the statement as my honourable friend would if he were not trying to make a particular point in his question.

Sir Geoffrey de Freitas. — Does the President-in-Office remember that about a month ago I asked him a question criticizing the British delay? Will he note that nothing has happened in these last weeks to give any encouragement to those British Members of Parliament who want the British Government to honour its solemn undertakings?

Mr Tomlinson. — I clearly recall everything that the honourable Gentleman said at the last meeting of Parliament. But I am afraid I cannot agree with him when he says that nothing has happened in the last month. Speaking as a United Kingdom Minister, can I just remind this Parliament that there have been very full discussions in the Cabinet? There was a clear statement made in the British House of Commons last week and we are in no doubt whatsoever, as I have said repeatedly in this Parliament, about the obligations that we entered into last year. It is the clear intention of the British Government to use its best endeavours, as it is obliged to, to fulfil the solemn obligations that it entered into.

Mr Patijn. — *(NL)* In order to avoid creating the impression that the European elections can only take

place if the British Government gives its approval — which is of course nonsense, since there are eight other governments —, I should like to ask the following question. Does the Council see in the trend in recent months any indications that the present text of the Convention is causing difficulties with regards to its adoption by the Nine Member States, difficulties which might result in the postponement of the elections, and if so, what are they?

Mr Tomlinson. — That is a matter for national governments. The Council itself has taken its decision. It has taken it clearly and unequivocally and the responsibility now lies in the capitals of nine national states.

Mr Sieglerschmidt. — *(D)* In view of the fact that ratification is required not only of the instrument but also of the electoral legislation in the individual Member States before the elections can be held, I should like to ask the President-in-Office whether the Council will help to ensure that the governments of the Member States pass as quickly as possible — preferably without delay — not only the legislation for ratifying the instrument but also the necessary electoral legislation, since only then will we be able to come anywhere near holding elections on the date envisaged.

Mr Tomlinson. — It will be for each of the member governments to decide how it implements the expressed intention of enabling direct elections to take place in May or June of next year. As far as I am aware, no Member State has yet carried through the legislation necessary for direct elections as distinct from the legislation to ratify the instrument.

Mr Fellermaier. — *(D)* Mr President, of the Council, will you submit a report to the European Council in Rome on the stage reached in the ratification of the instrument and on the proposed legislation for the election procedure in the nine countries, so that the Heads of State and Government can deal with the matter on their own authority, since it is not this Parliament but the Heads of State and Government who have solemnly undertaken to see to it that in 1978, as part of the process of democratization in this Community, the peoples of the Nine can elect their representatives directly, and since this meeting in Rome surely provides an opportunity publicly to reaffirm this solemn pledge in the report which the President of the Council will be presenting there?

Mr Tomlinson. — I do not think there is any need to remind anyone about the solemn nature of the pledge that they have entered into. Certainly, speaking as a United Kingdom Minister, I have said repeatedly — and I will continue to say this so that no one can have any misunderstanding: we are fully aware of the obligations we have entered into and we stand by our obligations to use our best endeavours.

Tomlinson

Concerning the meeting of the European Council in Rome, the matters on the agenda are for each of the participating countries and there is nothing to stop any representatives at the European Council raising any matters they want to during the course of that meeting.

President. — Question No 7 by Sir Brandon Rhys Williams :

When does the Council intend to take the final decision on the establishment and location of this Institute, for which the European Parliament established a total appropriation of 1m u.a. at the final stage of the 1977 budget procedure ?

Mr Tomlinson, *President-in-Office of the Council.* — The proposal for a regulation setting up a European Communities' Institute for Economic Analysis and Research is currently being studied by the relevant Council bodies. It is not possible at this stage to say when a decision on this proposal might be taken.

Sir Brandon Rhys Williams. — Can we urge the President-in-Office to make progress in setting up this institute, which is not an expensive project but which could be enormously fruitful for long-term planning of economic and monetary affairs? Could the first task of this institute be to define precisely what we mean by economic and monetary union, so that the objective we set ourselves in this field is a realistic and attainable one ?

Mr Tomlinson. — I think it would be premature to start discussing what the first task of an institute might be, before we have any such institute established. If I can just report on progress so far, a working group of officials has met several times in the last year to consider the draft Commission decision which would establish the institute. The establishment of an institute on the lines proposed of course raises a number of complex issues which are of interest to all Member States. Careful consideration of all these issues is necessary. It is not at this stage possible for us to predict when the Council will be in a position to consider the draft decision.

Mr Patijn. — (*NL*) Has the Council taken note of the statement by the Rotterdam city council that it is prepared to accommodate this institute and that the city of Rotterdam, in view of the experience it has gained with the School of Economics, would also be a very suitable location ?

Mr Tomlinson. — A number of places have indicated that they would like to be the site of this institute. As far as I am aware, this has not been discussed in the Council. Practical considerations of the operational efficiency of the institute will need to be taken into account in any decisions on its location. Obviously, I note what the honourable Member has said,

but have also noted a number of other suggestions that have been made.

Lord Bessborough. — Would the President-in-Office of the Council tell us whether this matter is being considered in any way in conjunction with the Europe Plus 30 plans which the late President-in-Office of the Council referred to in his speech in January? Does he consider that there is a relationship between this institute and the plans drawn up by Lord Kennet's group ?

Mr Tomlinson. — This matter is being discussed not in that particular context but in the context of discussions on economic and monetary union.

Mr Dalyell. — Could I ask if it is not a fact that, since this was discussed in the Committee on Budgets, there has been a considerable strengthening in the Commission of medium-term if not long-term planning? Therefore, the considerations which made the Committee on Budgets take a favourable view of this may, in fact, have been overtaken by events. The situation regarding the need for the institute may not be quite what it was.

Mr Tomlinson. — I understand that that is the view expressed by a number of Member States and there are great hesitations about this matter. Beyond that, I can only promise to note what the honourable Member has said, and to bear his considerations in mind in any discussions in this particular problem.

Mrs Ewing. — While noting that the location of such an institute has not been decided, can I ask the Minister nevertheless to bear in mind a previous discussion which took place in this Parliament, when I advanced Edinburgh as a suitable location, and when I obtained a considerable degree of support from people from a number of the Member States for this idea ?

Mr Tomlinson. — I am not surprised to hear an additional bid from Scotland this morning, and it can be added to the list of the number of locations that have been suggested.

Lord Bruce of Donington. — Mr President, would the minister seek to convey the sense of urgency which Parliament does attach to this whole question, particularly in the light of the statements that were made on behalf of the Council, and also by the President of the Commission himself, in which he drew attention to the growing lack of convergence between the various Member States. Since this is a European Economic Community, does he not think it is high time that this whole question received the detailed examination which only an international gathering of experts, such as is implicit in this proposal, get down to the nub of the whole problem of how to deal with the economy of Europe ?

President. — Before you answer, Mr President, I must draw the attention of Lord Bruce to the fact that Mr Tomlinson is here, not as a minister, but as President-in-Office of the Council of the European Communities.

Mr Tomlinson. — Mr President, I am grateful for that protection. I was about to seek to invoke it myself.

Obviously the questions asked by the honourable Member are very important, and the particular questions that he has raised are the subject of all sorts of regular consideration, discussion and debate. But whether this European Institute for Economic Analysis and Research is the appropriate forum — for which we have got to wait until it is created — in which that debate should take place is in fact another matter.

In relation to conveying the views of this Parliament to the Council, that is done as a matter of course, but I might suggest that, on this particular subject, the view expressed by the honourable Member is not necessarily identical to the views already expressed this morning that I have already sought to reply to.

President. — Question No 8, by Sir Geoffrey de Freitas :

What financial or other assistance, direct or indirect, was given to the recent Conference held in Kampala under the Lomé Convention ?

Mr Tomlinson, President-in-Office of the Council.

— The Community was aware that the meeting of the Council of ACP Ministers was being held in Kampala in order, according to the Council's information, both to prepare for the ACP-EEC Council of Ministers meeting in Fiji and to examine a number of operational questions of the ACP group of states. Since this meeting was exclusively within the framework of the ACP states, the Community was not called upon to grant financial or other assistance to this conference.

Sir Geoffrey de Freitas. — While several of our national governments have expressed opinions about the regime in Uganda, has the Council come to any conclusions about the denial of human rights in that country ?

Mr Tomlinson. — The Council has not specifically discussed the question of the denial of human rights in Uganda. But may I, speaking as a United Kingdom minister, say that we have all been deeply shocked by the reports of the recent tragic events in Uganda. Her Majesty's Government have expressed their disappointment that the British proposal, made under the confidential procedure within the United Nations Commission on Human Rights meeting in Geneva, was in fact defeated on 1 March. We regarded the resolution adopted as being insufficiently firm, insufficiently far-reaching and insufficiently effective, and this left us with no alternative but to press for an investigation in the open debate.

Mr Spicer. — Mr President, it is quite clear to every civilized State in the world we are dealing in Uganda with an evil, bloody, vicious regime. Surely it is inappropriate that our Community should not yet have discussed this matter. Will he give an undertaking that the Council will discuss it in the very near future, and will he give a further undertaking that we will suspend all aid to Uganda until such time as they come back to the paths, not even of civilized behaviour, but at least of the lowest common level of decency that can be acceptable in a civilized Community ?

(Cries of 'Hear!, hear!')

Mr Tomlinson. — I am sure that the words the honourable Member has spoken do in fact ring a chord with many people, but of course this is not a matter for the Council of Ministers. This is something that will be dealt with through the political cooperation machinery, but we will certainly bear closely in mind what the honourable Member has said. But however repugnant we find certain activities, I think I must say to this Parliament that Uganda and the EEC Member States are of course all signatories to the Lomé Convention, membership of which does impose certain legal obligations, and as long as Uganda remains a party to the Convention, the Community is in fact bound to fulfil those obligations. But having said that, I am sure everyone is deeply concerned by the shocking and tragic events that have been witnessed in Uganda over recent years, and recent months in particular, and will take all steps necessary in determining their attitudes towards those events.

Mr Hougardy. — *(/)* Mr President, I feel that one cannot help expressing some astonishment at what has been said here, and the President-in-Office of the Council will undoubtedly want to clarify things, but it is no less shocking — and I use the most moderate of Parliamentary expressions — to learn that Uganda has obtained membership of the League of Human Rights. Is there any procedure to prevent such membership being accepted or to ensure its cancellation ?

Mr Tomlinson. — I obviously note the remarks made by the honourable Member, but that really is not a matter relating to membership of the Lomé Convention or to the particular problem we are discussing. Obviously I take serious note of everything that is said about this awful, tragic situation. But the particular response must be in the particular international fora to which the honourable Member referred.

President. — I call Question No 9 by Mr Hougardy :

Could the Council indicate whether the recent statement by the British Minister of State, Foreign and Commonwealth Office, describing the future European passport to be issued by the British authorities was founded on the conclusions of the working party set up by the 1974 Paris

President

submit to report on the uniform passport which should be introduced, according to the decision of the 1975 European Council in Rome, before 1978?

Mr Tomlinson. — The details given by the United Kingdom Minister of State for Foreign Affairs to the scrutiny committee of the House of Commons regarding the uniform passport were indeed founded on the conclusions reached on this subject within the Council. The Council's work is already well advanced on a number of details regarding the presentation of this passport, and the items outstanding could be discussed at a Council meeting in the near future.

Mr Prescott. — The President-in-Office will be aware of the deplorable incident last week in the port of Le Havre when a British recruited gang of armed mercenaries passed through the passport controls of Britain and France to attack the *Globtik Venus* and her crew. As this involved European and Filipino nationals, who were assaulted and terrorized, will the President-in-Office condemn this incident, urgently consider the matter and require the Commission to prepare proposals along the lines I gave in my report to Parliament in its last session in Luxembourg, and thereby eliminate the deplorable situation where both non-European and European crews are being exploited for cheap wages under the threat of force by armed mercenary gangs in European ports?

Mr Tomlinson. — I note everything that my honourable friend has said and I am obviously as concerned about the incident as he is. At the moment all I can do is to undertake that I will communicate the views he has expressed in this Parliament. He will in turn of course be aware of the response of the British Attorney General in the House of Commons at the beginning of this week.

President. — I call Question No 10 by Mr Durieux, for whom Mr Hougardy is deputizing:

Is the Council aware that rapid implementation of its declaration announcing a common programme for civil transport aircraft is very nearly the last chance of saving the European aeronautical industry at a time when the recent decision by the American Company, Western Airlines not to order the Airbus comes as a further setback to European aircraft builders, whose share of the Western market is rapidly declining while the American firm Boeing secured for itself in 1976 more than 72 % of the world market?

Mr Tomlinson, President-in-Office of the Council. — As soon as it received the opinions of the European Parliament and the Economic and Social Committee, the Council began examining the communication which the Commission had sent it in October 1975 concerning the action programme for the European aeronautical sector and particularly those aspects relating to the establishment of a common programme for civil transport aircraft. On completion of the examination, the Council is making arrangements to adopt at one of its forthcoming meet-

ings and to publish a declaration defining the objectives to be pursued in carrying out the concerted action and consultation between Member States on industrial policy in the aeronautical sector as provided for in its resolution of 4 March 1975. The Council considers that the realization of the objectives defines in this declaration, particularly the establishment of a coherent strategy for new civil transport aircraft programmes, should make an effective contribution to strengthening the position of the European aeronautical industry on the world market.

Mr Hougardy. — (F) Do not the difficulties encountered by the Airbus, even though it is the main achievement of the European civil aeronautical industry, prove that we must give priority to joint action with regard to non-European, especially American competition, the aim of which would be, in particular, balanced cooperation both in the industrial sector and in trade.

Mr Tomlinson. — This is obviously one of the aspects that is involved in the consideration to which I referred. The honourable Member did however specifically refer to the Airbus project, and I would say to him here that the Airbus partners are considering possible derivatives of the Airbus to meet the expected future market and thus to strengthen the position of the programme as a whole.

Lord Bessborough. — Mr President, could not the Council urge Member States, even at this moment in time, to get their airlines and, indeed, their air forces to order equipment with the largest possible European content, such as the European Airbus and even possibly a military application of the Airbus similar to the American AWAC?

Mr Tomlinson. — The Committee of Permanent Representatives has already accepted a report by representatives of the nine Member States and the Commission of the various future projects currently under discussion and possibilities for European collaboration on them. Coreper agreed that the Commission should now proceed to draw up reports in conjunction with the individual states on each of the possible projects and inform other states so as to permit them to consider the possibilities of cooperation. These reports will be forwarded to the Council authorities for consideration in the light of the resolution of 4 March 1975.

Mr Osborn. — Would the President bear in mind that there is a need for urgency and particularly a need to promote the commercial use of aircraft built, designed, developed and constructed employing European citizens at this time of possibly rising aircraft traffic growth, and would he also bear in mind that the United States of America are using unfair tactics to prevent the use of Concorde and that the Comet aircraft suffered by comparison with the Boeing 707

Osborn

which was developed on a defence budget in the United States of America? Will he therefore look at this more urgently, bearing in mind that the British and French Concordes are in trouble as well as other aircraft?

Mr Tomlinson. — The Council statement that I referred to does in fact state quite clearly in subparagraph (f) that it seeks the adoption of all possible measures to ensure that airline companies give competitive European aircraft a fair chance, and I think that covers part of the question, the remainder of which, I think, was covered in the supplementary replies I gave concerning consultation between Member States.

Mr Normanton. — Does the President-in-Office of the Council consider it appropriate to call a conference of the Community aeronautical industry to see if, on an industry-wide basis, a better and more effective approach might not be evolved?

Mr Tomlinson. — I certainly take due note of what the honourable Member has said, but I am in no position to give him the undertaking for which he is looking.

Mr Noè. — (1) Does not the President-in-Office of the Council think that the projects to which he referred might have a greater chance of success in the commercial field if they were framed, at least in part, in cooperation with rather than in opposition to American industry, in order to open world markets to European industry also?

Mr Tomlinson. — I would hate to think of the European aircraft industry succeeding or failing on the basis of my personal estimation of a commercial judgement. I am certainly not in any position to give that but I am advised that joint action by European manufacturers in the search for possible formulae for cooperation with the United States industry is one of the objectives laid down in the paper to which I referred earlier.

Mr Dalyell. — On this issue is not the technical reality that, as Aerospatiale and Dassau and everyone else has found, we have to cooperate with the Americans? There are some of us who represent areas in which there are huge units employing over 1 000 people, such as the Cameron Forge at Livingston, who are dependent on cooperation with the United States, and whose jobs, at a very highly technical level, are also dependent on cooperation with the United States. Let us not have too much anti-Americanism creeping into this.

Mr Tomlinson. — I am sure everybody has been interested to hear the remarks of the honourable Member which do, in fact, fall very much in line with the reply that I have just given to the previous supplementary question.

President. — Question No 11 by Mr Normanton:

What was the outcome of the second meeting of the General Committee in Tunis on 10/11/12 February 1977?

Mr Tomlinson, President-in-Office of the Council.

— The second meeting of the General Committee of the Euro-Arab Dialogue took place in Tunis on 10-12 February. The two sides exchanged views on all aspects of the dialogue — political, economic, social and cultural.

The following progress was registered on the practical side:

A working party was set up to work out the procedures necessary for implementing the commitment of principle entered into by both sides at the first meeting of the General Committee in Luxembourg, with regard to the financing of certain activities in the framework of the dialogue.

Secondly, an agreement of principle was reached on the creation of a Euro-Arab centre for the transfer of technology.

The European side declared its readiness to examine the concrete terms of the Arab draft concerning the possible creation of a Euro-Arab centre for commercial cooperation.

The Agriculture Committee was instructed to study as quickly as possible the proposals concerning the project for the development of the Juba Valley in Somalia.

Finally, the relevant working parties will have to continue their work, in particular on the preparation of a Multilateral Convention on the protection of investments against non-commercial risks, a declaration on the principles governing the living and working conditions of foreign workers and the definition of the principles concerning the general terms of contracts.

Mr Normanton. — Mr President, I am grateful for that very comprehensive reply but disturbed that it still does not go quite far enough. Is the President of the Council aware that some of our so-called friendly third countries are maintaining black lists of firms in the Community with whom trading relations are specifically and strictly embargoed? Is the President-in-Office aware that these embargos are based on discriminatory grounds which are in flagrant violation of all the principles of human rights for which this Parliament stands and for which civilization also stands? Will the Council of Ministers therefore assure the House that they will take positive and urgent action at all times to expose and to oppose practices of this kind?

Mr Tomlinson. — I take serious note of what the honourable Member has said but of course it does not arise directly out of the question that I have sought to answer this morning. Speaking in my capacity as a United Kingdom Minister, I would like to refer him to the detailed and very clear and concise statement made by the new British Foreign Secretary in the House of Commons in relation to the Arab boycott.

Mr Hougardy. — (*F*) Mr President, can it be concluded, from the political dimensions given to the final communiqué, that the next step taken by the European Community will be to recognize the right of the Palestinians to establish an independent state?

Mr Tomlinson. — I think anybody who drew that particular conclusion in relation to this being the next step, would be making a great mistake in his assumptions of priorities.

Mr Blumenfeld. — (*D*) Mr President, if we are talking about the results of the Tunis conference, in our view one of these results was that the Arab side is prepared to contribute a certain sum to finance project analyses, while the European Community is not yet able to quote a figure. Can you tell us what sort of amount you think we are prepared to contribute in matching funds?

Mr Tomlinson. — As the Commission has yet to make a proposal concerning the nature of the costs, no answer on this can be given at present.

President. — Question No 12 by Mr Shaw.

What has held up publication of the Sixth VAT Directive, agreed by the Council on 16 December 1976?

Mr Tomlinson, *President-in-Office of the Council.* — The Sixth Directive on value added tax has not been adopted by the Council. At its meeting on 16 December 1976 the Council settled the main outstanding problems of substance. In the light of these conclusions a revised text has been prepared on which it is hoped that agreement will be reached by the Council in the near future. As soon as this text has been agreed, it will of course be transmitted to the European Parliament.

Mr Shaw. — I thank the President of the Council for that answer, but I would ask him if he is aware of the real worry that exists in this House because we understand that there are a number of national texts in existence trying to implement the main principles that were agreed on 16 December. Is he therefore aware of the genuine fear that delays in the practical implementation of the principles agreed on 16 December will delay the introduction of a true own-resources budget? I believe that such further delay in the introduction of such a system would lead to a feeling of very real frustration at the way that our legislative process works in the Community.

Mr Tomlinson. — Obviously the Council is fully seized of the problem. There are some points still to be resolved, mainly technical points, after the December Council meeting. Discussion of these points should be completed shortly, as I said in my original answer, and as soon as there is an agreed text it will be communicated to Parliament. But I obviously take very seriously the comments that the honourable Member has made.

President. — We now come to the questions to the Conference of Foreign Ministers.

Question No 13 has been postponed until the April part-session in Strasbourg.

Question No 14, by Lord St. Oswald:

What relations or contacts has the Community with FUMO (the United Democratic Front of Mozambique) and the Mozambique Government-in-Exile which it has established in Paris under the premiership of the distinguished African lawyer, Dr Domingos Arouca; in particular, are these relations or contacts closer or looser than those with SWAPO, or of a similar nature?

Mr Tomlinson, *President-in-Office of the Conference.* — The Nine have no relations with the United Democratic Front of Mozambique. The Nine also note that the French Government has no knowledge of the establishment in Paris of a Mozambique government-in-exile.

Lord St. Oswald. — The only question I can ask is not whether the French Government has any knowledge of this organization — that has little to do with either the President-in-Office or myself — but whether the Council of Ministers has any knowledge of this organization and has been approached by it in any form.

Mr Tomlinson. — This is not a matter for the Council of Ministers; it is for the Conference of Foreign Ministers. Obviously, it is quite clear that if the French Government has no knowledge of such a government-in-exile, it is hardly likely that other members of the Conference of Foreign Ministers will have.

President. — I call Question No 15 by Mr Dondelinger.

What position does the Conference intend to adopt on behalf of the Nine in Belgrade at the June meeting of the signatory States of the Final Act of Helsinki as regards the protection of fundamental human rights in Europe?

Mr Tomlinson, *President-in-Office of the Conference.* — The Nine continue to attach importance to the protection of fundamental human rights in the context of the Final Act. They regard the Belgrade follow-up meeting, which will be held in autumn 1977, as the occasion for a thorough interim assessment of the implementation of all its provisions,

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including those relating to human rights. The Nine will not be satisfied until all the provisions of the Final Act are implemented by all signatory states.

Mr Dondelinger. — (F) We all know that the countries of the Communist world consider our interest in the full implementation of the three 'baskets' of the Helsinki Agreements as interference in their internal affairs. This attitude applies particularly to the third 'basket' dealing with the fundamental rights of every citizen. Does the Conference of Foreign Ministers share this point of view, which I find, to say the least, odd?

Mr Tomlinson. — Far be it from me to try to speak authoritatively on behalf of the Eastern Bloc. As far as I am concerned, all matters arising from the Final Act at Helsinki are matters for the legitimate concern of every signatory nation, and that will continue I believe, to be the clear view of all signatories — certainly those with whom I am in contact.

Mr Johnston. — Has the Conference taken the opportunity to speak with Vladimir Bukovsky and others who have had direct recent and painful experience of the denial of fundamental human rights in the Soviet Union, and if they have not, do they have the intention to make such contacts? And could he also perhaps say whether he thinks there has been any advance in press freedoms in the East of Europe since Helsinki?

Mr Tomlinson. — Concerning the Conference's having direct contact with Mr Bukovsky, that has not in fact happened. But may I say, speaking as a United Kingdom Minister, that I made arrangements on a number of occasions for Mr Bukovsky to come to the Foreign Office to have discussions direct with Foreign Office Ministers. Unfortunately, on each occasion those arrangements were made something occurred to prevent Mr Bukovsky from taking advantage of the arrangements for a meeting and so no such meeting did take place.

(Protests)

I am sorry. I personally was available to see Mr Bukovsky on a number of occasions, as was my right honourable friend Lord Goronwy Roberts, and something happened to preclude the meeting's taking place — something not, I might say, on the side of the British Foreign Office.

Regarding the second part of the question, there have been minor movements. I believe it is now possible, for example, to buy copies of *The Times in Prague* rather more easily than was perhaps possible 12 months ago. But as I said in my original remarks, we shall not be satisfied until all the requirements of the Final Act are fully observed by all signatory states in all their details.

Sir Derek Walker-Smith. — In regard to the contention of the Soviets already referred to in the

first supplementary question that this insistence by the Western signatories is an infringement of internal sovereignty, will the Conference of Ministers indicate to the Soviets that this argument is really untenable on the provisions of the Helsinki Agreement itself, which shows quite clearly that this is a reciprocal and collective undertaking entered into by the signatories. And will they also press upon the Soviets the fact that the Helsinki Agreement is indivisible and that implementation of the human rights provisions is therefore a condition precedent to the whole of the Agreement, including the question of frontiers?

Mr Tomlinson. — I would in no way dissent from the assertion made by the Honourable Member. I can make it quite clear — as I think I have already sought to do — that it is my firm opinion that no amount of assertion by any individual signatory of the Helsinki Agreement necessarily makes that assertion true. We are quite clear what we signed in Helsinki and until we see all the requirements of the Final Act observed by all the signatory states, we will continue to remain unsatisfied.

Sir Brandon Rhys Williams. — Does the Conference recognize the importance and the value of following up the splendid initiative of President Carter, and also that of the new British Foreign Secretary, Dr Owen, in regard to the protection of the rights of racial minorities and dissident leaders in Eastern Europe, by speaking with the full authority of a united and determined European Community?

Cries of 'Hear!, hear!')

Mr Tomlinson. — Yes, I take full note of that, and I do not think there is anything in what the honourable Member said that I dissent from.

President. — Question No 16, by Lord Bethell:

To ask the Conference of Foreign Ministers whether they are aware of the existence in Moscow of the Committee for the Observance of the Helsinki Final Act; whether they are aware of the names and addresses of its members; whether through the political co-operation machinery of the Nine they will arrange for diplomatic representation from one or more Member States to meet these individuals in order to obtain the results of their work and to bring these results to the attention of the Governments of the Nine.

Mr Tomlinson, President-in-Office of the Conference — The Nine take a close and continuing interest in all aspects of the fulfilment of the provisions of the CSCE Final Act, both by the Soviet Union and by all other signatories of the act. The work of individual citizens and groups in the participating states makes an important contribution to this assessment. It is normal and legitimate activity of diplomatic representatives to keep in touch with opinions in the countries to which they are accredited.

Lord Bethell. — Mr President, the President-in-Office of the Council has not really answered my question about whether he is aware of the existence of the committee mentioned in my question, and whether he is aware of the names and addresses of the members of that committee. Is the President-in-Office of the Council aware that this committee has produced 19 documents, each one of them outlining a specific area where they believe human rights have been violated in the Soviet Union? Is he further aware that copies of at least six of these documents issued by the committee have been sent to the British Government and to other signatory states, and that no information is available as to whether these documents are in the Foreign Office and are being studied by the Conference of Foreign Ministers? Can he confirm whether or not these documents have been received by the British and other Member State governments and whether they will be borne in mind for the review conference?

Mr Tomlinson. — I think my original answer was quite clear. Obviously Her Majesty's Government, as with all other Member-State governments of the Nine, receive a vast range of communications from a vast range of people. As I said quite clearly, the work of individual citizens and groups in participating states makes an important contribution to this, and we keep in touch with no end of such groups through our diplomatic representation. If the honourable Member though has a particular problem of concern to him in relation to the British Government, as a member of one of the British Houses of Parliament, he can feel quite free to write to me in my United Kingdom capacity.

President. — I thank the representative of the Council for his statements.

We now turn to the questions to the Commission.

I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — There are two points of order, Sir. The first is a very short one. It is, I think, understood by most honourable Members in the House that today is devoted to the Council and the Conference of Foreign Ministers. We have covered the ground quicker than we thought, and we have in fact six minutes of Question Time left. Quite obviously, most honourable Members did not realize this would happen. I agree it is their fault, but perhaps in these circumstances — for the first time here, Sir, — you might be liberal in your attitude and call an end to Question Time and start again tomorrow morning.

The second point of order is a very short one — I do not want to weary the House. I have heard from the official next door to you that the Presidency wishes to withdraw my question No 23 on the order paper because there is going to be a statement and a short debate this afternoon on the subject. I understand that

under the Rules of Procedure it is quite true that I could not put this question onto the order paper if it was known that there was going to be a statement and a short debate. But this question was put down before the Commission decided, in their wisdom, to come before us and to make a statement. I submit to you that the Presidency has no right, under those Rules of Procedure, to remove my question. They could have stopped it being put down but they cannot remove it from the order paper, because they do not know any more than I do whether the point of the question is going to be covered by the statement or the debate, they do not know whether there is going to be a satisfactory answer or not. My point of order is, Sir, that I would ask you to leave my question on the order paper for tomorrow. In point of fact, if I had not got up now, and you had gone on with the questions, we would almost certainly have got to Question No 23 in about 2 minutes flat.

President. — The Chair is very pleased that you tacitly applaud the fact that Question Time went quickly. It might be wise to end Question Time now. I leave it to the House to decide whether or not we do that and continue with Question Time for the Commission tomorrow. If we do so, we can retain your question on the order paper and consider the matter tomorrow.

I call Mr Dalyell.

Mr Dalyell. — I don't wish to abuse the Parliament in any way, but Commissioner Brunner very courteously let me know that he could not be here tomorrow to answer Question No 33. As he is here now, could you ask him if he would be willing to give an answer to Question No 33 today, as for very understandable reasons he can't be here tomorrow?

President. — I call Mr Broeksz.

Mr Broeksz. — (NL) Mr President, I am a little surprised at Mr Scott-Hopkins' question. After all, there is to be a debate this afternoon on the subject raised by Mr Scott-Hopkins in his Question No 23. I should like to know whether this debate is actually going to take place this afternoon and whether it is Mr Scott-Hopkins' intention in spite of this to have another debate on the same subject tomorrow. Or is it his intention, should this question actually be dealt with this afternoon, to withdraw his question tomorrow? That is what I should like him to tell me, since I do not want us to decide to hold two debates on the same subject.

Mr Scott-Hopkins. — Very briefly. Of course, if the subject of my question was completely covered in the statement there would be no question of my proceeding with it. There is no question of a debate following Question Time or anything like that I am only concerned with a point of principle. Because the

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Commission suddenly come down to the House to say they are going to make a statement, literally six hours before Question Time starts — in other words this morning — the whole of Question Time is suddenly all in turmoil and one doesn't know whether questions are going to be maintained or not. I am trying to establish that the Presidency does not have the right at this stage, when the Commission behave in this way — I am not criticizing, but they have done it — to withdraw questions suddenly until we know what has actually been said. That is all.

President. — I call Mr Blumenfeld.

Mr Blumenfeld. — (D) I should now like the Bureau to tell me what the situation is with regard to the agenda. Are we now going to deal with questions to the Commission or continue — as provided for in the agenda — with the oral question with debate (Doc. 539/rev./II) to the Foreign Ministers? When will that take place? I should like to know what's happening.

President. — The question to the Commission should indeed be the next item, but it was proposed that these should be dealt with tomorrow. It then emerged that some Members as well as the Commissioners concerned cannot be here tomorrow.

It has therefore been proposed that we now deal only with the questions by those Members who cannot be here tomorrow. I assume that you can agree to this, Mr Blumenfeld.

Mr Blumenfeld. — (D) I should like to ask whether the oral question with debate will be continued with the Council of Foreign Ministers in the afternoon.

President. — Mr Blumenfeld, this morning we decided to hold a debate on butter at 3 p.m.

Mr Scott-Hopkins. — Mr President, I don't want to prevent Mr Dalyell having his question answered because Mr Brunner is going, but it is a little unfair on other honourable Members and my honourable friend, Lord Bessborough, has got a question down to the same Commissioner.

I think, Sir, you have got to have the same rule for everybody. Although it is very nice for Mr Dalyell, who is always quick on his feet and prompt, both in mind and physically, to jump in quickly, he is getting an unfair advantage in this particular case. At Question Time is now over in any event — it is now a quarter to, and so the hour-and-a-half is now finished — you ought now, Sir, to stop questions and adjourn for lunch.

President. — In view of this, and although I am sorry on Mr Brunner's account, it seems to me prefer-

able to postpone the rest of Question Time until tomorrow. Are there any objections?

That is agreed.

The first part of Question Time is closed.

7. *Limit on speaking time*

President. — I propose that speaking time should be limited for all items on the agenda, except the debates on the reports by Mr Lange and Mr Schworer, as follows:

15 minutes for the rapporteur and for one speaker on behalf of each Group,

10 minutes for other speakers,

3 minutes for speakers on amendments.

Are there any objections?

That is agreed.

8. *Allocation of speaking time — Time limit for tabling amendments*

President. — At its meeting on 23 February 1977, the enlarged Bureau decided to allocate as follows speaking time on the debates on the Lange report on international economic activity (Doc. 547/76) and the Schwörer report on the fourth medium-term economic policy programme (Doc. 579/76):

Council and Commission :	30 minutes
Socialist Group :	45 minutes
Christian-Democratic Group :	35 minutes
Liberal and Democratic Group :	20 minutes
Group of European Progressive Democrats :	15 minutes
European Conservative Group :	15 minutes
Communist and Allies Group :	15 minutes
Non-attached Members :	5 minutes

Are there any objections?

That is agreed.

The time limit for tabling amendments to the Lange report on international economic activity and the Schwörer report on the fourth medium-term economic policy programme is set at 6 p.m. on Wednesday, 9 March 1977.

The enlarged Bureau proposes that today's proceedings be closed at 7.30 and those items not dealt with carried forward to tomorrow's sitting.

Are there any objections?

That is agreed.

The proceedings will now be suspended until 3.00 p.m.

The House will rise.

(The sitting was suspended at 12.50 p.m. and resumed at 3.05 p.m.)

IN THE CHAIR : MR COLOMBO

President

President. — The sitting is resumed.

9. *Commission statement on the situation
on the dairy market*

President. — The next item is a statement by the Commission on the situation on the dairy market.

For the debate following this statement speaking time has been allocated as follows :

Socialist Group :	20 minutes
Christian-Democratic Group :	20 minutes
Liberal and Democratic Group :	15 minutes
Group of European Progressive Democrats :	10 minutes
European Conservative Group :	10 minutes
Communist and Allies Group :	10 minutes
Non-attached Members :	5 minutes

A statement by President Jenkins will conclude the debate.

I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — Mr President, I suspect that the Commissioner's statement will be an extremely complicated and important one. To go straight into the debate will I think be a pity. Could we have a 15-minute adjournment before we start the debate so that we can evaluate what the Commissioner has said? It is bound to be a complicated statement and not easy to understand without having studied it carefully.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, I cannot support Mr Scott-Hopkins' proposal. The question of the controversial butter sales has, I believe, already been discussed by Parliament on several occasions, so that it will be possible to start the debate immediately. But I cannot go along with your view, Mr President, that a debate is concluded by a statement by the President of the European Commission. Whether Parliament is satisfied with the final statement by the President of the European Community must, in my view, be a condition of Parliament's considering a debate closed.

To this extent I share Mr Scott-Hopkins' view that Parliament is perfectly entitled to reserve the right to begin a second round of the debate if we are not satisfied — and I am not suggesting that we will not be, Mr Jenkins — with what the President of the European Commission says at the end, and I would therefore ask you, Mr President, to make provision for a possible — and I stress the word *possible* — second round of the debate to take place after the President

of the European Commission's final statement, should the House so wish.

President. — Mr Fellermaier, no debate can ever be considered 'closed' in a parliamentary assembly and therefore, in this case also, the word 'close' has a very relative meaning.

I think that we shall be able to decide how to proceed further only after President Jenkins has made his statement.

I call Mr Bertrand.

Mr. A. Bertrand. — (NL) Mr President, one Group chairman is in favour of an adjournment and the other proposes that we should first hear the Commission statement and then find out whether Parliament wants to suspend the sitting. I am in favour of the latter proposal.

President. — Thank you, Mr Bertrand. And since you, too, are in agreement, Mr Scott-Hopkins, I call Mr Gundelach.

Mr Gundelach, Vice-President of the Commission. — On behalf of the Commission I would first like to thank you and through you the Parliament for having agreed to hear a statement on this subject of the disposal of milk products, and in particular sales of butter to Eastern Europe, and to have a debate this afternoon and give us an opportunity to reply to the debate. I would like to make it clear, following this morning's discussion in Question Time, that in no way is it our intention to preempt oral questions which are to be put to me tomorrow. I hope that in the course of this debate I shall answer these questions and any others which may come up, but I want to assure those who have put those questions, as well as those who will speak in the short debate, that the Commission is available to elaborate on and answer any further questions which may not be covered in my initial statement which I hope to make not too complicated, although since the matter is complicated anyway it may naturally call for further discussion. Certainly we in no way intend to avoid any additional questions at whatever time the Parliament finds it appropriate to have such questions further elucidated.

Mr President, the statement I would like to make this afternoon in regard to this question of sales of butter to Eastern Europe in general and to the Soviet Union in particular will cover a number of points. First, I must make it clear that traditionally the Community is a substantial exporter of butter and both will and must continue to be one, at least as long as there remains an important structural surplus in that sector. This gives me reason already now — but I shall revert to this later — to underline that the existence of this structural surplus is the real problem of which immediate problems are really only difficult symptoms.

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The exports to which I referred, however, are only possible with the help of refunds to cover the differences between the Community prices and world market prices. That follows logically from the type of agricultural policy which we have and which we have no intention of trying to change. We intend to administer it in accordance with existing political and economic realities. This policy does require the fixing of certain minimum prices, which not always but often are higher than world market prices, and from that flows logically the need to impose certain fluctuating levies on imports; and when we export — as we must, since we do have a surplus but we also have commercial interest — we need to pay a refund. Exportation with refunds is thus an integral part of the established market organization. The existing regulations approved by the Community institutions provide for this. No one ever questioned this principle seriously and no one ever questioned that part of the export could go to Eastern European countries. I am reverting now to a matter which was debated in Parliament when there was a question about sales on special conditions. This is not what is under debate at this particular time, as will be clear from my statement.

The present market situation is characterized by surplus production, an accumulation of stocks in the milk sector. It is thus the duty of the Commission to try to dispose of these surpluses. The surplus of butter is of such a magnitude that it is the responsibility of the Commission to use all means at its disposal to sell the butter. But this of course has to be done in a balanced manner. Our means are export refunds on the one hand and sales within the Community on special conditions on the other. We have to rely on both, respecting the budgetary limits and acting within the limits set by market conditions. I must underline that it is the priority of this Commission, as witness our prices proposals and allied proposals, to give priority to action on the internal market for the benefit of our citizens.

When we turn to exports, which we cannot neglect if we are to deal with our short-term or medium-term problems, there are two methods of fixing refunds for exports: a general refund for all destinations and a special refund under a tendering procedure used by some buying countries, at least at certain periods of time. Since last September, butter has mainly been exported under the tendering system, with refunds between 159 and 162 u.a. per 100 kg. The general export refund prior to 5 February this year was 145 u.a./100 kg, but was practically never applied because it was too low in regard to prices prevailing in international butter sales — I cannot call it a world market because there is no organized world butter market. The tendering system where we used the prices in the range of 159 to 162 u.a. was successful for a time, but naturally, as you can imagine, competitors eventually got to know the refunds which the Community was paying and this advantage therefore considerably diminished and the system had to be changed.

For that reason, but also for the reason that there were merits in having a refund which was publicly known, the general refund was increased to 159.75 u.a./100 kg as of 5 February. But as will follow from what I have just stated, this change did not signify any increase in the export refund *de facto* applied. It was merely a technical adjustment of the method by which the refund was being applied and not a change in policy. I must repeat this so that it is quite clear. We were only selling butter over a number of months towards the end of 1976 with a refund between 159 and 162 u.a. The refund established publicly and accepted by the management committee representing the Member States — it was not an act of the Commission on its own, it was within the proper procedures of the Community — was established at the same level, or rather the lower bracket of the level on which sales had been undertaken for a number of months, namely 159.75 u.a. In actual fact, there was therefore not the 10 % increase in refunds to which reference has been made in public debate. There was no change in price policy in regard to the autumn of 1976 and the reason for the change of system was that the old system had outlived its usefulness.

The 36 000 tonnes were probably contracted by a French trader, because he applied for prefixation. But what comes to the knowledge of the Community is not contracts, but applications for prefixation of refunds. There may or may not be a contract behind them. Normally there is one, or one is expected. But we are not dealing with contracts, we are dealing with applications through the intervention authorities for prefixation of refunds. The prefixation of this 36 000 tonnes was therefore carried out at the normal rate applicable, and that is the rate to which I just referred — 159.75 u.a. There is therefore no question of any sales to the Soviet Union on special conditions. The conditions have simply been fixed in a manner which allows the Community to export given the differences between the internal guaranteed price and the world market price, without any particular reference to expected sales to the Soviet Union. Consequently, no sales have been on special conditions like the butter sales to the Soviet Union in 1973 which were subsequently discussed and criticized in Parliament. No such deal had at any moment been in our heads, nor have we ever had any plans for any such deal. That is not to say that we had no knowledge that there was a possibility of certain sales, together with a number of other sales, to the Soviet Union because we knew that for a period of time we were the only ones who had bothered to sell on the world market. But certainly not at the order of magnitude mentioned and certainly not on special conditions and certainly not in any pre-arranged manner, but only under the generally applied rules of our refund system, as called for by the regulations which this Commission is bound to administer.

The Commission however introduced a monitoring system for exports by instituting a delay of three days between the applications for and granting of all prefix-

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ations. This system is temporary pending a review of our export policies and pending the decisions to be taken by Parliament and Council on the whole set of measures proposed by the Commission with a view to restoring balance in the milk market which I have already said was our real problem.

Proposals to this end were forwarded by the Commission last year and again this year in connection with the price proposals for the agricultural year 1977/78. I shall have the opportunity to discuss these proposals with Parliament later this month.

It is, as I stated a minute ago, the responsibility of the Commission to manage our exports with due regard to our traditional markets. We export to many areas of the world, including regular smaller quantities to certain smaller Eastern European countries. But it is not possible to rely on sales, especially to the Soviet Union, as part of any systematic export policy. The sales to the Soviet Union are too erratic, as they are determined by climatic conditions, harvesting in the Soviet Union and other parts of the world, and other factors, on none of which the Community has the slightest influence. I would issue a strong warning against any illusions which might exist as to whether it is possible to construct a coherent trade policy for agricultural products, particularly in the dairy sector, based on sales to Eastern European countries, in particular to the Soviet Union. It is simply not possible.

But that does not mean that we will not, when appropriate, avail ourselves of such possibilities. When the Commission decided to suspend the prefixation for three days before introducing the monitoring system to which I referred, it did so as an emergency measure. Rumours were going on in the press and in trade circles that substantially larger quantities than we had envisaged, — even larger quantities than the 36 000 tonnes I mentioned earlier on and which eventually became prefixed — were going to be exported to the Soviet Union. I felt, together with the President and my colleagues in the Commission, that we ought to prevent things from getting out of our hands. The introduction of the monitoring system was not objected to by the Member States in the Management Committee. The 36 000 tonnes prefixed for sale to the Soviet Union, plus other quantities so far prefixed this year, yesterday totalled 58 000 tonnes. It is clear from this figure that there has been a considerable number of marketing possibilities other than the Soviet Union, which may have turned out to represent the biggest loss, but there are other considerable sales which have been possible and which are continuing even if the parcels are, in each case limited.

In the circumstances it was necessary, in our view, to intervene against further prefixation for the time being to Eastern Europe, and in particular to the Soviet Union, because it is the task of the Commission to maintain a balance between internal sales on special conditions and exports with refunds. And

because the Commission has to respect the budgetary limits not only in technical terms, the budget lines have not been overstepped. A supplementary budget will be necessary, but for quite different reasons. But politically there is just that much money available for subsidies to agricultural exports or, as we prefer, to internal sales, be it for human consumption or animal fodder. We therefore have to economize these financial resources, taking into account not only economic expediency, as we naturally must, but also the tax payer's political wishes. A balance has to be struck. With the amount of prefixation in respect of Eastern European countries, in particular the Soviet Union, already undertaken, which, as I have already said, is considerably beyond expectations in the Commission at this point in time, it is sensible policy to call a temporary halt. This does not mean discrimination, or a ban on exports, or a change in the Common Agricultural Policy, or a change in existing basic regulations. It is simply administering this policy in a balanced and sensible way, and adding, quite in accordance with existing procedures, a missing element in the regulations which permits the Commission to follow developments on these markets, which we were not capable of doing previously, and to intervene when that seems to be economically or politically necessary.

This certainly does not mean that the Commission renounces the use of export refunds on a reasonable scale in order to dispose of our surplus butter. We have in fact pursued an active export policy. In 1975, 40 000 tonnes were exported with refunds, the following year 80 000 tonnes were exported and for 1977 it is my prediction that exports, despite this early start, will be of the same order of magnitude as for 1976, possibly slightly bigger but not much, and even that I am not sure about.

I want to reiterate that whilst the major part of the Eastern market, particularly the Soviet Union, is very erratic, some smaller Eastern European countries have bought small quantities quite regularly from the Community. Consequently the Commission authorized after these decisions had been taken, for 400 tonnes destined for Bulgaria, because they are a regular customer and because the request for this amount was already in the pipeline when we were about to take our decisions.

The Commission wants to maintain a balance between internal sales of butter on special conditions and exports with refunds. Last year when exports amounted, as I mentioned, to 80 000 tonnes, internal sales on special conditions amounted to 110 000. For this year 120 000 tonnes are earmarked for internal sale on special conditions, and if the Commission's proposal for improved conditions of sales on the internal market is adopted by Parliament and Council, the figure can be raised to at least 165 000 tonnes. When comparing this figure with a figure for exports likely to be realized, it is obvious that a preference is accorded to internal sales while maintaining an active

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export policy. This picture will become even more pronounced if we take the whole dairy sector, because our activities in regard to sales of milk powder or skimmed milk with refunds for fodder purposes far outstrips what we are doing in this area on external markets. As I have already said once, it is the intention of the Commission to give priority to sales on the internal market in both areas of the dairy policy. It is more costly but it serves the purposes of our citizens. We must, however, realize that it has its limits and therefore we must continue to maintain a reasonable export refund policy.

I am convinced that it will be possible to increase further the sales on the internal market. The Commission has stated its intention to propose additional expenditure encouraging such increased consumption of butter within the Community, if the Council should not adopt the proposed tax on competing vegetable oils and fats. On exports, the temporary monitoring system which we have adopted allows the Commission time to review our policy in the light of the decisions Parliament and Council will take on our proposals concerning the milk sector as a whole. The monitoring system was adopted within the framework of the regulations in force, and it does not, I repeat imply any significant change in our policy but an adaptation of the policy measures to the realities under which we live. I can promise Parliament that the Commission will keep it informed of any steps to be taken which go beyond the pure management of existing policies.

As I just stated, when butter sales went beyond expectations we introduced a ban, followed by the introduction in the regular manner of a monitoring system, under which I made it clear that, for the time being, no further prefixation would be undertaken for Eastern European countries.

I think, therefore, we have taken action to keep our promises, in this field as well as in the field of trying to bolster the disposal of surpluses, which have to be disposed of, in the internal markets. I must however reiterate, Mr Fellermaier, that as long as we have not come to grips with our real problem — the disequilibrium between supply and demand of milk — we have a serious and onerous problem of disposal of surpluses. No matter how much preference we give to the internal market, there will still be a need for export policies if this butter is not to rot at the Community's cost in our storehouses. But we have stopped excessive sales in one particular direction which would have put our policy out of balance.

I would like to end by strongly emphasizing that the real problem lies in the surplus production as such. Budgetary costs involved in disposing of surpluses are immense. However, all efforts to economize will be overrun, if surplus production is not reduced. Costs will simply increase to a level where they become

politically unbearable. The Community is already exposed to severe criticisms which, in many ways, are justified. It is not because of bad management of financial resources, but because surplus production is simply too costly. The Commission has acted in consequence of this. Last year it proposed a set of measures designed to restore balance on the markets, and create possibilities in the meantime for disposal of surpluses with preferences — as I have stated three times — on the internal market.

The Commission will pursue its efforts for adoption of these proposals, which have been strengthened in the context of its price proposals for this year. The price proposals took due account of the situation in the milk market and it is now up to the Parliament to exert its influence, together with the Commission, for a more rational policy in the milk sector. The Commission's proposals, put in another form, are directed towards a gradual reduction of milk production, but under socially acceptable conditions. Therefore, the emphasis is not only on price policy — as it must be — put also on structural and social measures.

It is of extreme importance that measures are taken to restore balance in the milk market, otherwise stocks will continue to pile up. If not the Community runs the risk that the agricultural policy will be broken up, and the kind of problems with which we are now confronted — problems to which there is no really satisfactory answer — will not only be perpetuated but will be aggravated.

(Applause)

President. — I should now like to ask Mr Scott-Hopkins whether he maintains his request for an adjournment.

Mr Scott-Hopkins. — Sir, from my group's point of view, the fact is that we are not going to be the first speakers. It is the Socialist Group who will be opening this debate and if they are happy to go straight in off the deep end, having evaluated exactly what the Commissioner has said, who would I be to stop them from so doing and making fools of themselves? So I leave it to them.

(Laughter)

President. — I call Mr Fellermaier

Mr Fellermaier. — *(D)* Since I cannot look into all the minds of all my colleagues I would say to the honourable Member that, if the European Conservative Group proposes an adjournment of 15 minutes, my Group will naturally not oppose it.

(Laughter)

President. — Since Mr Scott-Hopkins does not expressly uphold his request for adjournment, I call Lord Bruce of Donington to speak on behalf of the Socialist Group.

Lord Bruce of Donington. — Mr President, the House will be most grateful to the Commissioner for the very frank statement he has made. There is however one thing which he has not explained, and that is why it was not possible to consult Parliament about these matters before they occurred, particularly in the light of the statement made by Commissioner Cheysson on 14 December 1976 and I quote as follows :

The Commission undertakes to consult the European Parliament through the parliamentary committees concerned before taking any decision likely to have political repercussions or financial implications going beyond the normal budgetary limits.

That pledge was given by Mr Cheysson within the context of discussion of an exactly similar state of affairs that occurred in connection with the disposal of butter in the year 1973.

As it is, Mr President, Members of this Parliament together with the housewives of Europe, have been confronted with a situation conveyed to them not by the Commission but by the press of the world to the effect that round about 50 000 tonnes of butter have been disposed of at a price which is only a fraction of the price which the consumer normally pays at home on the market. And irrespective of the country involved — in this case the USSR — the people of Europe want to know why. And this afternoon the Commissioner has explained precisely why. He has explained that in an unreformed — and I emphasize the word 'unreformed' — common agricultural policy it is inevitable that structural surpluses are produced which either have to be destroyed or given away, or disposed of at a fraction of their cost. And indeed, in the Committee on Budgets, he has been even franker — and all credit to him. He has told the Committee on Budgets that under the existing arrangements we are no longer in Europe producing for consumption, we are producing for intervention, and he has already made it quite clear that this applies in the milk sector, in the butter sector, in the wine sector and in the live-oil sector. This much he has made clear. And the people of Europe should realize this — that unless the common agricultural policy is radically reformed so that production can take place for the purpose of consumption, at the same time giving a fair return for the producer, this kind of thing is bound to recur. In the event, this deal — the details of which we have not had — has cost Community funds some 56m u.a. And the Community should also know this : existing tonnage — 300 000 tonnes of butter or thereabouts — is costing about 70m u.a. per annum in any event until the point is arriving when it is even more advantageous to destroy it — obscene though that may be.

Now, Mr President, I am not passing this stricture upon the Commission as such — save for the fact that

Parliament was not informed. But what I am saying is this : we know quite well that the difficulty lies with the Council. It is the Council that refuses to take heed of the advice offered it from time to time by the Commission. And what we would most devoutly hope after this extraordinary, macabre event is that Commission will come clean, will tell Parliament precisely what it proposes to do to get rid of structural surpluses, whether or not it apprehends that the Council is going to agree with them, so that if the Commission produces proposals that can restore — and properly restore — balance in agricultural policy, it may then rely on Parliament to sustain it against a Council which has so far proved completely recalcitrant in trying to tackle this problem at all. Because the problem has got to be tackled, otherwise the common agricultural policy becomes a disgrace to Europe.

(Applause)

President. — I call Mr De Koning to speak on behalf of the Christian Democratic Group.

Mr De Koning. — *(NL)* Mr President, my Group is grateful to Mr Gundelach for his statement, in which he has made it clear that in this much-criticized export to Eastern European countries the normal procedures were followed and no special conditions were applied. Nonetheless, Mr Gundelach's statement raises a number of questions in my mind. Firstly the question of whether the Commission can tell us the legal basis for its measures to suspend prefixation? I freely admit, Mr President, that I will not be in a position to check the Commissioner's answer, but I think it is of great importance that clear information on this point should be provided in the proceedings of Parliament so that on the one hand the legal experts can examine the question and on the other hand the parties concerned can take it into account.

Mr President, in the unlikely event of there being little or no legal basis for this measure I think we shall simply have to accept that the Commission has made a mistake and that this mistake must be put right. That of course still leaves the question of whether some much legal basis will not have to be created for the future, so that the Commission can, if necessary, stop certain transactions which are not in the general interest. However, Mr President, that does not detract from the importance of my first question : can the Commission now state exactly what the legal basis was for the action it took?

Mr President, even if there is a legal basis we still have the policy question as to the circumstances in which the Commission should make use of its authority to intervene in trade arrangements. Questions of market management and commercial considerations have then always to be balanced against political argu-

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ments. It is clear, Mr President, that in present circumstances it is in the interests of market management and commercial policy to seize every opportunity of exporting butter. We have very large butter stocks which are involving us in great expense as a result of storage costs and deterioration. Lord Bruce rightly drew attention to this. And it is to be feared Mr President, that what we have, or will have, is a structural surplus. We all know that the milk lake is constantly rising, that last year, despite exceptional weather conditions, we still had an increase in milk production and we can expect this increase to be considerably greater under normal conditions in the coming year. For these reasons the Commission has rightly put forward a package of measures to rationalize the situation in the dairy market and Parliament's reaction to this was predominantly favourable. Unfortunately, Mr President, the Council has still not taken a decision and I think it is important to make use of every opportunity — including the present one — to press the Council to decide quickly on this point. Furthermore, we must take account of the fact that the position on the dairy market will continue to be strained in the next few years because even the proposed rationalization package will not be able to produce an immediate effect. The cows are there and they will automatically produce milk.

Mr President, the situation in the dairy market thus argues in favour of taking every opportunity of exporting butter. I am sure that if we had been in a position to export this amount of butter to Japan or the United States — to name just two large markets where we would very much like to sell our products — we would have been very pleased with the deal, despite the high costs that would still have been involved. Now a deal has been done with the Soviet Union, with precisely the same costs, and it is causing a great deal of public resentment and agitation. And this resentment and agitation has led the Commission to take action and stop that part of the deal which it can still do something about.

Mr President, was it market management considerations which led the Commission to stop this deal, was the Commission afraid that for example a merry-go-round would develop and that exported butter would in some way or other be re-imported? Did the Commission expect such a reversal of the situation on the butter market that this expensive deal would no longer be necessary? I think it unlikely that these considerations played any significant part in the Commission's decision. The question then is: was it solely political considerations that influenced the Commission? Mr Gundelach has already said something about these considerations, but in my view he has still not indicated precisely enough what the political considerations were which influenced the Commission, and more particularly whether these political considerations will also apply in the future and to which countries. I admit that the countries of

the Eastern bloc are erratic clients, but the fact remains that we have always put up with that in the past and have often enough been happy to have these opportunities of exporting to these countries. Mr President, I would point out that the countries of the Eastern bloc not only buy butter and other dairy products but that they are gradually becoming important customers of Western industry. And if we are going to draw attention to the costs involved in this deal, then we should also look at these costs in the context of the enormous amounts of credit which various countries, including Member States of our Community, have already granted to the countries of the Eastern bloc in the past few years. I do not think we can separate this butter deal from the whole range of deals between Western countries and countries of the Eastern bloc.

Mr President, I do not want to stray too far from the subject in hand. The important thing is what the Commission's policy is to be in the future. I should like to stress that it is fundamental importance for trade and for exports — including butter exports — that there should be prefixations so that export dealings can be carried on in an orderly fashion. We shall have to maintain some prefixation system or other if we are to be able to provide business with longterm security. I thus expect, as I have already said, these exports to be necessary for a fair time yet until the package of structural measures is adopted and actually has some effect.

Mr President, there is one further comment I should like to make, in connection not with Mr Gundelach's speech but with a number of reports that are circulating among the public and in the press. The question is whether we should not be thinking of a totally different system for the dairy policy, based on having to dispose of surpluses entirely on the home market, without granting large export subsidies. Mr Gundelach hinted at this when he said that the intention was to give greater priority to the internal market. Mr Gundelach also gave specific figures: 80 000 tonnes for export and 110 000 for sale on the internal market under special conditions. But if we want to change to increased support for sales on the internal market, then we must remember that previous attempts to increase these sales by means of consumer subsidies have always been only partly successful. Naturally, 110 000 tonnes is a substantial amount, but compared with the total butter production in the Community it is still tiny. It is understandable, Mr President, that the idea of increasing sales on the internal market meets with a certain amount of opposition if that means that special subsidies are to be granted to particular social groups. No one likes to have to support himself by means of clearly recognizable subsidies on certain products.

Then again other people suggest that all butter in the Community should be made cheaper — 'Why should we sell cheaply to the Soviet Union, why should we

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sell to third countries at world market prices and why should we have such high prices within the Community?' This argument is understandable and appears attractive. We should all like to make butter available at lower prices. But then one must realize that this argument also means greater financial consequences. Export rebates are applied to a few percent of total production. General consumer subsidies are applied to total production, which means that several times the amount of money will be necessary to achieve the same price level. In other words: we must look before we leap.

I now come to my conclusion, which is simple. The Commission must continue to place great emphasis on encouraging the export of dairy products to third countries. It acted rightly in not granting special rebates for particular deals over and above the general rebates, even in the present situation in the dairy market. Thirdly, if the Commission wishes to revise its system for granting rebates it will have to ensure that the new system offers the business world and exporters the same security as the present system. Finally, maximum attention must be given to measures to rationalize the dairy market.

(Applause)

President. — I call Mr Kofoed to speak on behalf of the Liberal and Democratic Group.

Mr Kofoed. — *(DK)* Mr President, on behalf of the Liberal Group I should like to thank the Commission for this statement. This question is a political and emotional one rather than a technical one. It is a result of a Common Agricultural Policy which for a long time has had a majority in the Parliament, Council of Ministers and also in the Commission.

The principle on which the Common Agricultural Policy is based is that producers should be guaranteed a reasonable return and consumers should be assured of reasonable prices. In order to achieve this aim, prices must be such as to stimulate a reasonable amount of production so that consumers have a range of goods to choose from. However, if such a policy is to be successful, a balance must be struck between supply and demand so that both shortage and over-production may be avoided. I have already said in this House that it is no disaster, no problem, to have over-production rather than under-production. Over-production is a much cheaper alternative. Consider for example the incredible increase in coffee prices in Europe because of the shortage of that commodity. What would have happened if butter was in the same situation? What would Parliament, the Commission or the Council decide in such a case? It is not possible suddenly to conjure up butter in the quantities that would be required.

I thought it advisable to make these introductory remarks about the problem since this is a very

emotional area. Mr de Koning touched on the difficulty and Lord Bruce brought it out into the open when he emphasized that the European consumer could not understand that he should have to pay a high price for butter while we are selling that butter cheap to the Soviet Union. Why should we not sell it cheap to European consumers who have paid for this over-production with their taxes? It is extremely tempting to take this line, but how realistic and how responsible is it to pursue such a campaign? In my view, we should be very careful about using such arguments.

There is no advantage for anyone in an over-production, which causes the difficulties we are experiencing now over sales of butter to the Soviet Union. I should therefore like to ask the Commission whether it was difficult to export butter to third countries in Eastern Europe before the decision was taken to alter the refund amounts. Were the refunds increased merely to stimulate greater exports to those countries? In any case, my experience is that Eastern European countries do not buy for the reason which is usual in Western Europe, i.e. that there is a demand for the goods in question. On the contrary, it is likely that their decisions on imports are based on political considerations. I have noticed that those countries are not concerned as to whether there is a shortage of the goods which the consumers require or whether the price of those goods is too high. They buy only if, by doing so, they can create political problems in Eastern European trade. I should therefore like the Commission to tell us whether any difference has been noted in the Eastern countries' interest in imports since the refunds were increased.

With reference to our export policy, I should like to say that I have been present at debates in both Council and Parliament at which the Commission was accused of not having any export policy. In my opinion the Commission has tried to develop an export policy by means of these refunds in order that exporters in Europe could count on expansion of the export market at times of contraction of the internal European market.

As Mr De Koning said, we have no objection to selling cheap butter to the wealthy countries of Europe but we do object to selling it to those countries in the East which are less wealthy. The problem is this: should the Commission have an export policy or not? If there is to be a balance between abundance and shortage in the Common Agricultural Policy, the Commission must have the tools it requires to conduct an export policy. However, Parliament and the Council also share responsibility for over-production. This is a consequence of the relative prices for butter fat and proteins. It is also due to the fact that full cream milk supplied to the consumer has to be cheap at almost any price. It is fair to ask, however,

Kofoed

whether we should not at the same time be telling the consumer that a price has to be paid for foodstuffs. Why do we say that foodstuffs are too dear? Why do we not say, as is the case, that each commodity has its price? That is the situation in other areas. There is no one in this House who is indignant at the price to be paid for a car. Here we are dealing with minimum prices laid down for political reasons. These politically-motivated minimum prices may be set at the wrong level and may thus result in a lopsided production pattern. If the wrong minimum prices are fixed for political reasons, the Commission will also have to resort to unpleasant political measures to counteract such unfortunate decisions.

I will not prolong the debate but I should like to say on behalf of the Liberal Group that if the matter I have questioned is in order I would urge that we do not again undertake an emotional campaign about this over-production of butter. The alternative is, after all, to subsidize the internal market. That is a possibility. Cheap butter could be sold for a month or two but is there a willingness in this House and in the Council to accept the budgetary consequences of such a step? If there is, it might be worth our while to try a two-month sale of European butter stocks. Some European countries who took such action about ten years ago had positive results — however, Lord Bruce, for example, would have to say whether he was willing to accept the financial consequences.

(Applause)

President. — I call Mr Gibbons to speak on behalf of the Group of European Progressive Democrats.

Mr Gibbons. — Mr President, on behalf of my Group I thank the Commissioner for his statement on this very vexed question of the sales of butter which we have come to consider today. When the Commissioner was speaking, he made several references to the structural surplus of butter and indeed of dairy products generally within the Community. But neither he nor any one who spoke afterwards made any reference to the greatest source of this surplus — and that is the imports from third countries, in particular New Zealand. Now I want to assure my British colleagues — and I hasten to do so — that I am not going to advocate a breach of the Treaty of Accession which we and they signed on coming into this Community. What I am asking the House to consider is that this untenable position is being created by the maintenance of third-country supplies into the Community, and as long as they continue at their present level the problem will remain of the same dimensions. And therefore I think it is high time and beyond time that the Community collectively began to talk to third-country suppliers about the difficulty that is being created for the Community itself.

Now what no Community consumer can understand in connection with the recent affair is why it is neces-

sary for the Community to sell at 19 pence a pound supplies of butter to the East European countries or to any other country — whether it is Eastern Europe or anywhere else is of no relevance at all; what the consumer cannot grasp is why the poorer people in our own Community can not derive greater benefits from sales of butter within the Community and at the same time a reduction of cheap sales of butter outside the Community. This, as my colleague Mr Kofoed said, is a reasonable and sensible question which is not being adequately answered. The real question that must be answered is whether the Community can continue to import supplies that they do not require from third countries, in particular New Zealand. It applies not only in the dairy sector but in the meat sector as well, and it continues to aggravate the situation intolerably.

The Community producers have recently come to consider new disciplines which are going to be imposed upon them, new controls which amount in the long run to a reduction in income for the Community producers, a running down or control of the expansion of the dairy industry within the Community, a running down and control of producer incomes which is imposed upon them by the Community itself. At the same time, their own market to which under the Treaty of Rome they are guaranteed preference, is being absorbed by people like the New Zealand suppliers who have no similar disciplines of any kind and who can undersell in the British market to the extent of about £100 a tonne. It is getting near the dumping stage in the case of New Zealand supplies, and it is being done at the expense of Community producers and by the device of reducing — that is what is happening — reducing the incomes of Community producers. I think this is an intolerable situation. I think it is a situation that should be approached reasonably and in the light of undenied Treaty commitments, but the New Zealanders, just as we ourselves, will have to face the disagreeable reality that we have a lot too much butter coming into the Community from our own supplies and from them, and it is the Community and the Community alone which is picking up the tabs for this.

I think too, Mr President that it is necessary to think on a broader canvas about this general situation regarding the dairy and the vegetable fats sectors, because what happens in the dairy sector and what happens in the vegetable fats sector is intimately linked. If it were possible by raising the level of vegetable-fat consumption to push down the consumption of dairy products, that would aggravate the already intolerable situation in the dairy sector even further, and therefore it seems logical to me, at any rate, that, broaching this question of the dairy surplus, you must also consider the vegetable-fats situation too.

Gibbons

Our group has consistently put forward the view of the Community producer in this House. Currently we are tabling a motion of censure on the Commission, because we feel so strongly that the handling of the supply position in the dairy sector has been extremely bad. Lord Bruce has already referred to what seems to me to be the total failure of the Commission to carry out an undertaking solemnly given in December by Commissioner Cheysson to this House. If we don't discuss acute problems of this kind in this House, where are we to discuss them? Failing some really encouraging information from the President of the Commission when he replies to this debate, we in this group must maintain the motion of censure that we propose to submit. I appeal to the House, I appeal to the Commission, to recognize that the unfair discrimination against Community producers is becoming more and more intolerable. It weighs unevenly on producers in different countries. It bears heaviest of all on those countries, like my own, which depend almost totally for their exports on cattle products such as dairy products. In the implementation of these restrictions, therefore, the effects bear with great discrimination against countries such as my own. I therefore ask the Commission to re-examine the situation, because the time is at the eleventh hour. The continued existence of the common agricultural policy itself must now be in question. When we have a situation where the Commissioner talks to us for half-an-hour or so and makes no more than passing reference to the real source of the problem — third-country imports into the Community — then I think we must admit that there is a reluctance to face facts because they are disagreeable, and I would urge the Commission to change their approach. Until we know that there is a change in their approach, we must maintain the position that we have adopted. Thank you, Mr President.

(Applause from certain quarters)

President. — I call Mr Scott-Hopkins to speak on behalf of the European Conservative Group.

Mr Scott-Hopkins. — Mr President, I too join other honourable Members who have congratulated and thanked Commissioner Gundelach for his statement today and the clearness with which he has made it. It was a complicated statement, as I thought it would be, and there are two or three quick points that I would like to make in the short time available to us.

First of all, I think the point made by Lord Bruce concerning the consultation of Parliament was about the only thing which was right in the speech he made. The Commission really must answer the question why they did not consult Parliament: there is a

whole sheaf of quotations that he and I have got here and others, I am sure, have too, of various undertakings given by Commissioner Cheysson that they would consult Parliament before these changes were made. Because for all that Commissioner Gundelach has said, changes were made, and although he says there was not a 10 % change, there was one made during the period from before February until now: the restitution, in his own words, was 142 units of account then and it is now 159 to 175. This is what he said, and I have written it down quite carefully. I think that there *was* a change and I think Parliament should have been consulted. If Parliament was not sitting, then it should have been the Committee on Budgets or indeed the Committee on Agriculture. Both were available and could have been consulted, but they were not.

Turning to another point, I think the one that was also made by Mr De Koning and Mr Kofoed, the legal basis for the actions has got to be justified as well. I am no lawyer and I would not dream of trespassing on this ground, but I think the House must be satisfied on that.

Turning to what Mr Gibbons has just said concerning the import into the Community of New Zealand butter, this is not the time or the place to defend Protocol 18. All I would say to him is that that Protocol comes up for discussion and negotiation at a later stage during this year and at the beginning of next year. Of course, there will be negotiations and discussions concerning the import into the Community of New Zealand butter. But I would beg him to remember that it is a very long-standing arrangement with a country which is very close to my country and indeed to many people from his country too. It may well be that these negotiations will change things, but that is a different matter. This is not the time to talk about it.

As I understand it, Mr President, we have in point of fact at this moment, in the Community, not more than about 190 000 tonnes in stock, which means about 750 grams per head of butter. This was before the sale; this was on 25 February. If that was the case, the normal reserve that any nation keeps in its own interests is, as President Jenkins knows full well, a darn sight more than that.

I fail to see that there was a necessity to rush into accepting this kind of deal. I understand entirely what Commissioner Gundelach is saying, that there is no special deal here. It is not like the previous deal in 1973, when we were selling butter to Russia at, in English terms, 7 ½ p. per pound, which was way below not only the market price but the world market price. It was a special effort. This is not. I accept that,

Scott-Hokins

I understand it. Nevertheless, it was politically delicate, it was dangerous, and I would have thought that the increase in the refund from the end of February, which he himself has said has now reached between 159 and 175 u.a., was really asking for trouble. Were there — as has already been asked by Mr Kofoed and others — no sales before that? If so, what was wrong? We have got only 750 grams per person reserved. Why did we have to try and stimulate our exports? Of course I agree that we have got to have imports and exports, we have to keep the balance. One of the encouraging things I saw in his speech was the fact, as I understand it — perhaps I have got this wrong too, as he said I was wrong about the 142 u.a. previous to February — that we are selling on the internal market, by special consideration, 120 000 tonnes, we hope, in 1977. This is on the internal market, this is being sold with a subsidy internally, within the Community. And that is twice as much as we are proposing to export during the current year. I understand we are proposing to export, with restitution, about 56 000 tonnes. But we are going to sell on the internal market surpluses, with subsidy, of 120-155 thousand tonnes. This is encouraging. Indeed, I see that even in the United Kingdom — although our own butter subsidy has been removed — there is still intervention butter being sold and, presumably, used — certainly in hospitals at the moment; I happen to have had some recently, only last week, from the intervention store. Presumably, this is being subsidized. It is very encouraging to hear from the Commissioner that he intends to see that 120-165 thousand tonnes are sold within the Community.

I really do think that what has been done was politically inept. The Commission at one time were trying to justify their sales; at the same time they were stopping them. If anything is more inept than that, I have yet to see it. I think they have broken their commitment to Parliament; I think they have got to justify that and never do it again. I think they have got to increase the pressure on the Council to accept their measures — which were put forward by Mr Lardinois at first, and now by Mr Gundelach — to reduce the milk produced throughout the Community. Unless they do that, I agree with Mr Gundelach that they will not get the reduction needed, and we shall continue to have a growing surplus of milk during the coming year.

(Applause)

President. — I call Mr Laban to speak on behalf of the Socialist Group.

Mr Laban. — *(NI)* Mr President, my Group agrees in general terms with the objectives and principles embodied in the Treaty of Rome, but as I said, last month on behalf of my Group, we are using the

wrong instruments. An incomes policy that is conducted primarily via a price policy, combined with an unlimited guarantee for products for which there are no sales outlets either in the EEC or on the world market, leads to unacceptable surpluses. This scarcely helps to achieve an improvement in incomes nor indeed is any lost ground being made up. That is why we must concentrate much more on establishing an integrated structural policy. I do not want to go into this any further today. But I have no doubt Mr Gundelach agrees with me.

The result of this policy is, however, that we are now faced with one of the idiotic excesses of the European agricultural policy, namely the sale of cheap butter — in the present case, as it happens, to the Soviet Union. My Group knows that this time the butter sale has been carried out formally in accordance with the rules and that it could just as easily have been arranged with a different country. For most of us, I think, it is also clear that the system of variable charges has in fact led to price stability, and that the prices in the Community have not risen all that much compared with those in other Western countries. But this is such a complex question that one can scarcely get these arguments across to the average European citizen, and particularly not to housewives. Just try and explain to people that the sale of butter to the Soviet Union is in fact cheaper than storing this butter. Anyone with any common sense will reply that if that is the case then our system is useless. And here the average European citizen hits the nail on the head. The politicians cannot go on taking responsibility for this sort of policy, to which the Council, previous Commissions, and also this Parliament, have all contributed.

This may sound conceited, but if you look up the proceedings since 1973 you will see that this time the Socialists have had no part in this. Since 1973 we have been saying that the milk sector policy was on the wrong track — as is now clear — but at that time no one wanted to listen. It is also far too easy to say that this cold-store butter should just be supplied cheaply to our consumers, since the present system would then simply ensure that the freshly produced butter would go straight into the cold stores again. It would then cost the consumer even more in the end when as a tax payer he was later presented with the bill in the form of taxes. Moreover, farmers would be forced into bankruptcy, with all its unpleasant consequences. We therefore call on the Council, at the end of this month, finally to adopt an adequate series of measures to rationalize the milk sector so that the surpluses disappear and never occur again in the future.

I would appeal to the Commission to stop pussy-footing, not to share responsibility for misconceived measures with the Council but to stand firm and let the Council take the responsibility.

Laban

With regard to the measures that have been taken, I consider that it was a political necessity to put a stop to the subsidy for export to the Soviet Union and other countries, but this is no solution for the future. The Commissioner has already pointed this out. It is in fact a discriminatory measure and therefore we hope that in addition to these control measures there will be a scheme for achieving a better balance between the costs of selling butter to people in the Community and those of selling it to the citizens of third countries, so that people here and elsewhere are as far as possible treated equally.

Mr President, milk is a particularly good and clean natural product and therefore we must promote milk sales, within the Community as well, as much as we can. I think that we all, as members of Parliament, here and at home should as far as possible encourage the drinking of milk.

(The speaker drank from a glass of milk. Laughter)

President. — I call Mr Schmidt to speak on behalf of the Socialist Group.

Mr Schmidt. — *(D)* I should like to start by thanking my Group for allowing me to speak on its behalf, despite the fact that I am not an expert on agricultural policy. I feel it is high time we realized that agricultural policy is a matter of such priority and importance that we can no longer leave it to the agricultural experts alone — it is too serious a matter for that.

What we are talking about today is known to the public as the 'butter deal'. In this context, however, the word 'deal' is somewhat ironic, since we can hardly talk about a deal when we have to spend four times the world market price to supply someone with butter. The people of Europe are concerned, and I think the Commission should take this concern seriously. There can be no doubt that events such as this are likely to undermine confidence in European politics. What are the consumers to think when they read in the papers how such matters are handled in the Community. I feel that if there is any more of this sort of thing, it could well undermine the support of the peoples of Europe for a common policy.

Mr Gundelach, we in the Socialist Group are not criticizing the direction of this transaction, we are not criticizing the fact that the butter is being delivered to Eastern bloc countries or to the Soviet Union. Those who object to this aspect and are looking for an opportunity for some ideological fun and games cannot reckon on our support — we would be just as annoyed at the handling of the matter Mr De Koning, if America or Japan were involved. Unlike what you may have thought, we would not have been pleased to see the destination of this deal changed. We feel that it is not the destination which is the essential point of

criticism. We are criticizing solely the policy of the Commission, which leads to the production of permanent and unmarketable surpluses.

That is easily said, but perhaps we can only appreciate it fully by taking an example from another branch of the consumer goods industry. What would the public say if we provided incentives for the manufacture of equipment such as television sets, which it was impossible to sell. The result would be enormous mountains of television sets which we couldn't sell — they would have to be given away free of thrown into the sea.

Everyone would call this sheer madness, and it is only because it is being done in agricultural policy that it is considered by many to be the ultimate in wisdom. We fail to see the logic of this, and now Mr De Koning comes along and says there have always been cows, there always will be cows, and these cows will automatically always give milk. Of course there will always be cows, but if I give an incentive to put more and more cows into the cowshed, so that more and more surpluses are produced, there is nothing automatic about the procedure — it is the wrong policy, producing the wrong results, and this is where I feel the changes must be made.

On behalf of my Group I should also like to make it plain that, much as we welcome the consumer being offered cheaper butter, we do not regard it as the solution to give butter to the socially underprivileged, who can obtain butter more cheaply if they can prove that they have a low income. We believe it is essential to reduce production to a quantity which is economically justified and which can be sold. We are not against a reasonable level of subsidies, but the extent to which they are applied in the agricultural sector is totally unreasonable.

I have been instructed by the Socialist Group to request the Commission to submit its proposals for a fundamental review of the present agricultural policy.

We are well aware that many smallholders rely on a certain guaranteed price without which they would have to give up their farms. However, why is the guaranteed price not restricted to a specific quantity? As things stand, the Community's agricultural policy is benefiting not so much the small farmers, but chiefly those with large farms, who keep on putting more and more cows into the shed, since it is possible nowadays to keep considerably more cows in the shed for the same area of land. In this way, new surpluses are constantly produced. At any rate, my Group insists that we should have a graduated system in which the guaranteed prices are not paid indiscriminately and for any quantity at all, but are graduated in such a way that they finally do not apply at all in the case of those who deliver vast amounts of milk.

Mr Gundelach, the agricultural policy was long regarded as the cornerstone of European unification.

Schmidt

In the meantime, it has in many respects turned into a time-bomb. Anyone like myself, with a city constituency, has his work cut out — when it becomes known that he is in the European Parliament — trying to dispel the popular distaste — and this is a phenomenon common to the whole of Europe — over such events, which people fail to understand and which nobody can explain to them — I can't and you probably can't either — in order to ensure that this distaste does not become a bush fire which could spread to the whole of Europe.

I feel the Community must gradually change over to placing more emphasis on the interests of those who are making great sacrifices — the consumers and the employed — in order to guarantee farmers a reasonable income. This cannot be achieved by producing enormous surpluses and then selling them to other countries at enormous expense. What we are asking the Commission for is proposals to avoid these surpluses being created on this scale, so that we do not subsequently have to discuss how we can then get rid of them at semi-reasonable prices.

I feel that we in Europe need a policy in this sector which can be appreciated by the consumer and the man in the street, and not a policy which it is impossible to explain to anyone, because it is based on false promises. Because it is a policy which is increasingly turning out to be a burden for Europe. We should put an end to this as soon as possible.

(Applause)

President. — I call Mr Aigner to speak on behalf of the Christian-Democratic Group.

Mr Aigner. — *(D)* Mr President, Parliament is united in its criticism of the Commission's dairy policy, but it is not united in the reasons for this criticism. Half the House criticizes the Commission for not having done all it could to make this butter transaction impossible right from the start, while the other half criticizes it for not having given the green light for the other half of the proposed transaction as well. In one thing, however, Parliament is united — although it must naturally help to draw the consequences from this — namely, that the balance between production and demand must be re-established, and I believe this is in fact the Commission's aim as well. It is the Council of Ministers which has unfortunately lagged behind in this case.

Mr President, if we were today discussing the first butter deal, there would undoubtedly be a debate, but there would be no criticism directed at the Commission. However, we have already had one very tough debate on such a case in the European Parliament, and I should like to quote what Commissioner Cheysson — who was at that time responsible for budgetary matters — promised to Parliament during

the debate on the discharge for the financial years 1973 and 1974. On 14 December 1976 Mr Cheysson told this House :

The Commission undertakes to consult the European Parliament, through the Parliamentary committees concerned, before taking any decision likely to have political repercussions or financial implications going beyond the normal budgetary limits. This will be done even where budgetary provisions allow such consultation to be dispensed with.

And on 25 November 1976, Mr President, the same Commissioner — referring directly to the deal with Russia, with the countries of Eastern Europe — gave a still more emphatic promise of increased cooperation with the competent committee. And now this deal has gone through, without any Parliamentary committee having been so much as informed about it beforehand.

Mr Jenkins, I accept that, since it has only just taken office, the Commission may not have been immediately familiar with these events or had the chance to study them. However, there are officials responsible for this, Mr President, and I should like to be told the names of these officials in the control sub-committee, so that we can ask them whether they told the Commission promptly about these applications. We have in fact found out that the officials knew about the planned deal before the automatic prefixation procedure came into operation. Mr President, I think this is something we should discuss soon in the relevant committee.

However, Mr President, the other criticism I should like to make of the Commission is that I think it simply has not yet developed an overall concept for the marketing of surpluses. All it has is the idea that it must get rid of surpluses, but the Commission does not yet really appear to have appreciated that the surpluses must be disposed of rationally, that this required a study of the market, that expert opinions must be obtained, that the rules of competition must be mastered and that many potential customers must be compared with others.

You shake your head, Mr Gundelach, but I also feel that this is what happened with the first butter deal with the Soviet Union. The Commission stated at the time that it had studied the whole market and was glad to find a customer. And what happened? What happened was that the Soviet Union then went and sold a lot of this cheap butter at a much higher price to Chile. Do you not think the Commission could have done this deal itself, without the Soviet Union as middleman? You cannot therefore say that the criticism is unjustified. I have to say that, and I must reiterate the criticism made by Mr Scott-Hopkins — the refunds were increased, and it was precisely this increase which proved so attractive for the State-trading countries.

Aigner

Mr Jenkins, the Commission simply must give fundamental consideration to the following: our entire intervention machinery in the agricultural sector was designed for a free market. Now, however, there are customers on this free market who are using all the power of the State to exert a speculative influence on this market. This is in my view the real question the Commission must consider. The facts of the matter are that we have here as customer a State acting with all its powers — a State, moreover, which lets its people go hungry for years on end — and which, instead of passing on any price advantage or disadvantage, pursues its own price policy. We could make the Soviet Government a present of thousands of tonnes of butter, and the consumer in the Soviet Union would not profit one single penny from this. These are the facts. And when a State-trading agent — in the shape, moreover, of the main financier of the French Communist party — enters the scene, so that we can assume that European funds are flowing directly into the coffers of the party, the Commission must surely at least discuss the matter with Parliament and investigate whether a new procedure can be developed. This is not a free market we have here. If, for instance, the Soviet Union made 36 individual offers for 1 000 tonnes, to give a total of 36 000 tonnes — as would be normal practice — the world market would start moving, the Community could react with its machinery in good time, and everything would be completely different. In fact, State power is simply coming and speculating, while the Community machinery proves inadequate.

Mr President, we are aware that the world market price — and I am coming to a close, as we unfortunately do not have much time — is determined by Australia and New Zealand. However, as Mr Gibbons quite rightly pointed out, the Treaty of Accession for the United Kingdom grants New Zealand butter preferential treatment — this is not a criticism but a statement of fact. We have to accept this.

If I have understood the English newspapers correctly, however — and I have a whole bundle of them here — that the British consumer is saying is: we too would buy the cut-price butter at that price.

Do you not think that the Commission should consider whether it might not be possible — even if this involved a selective cut-price promotion for the United Kingdom alone, and despite the fact that New Zealand and Australia are extremely tough partners — to strengthen the domestic market through its own production, thereby beating back production from other sources. This is quite legitimate, even under the existing treaty obligations. I therefore feel, Mr Jenkins, it would be a good idea for you to discuss all these questions in detail with the competent committees. And should these things turn out to be unavoidable, Mr President, then we might possibly defend them

outside this House. As things stand, however, we cannot defend them. The parliamentarians sitting here — I agree fully with Mr Schmidt here — get all the blame, while the Commission does not keep its promise to have prior discussions with Parliament. That is the main criticism which I have to level at the Commission in my capacity as chairman of the control sub-committee.

President. — I call Mr Howell.

Mr Howell. — Mr President, I would like to begin by asking a question of Commissioner Gundelach. Did I hear him correctly when he said that the Community was the only seller of butter on the world market at the present time? If I did — and he has indicated that I did — why are we selling it so cheaply? I think that we do need an explanation for this. It seems to me that we are over-reacting and reacting in a psychological way. Surely when we set up this mechanism we knew that Russia might be a purchaser of butter, and we knew that some of her friends who have sold butter at embarrassing times before might well do it again. Once bitten, twice shy, but that does not seem to be the case here.

There are a few other questions I would like to ask. To what extent are we overproducing butter at the present time? According to the figures that I have, we were only 98 % self-sufficient in butter production in 1975. And in 1976 butter production went up by 2 %. I would have thought we were pretty well on target. I think that there is no great problem as far as butter is concerned, although we all realize that there is a major problem as far as excess milk production generally is concerned. I would also like to know how many days' supply there is within the Community.

I believe we have reacted in a way which is not altogether sensible and I support Mr Aigner and others who have criticized the fact that Parliament was not consulted. If this butter had gone to Morocco or Malawi there would have been no fuss at all. It is merely the fact that it has gone to the Soviet Union. But the critical problem which we have to face in this Community — the thing that is embarrassing us all the time more than any other matter — is excess dairy production and that, in simple terms, is two million cows too many. We have tried in all sorts of ways to reduce this but we have not been very effective and I do not believe that our present proposals will be effective either, neither do I believe that Commissioner Gundelach believes they will be effective. In my opinion we will never get this matter right until we have discipline within the milk market, and that means an overall organization which is capable of imposing some form of discipline. I believe there must be a quota system in order to find a way of reducing cow numbers. I believe we could have a system whereby we paid a reasonable price to

Howell

producers for a certain percentage of their production and a much lower price for anything in excess. And only by imposing that type of discipline will we ever cure this problem.

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — May I say that I am grateful to the Commissioner for the way he introduced this debate, although frankly I think that one of the remarks he made, made it very clear exactly what the difficulty is. He said that this particular butter deal was one of the difficult symptoms and not the disease. In that I agree with him absolutely. Both he and the present President of the Commission have made it quite clear — both today and on other occasions — that they do not intend to see any major changes in the common agricultural policy.

That to me makes it quite plain that what we are talking about today is, in fact, a situation which will still be in existence this time next year. It is all very well talking about a structural imbalance in the butter market. The housewife of Europe knows very well what the situation is. She is a practical economist, not a theorist. She knows that at the present she is being caught in three different ways. As a taxpayer, she pays for the butter to go into intervention. As a taxpayer, she pays part of the export subsidy for it to be unloaded on markets at prices that she would give her eye-teeth to be able to pay. And as a housewife, she has to pay a very much higher price, because there is a levy placed on butter to make it much more expensive than it need be.

Before the fashionable argument is put forward that the consumer is only interested in his own prices and not in the income of the farmer, may I say that in my nation, when it was obvious that because of the imbalance in the milk market farmers were going bankrupt and there was a danger to supplies, what was set up was a radical new organization, the Milk Marketing Board, which undertook to try and balance supply and demand. What is very plain is that the Commission has no radical plan for the whole of the milk area. What is happening is far too little and far too late. The so-called structural changes that are being suggested are not in the housewife's interest, they are not in the interests of the farming community, and what they are increasingly doing is to bring the whole of the common agricultural policy into complete disrepute. The people of Europe know how European politics impinge upon their lives. They see it every day in the things they buy in the shops. When the new price review comes, the Commissioner himself knows that he will meet complete opposition from the farming lobby if he endeavours to try and hold the price increases at a reasonable level. Indeed, it has already been made clear that this is what will happen.

And it is no use talking about preference for the domestic market. Exactly what does that mean in prac-

tical terms? We have absolutely no indication of what the Commission has planned. It has done far too little, it is doing it far too late, and it has landed itself in a position of political embarrassment, which is likely to be repeated again and again and again unless it has the courage to seek new methods, to ignore the paranoid mutterings of people who say the small amount of butter coming in from outside is so damaging that it is destroying the internal market, when they know that is not true.

What the Commission must do is to put forward really radical reforms that will, on the one hand safeguard the position of the producer and convince the housewife that, for once, someone in Europe actually cares about what she wants, what she needs and what she is going to be able to afford in the coming years.

(Applause)

President. — I call Mr Martens.

Mr Martens. — *(NL)* Mr President, I shall confine myself to just a few points. May I, however, remind the House that this problem in fact dates from 1974, when there was a world food shortage. The Commission thought it necessary at that time to put a stop to practically all exports of dairy products. It so arranged the refunds that practically all exports of dairy products to the Third World were then halted.

That is the position we had to deal with in the course of 1975/76. Meanwhile these external markets have been lost. I know that Mr Gundelach was recently in the United States. I should like to ask him what can be done, since we must not forget that in the United States there is a ban in force on importing agricultural products from the Community. Mr Gundelach has taken the necessary steps, and I thank him for that, but I should like to know what the results have been.

The surpluses have been put down to many different causes. The number of cows has remained practically the same since 1968. What has changed, however, is the quantity of milk produced by these cows. They are producing more, primarily because they are getting more compound fodder, which is being imported from the United States, i.e. from a country that prevents us from exporting! Therefore I agree to a large extent with Mr De Koning's question. Let us not worry about what we might need to cut down, but examine how we can win back the market we had three or four years ago.

I should like to warn against juggling with refunds. The refunds must be stable, since otherwise a steady flow of trade is impossible.

Of course, Parliament cannot expect to be kept informed of all deals and trade agreements that are concluded. That is a question of market management. I have confidence in the Commission to see to that.

Martens

but I should like to insist that it should ensure the continuity of sales.

Mr Howell said that we have 2 200 000 cows too many. That is more or less correct, but he did not say how many farmers are affected.

Mr Schmidt was talking just now about large farmers, but I should like to point out to him that 80 % of farmers have less than 20 cows. These are thus all marginal holdings, and it is precisely these farmers that are affected. I should like to put the same question to the Commissioner as I have already asked in committee: 'How much less would the dairy policy cost if we had no surpluses?' Some people, in fact, think that it would cost less. I should be grateful to Mr Gundelach if he could tell me how much less it would cost. I am convinced that the answer he gives will disillusion you.

And then I should also like to raise the question of how many farmers will have to go. At least 200 to 300 thousand. You may then wonder how much these people are to be paid? Working it out for my own country, assuming a total of a couple of hundred thousand farmers, I think that you will have to reckon on spending at least twice as much as you save by restricting production.

Then there is one further question, since the cows produce not only milk, from which we get milk products, but also meat. My question is, then: If there are to be 2 200 000 fewer cows, what will happen to our meat supplies? If you can give an answer to that, Mr Gundelach, I shall be satisfied.

(Laughter)

President. — I call Mr Guerlin.

Mr Guerlin. — *(F)* Mr President, ladies and gentlemen, I should like to add a few comments to what my fellow Members in the Socialist Group have already said. The sale of butter to the Soviet Union has aroused a great deal of emotion, in some cases what I might call political emotion, aimed at catching votes. But this is legitimate, and I should like to thank Mr Gundelach for putting things in their true perspective.

We have heard from him why the Commission has pursued this export policy. I wish also to thank Mr Gundelach for pointing out what the real problem is, namely that of agricultural surpluses, especially of dairy produce. I thank him for raising this problem and for drawing logical and sensible conclusions. There is no escaping the fact that as long as we have surpluses in Europe we shall have to export or sell them. The answer to the problem, we all know, lies in a structural policy. But, for the time being at any rate, the Community lacks the resources for such a policy, since a major part of the funds earmarked for agriculture goes to the Guarantee Section of the EAGGF. We

have here a kind of vicious circle which we shall have to break out of some day, but in the meantime there are several Members in the House who think that this problem of surpluses can be solved simply with a prices policy. I should like to point out to Parliament the dangers of such a policy. I am not saying that we should not have a prices policy, but we must not imagine that a policy of this kind, by which I mean a policy of low agricultural prices, is the automatic solution to the problem.

Speaking as a French Socialist, I should like to direct the attention of the European Parliament to the human consequences which would follow from a prices policy pursued without regard to the situations which could exist in one or two countries, especially France. It is no secret that the structure of French agriculture is characterized by the continued existence of small-scale farming. I do not believe that an ill-considered prices policy — one that offers a solution by this means alone — can lead us to the desired result. On the contrary, a still very substantial number of French farmers would suddenly find themselves in a desperate situation.

And so, as a French Socialist, I support the view that a policy change is needed, and that we have to put an end to these agricultural surpluses. However, I particularly want to warn against a hastily formulated policy which would be based solely on low prices for particular agricultural products and which would ignore the human side of the problem.

It is my view that, not only would these problems not be solved, but such a policy could have serious consequences in our countries. I hope that my fellow Members of the European Parliament will pay heed to these words. Let me add that we are ready to support a thoroughgoing review of the agricultural policy, but that at all events we hope that the human side of problems before us will not be disregarded.

President. — I call Mr Jenkins.

Mr Jenkins, President of the Commission. — Mr President, I have listened with close attention to Parliament's views on this difficult and complicated matter. We have had a total of twelve speeches and they have ranged over a very wide spectrum of approaches. Let me say at the beginning that the Commission thought it proper to volunteer a full statement and to invite a short debate as early as possible in order to enable Members to make their views known. The Commission came before the House not reluctantly, but willingly and speedily.

Some questions were raised. May I say that I make absolutely no complaint about the general tone of the debate. This is a very intractable issue in the short term for the Commission or any other body to handle. I think many of the speeches in the debate have shown an understanding of that point of view. Lord

Jenkins

Bruce of Donington put the blame on the Council. I do not want to put the blame necessarily anywhere away from us, but I do think that there are certain considerations of this sort which have to be borne in mind and I shall come to that a little later.

There were one or two speeches which suggested that there was some easy, magic solution to this problem. Mrs Dunwoody suggested that there was a philosopher's stone which would satisfy the housewife, satisfy every farmer in Europe and if only the Commission had the will to rub it the problem would disappear. I wish it were quite as easy as that.

Some people asked me rather more specific questions, which I will endeavour to answer, though let me say that I believe that my reply to this brief debate should be relatively brief and that there will, if necessary, be an opportunity tomorrow morning for Mr Gundelach to take up further points.

Now Mr De Koning asked a question, a very specific question. I thought that he was in general fairly sympathetic to the action we had taken, but nonetheless he wished to be informed about it. He asked a specific question about the legal basis of our decision of 25 February and also of our second decision of 2 March. The first decision was to suspend prefixation for three days. In answer to this, I can say very simply that the Commission had this possibility under Article 5 of Regulation 876 of 1968. That was our basis there. As for our introduction of the monitoring system on 2 March, that was made under paragraph 3 of Article 13 and also paragraph 4 of Article 17 of Regulation 804 of 1968 — that is, the basic regulation on the organization of the market for milk.

Now questions were also raised as to whether we could have consulted the Parliament at an earlier stage. I must say — and I will explain this a little later in my speech — that my own view is that one of the essential reasons for our action, which I would justify most strongly against those who have put down a vote of censure against it, is that had we not taken this action the Parliament would not have been consulted at all. The whole thing would have gone forward on a totally different basis. The position was — this was raised by Lord Bruce, Mr Scott-Hopkins and Mr Aigner — that, as Commissioner Gundelach explained extremely lucidly, there was no great change during February. Since last May, butter has mainly been exported under the tendering system with refunds between 159 and 162 units of account per 100 kilograms. The general export refund prior to 5 February was 145 units of account, but was in practice hardly applied at all. The general refund was increased on 5 February to the amount which had in practice applied over the field previously since last May, and in fact this change did not signify any increase in the export refund *de facto* applied: it was

merely a technical adjustment and not a change in policy.

Now, it did not affect the basic ...

Yes, of course I'll give way.

Mr Scott-Hopkins. — I am very grateful to the Right Honourable Gentleman, but in point of fact what he said surely isn't quite accurate. This special dispensation, this special subsidy, has been 159 u.a. since last May — accepted; but the general one was not, and therefore by increasing the general dispensation to the level of the special one, which is what happened, there was a change made, and this is why, as the Commissioner himself said, there was suddenly an upsurge in exports. There was a change made.

Mr Jenkins, *President of the Commission.* — ... Well, it is the view of those most concerned that there was a change in method but not a change which in itself led to a change in the practice where it bit. And it is in fact the case that the level of prefixation during the main part of February was running, if anything, at a lower rate than had been the case during both December and January. During December, there was, as far I can see, roughly adding up the various destinations, 11 500 tonnes so prefixed, and in January 23 000 tonnes, whereas from 1 to 23 February, during most of the period after the change, the figure was as low as 5 900 tonnes.

But what I think should be appreciated and what I hope the majority of the House will appreciate is that what we are being mainly attacked for at the present time, what the vote of censure which is down, as I understand it, is about — certainly what the criticism which has appeared publicly has been about — is that we decided to call a temporary halt to exports to Eastern Europe — a pause for reflection, as we called it. And I don't in the least regard this as being contrary to our undertaking to consult Parliament. I don't in the least want to get away from what Mr Cheysson said in December. I don't want in the least to get away from what was recorded by the Parliament following that. Indeed, I believe a significant part of the justification for our actions has been precisely the commitment which we had to Parliament. The Commission pledged itself on these occasions to do that, and indeed the position was then recorded by the Parliament as follows:

The Parliament decides, however, to give a discharge to the Commission in respect of the implementation of the 1973 budget, given that the Commission has undertaken to consult the budgetary authority in future before taking any decision which is of specific political importance or which, owing to its volume, exceeds the scope of normal administrative procedures and has budgetary consequences for which no provision was made at the beginning of the financial year.

Jenkins

Now, my desire, and the desire of the Commission, has been to keep within the terms of the undertaking which Mr Cheysson, the Commissioner for Budgets in the last Commission gave and which the Parliament accepted on that occasion. Vice-President Gundelach explained to you how the Commission's actions in the last few weeks were in line with our normal export policy which had been pursued for a number of months past, and indeed within the proper budgetary framework, and did not — in our view — call for such consultation. By 25 February, however, there were signs that such limits were in imminent danger of being breached. If we had not then called a temporary halt to prevent the possible prefixation of large quantities of exports to Eastern Europe we might have been in danger of substantially breaching that pledge to Parliament. Before deciding to act on 25 February, we could not consult the Parliament. If we had decided to say we will do nothing until we have consulted the Parliament, then Parliament might have been presented with a *fait accompli* in which very large amounts indeed would have been moved. That would not have been compatible with what we had previously said to Parliament.

Nor, I think, can there be any complaint that we took account of party political considerations, or narrow political considerations, or national political considerations; we took account of political considerations in the sense in which we were asked to do so by this Parliament precisely as set out in the paragraphs recorded by this Parliament on 14 December 1976. Had we not acted when we did, we might have been obliged to come before you today with a different picture and different budgetary commitments. By so acting we have succeeded in avoiding that. And that I think has been a highly desirable thing to do.

I would like, if I may, to say that I agree strongly with everything that Vice-President Gundelach said this afternoon in his explanation of the Commission's position. He and I have acted closely together at every stage in our dealings with this matter. I say this deliberately and carefully because there have been suggestions in some organs of the press that he and I have occasionally been out of step, that some actions have been taken against his view and some actions against my view, that there has been some response to the pressures of national governments from one side or the other, or that there may have been dispute or conflict within the college of the Commission. These allegations are not true and I repudiate them entirely.

Secondly, the debate, Mr President, which has taken place, and the different views expressed underline the fact that in dealing with the structural surplus of butter which the Commission has inherited there is really no single way in which this Commission could act which would satisfy the different strands of opinion in this House. It is very natural that in any representative parliamentary opinion there should be

different strands, and it is very desirable that the Commission should come before this House and hear and evaluate those different strands of opinion. But the view that one merely has to come to this House and they will give us an answer which we can apply in all circumstances is unfortunately not true, because while there are not perhaps as many different views as there are Members, there are certainly a great number of views, and views which it is quite difficult to reconcile. Mr Aigner, as I thought — if I may say so — put his finger extremely neatly and powerfully upon the central dilemma which we confront. Of course people want to sell butter — sell butter, export butter, dispose of butter overseas. And of course to some extent that policy must play a part in our disposing of surpluses as long as they exist. But do not let us deny that while that has to be done, to do it with a price differential so wide as that which exist between the external and the internal markets is bound to be an extremely difficult and criticism-provoking operation. There are indeed, as has emerged in this debate, those in this House who say that we should dispose of butter as swiftly and cheaply and completely as possible through exports, and not worry about any other aspect of the matter. There are those who say we should on no account dispose of it at low prices to non-Community countries. And there are those in intermediate positions. There are some I think it was Mr Gibbons who made this point — who say it is all the fault of New Zealand imports into the Community. There is a question down to Mr Gundelach about that tomorrow, and he will respond to that. But there is here a contractual obligation and I believe in honouring contractual obligations.

And there are intermediate positions including indeed that of the Commission itself, which believes that confronted with this problem, which in the short run is intractable, we should surely endeavour to strike the best balance we can between the internal and the external markets, neglecting neither — Mr Gundelach gave figures showing that we sold on both — and taking account of costs — and there is a difficulty about the cost of disposal being greater, perhaps substantially greater on the internal market — but also not being ashamed to pay attention to parliamentary opinion, to public opinion as expressed through Parliament, which is indeed very much the duty of this Parliament. And I say quite firmly that there is in my view only one solution that can satisfy the true interests of the Community and the demands of this Parliament, and that is to rebalance the market and to put an end so far as possible and as quickly as possible to the structural surplus. For that reason the Commission again stresses the importance of the Council adopting our programme of action for the milk sector. If it does not, and if the situation deteriorates, the whole structure and future of the Common Agricultural Policy will be at risk and that is certainly not my desire nor that of my colleagues.

Jenkins

I therefore believe that the action we took, in circumstances in which it would have been impossible to take no action, was the best action we could have taken and the best action available to give this Parliament the opportunity at the earliest possible time to express its opinion. I submit to the House that we have properly and sensibly combined our responsibilities, which exist, for management of the agricultural policy with our responsibilities to this House in acting as we did. Had we acted otherwise, had we done nothing on 25 February, had we not followed it up with what we did on 2 March, then I think we would have given Parliament cause for severe criticism. We took that action and we are under criticism from some sources. I don't object to criticism, I believe we would have been much more open to criticism had we not taken that action. There is no short term solution, Mr President, which is not open to objection from one side or the other. And we therefore ask the more urgently for the support of this House behind our proposals for providing a better basis for the future.

President. — I call Mr Aigner.

Mr Aigner. — *(D)* Mr Jenkins' closing words gave the impression that Parliament was criticizing the Commission principally for its decisions. The major criticism we are making here today is that the Commission acted too late, and that there was no prior discussion with Parliament — before the automatic refund was made — so that a butter deal with the Russians, of this size and at this juncture, would not have gone through without Parliament's being consulted.

Further criticism will come from one of the Groups; that is another matter. We are not here today to discuss that Group's motion of censure but the criticism of the public and of this parliament, because the Commission acted too late.

— I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — I am not clear Mr President under what procedure we are going on now. Do I understand we are continuing the debate? Because if we are, the position is really what Mr Fellermaier was suggesting earlier on — that there might be some areas of dispute and argument left open after President Jenkins's speech. And indeed there are. Do I understand now that not only myself but my other honourable friends who haven't as yet intervened in this debate, because of the shortness of the time allocated to my group, can now do so and we can continue the debate? If this is so — fine; we will do so. But if otherwise, why has Mr Aigner — much as I admire his speeches and like listening to him — been allowed to intervene? If so, can I call my honourable friends to intervene too? And I would like to as well.

President. — I call Mr Lücker.

Mr Lücker. — *(D)* Mr President, you are well aware that the Enlarged Bureau dealt with this question this morning. You yourself chaired the meeting. We decided unanimously this morning to listen to this explanation from the Commission this afternoon, in spite of all the difficulties, and we then said that we intended to close the debate around five o'clock, so as to be able to deal with the rest of the agenda. Mr President, you should ask the House to comply with this decision, otherwise we shall never get through our agenda.

(Applause)

President. — I call Mr Broeksz.

Mr Broeksz. — *(NL)* Mr President, I fully agree with what Mr Lücker has said.

President. — I, too, agree with Mr Lücker, especially since one or two of these particular points can be dealt with more thoroughly tomorrow when a number of questions are to be asked on this subject.

Mr Scott-Hopkins. — I am prepared to go along with any decision you have made, but I do not understand why you have called Mr Aigner again. Please tell us.

President. — At this point I must declare the debate on this item closed.

10. Oral question with debate: UN General Assembly meeting of 24 November 1976

President. — The next item is the oral question with debate, put by Mr A. Bertrand on behalf of the Christian-Democratic Group to the Conference of Foreign Ministers, on the UN General Assembly meeting of 24 November 1976 (Doc. 539/76/rev./II):

It was reported in the press that at its meeting of 24 November 1976, the UN General Assembly adopted, by 90 votes to 16, with 30 abstentions, a recommendation calling on the Security Council to ensure the complete evacuation of Israeli-occupied Arab territories, with a view to setting up a Palestinian State.

According to the same source, the vote of the Member States of the European Community was split.

Can the Conference give a reason for this?

I call Mr Bertrand.

Mr A. Bertrand. — *(NL)* Mr President, we have noted to our great surprise that during the UN General Assembly meeting of 26 November last, the Nine voted individually in an extremely important division on a resolution concerning the Palestinian question, six Member States voting against the resolution and three abstaining. After all the preparatory work, we wonder how this was possible.

A. Bertrand

Mr President, we are essentially concerned with Resolution No 3120 of the UN General Assembly on the Palestinian question. This stated that there can be no just peace in the Middle East before a solution is found to the Palestinian problem, and that any such solution must be based on the constitutional rights of the Palestinian people, including the right to return to a sovereign and fully independent national Palestinian State.

This resolution also stressed that the participation of the PLO as the sole representative of the Palestinian people, with complete equality of status with the other interested parties in the Middle East, is essential if all the deliberations, conferences and efforts to find a settlement in the Middle East are to come under the auspices of the United Nations. This was recommendation No 1.61. Furthermore, the Security Council was to lay down a timetable for the complete withdrawal of the Israeli forces from the areas occupied since 1967, the operation to be completed by 1 June 1977.

These were the recommendations contained in the resolution on which the Nine expressed divergent opinions when it came to the vote. The divergencies remained despite the fact that the Netherlands delegate, Mr Kaufmans, had explained on behalf of the Nine before the vote that these recommendations on the Palestinian question displayed a fundamental lack of balance, since no mention was made of the rights of the other Middle Eastern States, in particular Israel, nor was there any recognition of the right of Israel to live in peace within guaranteed borders. The Netherlands delegate added that in view of these facts, it would thus hardly be possible for the Nine to support the resolution.

The United States ambassador, Mr Scranton, likewise stated that the explanatory memorandum to the resolution took no account of a number of factors fundamental to a settlement of the conflict in the Middle East, namely Israel's right to exist and the recognition of this right by the Palestinians. He went on to point out that the text of the resolution was entirely contrary to Resolutions 242 and 338 passed by the United Nations on 22 November 1967 and 22 October 1973 respectively.

The Israeli ambassador, Mr Herzog, drew special attention to the biased and unjust nature of both the spirit and letter of the resolution, and to the fact that the United Nations was allowing itself to be swayed by a group of Arab extremists. At the same time, however, he intimated that 1977 might be a year of peace initiatives, and that Israel was open to any reasonable suggestions.

Mr van der Stoel, in his capacity as President of the Council and speaking on political cooperation, told Parliament in Luxembourg on 17 November 1976 — one week before the United Nations vote — that in his statement of 28 September 1976 at the 31st meeting of the United Nations General Assembly he

had once again spelled out the common position of the nine Member States of the Community *vis-à-vis* what should and could be done to put an end to the conflict in the Middle East. 'I reaffirmed the fact' Mr van der Stoel said, 'that the nine countries of the Community stand by Resolutions Nos 242 and 338 of the Security Council, and also drew attention to the statement of 6 November 1973 which described the principles underlying the position of the Nine regarding the Middle East question.'

And now my question: How is it that seven days later in the UN General Assembly, this statement was not followed by a unanimous vote on the part of the Nine, rather than the divided vote that we actually saw?

This is the point, Mr President, on which we Christian Democrats would like some clarification.

President. — I call Mr Tomlinson.

Mr Tomlinson, President-in-Office of the Conference. — Mr President, the Nine are not able to provide an agreed reply to this question. This is because the question deals with the resolution on which the Nine did not have a common position and on which they voted on the basis of their individual policies. As Mr Thorn explained in his letter of 10 May 1976 to Mr Spénale, it will not be possible to furnish an agreed answer to questions concerning problems on which it has not yet been possible to arrive at a common position. And the working rules governing political cooperation do not allow the answering of questions which relate to the individual policy or policies of one or more Member States.

President. — I call Mr Sieglerschmidt.

Mr Sieglerschmidt. — (D) Mr President, ladies and gentlemen, my reaction on hearing the reply given by the President-in-Office — which was in fact no answer at all — is to wonder whether it does not raise a fundamental problem. Of course we realize that the Nine cannot always reach a common standpoint in the field of political cooperation, but is this any reason why it should be impossible to explain to Parliament, at least in very general terms, what is the present state of discussion between the nine foreign ministers on a particular question, how the problems are viewed, and where the differences of opinion lie? I am quite aware that this is a delicate subject, but simply to tell us that agreement has not yet been reached on the question, and that therefore nothing can be said about it, is unsatisfactory in the extreme. I am referring now not only to this particular question; I am perfectly well aware — and although this is my first speech in the European Parliament, it is not my first in this chamber — that this attitude has become a habit, and I should like, Mr President-in-Office, to plead for some thought to be given to the question of whether this cannot be changed.

Sieglerschmidt

But now to the subject proper. Following the Yom Kippur War in the autumn of 1973, the Nine issued a joint declaration on the Middle East question, a declaration of which views may vary widely. We all know that highly critical comments were passed on this joint resolution in our national parliaments and in the public at large, on the grounds that it diverged somewhat from the United Nations' Resolution 242. But, Mr President, it was at least a common position, even if it was — as has been said with some justification — a matter of agreeing on the lowest common denominator. We now note that the resolution passed by the United Nations on 24 November 1976 is undoubtedly far closer to the Arab standpoint than was the resolution passed by the Nine three years ago. When I read here that the Palestinian refugees — and, incidentally, there has also been a flow of refugees from the Arab countries to Israel — should be allowed to return not only to the West Bank but also to the heartland of Israel, and when we recall that the coexistence of the Jewish and Arab communities is creating problems even within the pre-1967 borders, it ought to be obvious that compliance with this demand would be bound to plunge the State of Israel into a serious crisis, and this would be tantamount to giving in to the PLO's recently reiterated demand for an interim arrangement leading to the creation of a democratic Palestine, with the State of Israel being dissolved.

Mr President, I should like to comment on the voting behaviour under discussion here. It is my opinion — and I am speaking here for my friends in the Socialist Group — that it is of course desirable to aim for the maximum degree of unanimous voting at the United Nations. But I should like to make one point quite clear: It is at least a step in the right direction — we have by now come to be rather modest in our expectations — if the difference is only between 'No' and 'Abstention' rather than between 'No' and 'Yes', as has been known to happen in the past. The worst thing — which has also happened before, Mr President — is for a block abstention to be agreed on simply because agreement could be reached on nothing else. This is a position of weakness and ineptitude on the part of the Community, and must be avoided at all costs. Rather 6 to 3 — as happened here — if need be, even if it does not look good.

Mr President, if it is true that a solution in the Middle East can and must be found only by the opposing countries of that region, then it must be the task of our governments to agree after all on a common position. There are a number of pointers towards the possible basis for such a solution and such a common position, and I believe that our countries' delegates to the United Nations should be instructed to reject any demands which are totally unacceptable and out of the question for one or the other side in this conflict. I should like to illustrate this principle, Mr President, by way of two examples.

As far as the Arab side is concerned, the right of the Palestinians to self-determination is clearly a point which must be accepted. For the Israelis, secure and defensible borders and the recognition of the right of Israel to exist are absolutely essential — and I should like to point out here that these two points are interdependent. The further the Arab States and their friends are prepared to go towards genuinely recognizing the right of Israel to exist, the more the Israelis will see the question of secure and defensible borders in a different light. I think we must realize that the question here is not simply one of reaching a settlement in the Middle East. Peace in the Middle East is an intrinsic part of world peace, and it is therefore our duty to study the situation in a responsible fashion and try to help. There are many people in our national parliaments, in this European Parliament and in our countries as a whole, who regard themselves as friends of one side of the other. I am no exception. One can only advise all these people that the best service they can give to their respective sides is to work towards achieving a sensible peace settlement in the Middle East.

IN THE CHAIR: SIR GEOFFREY DE FREITAS

Vice-President

President. — I call Mr Mitchell.

Mr Mitchell. — Mr President, I find this particular question rather puzzling. I am not quite sure whether Mr Bertrand wanted all the Nine to vote for the resolution or against it. I suspect he would have liked all the nine nations to vote against this particular resolution. I would have liked all the Nine perhaps to vote for this particular resolution. But so what? Of course it is important to try and get the Nine, wherever possible, to agree but there are bound to be a number of issues, and this is one of them, on which the Nine will not agree and they will have to vote separately in the United Nations. I think, as Mr Sieglerschmidt said, it is far better to have a split vote than to take some miserable way out by all nine nations abstaining or something of that nature. That would be quite ludicrous. It is far better to have the differences quite openly recognized.

My real point is that I would like Mr Bertrand to tell me why he picked this particular subject for this question. If he wanted to put down a question relating to why the Nine voted differently in the United Nations, there are many examples he could have taken and I would like him to tell us why he picked the Arab-Israeli issue, because that is one — surely he must realize — on which it would be very difficult to get unity in any case.

President. — I call Mr Tomlinson.

Mr Tomlinson, *President-in-Office of the Conference.* — Mr President, I cannot agree — as it will be no surprise to this Parliament — that the Nine have adopted an unhelpful attitude towards Parliament on political cooperation matters. On the contrary, I think it is quite clear that the Nine have always been very conscious of the need to associate Parliament with the activities of political cooperation. The importance the Nine attach to this association was expressed very clearly in the Luxembourg and Copenhagen meetings of foreign ministers, which made provision for the quarterly colloquies with the Political Affairs Committee and for the presidency's annual report to Parliament on the progress of political cooperation.

It was in the same spirit that the European Council decided in December 1974 that the Nine should reply to parliamentary questions on political cooperation. The Nine believe that these procedures for mutual information and consultation between the two bodies have worked well and they have been pleased to note the increasing interest shown by Parliament in political cooperation. It is inevitable that from time to time difficulties will arise, but I can assure you that the Nine are very concerned to ensure that the general good relations with Parliament on political cooperation are maintained.

On the specific issue, however, procedural replies to questions, the conditions on which the Nine agreed to answer parliamentary questions on political cooperation were, as you know, set out in the two letters from the President-in-Office of the Conference of Foreign Ministers to the President of Parliament. In these letters, the position was explained exactly as I stated in my earlier answer. These limitations do not reflect an intention on the part of the Nine to restrict the flow of information to Parliament, but they do reflect genuine difficulties which the Nine occasionally face in concerting replies to parliamentary questions. I am sure that most Members of the European Parliament appreciate these difficulties. And I would say to Mr Sieglerschmidt that, as far as I am aware, the Parliament did not raise any objections to these limitations when they were notified by the President-in-Office to this Parliament. The problems of course arise over the interpretation of these limitations in relation to particular parliamentary questions. I think this is inevitable, but I am sure that with patience and goodwill on both sides, these problems can be resolved.

Now Mr President, speaking for the United Kingdom presidency, I can assure Parliament that wherever possible we seek to avoid giving procedural replies to questions. It is not our practice to give such replies at the Westminster Parliament, but there of course we do have the Table Office to sort out the problems of inadmissible questions. However, you will appreciate that it is not the presidency alone which decides these

issues. Political cooperation is subject without qualification to the rule of consensus, and the presidency must therefore express the agreed view of the Nine. But let me assure Parliament that, so far as it lies within the presidency's power, we will always seek to give Members of this Parliament relevant and substantive replies to their questions. As Members will appreciate, I cannot go into the substantive replies to their questions. As Members will appreciate, I cannot go into the substantive issue that has been raised in the debate, but I thought it would be helpful to try to elaborate on my earlier reply to make the position as clear as possible.

Perhaps I could conclude by saying, in my capacity as the United Kingdom Minister, a few words about the United Nations' resolution on Palestinian rights which is the subject of Mr Bertrand's question. The coordination of a common position amongst the Nine at the United Nations is clearly a matter of great importance to the United Kingdom. However, this coordination is still in a relatively early stage and there are bound to be occasions when the Nine are not entirely successful in their attempts to act as one. Whilst the Nine make every effort to coordinate their positions at the United Nations, this coordination does not unfortunately always lead to uniform voting on resolutions. It sometimes happens that, despite general agreement on the substance of a problem, the Member States differ over the position to adopt on a specific resolution. This was the case in the vote on 24 November 1976 on the Palestinian rights question. On that occasion the Nine were united in opposing certain elements of the resolution which were unbalanced and which made no mention of Israel's right to exist. This measure of unity was reflected in a common explanation of vote made by the Netherlands presidency. What divided the Nine was solely the question of whether the objectionable elements in the resolution merited a negative vote or simply abstention.

Mr President, I have sought to explain this at some length because it is a complicated question and I did want to make quite clear to Parliament that we do not seek to shelter behind procedural answers, but there are genuine problems that sometimes necessitate them being given by the presidency to this House.

President. — I call Mr Bertrand.

Mr A. Bertrand — (NL) Mr President, I should like to thank the President-in-Office for his second lengthy reply. He must realize, however, that we find his reply completely unsatisfactory. As Members of this Parliament, we find ourselves in the most absurd position imaginable. If I ask my Minister for Foreign Affairs in my own parliament tomorrow why he voted against the resolution, I will receive a full reply, but the same information is denied me here in this Euro-

A. Bertrand

pean Parliament when I put the same question to the Conference of Foreign Ministers.

What kind of representative assembly are we here if the Conference refuses to divulge information to Members of Parliament on being asked for details of the common position? As you have just said, our unanimity was expressed very clearly in the explanations of vote, but not in the vote itself. The problem with which we are therefore faced is that political cooperation between the Conference of Foreign Ministers and this Parliament is currently deteriorating. During the Presidency of Mr FitzGerald, bilateral discussion went much further than is the case now. What seems so strange to us is that we are now denied information on a perfectly normal matter on which you, Mr Mitchell, can request information tomorrow in the House of Commons and be sure of receiving a reply from your Foreign Secretary. But here we cannot get that information! The reason I put my question was to draw attention to the fact that we are at present being treated differently here than in our national parliaments. When Mr Spénale was still President of this Parliament during Mr van der Stoep's Presidency of the Council, he spoke in similar terms about the treatment of Members of the European Parliament who asked questions.

To Mr Mitchell I should like to say that I had hoped, of course, that the Nine would vote unanimously against the resolution, on the grounds that it went much further than the position which the Nine have always adopted on the Middle East question. The Nine have always taken the view that a just and lasting peace can only be brought about in the Middle East by way of negotiations based on the recognition of the right of the State of Israel to exist within secure and guaranteed borders. This has always been the Nine's position. The resolution on the Palestinian question makes no mention of the rights of the Israelis. I had therefore hoped that the Nine would vote unanimously against the resolution. This, Mr Mitchell, is my reply to the question you put to me, but as far as the question to the President-in-Office is concerned, this is a matter of principle concerning the treatment of Members of Parliament in the field of political cooperation.

We would be able to obtain the required information in our national parliaments, and should therefore expect to be able to obtain the same information in the European Parliament.

President. — The debate is closed.

11. *Oral question with debate:*

Control of concentrations between undertakings

The next item is an oral question with debate by Mr van der Heck, Mr Lange, Mr Knud Nielsen, Lord Arwick and Mr Delmotte on behalf of the Socialist

Group to the Council on the control of concentrations between undertakings (Doc. 564/76):

On 20 July 1973, the Commission submitted to the Council a proposal for a regulation on the control of concentrations between undertakings.

1. Why has the Council not yet reached agreement on this regulation? The Council is requested to state the precise reasons which have so far prevented it from reaching agreement.
2. When does the Council expect to adopt this regulation?

I call Mr Lange.

Mr Lange. — (D) Mr President, Mr President-in-Office, ladies and gentlemen, the question before you here concerning the control of concentrations between undertakings is self-explanatory and really requires no further explanation. Nevertheless, I think it essential for us to remind ourselves of one or two points.

At the height of the discussion on mergers during the late 60's and early 70's, we passed a resolution here in this Parliament to the effect that the regulations on competition embodied in the Treaty should be extended by means of a suitable proposal on preventive merger controls. Parliament formulated its policy, albeit with some difficulty. The Commission was quick to respond to this request, partly because it coincided with its own opinion, expressed here in Parliament that the 'control of concentrations between undertakings', or the control of the trend towards concentration in the wider sense, was necessary, and partly because this undoubtedly reflected and still reflects a genuine need. In other words, Mr President-in-Office: the Council has already taken far too long in making up its mind on this question.

Meanwhile more mergers have taken place, thus increasing the danger of monopolistic and oligopolistic control of markets, of small and medium-sized competitors being forced out of business and consequently the infliction of great harm to the smooth running of national economies — and, I might even say, of the European economy — and this all the more so since merger control by way of retroactive dissolution of such mergers seemed and still seem to this Parliament to be impracticable. Here again, the opinion of Parliament coincided with that of the Commission or vice versa, since the retroactive removal of openings for monopolies, or, to be more precise, monopolistic positions, involves a vast web of legal problems which are more readily solved by merger control, the principle being that prevention is better than cure.

The question is therefore why the Council has taken no action on this problem and when it anticipates coming to any decisions. One way is certainly no longer open to us: Parliament and Commission and

Lange

again Commission and Parliament have given their answer to this question. No answer has so far been forthcoming from the Council, and meanwhile in every debate, including those in national parliaments, criticism is voiced on the increasing trend to concentration within the economy and the further strengthening of the large and giant undertakings and thus also of their market position. Criticism is even heard from those who sit on the Council as representatives of their national governments. Hence my question: why is nothing being done?

This question is of course connected to one which we shall be discussing tomorrow in world-wide terms in a different context. In view of this, it would undoubtedly be useful if the Council would be so good as to recall that the Commission did once upon a time submit a proposal to the Council on Community rules and multinational undertakings and that Parliament expressed its opinion on the subject in the form of the report drawn up by Mr Leenhardt. No action has been taken so far on this count either. This problem, Mr President-in-Office, is therefore probably much more urgent than many in the Council, in COREPER and the subordinate level of political officials can imagine: It would therefore be useful, Mr President, if a decision could be taken on this question as quickly as possible since Parliament has reached virtual — I repeat, virtual — unanimity on its position *vis-à-vis* the Commission's proposal. If I remember rightly, there were only very few dissenting votes, and this, I would point out, with a relatively high number of Members present in the Chamber, unlike today. In that relatively well filled Chamber, there were, if my memory serves me correctly, four or five dissenting votes and, I believe, three or four abstentions, with the overwhelming majority of the Members of this House approving the Commission's proposal and indeed doing so far a variety of economic and political reasons which I need not go into again now. My question, Mr President-in-Office, is therefore the one tabled: why has the Council not yet reached agreement on this regulation? We expect a full explanation of the reasons why this has not yet come to pass and of when the Council does expect to adopt this regulation, assuming that the Council is already thinking about it. Judging from its behaviour so far on critical questions, we can no longer expect much readiness to take decisions on the part of the Council.

President. — I call Mr Tomlinson.

Mr Tomlinson, President-in-Office of the Council. — Mr President, the proposal for a regulation submitted by the Commission on the control of mergers is one of those proposals which require and justify particularly close examination because of their economic and political implications. This explains why the Council has not yet taken a decision on this

proposal which is aimed at achieving a more systematic Community control of mergers.

The first stage of the examination of the basic questions raised by this proposal has now been completed, and the Permanent Representatives Committee will soon be asked to prepare the matter for discussion by the Council. One should not, however, hide the fact that the proposal raises a number of particularly important issues. Here, I have in mind the demarcation of the scope of Community control and more generally the conditions under which Community control of mergers could be exercised concurrently with national control. Then, there is also the question of consistency between national policies in the industrial, social and regional spheres, together with any Community-wide decisions which may be taken on mergers. Finally, there is the problem of allocating the power of decision under the proposed regulation.

Mr President, these are some of the basic aspects which have already been the subject of lengthy study by Council bodies, and which explain why the Council has been unable to adopt a position as rapidly as it would have liked. I can, at any rate, assure you that everything will be done to speed up the work and enable the Council to come to a decision as soon as possible.

President. — I call Mr Nyborg to speak on behalf of the Group of Progressive European Democrats.

Mr Nyborg. — (DK) I regret to say that this is not the only issue which has been placed before the Council and which has been shelved. However, the statement which we have just heard gives us reason to hope that something will happen in the not too distant future.

We should like to know what progress the Council has made in its examination of the basic problems raised by this proposed regulation and how, disregarding for the time being the question of the legal basis, a united approach can be adopted on the broad guidelines for a proposal on this matter.

We should also like to ask if the nine delegations in the Working Party on Economic Questions have been able to answer and agree on the questionnaire which the Commission has prepared on the scope of the regulation, relations between Member States and the methods which would be required to ensure control of concentrations.

While we have no wish to begin a new debate on the many areas of disagreement, we must insist on the need to find a solution as soon as possible and to show that the obstacles and conflicting views can be overcome. In this connection we think it desirable that the Working Party on Economic Questions should remember and take account of the following considerations:

Nyborg

- with reference to the legal basis for the proposed regulation, the unanimous opinion of the committees of the European Parliament, the Economic and Social Committee and the Council's legal department that the regulation can properly be based on Article 87 and 235 of the Treaty ;
- with reference to control, there are fewer disadvantages if control is exercised before rather than after the event.

We would also point out that the problem of the correlation of national provisions and Community provisions is not something which is peculiar to competition policy and it should be possible to find a solution to it.

Special reference should be made to the possibility of organizing Community control of concentrations concurrently with national control ; it is most desirable and necessary that a united front be presented since there are very important material and social interests at stake.

Although national provisions should be taken into account at Community level, we, like the Commission, are of the opinion that this should not raise any doubts about competition regulations in the Community or institutional equilibrium under the Treaty. We therefore call on the Council to adopt this regulation on the control of concentrations between undertakings as soon as possible.

The most recent results of the Commission's analyses point to a general reduction in the number of undertakings. Further comment must await the preparation of the remaining reports.

The analysis of merger trends in certain commodity markets, e.g. in the food industry in Italy and France, show an increase — sometimes a considerable increase — despite a lower level of concentration in the sector as a whole. In view of the many and varied reciprocal financial links, the actual level of concentration is estimated to be even higher than analysis of market shares suggest.

Mr President, I should like to conclude by calling on the Council once again to produce a result with the least possible delay.

President. — I call Mr Edwards.

Mr Edwards. — Mr President, I was greatly disappointed in the reply of my good friend, the President-in-Office of the Council. I know what his views are, but I know he has to speak for the Council. It is my considered view that our Europe is completely dominated by a very small group of monopolies. I do not think there is any part of the world today where there is a greater concentration of industrial power than we have in our Europe.

During the oil crisis of 1974-75, this Parliament debated a report on the cost of oil. We discovered that by a system of transfer prices the profits of the seven oil companies operating in Europe increased enor-

mously. The profits of British Petroleum, for example, actually increased by 415 % during the oil crisis. It seems obvious to me that this problem is urgent, because the increase of oil-prices affects every level of our economy and is a major cause of international inflation. Surely, the Council must come to some urgent conclusion that we shall not deal with the problems of unemployment, the closures and redundancies created by capital investments that are aimed at reducing unit labour costs and increasing production with fewer and fewer workers, unless we have some measure of control over the anti-social features of the multinational or transnational corporations. They have also got their grip on the credit of Europe, on the banks of Europe. They have their members as shareholders on the boards of directors. They are the biggest customers. They are self-financing. They raise their capital today from high prices to consumer industries and high prices to the consuming public. And that is why, if we are going to tackle inflation, it is urgent that the Council promote some kind of regulations to make these huge concentrations publicly accountable.

President. — I call Mr Tomlinson.

Mr Tomlinson, President-in-Office of the Council. — Mr President, can I very briefly say to Mr Nyborg that I think there is some slight contradiction in his speech when he complains about the Council's shelving this matter and, in the very next breath, says that we can expect something to happen.

There is no question of the Council's shelving this matter ; as I said in my first answer, I can assure you that everything will be done to enable the Council to come to a decision as soon as possible. The worst possible thing to happen would be to rush this discussion and come to decisions which were totally inoperable because they were not thought out and not considered well enough before hand. I am sure everyone would agree that this is a problem of such enormous magnitude, such great importance, that it is essential to get things right first time rather than to come to hasty conclusions which we find we cannot operate.

In relation to his specific question, I would just remind him that the main matters discussed by the Working Party on Economic Questions were as follows. There were five of them : The principle of prior control of concentrations and the legal basis of the proposed regulation ; the scope of the regulation ; the possibility of making exceptions ; prior notification of concentration ; and the decision-making procedure. What I would say to Mr Nyborg is that all those matters have been discussed in the working-party, but at the present time no decisions have been reached ; obviously, in the discussions that will take place in the Committee of Permanent Representatives account will be taken of the urgent comments that have been made in this House.

Tomlinson

May I say to my honourable friend, Mr Edwards — if I may be allowed a personal observation, Mr President — how much I welcome hearing his good counsels here in Strasbourg as I have frequently listened to them in Westminster, and how nice it is for me to have the opportunity of hearing him speak here for the first time. Everybody, I am sure, appreciates the urgency of the problem. There can be no doubt that here we have a problem of such scale and such size that we need to have occasionally the salutary reminder of its significance such as we received from him. There is no question that we are not aware of the problem, not aware of its immediacy, not aware of the effects of these concentrations of economic power. I certainly bear in mind everything that he has said. In different capacities, I would look forward to talking to him again in the future about it as we very often have done in the past. I certainly welcome his remarks; they were very helpful in drawing quite cogently the attention both of myself and the Council — and those Members of Parliament who are here — to the urgency of this particular problem.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, Mr President-in-Office, ladies and gentlemen, if that is an introduction to the British Presidency, then all I can say it is a wretched introduction and way below what the previous Presidency attempted as far as Council decisions were concerned. You are not helping us at all by telling us that a decision will be taken some time — you gave no deadline and thus no answer to my second question — and that you would convey to the Council what has been said here. There have been Presidents of the Council, like your predecessor and the President before him — who were very frank and straightforward and spiced their official Council comments with whatever they thought they could personally take responsibility for. I have noticed no sign of such an attitude on your part today, I repeat, no sign of such an attitude.

Furthermore, Mr President-in-Office, none of the difficulties you have paraded before us here are new. You cannot say, in all conscience, that it would have been rushing things to have come to a decision in the four years which have elapsed. What kind of time scale are you talking about when you refer to coming to hasty conclusions? You really cannot expect us to swallow such a reply Mr President-in-Office.

Both Commission and Parliament had given the Council a great deal of latitude to decide on what was desirable, but from your comments, I get the impression that the Permanent Representatives, or to be more precise, the lower-level officials, have been casting around for reasons for not reaching a decision, just as has happened in the case of the Sixth Directive on the Harmonization of Value Added Tax. Mr

Edwards has declared himself to be only disappointed; I can only say that I find the whole thing totally unsatisfactory and unacceptable to this Parliament. Again I repeat my question, Mr President-in-Office: When does the Council intend to come to a decision? 1977, 1978, 1979 or 1980? When?

I hear the comment from behind me: why so soon? This just goes to show that some honourable Members have got used to applying a rather different time scale in Europe to the one we normally use in our day-to-day life and business with each other. I should therefore be genuinely grateful, Mr President-in-Office, if you would at least try to give an appropriate answer to my second question. If you cannot do so, please say that you can't or that you don't know, but please do not say 'in the near future' or 'as soon as possible', because, judging by the last four years, this 'as soon as possible' means another four years. This is why I suggested these alternative dates. We are always grateful, for a frank reply, so why don't you try us? We may, of course, even then complain about the Council, and we may apply for conciliation on the question. This could happen, and it would certainly be useful to be able to discuss the question in the presence of the Council.

Mr Tomlinson is shaking his head and thinks that this is inconceivable. But it is conceivable. For the moment, I don't want to go into the question of whether it is possible from a legal point of view. There are other ways of getting the Council to get a move on this question and of possibly getting it to discuss the question with us here. What we have done today, Mr President-in-Office, is a start. We shall keep plugging away and you may reasonably expect to be confronted with this question regularly here in Parliament and possibly also via Parliament in the Council itself.

President. — The debate is closed.

12. Oral question with debate: Meeting of the Social Affairs Council of 9 December 1976

President. — The next item should have been the Oral Question by Mr Adams, Mr Albers, Mr Carpentier, Mr Dondelinger, Mrs Dunwoody, Lady Fisher of Rednal, Mr Glinne, Mr Ove Hansen, Mr Kavanagh, Mr Lezzi, Lord Murray of Gravesend and Mr Walkhoff to the Council of the European Communities on the meeting of Social Affairs Council of 9 December 1976 (Doc. 562/76).

As I do not see Mr Adams or any of the others who have put their names to this question, it falls.

I am very sorry about that because a thing like this also affects the Commission and Council who have done work in preparing an answer. It is most regrettable, I apologize.

13. *Recommendations of the EEC-Greece
Joint Parliamentary Committee*

President. — The next item is the report drawn up by Mr Schmidt, on behalf of the Committee on External Economic Relations (Doc. 546/76) on

the recommendations adopted by the EEC-Greece Joint Parliamentary Committee in

— Rome on 9 December 1975

— Aghios Nicolaos (Crete) on 19 May 1976

— Berlin on 23 November 1976

I call Mr Schmidt.

Mr Schmidt, rapporteur. — (D) Mr President, I had already suggested to your predecessor that this subject might be put off until tomorrow morning. The number of Members present here proves my point. This is a very important question. However, if you wish, I am nevertheless prepared to present my report now. Speaking personally, I would suggest postponing this item until tomorrow morning.

President. — Mr Schmidt if you are asking me to overrule the previous President, I cannot do that. It is a fact that once the agenda has been adopted it is not possible just for the President to say we will take an item another time. So I am afraid this is before us now.

Mr Schmidt, rapporteur. — (D) Mr President, I just wanted to ask you to have a vote taken to decide whether or not we should deal with this today.

President. — But then you would have to tell me under what subparagraph of what rule you are asking for this. This is not just procedure. It is to protect people who have put items on the agenda. I am afraid you will have to justify your request, otherwise we must go on, because the item is on the agenda.

Mr Schmidt, rapporteur. — (D) I have no desire to prolong this discussion, Mr President, but I think there is no question that this House can adjourn at any time without any particular justification. It is the right of any parliament to decide whether or not to terminate its proceedings at a particular point and adjourn. But I take it that you want this item to be dealt with and I shall gladly comply.

Mr President, I have the task of presenting a report which was prepared by a former Member of this House, Mr Peter Corterier, and my thanks are due to him as I took over the report after it had already been completed. I had to take over the report as Mr Corterier is unfortunately no longer a Member of this Parliament.

We are concerned here with the accession of Greece at a time when the European Community is itself faced with enormous economic problems, and it may generally be observed — as was, indeed, plain from the speech which President Jenkins made here to the

European Parliament — that the readiness to accept new members is at the moment minimal. It is even frequently claimed that every additional member is, so to speak, dynamite as far as the Community is concerned. I do not share this opinion. My view is rather that the Community cannot mark time at the stage it has now reached but must, as in the past, be open to all those having the right to join and fulfilling the conditions for membership.

This is especially true in the case of Greece. We have a great deal of sympathy for Greece — and I think that goes for every Member of this House — not only because of the historical and cultural role played by Greece, but also because the Greek people have succeeded by their own efforts in freeing themselves from a dictatorship which had been responsible for relationships between the Community and Greece being put on ice for a time. We have promised the Greek people to do everything in our power to enable their country to take its place in the Community as soon as democratic conditions were restored.

Quite apart from sympathy, however, there are also a number of political imperatives. There are, however, certain problems to which we cannot simply turn a blind eye, and these should be mentioned here briefly as well. We note that an area of tension has built up in the Mediterranean region. We are glad that the critical phase in the conflict between two countries having special links with the Community has now cooled down somewhat, and that there is therefore now a greater readiness to settle the outstanding problems around the negotiating table. We are also pleased that discussions have taken place and will continue to take place in Cyprus between the representatives of the two ethnic groups, and we hope that the same procedure can be followed in the future with the other problems which divide Greece and Turkey.

Now, what are the real economic difficulties standing in the way of Greek membership — or rather which have still to be overcome before Greece can become a full member? The main problem is that Greece is beset by serious regional imbalances in structure. A high percentage of the population is engaged in agriculture, the agrarian structure is extremely uneven, and industry — which also has its weak points — is still in its infancy.

The Greek Government was extremely concerned to alleviate these difficulties, and the report which it is my task to present here fully recognizes the successes achieved by the Greek Government. A few figures will serve to illustrate this development. The contribution of agriculture to the gross national product in Greece amounted to 28.4 % in 1961 and has since fallen to 19.5 %. There has been a particularly impressive rise in the share accounted for by services, but in recent years the proportion accounted for by industrial production has also increased. Whilst recognizing the difficulties which have still to be overcome, I think we

Schmidt

should also recognize the recent achievements of the Greek Government and their efforts to create a better basis for accession.

The main argument against the accession of Greece, and one which is brought up again and again, is that accession would involve the Community in considerable financial obligations. This is undoubtedly true. It is reckoned that Greek membership would cost the Community around 360 million dollars per year. The Greeks point out that this represents a mere 5% or thereabouts of the total Community budget. Although this is certainly no mean sum, I believe that the Community must, by virtue of its treaties and its political declaration, its political resolve — and also in the light of certain concepts — make every effort to raise these funds to clear the way for Greek membership. The same applies to certain other countries which have similar rights to membership as Greece.

Apart from the agricultural sector, there are a number of other problems which should be discussed here. However, I think that at this late hour, it is not absolutely essential to go into every detail. In conclusion, I should like to say that the EEC-Greece Joint Parliamentary Committee has, in the course of the three meetings held so far, done the essential groundwork — and, I believe, done it very well — to prepare the way for Greece's accession. The various problems have all come up for discussion, and besides discussion of the economic problems, frank exchanges have taken place on the political difficulties remaining here and there. The meetings were always marked by a spirit of friendship, and this Parliament has never left the Greeks in any doubt that it welcomes the accession of Greece to the Community. I therefore ask you to approve my report.

President. — I call Mr Lücker to speak on behalf of the Christian-Democratic Group.

Mr Lücker. — (D) Mr President, I should like first of all to express our sincere thanks to our former colleague, Mr Corterier, in recognition of the excellent work he has put into this report. Our thanks are also due to Mr Schmidt for acting as rapporteur. He was afraid that this task would not be an easy one, but I find that he has got a very good grasp of Mr Corterier's work and I should like to express the thanks and appreciation of myself and my Group for his presentation of this report.

Mr Schmidt was quite right in raising at the outset one particular question which we come across again and again — whether, in view of its present economic, financial and institutional situation, there is any point at all in thinking about extending the Community. I would say yes, there is. The question, Mr Schmidt, is perfectly justified, but there are two points which must be made:

Firstly, we do not have complete freedom of action. There is the legal question of the Treaty which

provides for the accession of Greece. The question under discussion today is whether the transitional period should run its full course or whether accession should be completed at an earlier date. This is the contractual aspect. However, I think that Mr Schmidt and I agree that, as far as this House and, I believe, all the relevant Community institutions are concerned, this has always been a political question based on the recognition that the Mediterranean countries — and the Community has made great efforts in this respect — are, for historical, cultural and human reasons, a part of the Europe united under the Community banner. This should be emphasized here and now.

As far as my Group is concerned, then, this is first and foremost a political matter, and we feel obliged to take appropriate account of the political aspect. Of course, there are also practical problems; I will not say much about these since Mr Schmidt has already set them out. But permit me to make one point in this connection: regardless of whether Greece does or does not become a member of the Community, the practical and the political problems in the Mediterranean region cannot simply meet with indifference on our part. On the contrary, we have a growing interest in ensuring that peace and security are safeguarded in this part of the world. Our commitment must therefore be both practical and political, regardless of whether Greece belongs to the Community or not.

I should like to add a second point: it goes without saying that we view the accession of Greece as part of our overall Mediterranean policy, both to the north and to the south of the Mediterranean Sea, although this does not mean of course that we either want or are able to establish any automatic link between the accession of Greece and the accession of other interested Mediterranean countries.

I should like to stress one point in particular: I do not believe that genuine practical difficulties should be used as an alibi for a policy of deliberately dragging out the question of Greek accession. Politically speaking, this would not be a good method to be adopted in the forthcoming negotiations with other countries. This means though, Mr President, that an appeal must be made to both sides, to the Greeks as well as to the Europeans — and tomorrow to other partners too — to make genuine efforts to help to eliminate the present difficulties, since there is no point in calling for a speedier accession procedure if this is not matched by a willingness to do one's bit, both from the practical and from the political point of view, to eliminate these difficulties.

Secondly, I should like to express my pleasure and congratulations to the Commission on its finally managing to sign and bring into force the Second Financial Protocol on 28 February and also on the fact that, thanks to the Commission's initiative, there is the prospect — if I have understood this correctly — of holding a meeting at ministerial level on 5 April

Lücker

to deal with those problems which are closer to the ministerial decision stage now that they have been largely cleared up at ambassadorial level. I do not wish to comment after the event on the question of whether the Second Financial Protocol might not have been concluded sooner, although this would undoubtedly have been desirable.

Mr Schmidt rightly drew attention to the structural imbalances in the Greek economy. He also said that the problems in the agricultural sector could not — contrary to earlier expectations — be harmonized and solved to the degree which had once been thought possible. This means that we shall have to provide financial aid so that the transitional period can really be used to enable Greece to fulfil the conditions laid down to enable it to become a full member of the Community.

One comment in particular in this connection: I am a little worried about the fact that, despite the implementation of the First Financial Protocol — which did after all provide for a sum of 125 million u.a. — the report should say that progress had not really got under way on the harmonization of agricultural policy and the transformation of Greece's agricultural structure. In other words, we must really give some thought to how the Second Financial Protocol and its aid — which covers the period up to 1981 — can be applied more effectively to enable the modernization and adaptation of the industrial and agricultural sectors to proceed at a more rapid pace.

There are certainly plenty of topics for the Council of Ministers or for the Association Council to discuss at its meeting on 5 April. I only hope that the preliminary work will have by then advanced far enough for agreement to be reached on at least some questions.

On the question of the transitional period, I do not think that we should lay down its duration in advance. We are now only at the start of the period covered by the Second Financial Protocol, and I think we would be well advised not to say at this particular moment that the transitional period will end on such and such a date. That would be prejudicing a development which no one can predict with any great degree of accuracy, and we would thereby become the prisoners of a resolution which may later turn out to be not only irksome but even possibly unworkable. And let us not forget that we have certain experience in this respect.

On the question of financial aid for regional policy in Greece, I think, Mr Schmidt, that we are in agreement. The Community really should do something here, at least within the framework of the present Financial Protocol. And should more be needed, the Community should consider this in a positive spirit.

Then there is the problem of the bilateral treaties. It must of course be remembered that any such treaties which involve certain obligations going beyond the planned transitional period — such as those between

Greece and Comecon or individual Comecon countries — will have to be incorporated into Community policy as part of its 'inheritance'. These are questions which must be discussed in good time so that we can know what still has to be settled before the accession proper.

I think, Mr President, that the following is very pertinent to the institutional and political aspects: the problems which Mr Schmidt rightly referred to as still standing in the way to accession — and this view is also expressed in the Committee's resolution — should be overcome not by changing the Community rules but by appropriate transitional measures taken over a suitable transitional period.

The Committee has rightly pointed out that Greek entry must not be allowed to jeopardize the coherence of the Community. This, Mr President, is the same question as was discussed with reference to the accession of your own country, Ireland and Denmark. We had a major debate at that time on 'élargissement et approfondissement', enlargement and strengthening. It will surprise no one that the same problem arises again at the second stage of enlargement — and although we are considering only Greece, we all know that there are other applications in the pipeline. Whether this problem is of the same dimension as before, or smaller or greater, is of secondary importance.

My view is simply that laying down priorities for the timetable is not an appropriate method in this case — and I think my colleagues support my view — i.e. first strengthening, then enlargement or vice versa. I believe this method to be politically wrong, and that we must adopt a parallel approach. Parliament should consciously consider ways of exploiting this commitment we have entered into with Greece — negotiations are underway — to improve the institutions and strengthen their cooperation and their powers for decision-taking.

I have no hesitation in saying, Mr President, that this may contribute towards settling the question of majority voting with all its consequences, a principle to which this House has for a long time been committed. I should like to reiterate that there is no politically acceptable way of giving priority to one or the other — we must ensure that the strengthening and the enlargement of the Community take place side by side. I know that this will be a difficult operation and will present us with a great challenge and require great efforts from us, but the Europe of the Nine bears the historic responsibility of ensuring that this Europe achieves not only unity, but also its own personality and momentum, and there is a part to be played in this process by Greece today and by other Mediterranean countries tomorrow. It is a challenge for the institutions, including this Parliament. I should like to say on behalf of my colleagues that we shall do our bit to ensure that the Community achieves this aim. It will be to the benefit of all of us.

President. — I call Mr Bouquerel to speak on behalf of the Group of European Progressive Democrats.

Mr Bouquerel. — (F) Mr President, ladies and gentlemen, Mr Schmidt's report, which is the subject of the motion for a resolution before the House, contains the recommendations adopted by the EEC-Greece Joint Parliamentary Committee in Rome on 9 December 1975, in Crete on 19 May 1976 and in Berlin on 24 November 1976. At the time these received the full backing of the EPD Group. We were the first to stress the need to make a concerted effort towards transforming Greece's relationship with the European Community from associate to full membership. We hereby repeat our hope that the negotiations on Greece's accession will be completed as soon as possible.

We had the opportunity during earlier debates of stating exactly where we stand on this matter. Our position is well known, and we merely want to take advantage of this debate to highlight one or two points.

Firstly, we agree with the *rapporteur* that 'association' and 'accession' must not be confused. These two concepts must proceed side by side. It must not be forgotten that implementation of measures laid down in the Association Agreement will considerably smooth the path towards accession. Consequently, in negotiating the terms of Greece's membership, the Community must be determined to make up for lost time. We believe that we are on the right road. The two sides have agreed on the terms of a Second Financial Protocol, and this means that a significant step forward can be made.

There is still the problem of countervailing charges on various Greek products, in particular the problem of harmonizing agricultural policies. This is the sector which concerns us most, since it could have repercussions at two levels. The first level is Greece's accession with all its attendant problems, particularly for the Mediterranean regions of the Community. But the second and more important level is that of the future enlargement of the Community. Portugal is already knocking at the door, and Spain is not far behind. Our political desire to strengthen democracy in Europe, comes up here against the economic problems posed by the structural differences between these countries and the present Member States.

The EEC is facing a dilemma. We cannot refuse to help the Mediterranean countries in their restoration and strengthening of democracy, but at the same time we must ensure that our actions have no adverse effect on the regions of the Community which are less well off. The way out of the dilemma — and we have said this before — is to adopt the concept of complementarity. The solution is not for these countries to adapt their agriculture to suit the conditions of the Commu-

nity — what is necessary is a rethinking of the common agricultural policy. What we need to do is to organize the market on a regional basis, as a first step towards more ambitious solutions. Our policy has to be restructured and realigned, and if it is going to be successful we have some difficult choices to make.

In this context, we should like to remind the House of the alternative approach which the Group of European Progressive Democrats outlined in its charter on Mediterranean policy. It is essential that we reconsider the general aims of the common agricultural policy and renounce any concept of misguided Malthusianism. We also need to set up a regional market organization for the Mediterranean area. In this context, it might be advisable to convene a Mediterranean agricultural conference. An initiative of this type could produce a general picture of the problems that have to be solved, and could possibly result in a balanced solution. We are awaiting the harmonization of agricultural policies as laid down in Article 33 of the Association Agreement, but there has been no progress in this. There is no great cause for alarm, however, since the Commission has stated that it hopes to submit some concrete proposals for the implementation of this harmonization policy during the first half of 1977. We should be deluding ourselves if we thought harmonization could be achieved in this way. Indeed, if it is going to work at all, there has to be harmonization of other sectors — taxes, social security contributions, etc. — and this will only be possibly once we have drawn up a complete list of the differences between Greece and the Community.

As far as enlarging the Community is concerned, we must be careful not to confuse the implications of having three new Member States and the general approach to the problems which will have to be solved. Our Greek colleagues can rest assured that they need fear no obstacles in this respect. In any case, the decision on Greece's accession has been taken and negotiations are well advanced. Every application for membership must be treated individually and examined on its merits. Of course, similar situations may require identical solutions, but as a rule we should not repeat the formulae of earlier negotiations. This applies to Greece after the accession of Denmark, Ireland and the United Kingdom. And the same will apply to Spain and Portugal after Greece's accession.

I turn, finally, to the concern, which we all share, for an end to tension in the Eastern Mediterranean. We should to emphasize the Community's readiness to help in finding a peaceful solution, while nevertheless hoping that the parties involved can solve their differences themselves by peaceful means and on the basis of international law.

President. — I call Lord Bethell to speak on behalf of the European Conservative Group.

Lord Bethell. — Mr President, many of us have been on the committee which has been discussing the proposed accession of Greece to the Community with members of the Greek Parliament. We have had four meetings up to now in Athens, Rome, Crete and Berlin, and we are shortly to have another meeting on the island of Lesbos. I think we have convinced our Greek colleagues that there is an almost unanimous feeling in this House that Greece must join the Community and as soon as possible. There is, though, a certain doubt which I want to try to resolve and a certain clarity that I want to bring to this difficult problem.

The Community has recently been in a state of some complication; it has been considering new possibilities; its economic and agricultural problems have been accentuated in recent months; its energy problems have not been as easy as we would have liked, and there are those among us who have wondered whether this is the time to accelerate the process of taking upon ourselves new responsibilities and new members at a time when we do not quite have the cohesion among ourselves which we would wish. This in no way means that have in any way modified our opinion that Greece must as soon as possible become the tenth member of the European Community.

Our Greek friends are, I think, as a nation almost unanimous in wanting to join the EEC, in contrast to certain other countries and even certain Member States. They are perhaps the most enthusiastic country in Europe for the EEC and this is something which we must welcome and appreciate in very large measure. But, I suggest, the word must go out loud and clear from this House, and in the joint committee which we have with the members of the Greek Parliament, that if the matter is studied with great care and in great detail over the next few years it in no way implies that we are modifying the view expressed by the Council of Ministers, the Commission and this Parliament that we thoroughly welcome Greece's application and we look forward to the day when Greece will take its place among us in this Assembly and in the other Community institutions. This is something which I hope we will thrash out in the slightly more intimate atmosphere of the EEC-Greece Committee when we meet our Greek colleagues in May in Mytilene.

There is only one other point I wish to make, but I think it is an important one, and that is that nearly a year ago the decision was taken in principle by the Council of Ministers that Greece should join and that discussions about terms of membership should begin immediately. For some extraordinary reason this crucial decision taken by the Council provoked scar-

cely a ripple in this House, Mr President. For the life of me I cannot think why those who decide the business of this House did not take more seriously this crucial step in the Community's history. I would like to suggest, particularly in the light of the visit from the Portuguese Prime Minister today, whom we very much welcome to our Chamber, that this House should consider having a general debate on the whole question of new accessions to the Community. The Council have not had the benefit to any great extent of the advice of this Parliament. They are usually not represented in any great measure at debates such as this — with all due respect to the representative I see sitting in front of me. The President-in-Office has not attended debates on enlargement of the Community, debates which are conducted with a full House. We only have a handful of people here. And I suggest that this matter is so important, it is so crucial to the future of the Community that it is absurd that it should be allowed to pass by without this House giving its advice permitting the Council and the Commission to take decisions without the advice of Parliament.

So again I welcome the progress that is being made. We hear reports of the discussions that are taking place with the Greek Government. We have not heard very much from the Commission or the Council about the details of these discussions and I must say would very much like to hear something about them at some future stage. Maybe Mr Haferkamp will have something to say about this if he would like to turn his attention to this matter. We would like to know what stage these discussions have reached and what is being discussed and whether they are going well or badly. We would like to hear this discussed in the House during a suitable debate, but such a debate will have to be at a time when the House can be full and when this crucial matter for the future of the Community can be discussed and given the attention it really deserves.

President. — I call Mr Price.

Mr Price. — If there is one way in which I can agree, Mr President, with Lord Bethell, it is that the significance of the entry of Greece into the EEC has scarcely been understood yet. I suspect that the entry of Greece — and almost inevitably, Portugal and Spain thereafter, the three Mediterranean countries — will, in terms of the shape and character of the EEC, bring a far more profound and important change to the character and the nature of the Community than did the accession of Britain, Ireland and Denmark. I do not say that in criticism. I think that the entry of the three Mediterranean countries will bring a tremendously new creative force into the Community and I speak now as a very new Member of this House, but one who has taken for a very long time a very close

Price

interest in the problems of Greece and of other parts of the Eastern Mediterranean. I hope to play some part in the committee on Greece in the coming months.

I think that if I were to disagree with Lord Bethell it would be about the warnings he gave that accession may take a very long time. For those Greeks who have been fighting for their own freedom and their own democracy, and who have now won a democratic Greece once again, I think the voices in this Parliament and in Europe who are, as it were, half-hearted and equivocal about the possibility of the real accession by Greece are very disappointing indeed. Although clearly we will need a substantial transitional period and I very much agree that that transitional period should not be fixed now but should be allowed to be fixed as time goes by — nevertheless I do think it is important that we in Parliament should not only welcome the accession of Greece, but press the Commission to move forward as fast as possible so that we can get the details settled.

I said I thought it would be a highly significant change in the character of the Community. I think it will. I welcome it because I do believe it will force the EEC, it will force us in the Parliament and in the other institutions, to examine very critically, if necessary to change, many of the institutions — the agricultural policy, the social policy, the regional policy — in some cases to take quite a different attitude towards them than we have taken hitherto. I am not frightened of this. I think all institutions must evolve if they are to stay alive. I think an evolution in this direction would be a good one, but it may be a very painful one at times and I think one has to face that. But I think the very important benefit for Europe and the world that the accession of Greece and the other two Mediterranean countries, Portugal and Spain, will be that it will establish the concept of democracy more firmly within Europe than it has ever been established before, and make the task of those enemies of democracy, who are forever wanting first to erode it, and then obliterate it completely in some of the countries in Europe, more difficult for the future, and that is why I hope we press ahead with it.

However, I don't want to leave this subject before mentioning one further matter, and that is that the problem of the accession of Greece cannot be wholly separated from the other problems of the Eastern Mediterranean, in particular the problems of Cyprus. I see that throughout this report on many occasions the words Eastern Mediterranean are used as a sort of euphemism for Cyprus, in the hope that we might, by using this euphemism, succeed in not upsetting either the Greeks or the Turks. I don't take this attitude at all. I think that this Parliament's formation of a committee to help the Greeks in their entry has very much helped to completely dissociate — just as some

people would have liked to link the two — dissociate the problem of the accession of Greece from the political and military problem of Cyprus, which goes very much wider, although I think there have been links in the past. There have been those people who would have liked to deny Greece entry until President Makarios made very substantial concessions over a Cyprus settlement. I am very glad that those people have been defeated. I think the behaviour of the Commission in refusing to negotiate a new economic agreement and to develop the association agreement with Cyprus — although this is completely illegal — has been quite disgraceful. In a sense this is linked to pressure from NATO and other political pressure not to do so until Makarios has made some further concessions in Cyprus. I am very pleased that at last Cyprus has gone on the economic agenda of the Council of Ministers, so we may get that problem also out of the way and be able to look upon Greek entry quite cleanly, as something unconnected with the other problems of the Eastern Mediterranean. Now clearly it is connected, but certainly we as a Community should not at any point be seen as, or even be suspected of, attempting to link the two and therefore getting involved in the power politics of a Cyprus settlement. A settlement will be very difficult, but happily, I suspect we are a little bit nearer to it, though not very much, than we were six months to a year ago.

President. — I am very pleased that it falls to me to thank you for your maiden speech in this Parliament, Mr Price.

I call Mr Dalyell.

Mr Dalyell. — Mr President, I too am pleased to follow Christopher Price. It is 19 years since we first met at a Labour Party Conference, and we have been friends since. And as a former member of the Greek Committee may I say that in Christopher Price, Greece has a friend of really Byronic proportions — a man who has gone out on a limb and challenged his own government on what he believes to be partly concerned with the interests of Greece; if he takes my place in the committee, I am happy that Greece has a true and trusted friend in the previous speaker.

Mr President, I was one of those who was sceptical and perhaps half-hearted about the entry of Greece. If I now say quite frankly that I welcome the entry of Greece, the thing above all that has convinced me is the undoubted enthusiasm of the Greeks, stressed time and again not only at this committee of the European Parliament, but clearly in their negotiations, and indeed from many enquiries among Greek people about what they actually think. And for a people so keen to join, this in itself is a reason for doing so.

I think that part of my doubts arose precisely out of a feeling that we ourselves in this Parliament and in our national parliaments did not understand the sheer

Dalyell

profundity and nature of the changes that would take place in the Community with the entry of Greece, and I too go along with those who think that it is a crying shame that of all the important subjects that we have to discuss, this should be left to the end of the day. For heavens sake, where are our priorities? We are discussing this in a fairly empty Chamber and prime time was allocated to an ephemeral butter surplus. Because frankly this is a thousand times more important than any problems that we may have with butter. And if that importance is understood, that would help the cause of Greek entry which above all, I for one have always wanted, and do want to be a success. Let us not have a fudged entry.

I have simply two questions. Friends of Greece on this committee know very well — and this was the subject of a rather rankerous and acrimonious exchange in Berlin — that I have been worried about importing the Greek/Turkish conflict into the Community. My only regret perhaps in leaving the committee is that it was on a rather sour note in Berlin, and I can only say that I would hope that perhaps in all seriousness the Greeks themselves would come forward and make it abundantly clear that they really will go out of their way not to import these very real problems into a Community that has problems enough already. I ask this question of colleagues as one who will not be going and as one who thinks it is important that there should be a meeting somewhere in Greece. Are we quite sure that the island of Lesbos, placed as it is very near what the Turks consider to be their territorial waters, is really an ideal place for a meeting? Now I understand, to be fair, the Greek point of view, because in the same breath I don't think it was very brilliant of us to choose Berlin as exactly the right place for the last meeting. And there is some justice — although I was angry at the time — in what Mr Mylonas and Mr Pasmazoglou said about meeting in the Reichstag. But I think that we ought to be careful on these particular matters, not to make a delicate situation any more difficult. And so I end by saying that I am converted not least by the enthusiasm of the Greek people to their entry, and as a non-member of the committee would hope to continue to work to make this a success in any way possible.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission. — (D) Mr President, in view of the late hour, I shall be very brief. I should like to say, however, that I regret having to do this. As other speakers have already said, this topic merited a much longer discussion: I am convinced that this will not be the last time that we shall be concerned with the question of enlargement in general and cooperation with Greece in particular, as well as with whatever comes of the Greek application for membership. I should like to add my thanks to those already expressed to the rapporteur and his predecessor, Mr Corterier.

The motion for a resolution consists of three sections; I should like to make a number of comments on two

of them: those dealing with the Association and the political problems in paragraphs 14 and 15. My colleague Lorenzo Natali, the Vice-President of the Commission responsible for these questions, will say something after me on the section relating to accession. As far as the Association with Greece is concerned, everything we do in this respect must be with one eye on Greece's application for membership, so that this association can be broadened and developed quickly.

Mr Lücker mentioned the Financial Protocol which was signed on 28 February. We have already expressed our regrets here in this House in general terms and on a number of occasions about certain delays which have taken place. I should like at this point to make an appeal to the Members of this House. This Protocol must be ratified before it can finally come into force and ratification rests with the national parliaments. We are aware that attention must be paid to time limits and procedures which are often embodied in national constitutions. We are aware that delays may result. However, I trust that in view of the commitment you have expressed on the Greek question, you will do everything as quickly as possible in your national parliaments, with particular attention being given to the rapid ratification of the Financial Protocol.

We have introduced procedures to enable us to start examining projects prior to ratification so that we shall be in a position to act as soon as the last ratification has been completed and this Protocol comes into force, rather than only then beginning to have thoughts on the subject. I think it is important for us to show here that we have passed the stage of resolutions and friendly declarations, and that we are taking action. So much for the problems connected with the Association. I could say a good deal more, but will refrain from doing so. I shall restrict my comments to this one question which seems to me to be of particular importance.

As far as the general political problems in paragraph 14 are concerned, I can only endorse what has already been said by a number of Members here, namely that we welcome developments towards the reduction of tension and the removal of difficulties in the Eastern Mediterranean, and not only welcome them but also want to encourage these developments wherever we can, and that we want to help wherever we can, naturally within the limits of our capabilities and making use of the instruments at our disposal.

Ladies and gentlemen, I should like to associate myself with the call for a general debate to be held — subject to suitable preparation — on questions connected with the enlargement of the Community. I think that the next meeting of the Joint Committee should present us with the opportunity to hold a more satisfactory and more extensive debate in this House on the question of the relationship between the Community and Greece; it is to be hoped that such a debate will show further progress to have been made.

President. — I call Mr Natali.

Mr Natali, Vice-President of the Commission. — (1) Mr President, let me also express my congratulations to Mr Corterier, the *rapporteur*, and to Mr Schmidt, who completed the report.

I should like to make one particular comment on this subject. The fact that the Commission has specifically entrusted one of its Members, namely myself, with responsibility for the negotiations on Greece's accession to the Community is undeniable proof of the importance the Commission attaches to this matter.

A number of very interesting comments were made during the debate, and one or two queries were also raised. Greece and the Community are currently striving for an overall view of all aspects of the problem. This is of vital importance, since without such an overall view the Community cannot make any headway with negotiations. The Community delegation made this clear to the Greeks at the second session at deputy level. Greece has so far submitted a series of documents and has outlined its general position on customs union, external affairs, State aid, regional policy, contributions to the budget and agricultural policy.

To date, exchanges of views between the Greek and the Community delegations have been limited to the customs union, external affairs and regional policy.

As far as further negotiations are concerned, we can say nonetheless that the exchange of views is proceeding satisfactorily and that real progress is being made towards gaining an overall picture of the various sectors.

Negotiations proper on specific problems will only be possible when these have been fully identified and placed in this overall context. As the report made clear — and this was reiterated by both Mr Schmidt and Mr Lücker — the basis for negotiation is the acceptance by Greece of the rules of the Treaty, although interim measures may be required to allow both sides to make the necessary adjustments. In reply to the Members who have asked me a specific question on derived law, I should like to say that the study of this matter is going ahead very well. On 5 April 1977 there is to be a ministers' meeting in Luxembourg, and during this meeting both the chairman of the Community delegation and I myself will be reporting on progress in this sector.

In addition, the Commission has also established contact by sending technical delegations to Athens to organize suitable exchanges of ideas and opinions with the Greeks with a view to drawing up a number of *dossiers*. In point of fact, just a month ago we completed the *dossier* on agricultural policy.

After this information on practical matters, I should like now to add my comments to what has already been said on the political significance of Greece's joining the Community. We believe that this accession means, above all, a decision in favour of democracy. It is obvious that everyone in this Parliament — everyone, that is, who believes in democracy — can only approve of this approach.

We have just heard mention during this debate of the problems connected with enlarging the Community in the Mediterranean area, with the probability of further applications for membership. At this point in time and without any proper preparation, I do not feel that we can really consider this question, since it is not only a political question but also an internal one, affecting the institutional, economic and political life of the Community. It is a question which is bound to be subject to detailed discussion in the future, since — as we have heard — it poses the most significant problem which has yet arisen for the future and development of our Community.

President. — The general debate is closed. We shall now consider the motion for a resolution.

I put the preamble and paragraphs 1 to 9 to the vote.

The preamble and paragraphs 1 to 9 are adopted. On paragraph 10, I have Amendment No 1, tabled by Mr Pisoni, Mr Pucci and Mr Ligios, seeking to replace this paragraph by a new text :

10. Invites the parties concerned to speed up the process of harmonizing agricultural policies.

Since the authors of the amendment are not present and no one is prepared to move it, the amendment falls.

I put paragraphs 10 to 15 to the vote.

Paragraphs 10 to 15 are adopted.

I put the motion for a resolution as a whole to the vote.

The resolution is adopted.

I call Mr Spicer, on a point of order.

Mr Spicer. — I wonder if I could raise one small domestic matter with you. A very large number of people during the course of the day have made it quite clear that they find this building overwhelmingly over-heated, and I wonder if you could raise that matter. It seems almost obscene that we should walk into this building, with this degree of heat switched on, when we all know that later this week we shall probably be discussing the energy crisis.

President. — I will make certain that that is communicated to the authorities of the House. You are not the only person, Mr Spicer, who has raised that point. I entirely agree with you.

14. *Agenda for next sitting*

President. — The next sitting will be held tomorrow, Thursday, 10 March 1977, at 10.00 a.m. and 3.00 p.m. with the following agenda :

- Question-Time ;
- Baas report on economic relations between the EEC and Japan ;
- Question, to the Commission on commercial relations between the EEC and India ;
- Sandri report on trade cooperation with the developing countries ;
- Deschamps report on advanced application of certain provisions of the Lomé Convention (without debate) ;
- Lange report on international economic activity ;
- Schwörer report on the fourth medium-term economic policy programme.

I call Mr Broeks on a point of order.

Mr Broeks. — *(NL)* Mr President, I have heard that the Sandri report is to be removed from the agenda and is not to be dealt with until next month's part-session. Do you know anything about this yet ?

President. — I have no such information. The report is on the agenda, and this morning we decided that points not reached today would be adjourned to tomorrow's sitting.

The sitting is closed.

(The sitting was closed at 7.30 p.m.)

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IN THE CHAIR: MR LÜCKER

Vice-President

(The sitting was opened at 10.00 a.m.)

President. — The sitting is open.

1. *Approval of minutes*

President. — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

2. *Agenda*

President. — I call Mr Bertrand on a point of order.

Mr A. Bertrand — *(NL)* Mr President, I have asked to speak on the agenda in order to make the following proposal. Today's agenda is very full and for various reasons we were unable to finish yesterday's agenda. The consequence is that Mr Lange's important report, which was originally meant to come up for discussion this morning, is now the last but one item on the agenda. We shall also have to discuss a number of amendments for which a larger number of Members ought to be present than will probably be the case this afternoon. For all these reasons I should like to ask you to postpone consideration of the Lange report until the April part-session. I think that the rapporteur agrees.

There is also the Sandri report to which 11 amendments have been tabled. Both Mr Sandri and the Commission agree to this report also being dealt with in April.

If we do this, we shall be able to give appropriate attention during the April part-session to these two reports and the many amendments to them. May I ask you to put this proposal to the House, Mr President?

President. — I call Mr Fellermaier.

Mr Fellermaier. — *(D)* Mr President, I fully agree with the proposal made by the chairman of the Christian-Democratic Group, namely to postpone the Sandri report and of course also the very important Lange report on international economic activity. At the same time I request — and this is now an extension of what Mr Bertrand has requested — that these reports be dealt with during the morning in the next part-session. My Group is anxious to see that adequate time is set aside for this important report, which will involve a long debate in this House on the activity of the multinationals, and I should now like to propose formally that the agenda for the April part-session be so arranged that we can discuss these items in the morning and that there is no risk of the debate being restricted by the rest of the agenda.

And now, Mr President, since I am speaking about the Rules of Procedure, I should like to ask on behalf of my Group when the President of Parliament will be in the Chair himself today? My Group wishes to make a statement but it can do so only if the President of Parliament himself is in the Chair.

President. — I call Mr Lange.

Mr Lange. — *(D)* Mr President, there is no objection to the arrangement which has now been proposed, since the Bureau's original intention was in fact to deal with this subject at an appropriate time and not to rush through it during an evening or night sitting. So I agree.

President. — I call Mr Cousté.

Mr Cousté. — *(F)* I should like to support Mr Lange's request because it is good for us to have a chance to deal in depth with the very interesting proposal he has made. I do so in view of the long working relationship which we have and the role which we have played in discussions with our colleagues in Congress, who, I know, are concerned with this problem as we are. It is not a matter of dates, but one of substance and importance.

That is why I support this proposal and hope that we shall then examine the problems in great detail. I am very grateful to Mr Lange for having put it forward.

President. — Are there any objections to the postponement of the Sandri and Lange reports (Docs. 445/76 and 547/76) to the April part-session?

That is agreed.

With regard to your second question, Mr Fellermaier, I would crave your indulgence, but at the moment I have rather a lot on my hands. I was not prepared for this question, otherwise I would have made the necessary inquiries.

You know that all our Italian colleagues are having great difficulties with their schedules. An important vote is being taken in Rome in a sitting of both houses of the Italian Parliament, and for this reason the President of Parliament has also — I believe — returned to Rome.

I shall be glad to have a call put through to President Colombo to ask him whether, in view of the statement which your Group wishes to make, he intends to return today or for tomorrow's sitting. Whether we shall be successful I cannot of course say. We must make the best of a situation with which we all, including you Mr Fellermaier, are familiar.

I call Mr Fellermaier.

Mr Fellermaier. — *(D)* Mr President, thank you for explaining that the President of Parliament has been recalled to Rome on account of parliamentary duties. However, since my Group is very anxious to see that a

Fellermaier

certain question is clarified, I would request you, as acting President of Parliament, to convene a special meeting of the Bureau today.

President. — Mr Fellermaier, I assume that we can contact the Members of the Bureau to see whether it is possible to call such a meeting today.

3. Verification of credentials

President. — At its meeting of 9 March 1977 the Bureau verified the credentials of Mr Ronald Brown, Mr John Corrie, Mr Robert Edwards, Mr Charles Fletcher-Cooke, Mr Christopher Price and Lord Brimelow, whose appointments were announced on 7 March.

Pursuant to Rule 3 (1) of the Rules of Procedure, the Bureau has made sure that these appointments comply with the provisions of the Treaties.

It therefore asks the House to ratify these appointments.

Are there any objections?

These appointments are ratified.

4. Question Time

President. — The next item is the continuation of Question Time (Doc. No 1/77). We now turn to the questions to the Commission. The responsible representative of the Commission is asked to answer these and any supplementary questions.

Since the authors are not present, Questions No 17 by Mr Kaspereit and 18 by Mr Nolan will be answered in writing.¹

I call Question No 19 by Mr Herbert, for whom Mr Yeats is deputizing.

Will the Commission consider the introduction of special subsidies for the transport of goods from regions of the Community to offset their remoteness from the market place?

Mr Burke, Member of the Commission. — The Commission has powers under Article 80 to approve support tariffs where these are justified by the requirements of an appropriate regional economic policy. But it believes that it is not generally desirable systematically to subsidize the transport of goods produced relatively far from their markets. However, there is on the part of the Commission a full appreciation of the economic isolation which peripheral areas suffer. To meet this situation the Commission has given aid to transport infrastructure notably through the European Regional Development Fund. In addition, the European Investment Bank, which is of course an independent institution, makes loans available for transport development.

Mr Yeats. — I should like to ask the Commissioner whether he does not appreciate that these aids to transport infrastructure are in fact not limited in any way to peripheral areas and are therefore of no particular benefit to them as such? And that areas such as southern Italy or the north of Scotland or, indeed, my own island of Ireland are very badly affected? For example, exports from Ireland to the continent have a 24-hour sea journey to undergo, which makes it very very difficult to compete with mainland areas. And that under these circumstances therefore, it behoves the Commission in the interests of fair competition all round to extend particular aids to peripheral areas rather than the all embracing ones which cover every one?

Mr Burke. — In reply to the honourable Member, I would remind the House that aid is geared to underdeveloped areas which have particular difficulties. Indeed for the most part underdeveloped areas, as for example the Massif Central and Brittany in France, the Mezzogiorno in Italy, Greenland and Ireland, are peripheral areas. Now the orientation of the Commission's general approach to this question is based on the economic circumstances of people residing in peripheral regions rather than on the concept of distance *per se*. Article 80 is a useful but not the only and not necessarily the most appropriate means of aiding regions in a transport sense. The Commission continues to examine various possibilities in this connection.

As Parliament will be aware, Mr President, the Commission has made proposals for the financial support of projects of Community interest in transport infrastructure. The arrangements proposed would complement existing provisions for transport infrastructure aid from the Regional Fund and the European Investment Bank. The degree to which the Regional Fund has contributed is not inconsiderable. As the Member is aware, substantial amounts have been contributed to a number of projects in Ireland. Equally, the European Investment Bank has granted significant loans to develop projects of particular Irish interest, for example the CIE loan of £4.4 million in 1974 and British Rail loan of £5.5 million in 1976 for the development of the Holyhead-Dun Laoghaire sea link.

The Commission's concern is fundamentally to help the regions in the most effective way possible. The choice of means depends upon the particular circumstances of regions throughout the Community. The Commission will continue its efforts to meet the special requirements of particular areas.

Mr Prescott. — While we welcome the statement by the Commissioner in regard particularly to the loan to the British Rail-Dun Laoghaire service — which was a loan — can I bring to the Commissioner's attention a

¹ See Annex

Prescott

particular service between Ireland and Britain, namely the Fishguard-Waterford service, which reflects a further problem in transportation between two difficult high unemployment areas, in this case Wales and Ireland? Will he particularly look at this service from the point of view of subsidizing a service to maintain it, rather than giving loans to maintain an infrastructure which are not readily available for sea highways? And will he write to me about it?

Mr Bruke. — I undertake to examine this question and communicate with the honourable Member in regard to it.

Mr Corrie. — Is the Commission aware of the very high cost of transporting goods both to and from the island communities, both in my country of Scotland and the north European Community countries, because of the necessity of using small ferry services? If help is not given soon to these island communities they will fade away and die. Will the Commission look at the possibility of special help for these small ferry services by subsidizing the transportation of goods?

Mr Burke. — This matter, I understand, is the subject of an investigation by the Highlands and Islands Development Board, but the Commission is not at present in receipt of any particular request from the British Government in respect of it. However, we will keep it under continuous review.

Mrs Kellett-Bowman. — May I draw the Commission's attention to the problems of Heysham Harbour near Morecambe, near my constituency; which has lost the ferry service to Ireland? Would he consider, if asked, a possible loan for the extension of the dock facilities there so that there may be diversification to replace the disastrous loss of jobs that has taken place over the last few years?

Mr Burke. — I would point out to the House that the matters raised in the supplementary question are matters for the Regional Fund and the European Investment Bank and particularly for the European Investment Bank as an independent body. However, I shall take note of what the honourable Member has said and will examine any matters that come before the Commission and my own section of the Commission in particular.

President. — I call Question No 20 by Mr Shaw:

Why does the 'Statistical Programme of the European Communities 1977-1979' not contain any reference to the publication of a users' guide to Community statistics, listing publications and contact points for specific enquiries?

Mr Ortoli, Vice-President of the Commission. — (F) The Commission has taken a number of steps to

provide easier user access to the Community statistics. The statistical programme of the European Communities contains a full list of the publications planned for the next few years, according to subject, together with a list of the Commission's statistical work. As part of the effort to improve information on its work, the Commission recently launched a new monthly publication, 'Eurostat Information' which, among other things, describes the publications as they appear. The plan is to devote a special issue of this publication to a description of the subjects dealt with by each administrative unit within the Office, so as to make direct contacts between users and the producers of statistical material easier. We are currently examining whether it would be worthwhile publishing a guide to Community statistics, on the lines of the one issued by the British statistical office. At first sight, however, this would not appear to be justified by the scale of published Community statistics.

Mr Shaw. — Does the Commissioner not realize that there is little purpose in trying to improve statistics if nothing is done to try and improve their availability? I think that message is now clear. Does he realize that there have been real difficulties when newspapers have carried reports on statistics issued in Brussels, for example on unemployment or public opinion poll results or something of that sort, and the national offices of the Commission have no knowledge of the source of these statistics?

Mr Ortoli. — (F) I am somewhat surprised that the statistical offices have no knowledge of the source of these statistics, since basically it is the figure they give us which we use. I would remind you that the directors-general of the statistical offices meet twice a year to study the very problems involved in correlating and coordinating statistics within the Community.

Having said that, I nevertheless take note of your question. It is important not only that our statistics should be uniform, but also that they should cause as few difficulties as possible to those who have to supply information. This is indeed one of the problems involved, and one of the objectives we must set ourselves as soon as possible. As for the actual information itself, this latest publication should improve matters.

President. — I call Sir Geoffrey de Freitas on a point of order.

Sir Geoffrey de Freitas. — Mr President, to save time I wonder if you would allow the Commissioner to answer Questions 21 and 22 together, Mr Patijn and I are willing to have that arrangement and Commissioner Cheysson is willing to deal with the questions in that way too.

President. — That is just what I was going to suggest, and it is kind of you to make the offer yourself.

I therefore call Question No 21 by Sir Geoffrey de Freitas :

What financial or other assistance, direct or indirect, was given to the recent Conference held in Kampala under the Lomé Convention ?

and Question No 22 by Mr Patijn :

What steps is the Commission considering taking as regards Idi Amin's Uganda under the Lomé Convention, following the atrocities recently committed there ?

Mr Cheysson, Member of the Commission. — (*F*) The press reports on Uganda cause indignation and disgust in civilized people all over the world. The Commission associates entirely with the strong words spoken by the President of the Council of Ministers yesterday in reply to the honourable Member, and it feels that we must pay particular attention to violations of human rights wherever they occur. We need only think of the fate of the 12 million Ugandans who are suffering at present !

In reply first of all to Sir Geoffrey de Freitas, I can state that no assistance, direct or indirect, was given to the meeting of the Council of ACP Ministers in Kampala a few days ago.

In reply to Mr Patijn, I would point out that the Convention does not provide for any measures which we could take at the present time against Uganda. We are linked with that country, as with the other ACP countries, by an international agreement which has been duly ratified by all the contracting parties, and the Community is proud of the fact that it respects its obligations.

It will thus keep on its mission in Kampala in the belief that a policy of isolation would be wrong. On the other hand, it is very difficult, if not impossible, for it to do anything practical for the moment — for reasons which will be apparent.

Progress in utilizing the European Development Fund in Uganda is thus at present at a standstill. Up till now, we have been able to do only two studies and spend only 15 000 u.a. of the 73 million u.a. planned — i.e. 0.2 % of the funds available — and there does not appear to be any likelihood of our being able to do more, for reasons outside our control.

Sir Geoffrey de Freitas. — Since there is nothing in the Lomé Convention about human rights, can the Commissioner assure us that when the convention comes to be renegotiated the Commission will try to include in it observance of human rights ?

Mr Cheysson. — (*F*) As regards the procedure, I would point out that when the Commission negotiates, it does so on behalf of the Community, i.e. under a mandate given to it by the Council of Ministers after

consultation of Parliament. I understand from the honourable Member's remarks that Parliament's idea would be to include in our negotiating mandate certain elements which it has not had up till now. Speaking personally, Mr President, I would greatly welcome this development. It seems to me — and this applies particularly to relations such as those under the Lomé Convention — that the time has come for us to negotiate as equal partners, on both sides of the table, and that it should be normal practice to discuss not only the requirements and concerns of our partner, but our own as well. And it so happens that concern for freedom is one of the principal features of the Community. Would it be strange if we were to make a point of this and, as in other treaties, have it reflected in the preamble ?

Mr Patijn. — (*NL*) Is it not possible to suspend the already very tenuous relations between the Community and Uganda — to put them on ice, as happened with relations with the Colonel's régime in the years before the re-establishment of democracy in Greece ?

Mr Cheysson. — (*F*) Our cooperation agreements with Third World countries differ both in wording and in spirit from our Association Agreements with the European countries. In the case of the latter, the preamble contains a reference to the basic principles of the Community, i.e. to human rights. This is not so with the cooperation agreements.

Mr Spicer. — Would the Commissioner accept that everyone in this House would very much welcome the view that he has expressed about future arrangements when we come to renewing the convention. Could I ask him the same question but in a slightly different sense ? Would the Commission make quite certain that at no stage do we allow new states to participate within the Lomé Convention whilst they are carrying out repression within their own countries. Otherwise we may find that the problems we face now with Uganda within the Lomé Convention could be extended to other countries, for example Angola.

Mr Cheysson. — (*F*) The accession of new members to the Lomé Convention is governed by the provisions of the Convention and involves the unanimous agreement of all the existing partners. It is therefore up to one or other of these partners — or to all of them — to ensure that what they feel to be the essential conditions are met.

Mr Johnston. — Mr President, I wonder whether the Commission could make it clear to the ACP countries in general that public opinion in the Community will tend to turn against more generous trading arrangements and increases in aid if the great majority of African countries continue to appear to condone Amin's atrocities simply by making no reference to them.

Mr Cheysson. — (F) Naturally, in the performance of my duties as a Member of the Commission, I make myself as clear as possible in all my discussions with the African countries. I would point out that certain of these countries are very much aware of this. After all, it was a major African statesman who was the first to condemn the outrages in Uganda.

Mr Deschamps. — (F) I very much welcome Mr Cheysson's reply on the subject of negotiations on future Lomé agreements. However, does he not feel that the present Lomé Convention already provides us with the means — without infringing the spirit or letter of the agreement — of ensuring that the joint bodies of the Convention can take up the problem of human rights. These are no longer regarded as an internal problem under the Lomé Convention, just as they cannot be considered as such in, for instance, our talks with other countries on the implementation of the Helsinki Agreement. I think the joint bodies of the present Lomé Convention provide us with a means of discussing these problems with our partners. Does Mr Cheysson not share this opinion?

Mr Cheysson. — (F) In view of the Chairmanship currently held by the honourable Member, he is better informed than anyone else about the opportunities for discussion of these problems in the joint bodies, in particular in the Joint Committee, which has always been noted for the freedom of its deliberations, and hence for the interest of its debates.

President. — I call Question No 23 by Mr Scott-Hopkins :

Why has the Commission on 14 February raised the general level of restitution for butter exports by 10 % to 159.75 u.a. per 100 kilos?

and Question No 24 by Mr Bettiza :

Can the Commission explain why, after having issued export certificates for the sale of 40 000 tonnes of butter to the USSR at prices lower than Common Markets prices, a transaction which is subject to EAGGF refunds, it decided to suspend for three days the possibility for other exporters to benefit from the current export refund?

Does the Commission not feel that, rather than subsidize Soviet consumers, it would be preferable to use the Community's trading potential to enforce the Helsinki Agreement on human rights, which is being violated in the USSR?

Mr Gundelach, Vice-President of the Commission. — Naturally, I do not intend — and doubtless am not expected — to go over all the ground that was covered yesterday, but I think if I may say so, it is only fair to revert to the crux of the matter underlying the question put to me by Mr Scott-Hopkins and on which total clarity — to put it diplomatically — was not established between us yesterday.

Mr President I think what is at issue is what happened on 5 February, when some changes took place in the

system of export restitutions¹ on sales of butter to the world at large and to Russia as well, and the consequences of these changes in general and in particular in regard to what somewhat later transpired in regard to Russia.

Mr President, I may have failed by not being clear enough in conveying yesterday what did happen on 5 February of this year. I tried to say — and I will try to explain this again — that the level of restitution which the Community, in accordance with its established regulations and procedures, is actually paying for the sales of butter to any part of the world was not — expressed in terms of money — changed that day. It is true that the so-called general export refund had been at a lower level — 145 u.a. — since some time last spring. And that was changed to 159.75 u.a. What I contended yesterday was that that change was a nominal change, because practically no sales — with the exception of some to diplomatic stations around the world — had been undertaken with that restitution of 145 u.a. for seven to eight months; it was too low. The restitution which was being paid was between 159 and 162 u.a. in the context of a tender system, approved by the Management Committee etc. But that meant that the figure was not publicized. It was felt that if our 'competitors' knew that figure they would always put their prices slightly below ours, and we would not make any sales. Therefore, the figure was not publicized, but it was being used.

Naturally, however, over a period of time, since the trading world in dairy products is not all that big — there is the New Zealand Dairy Board and the Australian Dairy Board but there are not all that many people involved — they very soon found out that our actual restitution was between 159 and 162 u.a. So there was good reason to make public the figure which was actually applied, especially since a number of the sales were no longer really tender sales but were rigged-up tender sales and, in my view, the situation was becoming inconvenient. It was better to have a public and transparent system. That is why I asked for the agreement of the Management Committee, and got it to publicize the refund figure and make it the one we had actually been using. Thus we arrived at the figure of 159.75 u.a. That is the reason why I said it was a change in method, but not a change in the actual level of payment on exports of butter to all parts of the world.

Now for the consequences. Did we know that this might lead to some sales to Russia? We knew they might be in the market, and that that was a possibility, but not to the extent which occurred later that month. Was this new system introduced in order to facilitate sales, to make them quicker and bigger? No, it was done in order to allow us to maintain for the year as a whole our level of exports, which, for reasons

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we discussed yesterday, is necessary. And as I said yesterday, our level of butter exports for 1977 will only be possibly slightly above the level for 1976, which was 80 000 tonnes. Therefore my answer to the question whether this was motivated by a desire to get a bigger share of the market, including Russia, is: No it was motivated by a desire to keep our share of the market, and that would have to be done in this part of the year.

I now return to a question which was not answered in the debate yesterday, when I said that we had, so to speak, a free ride for a short while because New Zealand for a short while was not in the market. But if we had not had these restitutions at this level, then sales would have been deferred till they were back in the market again, so that does not change the picture. So the answer is that no real change in the level of price was motivated by a desire for some new contracts but for maintaining our standard in the market, knowing that it might lead to certain Soviet sales but definitely not of the order of magnitude which later transpired. Therefore we intervened.

Mr Scott-Hopkins. — Would the Commissioner not agree that there was nobody else selling in the market? He said it himself at the time. There was a very small reserve within the Community. Would he not agree that what has happened in point of fact proved that they went a little too high? I accept the other desire for transparency and all the arguments — I am sure he is right about that. Nevertheless, there was a change of method and the result was that the refund went too high. He said it himself. What is he going to do now to make certain that in the future — because there is going to be a problem over this — the House or the committees of this House are able to be consulted and that this kind of ludicrous situation, with enormous adverse publicity both for himself, and for his Right Honourable Friend the President, and indeed for Parliament and the whole of the Community, does not occur again? Because if it stays like this, it will occur again. And it must not. So what is he going to do about it?

Mr Gundelach. — I am gratified that we have made one significant step forward. We have clarified what happened on 5 February. It did contain certain possibilities of sales, and, as I said, they went beyond what we had expected. So what do you do when things go beyond what you expect? What I did was to get the approval of the President and the Commission and the Member States to introduce a change in our rules so that prefixation of refunds, which is the method used when there are sales of any magnitude, should not be, as in the past, automatic. They have to be submitted to the Commission, who inspect them before they say aye or nay. Together with that statement, I made it clear that this method was going, to

be used in such a way that there would be no further prefixation for the time being towards Eastern Europe — meaning Eastern Europe proper: in order to avoid misunderstanding later on, I wish to make it clear that I do not include Yugoslavia in that category.

Mr Howell. — Mr President, I am grateful to the Commissioner for briefly referring to my question, which was not answered by the President of the Commission yesterday. But I do think that he should explain it in a little more detail, since he said that we were the only sellers of butter on the world market and yet we were lowering the price. I do think it deserves a little fuller explanation than we have so far had.

Mr Gundelach. — I made the remark yesterday that for a short period of time there was no butter available on the international market from New Zealand — but only for a short period of time. And you will have seen that our sales have not yet taken place to Soviet Russia — we have had considerable sales of the order of 20 000 — 25 000 tons to other destinations. But this was a very short period of time and New Zealand are coming back again. Had we not been paying that level of price, which is the one we had for the remaining months of 1976, buyers would have deferred their purchases until they knew that butter would be coming on the market again. This short interlude may therefore have pushed certain sales our way, but not necessarily just the Soviet sales — a number of others as well. But had we not fixed the level of restitution where we had it in the autumn and where it corresponded — to 'world market prices' — that means prices quoted also by New Zealand — people would just have deferred their purchases for another few weeks, because it is a storable commodity, and we should have had no sales whatsoever.

I spoke yesterday about a balance. I went too far in one direction. That does not mean that we didn't want to sell anything at all, because we had to. The surpluses are — and that is another answer to you — increasing and therefore we have to sell some butter, and we shouldn't have been able to sell any butter had we not fixed the refunds at the level where we fixed them.

Mr Cousté. — (F) Mr President, what is the significance of the amount of the refunds for the future, from the minute this amount was published? This is a crucial point.

Secondly, since Mr Gundelach has stated, 'We thought that, by fixing the refund in the 159 to 162 bracket, we would sell 80 000 tonnes in 1977, as we did in 1976' I should like to ask a basic question — is it enough to sell 80 000 tonnes? I believe we have to sell more.

What is the Commission's policy going to be?

President. — To shorten the discussion, Mr Gundelach, I suggest that you give a joint reply to the following supplementary questions.

Mr Hughes. — Could the Commissioner indicate whether supporting the COPA demand for yet greater milk price increases in April will contribute markedly to the reduction of the butter surplus? Secondly, would he believe for one moment that consulting this House in public, when arranging commercial methods of disposing of butter on the world market, would greatly contribute to the commercial success of such activities?

Mr Jahn. — (D) Mr President, since we have all had the impression since yesterday that we shall always be faced with a butter surplus, could we not be flexible — particularly since we have all experienced the public concern — and put this butter on our own market as a special offer, at certain intervals and only for a limited period, so that our housewives can buy it at cheap prices? ...

Mrs Dunwoody. — Hear, hear!

Mr Jahn. — (D) ... I think this would solve many of our problems, and we could then return to the old situation. I would point out that we have the same situation with many products which appear on the European market at certain intervals and at cut prices.

Mr Corrie. — So that the general public can be informed, Mr President, can the Commission today say if it would be more costly to subsidize butter on to the internal market for the benefit of the European housewife than to dispose of it by subsidized sales to third countries and how much more expensive it would be?

Mr Gundelach. — If I understood Mr Cousté's first question correctly, the answer is that the restitutions at the level which I have indicated have not been lowered and have not been changed. Whether they will be changed in the future depends on the evaluation of the market in the future, a normal operation which we always do. The second point was that since we have a butter mountain — in fact we do not have a butter mountain at the moment but an increasing stock of butter — would it not be as well to sell as much as we possibly could? From that point of view, yes. But, as revealed in the debate yesterday and on other occasions, there is a balance to be struck, because there is only so much money available for various transactions, for example subsidizing the sales of butter and other agricultural commodities on external and internal markets and there is a strong political preference for the internal market. This preference was expressed again in this House yesterday and in the stock-taking report on agricultural policy

issued a year and a half ago and adopted by the Council and Parliament. Since I have only so much money, there can come a point in time where I have to halt exports for a certain period and that is what I have been doing and nothing but.

Mr Hughes was asking whether the higher milk prices demanded by COPA would not make it more difficult to solve the problem of balances on the market, in other words to prevent increases in stocks; my answer is obviously, yes it would. It would make it quite impossible. That is why we suggested more moderate prices, together with measures of a social and structural nature. This policy definitely would start helping to bring this over-production problem under control.

Mr Jahn asked whether, since we have over-production, could we not dispose of much more of this on the internal market, for instance by special sales. I have already answered this fundamental question. We should be able to dispose of more of this on the internal market and Members may know that one of the elements of the milk-package presented by the Commission earlier last year, and repeated in a strengthened form by the Commission this year, foresaw that part of the revenue of the so-called levy on milk should be used for special sales, either to special categories of institutions or people or to the whole of the population to bring down the stocks. The answer in principle is yes, provided the institutions of the Community will make the money available and that brings me to Mr Corrie's question, because it does cost money, on that we are agreed. Does it cost more to subsidize on the internal market than on the external? The answer is yes, it does, because on the external side it is a net addition, but on the internal side it is a question of whether the cheaper butter will replace certain traditional sales of butter. How much more it costs I cannot tell you. Various calculations have been made which indicate it is 3½ times more expensive. I would not give too much credence to that figure because it is based on a certain concept of price elasticities, and we know there is a change in consumer trends and therefore these price elasticities really are not all that scientific. I will only say that it is somewhat more expensive but I would not go as far as the figure of 3½ times more expensive that has been quoted.

President. — Since the author is absent, Question No 25 by Mr Hamilton will be answered in writing.¹

I call Question No 26 by Mr Howell:

In view of the impossibility of achieving the aim of common agricultural prices by January 1978, will the Commission state by what date it now aims to achieve common agricultural prices throughout the Community, or whether no such date is at the present time foreseen?

¹ See Annex.

Mr Gundelach, Vice-President of the Commission. — The question from Mr Howell refers to the matter of monetary compensatory amounts and their effects on bringing about a common price structure in the Community. He is right in assuming in his question that the unity of prices which was foreseen at the end of the transitional period by the end of this year, and which will be brought about as far as price movements to the common agricultural price level are concerned, will not be enough, because the difference is due to the differences caused by monetary compensatory amounts. I cannot give him an answer to his specific question as to the date by when the Commission foresees that common prices — meaning that the monetary compensatory system has been brought back to what it was intended to be, a short-term buffer arrangement — will have been created. We made proposals of a general nature in the old Commission on which the Council has not yet expressed its opinion; we made certain more limited but practical suggestions in the context of the price package for 1977-1978 in order at least to make a start. That does not replace our general proposal nor our general policy that as soon as practicable we should revert to a system where monetary compensatory amounts are, not a huge system of an automatic nature, but a short-term buffer arrangement. That is our policy and we shall pursue that policy with as much vigour as we can in order to bring about coherence in the market, unity of prices, but also to avoid very heavy cost for the budget and very severe and increasing distortions of trade. When that day will be is in the hands of the Council.

Mr Howell. — Mr President, I am very grateful to the Commissioner for that very full reply. But we must all realize that the green currency system started something like nine years ago and it was a temporary measure at that time. Now it is in danger of becoming institutionalized. Can I have an assurance from him that he agrees with me that it is necessary to have a definite target date by which we are aiming to eradicate this green currency system altogether? It is a false system; we are using false currency; and it is doing very grave damage to agriculture, particularly in Britain and Ireland. So long as this system lasts there can be no common agricultural prices, and therefore no real common agricultural policy. And it is in the interests not only of producers but in the interests of consumers as well that we get a more sensible policy as soon as possible.

President. — With your permission, Mr Gundelach, we shall again combine the questions.

Mr Jakobsen. — (DK) Can Mr Gundelach say to what extent the present price proposals will cover the rise in farmers' overheads in the individual countries? From what has been said before and just now, this would appear to be a general problem. Any increase in prices has an effect on the situation, presumably

aggravating it. This is a problem we cannot ignore. There is an increasing tendency for the effects to vary greatly from country to country, and particularly in a situation such as the one facing us now, as Mr Howell and others have pointed out, it would appear that we perhaps have no choice but to reorganize everything. This is why I should like some information from Mr Gundelach on what the situation is in this respect in the individual countries.

Mr Hughes. — Would the Commissioner agree that it is necessary to have a monetary compensation system in order that distortions are corrected on a short-term basis, that accessionary compensation amounts have presented an enormous problem for the consumer in Britain these current twelve months, that adding further to that burden will only increase his problems with surpluses and could not this be broken down sector by sector rather than having to move on the whole front of all agricultural products?

Lord Bruce of Donington. — Will the Commissioner please confirm that monetary compensatory amounts were originally introduced in order that the food-exporting countries with appreciated currencies could compete successfully in the markets of food-importing countries with depreciated currencies? Will he also confirm that since 17 May 1976 monetary compensatory amounts payable in respect of imports into Great Britain and Italy have been paid direct to the states with appreciated currencies, and in the main to Germany?

Mr Gundelach. — Mr President, I will once more try to prevent this becoming a general agricultural discussion, which we are going to have 10 days from now anyway.

Basically, I said there was a need for a short-term system to absorb shocks. A big automatic permanent system is, as I said in my written statement — and here I have no quarrel with the broad premises put forward by Mr Howell — too costly, it distorts trade and is generally a bad thing economically. It means that, when you are devaluing or revaluing your currency, you are taking one sector of the economy — agriculture — out and saying that is not being touched. This is actually interfering with the normal economics of the process of devaluing and revaluing which, I am afraid, has had a significant influence on the excessive floating of European currencies over the last few years. Therefore, I don't think, for general economic reasons alone, apart from the adverse effects on agricultural policy, that it is a system we can go on living with, budget-wise or competition-wise. I therefore agree with the sentiments of Mr Howell. I cannot fix a date. I would like to be able to, and I agree with his concept that there ought to be one.

What I have just said also answers the question as to whether the shock effects of sharp devaluations or revaluations should be absorbed.

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To Lord Bruce I would say, neither you nor I was here when this system was introduced. Therefore, the motivations for its introduction may be slightly nebulous to both of us. From my reading and study, I must say I do not believe that it was introduced basically to avoid disturbance of competition. It was introduced in certain devaluing countries to prevent price increases to consumers. That is laudable, but it is an attempt to escape the consequences of devaluation, and governments should take that into account when they decide to devalue or follow a policy which leads to devaluation. It was also introduced in revaluing countries who did not want to see a fall in prices expressed in national currencies. That may have an element of competition in it — I am not denying that — but I do not think it was the main element. It goes against the grain of normal economics and therefore I do not think it is a good idea.

To Mr Jakobsen I would say that I think the points he raised go somewhat beyond the scope of this question. It is clear that these transactions in the field of monetary compensatory amounts have varying consequences as far as the prices suggested for the coming year are concerned, but you must bear in mind that those who have revalued have had the advantage of a lower degree of inflation as one result of revaluation. Those who have devalued have not, as I have said, accepted the consequences in the agricultural field of their devaluation. That must be taken into account, and when you do so, the discrepancy to which you refer is not quite as big as you might otherwise think, when you see the figures — 3 % devaluation for one currency, 6 or 8 % for another, and so on.

Finally, it is true — and we touched on this yesterday — that the combined effect of diminishing monetary compensatory amounts for butter in the United Kingdom, price increases as a result of the Accession Treaty and ordinary price increases in units of account poses a problem which it is very difficult to handle because the cumulative price increases will go too far. That has to be borne in mind in the price review which we are to complete over the coming week. It has to be counteracted one way or the other. One way of doing this is by a sector approach. I have my doubts here, because the whole thing will become too difficult to manage. Another way, which the Commission has put forward in its proposals, is to increase butter subsidies.

President. — Since its author is not present, Question No 27 by Mr Lemoine will receive a written answer.¹

I call Question No 28 by Mr Nyborg :

Is the Commission keeping a check on the aid granted to development projects in the hydrocarbons sector and, if so, has that aid been used in accordance with the terms under which it was granted ?

Mr Tugendhat, Member of the Commission. — Yes, the Commission does carry out checks on these projects, both on the basis of written information and on-the-spot checks. These have shown that the aid granted has been used correctly in accordance with the conditions laid down. In some cases it has been possible already to consider commercial exploitation, which in due course could lead to the reimbursement of the aid provided. A full report on the support for Community projects in the hydrocarbon sector was submitted by the Commission to the Parliament and to the Council last December.

Mr Normanton. — I am quite certain the House has found the reply to that question of considerable interest, but would the Commissioner care to comment as to whether the basic principles upon which aid for exploration in the hydrocarbon sector has been based have been adequate to achieve the results which were intended, bearing in mind that the main objective, as far as this House was concerned, was to stimulate the discovery, and facilitate and encourage the extraction, of additional oil resources ?

Mr Tugendhat. — The honourable Member is, I know, something of an expert on these matters. I must confess that, if one looks at the overall results, they have perhaps been disappointing when set against the objective of reducing the Community's dependence on imported energy. But, as I am sure he would agree, in any activity in this field there is a considerable element of luck, and perhaps if we had been more fortunate there might have been better results. The answer to his question must of course be that the results, in the terms in which he puts them, are disappointing.

President. — I call Question No 29 by Mrs Ewing :

In view of the fact that the West of Scotland was the first area in Scotland to be developed under the Industrial Revolution and that it is the area with the heaviest social deprivation in the United Kingdom, will the Commission establish the proposed Trade Union Institute in the West of Scotland ?

Mr Vredeling, Vice-President of the Commission. — (NL) I cannot help thinking that the reasoning behind Mrs Ewing's question is aimed rather at potential voters in the West of Scotland than at anybody else. I must tell you that I have quite a lot of difficulty with the reasoning behind the question. I would point out to Mrs Ewing that it is not the Commission or any other Community institution which decides where the Trade Union Institute to which her question refers is to be located. That is a matter on which the European Confederation of Trade Unions has the sole right to decide, an organization which, as I am sure Mrs Ewing knows, has its Secretariat in Brussels.

¹ See Annex

Mrs Ewing. — While not accepting any rebuke that the Commissioner may have dished out to me, because I do not represent the West of Scotland myself, would he not agree that if we have to have European institutions it is fair that we should not approach the siting of them on a centralistic basis, and that, as it is harder for those members of the Community who are far away from the centre to relate to the Community at all, my suggestion would be a practical way of encouraging this industrial population to relate to the EEC? While the answer of the Commission is very modest, as if to suggest that the Commission has no influence, may I suggest that we all know perfectly well in this Parliament that the Commission has a great deal of influence and does express opinions on matters of this kind, and may I therefore not urge him to reconsider his answer to me and exert a little influence and make some recommendations along the lines I suggest?

Mr Vredeling. — (NL) Mrs Ewing's supplementary question is much more sensible than her first. In reply to it I can refer to the example of the Institute for the Improvement of Living and Working Conditions, which is based in Dublin, hence somewhat on the periphery of the Community. I would also tell Mrs Ewing that yesterday in West Berlin I handed over the control of the Vocational Training Centre which is located there to the appropriate local body. Berlin is on the other side of the Community, also on the periphery.

But Mrs Ewing asks about the prospects for her native Scotland. It is in itself of course right that she should mention that region. I do not challenge her right not to say her duty, to mention that region. I was only opposed just now to her using the example of the Trade Union Institute, for Mrs Ewing asked whether the Commission could not exert its influence in this matter. No, it is purely a matter for the European Confederation of Trade Unions, which has the sole right to decide. I should not like to take undue advantage of the fact that the granting of a subsidy is being considered and that in fact there is already an appropriation set aside for it in the budget, by saying to the Secretariat of the European Trade Union: you will only get a subsidy if you go to Scotland. Quite apart from the fact that a Sicilian might stand up here and ask: why Scotland, why not Sicily? I would not have a ready answer to that either. In both cases I would merely consider it rather inefficient to locate an institute of this type, which must maintain close contact with the Secretariat of the European Confederation of Trade Unions, so far away on the periphery of the Community. I can accept the arguments behind the question but I feel that, in the case of Community institutes such as the Vocational Training Centre in Berlin, we must examine very carefully whether they are particularly suitable for a decentralized location.

Mrs Dunwoody. — Is the Commissioner aware that perhaps we could help him when considering the siting of any other Community institution concerned with industrialization? He might like to know that the real cradle of the industrial revolution was the North-West of England, and if he is looking for a civilized area my own constituency has all the advantages and he would be tremendously welcome.

Mr Evans. — Would the Commissioner accept that some of us feel that his first answer to Mrs Ewing, that her question had more to do with local electoral opinion than the trade-union movement, was the correct answer? Would he also confirm to me that what we are talking about here is only employing a handful of people and that to site the organization in Brussels, as the ETUC have asked, is in fact absolute common sense?

Mr Vredeling. — (NL) On the whole I admire the way in which the honourable Members from England stand up for the legitimate rights of their constituencies here in Strasbourg. I note this with pleasure every time.

In reply to the very specific question, I feel I can say that I naturally have no intention of suggesting that one Member's constituency is any better than that of another. That would be asking for trouble! For the rest, I fully agree with the tenor of Mr Evans' question.

President. — I call Question No 30 by Lord Bessborough:

Will the Commission report on the results of its examination of information supplied by the British Government concerning the Act establishing the British National Oil Corporation in the light of the provisions of Community law, and what action will be taken to implement Community law referred to in written question No 444/76?¹

Mr Davignon, Member of the Commission. — (F) The written question by Mr van der Hek to which Lord Bessborough refers in his oral question dealt with the principle laid down in 'The Petroleum Submarine Pipelines Act', according to which the holder of a licence must guarantee that the oil extracted from the British zone of the North Sea must be transported to the territory of the United Kingdom, unless dispensation is granted by the responsible minister. In a letter of 7 December 1976, the Commission requested information from the British Government on this specific and very special aspect of legislation, but it has not yet received a reply. The Commission is following this matter closely and will work to ensure that the operations of the British National Corporation are in conformity with the provisions of the Treaty. We are awaiting the information to which I referred in order to take the matter further.

¹ OJ C 305 of 27. 12. 1976, p. 12.

Lord Bessborough. — While regretting that the Commissioner has not yet received any reply from the United Kingdom Government, might I ask him this question and say that I am only concerned with the question of observing the Treaties and not in any way trying to make any kind of political point? Would the Commissioner confirm that the British National Oil Corporation is fulfilling its obligations under Article 90 of the Treaty and would the Commissioner also report to Parliament those undertakings in Member States which are not fulfilling their obligation under Article 90? This goes a little beyond the purely British National Oil Corporation. Also, what measures are being taken by the Commission to enforce this particular article?

Mr Davignon. — (F) The Commission obviously attaches the greatest importance to Article 90 of the Treaty, under the terms of which it must ensure the application of the rules on competition. No action is currently being taken on the basis of this article with regard to the British National Company, and the matter has not been the subject of any complaint. Thus there is no reason to doubt that this company, like others, is complying with this provision of the Treaty to which the Commission attaches great importance, as will be shown by the work currently being prepared, particularly the sixth report on competition to be published by the Commission. That, I think, satisfies Parliament's wish to be informed on the application of Article 90.

President. — I call Question No 31 by Mr Osborn:

Has the Commission examined whether there could be a role for Community Institutions in promoting the sale and leaseback of Concorde and A300 Airbus aircraft?

Mr Davignon, Member of the Commission. — (F) This question raises the delicate problem of intervention and action by the Commission and the Community with regard to programmes which are not initially Community programmes. You are aware of the importance which the Commission attaches to drawing up a Community aerospace policy which applies in particular to a certain number of civil aircraft. We have every reason to believe that the Council will soon approve a new resolution by which the Member States undertake to consult each other on how to promote the introduction and development of certain specific aircraft as part of a campaign to boost industrial policy in the field of civil aviation, which is, I feel, the root of the problem. More particularly with regard to the question asked, we hope that the landing of Concorde in New York will open up further commercial possibilities. As for the Airbus, we hope that the resolution to be adopted by the Council will enable us to restart the technical discussions and, with the increased participation of British industry, to lay the foundations for a commercial development which will be in line with the honourable Member's aim, which is also that of the Commission.

Mr Osborn. — There are many industries, particularly special steel manufacturers in Sheffield, near my constituency, that do depend on a thriving aerospace industry, and bearing in mind that Concorde has been developed for the specific New York route, the delay of landing rights has made this as a viable enterprise go through a very difficult period. Is it not essential that European airlines, if not international airlines, should gain experience operating supersonic civil passenger services — on routes which a longer range super Concorde or Jumbo Concorde will one day serve profitably with the Concorde that is now available? Will the Commission therefore explore on a Community basis an incentive to cover the operation of a plane that is now available and being built and provides employment for many to give a better return on development funds that have already been spent and note the very unsatisfactory and negative reply by the British Government on 18 February to this question, pointing out that this is primarily a matter for the manufacturers of the aircraft concerned? They are State industries dependent on their respective governments.

Mr Cousté. — (F) My question, Mr President, expresses a concern. In his reply Mr Davignon indeed pointed out that the A300 Airbus would be included in Community aerospace policy, but I did not hear that the same would apply to Concorde. And that is the cause of our concern: will Concorde, or its successor, be included in a Community aerospace policy? That is the concern which I express on behalf of this House.

Mr Davignon. — (F) If from the outset we develop a policy thinking at the same time of its repercussions on the market and the accessibility of external markets, the chances of a Community programme will be greater. I must remind you that, despite the Commission's efforts, certain basic conditions have not been fulfilled.

I also pointed out in my reply that we are not excluding anything before the completion of the consultations which we will be having with the governments, industrialists and companies, so that our policy on the aerospace industry will be more than mere words. I cannot say at present whether it will be this or that programme which will enable us to pass from the theoretical stage to the practical. I expressed a more specific hope with regard to the Airbus, because the talks are more advanced. I retain this nuance, but in the sense which I have tried to explain.

President. — Since their authors are not present, Question No 32 by Mr Noè and Question No 33 by Mr Dalyell will receive written answers.¹

¹ See Annex.

President

I call Question No 34 by Mr Evans :

Why was skimmed milk powder, produced in Ireland and stored in Newton-le-Willows, England, which was originally intended as food aid, shipped from Liverpool to Cuba in a Russian ship?

Mr Gundelach. — The skimmed-milk powder in question was donated by the Community to the international organization, the so-called World Food Programme, as food aid. It is being distributed in Cuba under the supervision of the World Food Programme on a Three-year project basis. The Community delivers the powder free to port of shipping, and the World Food Programme is responsible for the organization of shipping and also for the cost of shipping. The Community consequently therefore cannot interfere in the World Food Programme's choice of flag of ship. Thank you.

Mr Evans. — Will the Commissioner accept that my constituents were horrified to learn that it had cost them as taxpayers almost £1 million to store the skimmed milk in my constituency since 1975? Does he not also think that we should at least have made it a condition that the milk to be shipped under the aid programme — which I fully support — should at least have been transported in Community ships, which would have given employment to Community seamen? But, what is much more important, is he aware that there is irrefutable evidence that Cuba has a substantial and profitable export market in a milk product called 'La crema' to Jamaica? Did the United Nations organizers of the aid programme inform him of this? Will he investigate it? And, if it is correct, will he ensure that Community food aid goes to those who need it most and not to those who are in fact exporting milk products?

Mr Gundelach. — On that aspect of the problem there is really nothing further to say. As long as we are not paying the costs, we cannot decide on the shipping. The other possible irregularities in the execution of the programme will naturally be examined. The decision in regard to the Community contribution to this particular project on that programme was taken some while back. When the question comes up for renewal naturally we will examine all relevant information which has a bearing on whether or not to continue with this kind of programme, because in principle, I naturally entirely agree with Mr Evans that we should not spend money on food aid programmes where it is not really needed, but should concentrate on the areas where it is needed.

President. — Since its authors are not present, Question No 35 by Mr Gibbons and Question No 36 by Mr Leonardi will receive written answers.¹

I call Question No 37 by Mr Cousté :

Within the context of its environmental protection programme, and in view of the fact that air and sea pollu-

tion know no frontiers, could the Commission indicate what progress has been made on cooperation with, for example, the United Nations, the OECD and the Council of Europe, which are actively concerned with environmental problems; are the anti-pollution norms adopted by these organizations comparable with the measures to fight pollution adopted by the Community?

Mr Natali, Vice-President of the Commission. — (I) With regard to cooperation with international organizations, in particular on air and sea pollution, the Commission is an active participant in the work of organizations such as the UNO, the OECD and the Council of Europe and ensures that experts are regularly sent to take part in this work.

As for the second point in Mr Cousté's question, I must point out that these organizations do not adopt anti-pollution norms in the legal sense of the term, but merely issue recommendations addressed to their Member States. However, in carrying out its own work, the Commission also takes account of the experience and activity of these organizations in the field of environmental protection.

Mr Cousté. — (F) In its basic programme of 22 November 1973, and in its subsequent programme of 24 March 1976, the Commission was most concerned — and this I applaud — to avoid any duplication of work between Community projects and all the work being carried out by other organizations at European or world level. I am fully aware that the organizations outside the Commission and the Community issue recommendations. But what worries me is the duplication of work and the energy, forces and funds which are thereby expended. That is extremely serious when the intention is, as ours is to take real steps to achieve a better environment. My question therefore stands: is duplication of work really being avoided?

Mr Natali. — (I) The spheres of competence are different, and anyway the possibility of duplication of work is excluded because we take account of all the projects being carried out and all the experience gained by these other organizations.

Mrs Kruchow. — (DK) I should like to ask the Commissioner whether, just when it is making these efforts to be far-sighted and to keep to the environmental programme, the Commission does not also sometimes meet opposition in this House? I am thinking here of the Commission's proposal for a directive on the dumping of waste into the sea, which contained some good ideas, but which was obstructed in Parliament in favour of old conventions.

¹ See Annex.

Mr Natali. — I note the approbation of the Commission's work and the criticism, if I may call it that, of Parliament, but it is not for me to draw conclusions from this type of remark by an honourable Member of Parliament.

President. — Since its author is absent, Question No 38 by Mr Spinelli will receive a written answer.¹

I call Question No 39 by Sir Brandon Rhys Williams :

Will the Commission undertake to publish regular comparisons of the net purchasing power of wages in each Member State for families of different sizes, taking into account the effective values of the currencies, the standard of personal tax and the normal statutory social contributions and benefits applicable in each case ?

Mr Ortoli, Vice-President of the Commission. — (F) In the statistical programme of the European Communities for 1977-1979, the Commission announced plans to draw up and implement a Community method for comparing between countries the main economic indicators expressed in real terms.

The aim is to compare price levels in the different countries and to express the main national accounting aggregates, expressed according to the European system of integrated economic accounts, in standard units of purchasing power. Remunerations to employees, wages, gross salaries and social charges paid by employers, worked out according to the European system, are among the main national accounting aggregates which the Commission intends to publish regularly.

But, as it has already stated in a reply to the questions put by the honourable Member, the Commission has also published the results of the Community survey on retail prices which was carried out in the autumn of 1975 in the capitals of the nine member countries, as well as the resulting comparative rates of consumer purchasing power.

On the other hand, what we do not have are statistics on employees' net purchasing power in terms of their family circumstances. Statistics on this are not yet available at Community level. Firstly, because considerable technical difficulties continue to prevent incomes being compared. These difficulties are due to the way in which these surveys are organized, since the data is collected from undertakings and not from employees ; they are also due to the differing tax systems and to the problems of access to national tax documents. Thus, as things stand, our legal means, our possibilities of access, our technical means and our manpower are insufficient to carry out this statistical survey.

Furthermore, given that social benefits appears as overall totals — social accounting showing expenditure on sickness insurance, housing allowances and family allowances — the Statistical Office does not yet

possess uniform data on the breakdown of these totals according to the employees' social or family circumstances. However, a study is in progress to examine whether the results of the various Community wage surveys can be used to draw up and publish comparisons of the real value of wages, taking into account the various aspects referred to by the honourable Member.

Sir Brandon Rhys Williams. — Is the Commissioner aware that information of the kind I have asked for here is regularly made available to Members of Parliament in London and therefore the technical problems of production of such information can be overcome, and does he agree that the figures, when we have them, will be immensely illuminating in terms of serious comparisons of social policy, tax policy and wages policy in the Member States ?

Mr Ortoli. — (F) I could not agree more with Sir Brandon that the figures will be useful. I am pleased to hear that information of this kind is available to the British Parliament ; information is also published by other parliaments or other administrations. But the problem is not to know whether a certain number of assessments are made at national level. The problem is to know whether, on the basis of these national assessments, comparisons can be made which are themselves valid. This is the problem with which we are faced, and the variety of the systems — particularly the tax systems, but also the social systems — makes it more difficult to achieve this aim.

However, as I pointed out to Sir Brandon, we are currently examining how we can make better use of the various documents available to us, particularly with regard to wages, so that we can at least publish comparison of salaries in terms of their real value.

President. — Since its author is absent, Question No 40 by Mr Cifarelli will receive a written answer.¹

Question Time is closed. I thank the representatives of the Commission for their statements.

5. Economic and trade relations between the European Community and Japan

President. — The next item is the report (Doc. 570/76), drawn up by Mr Baas on behalf of the Committee on External Economic Relations, on economic and trade relations between the European Community and Japan.

I call Mr Baas.

Mr Baas, rapporteur. — (NL) Mr President, the report on economic and trade relations between the EEC and Japan which I present in my capacity as rapporteur for the Committee on External Economic

¹ See Annex.

¹ See Annex.

Baas

Relations is intended as an analysis of past and present difficulties in the relations between the two economic blocks. It is not intended — and I want to make this quite clear — to give the impression that there is a trade war between the EEC and Japan.

What is the report about? I have tried in it to give you some idea of the pattern of trade between the Community and Japan and of the reasons for the growing trade deficit recorded by the Community with that country. I have also tried to suggest a number of ways of achieving a more satisfactory trade balance.

The motion for a resolution sums up the main problems, and some of the criticism levelled at Japan is justified. Despite the trades surplus, the exchange rate of the yen is steady, albeit in our judgment, under valued. In the financial year 1977 Japan's defence expenditure will amount to 0.88 % of the gross national product, whereas Western Europe will spend 4 % of its GNP on defence. Japan's official development aid will increase from 0.22 % to 0.28 % of the gross national product, but this is still far below the UN's recommended level of between 0.7 % which is to be raised to 1 %. Only recently — on 4 February 1977 to be precise — the EEC enacted a regulation instituting a provisional anti-dumping levy on ball-bearings, cone bearings, and parts thereof originating in Japan.

The Europeans accuse the Japanese of selling their ball-bearings at prices anything up to 30 % lower than in Japan — in other words, of dumping these products on the European market.

The Japanese are deeply offended and are threatening, if necessary, to take the case before the International Court of Justice. These reactions are understandable. It is extremely difficult for the Japanese to deny the charge of dumping ball-bearings, but whether the Commission's retaliation, at the very moment when discussions and negotiations are in progress on specified products in particular sectors, shows a particularly subtle touch is open to doubt. The trade deficit of 4 200 thousand million dollars, according to EEC statistics calls for effective measures to be taken, all the more so since this deficit arose as a result of increasing exports of Japanese products such as cars, steel and ships. The Japanese products appearing on the European market are inexpensive and of high quality. The Japanese use modern, dynamic sales methods. Their domestic market is protected by quality regulations and traditions which we have been too slow to recognize; moreover, sales promotion in Japan is quite different from selling tomatoes in Berlin. The Japanese are aware of the problems and are prepared to make concessions which, although not yet earth-shaking, may nevertheless be regarded as a first step towards a mutually acceptable development. Harmonization of safety regulations, restrictions on volume of production etc. are unavoidable in a number of sectors.

But, Mr President, what is the secret of our Japanese competitors? In a recent article, Mr Hirosuki a high-ranking official in the Japanese Ministry of Finance, wrote: 'The Europeans are not sufficiently active'. Although wage levels in Japan are already higher than in, for example, France and the United Kingdom, rationalization and mass production on a grand scale in precisely those sectors I have just mentioned have enabled costs to remain highly competitive. 'The Europeans are not really geared to exporting,' said Mr Hirosuki.

The intensity of sales activity differs greatly. The Japanese car industry has 6 000 salesmen doing the rounds in Europe every day. The European car industry, on the other hand, has a mere 160 94 of these being from West Germany. The middlemen involved in the sale of European cars are so numerous and take such a high cut that a Mercedes, for example, sells for DM 50 000 in Japan compared with DM 25 000 in Germany. A Volkswagen likewise costs 45 % more in Japan than in the Federal Republic.

European industry will have to carry out a thorough investigation of exports openings in Japan and pursue an enterprising, flexible and intelligent sales strategy.

Paragraph 11 of the motion for a resolution states that, notwithstanding the differences of opinion that have arisen in recent years in the trade sector, similarities in economic structure mean that the two parties will have to face similar challenges and difficulties, implying a community of interests. It is precisely this community of interests, which also embraces the United States, which places the three highly-industrialized communities in a position of great responsibility, both internally and externally, *vis-à-vis* the world economy.

The motion for a resolution was not drawn up on the assumption that a trade war is in progress, but rather to look for ways of finding a solution to the problem, given the present imbalances and difficulties.

IN THE CHAIR: MR BERKHOUWER

Vice-President

President. — I call Lord Castle to speak on behalf of the Socialist Group.

Lord Castle. — Mr President, I speak for the Socialist Group, but I think I speak for every Member of the House when I record what a debt I think Parliament owes for the thorough-going, impartial and very full report we have before us. I know this was of particular interest to Members of the Committee on External Economic Relations but it is of concern to every Member of this Parliament that he should be acquainted with this vital topic. And I do recommend most sincerely the reading of Mr Baas's report. I

Castle

congratulate him on his impartiality and his objectivity, which have revealed something like horror statistics on certain pages, the logic of which would seem to imperil the mildness of the recommendations you find in the resolution. The resolution, of course, has been through the fires of committee, and I am sure Mr Baas would be the first to admit that he has benefited to some extent from the discussions which took place there and which produced this report.

There is no need for us to have a recital here of the facts which indicate the magnitude of the problem. We all have neighbours and business acquaintances who will acquaint us with their own particular corner of that problem. As an indication, I would just mention that a well-equipped if not well-to-do friend of mine in this Parliament amazed me this week by saying that, looking at the labels of some of his own equipment, he found that his camera, his typewriter, his hi-fi, his pocket calculator — lucky man — and his television were all marked 'Made in Japan'. Now some of us can remember when that label spelt something very different indeed. Some of us can remember when it was in the lower-class shops that you found the cheap Japanese products. It is not cheap Japanese products or low-class Japanese products which are being produced now for the European market. They have switched — as is pointed out in the report — to capital-intensive industries and have made one hell of a success of it. And jolly good luck to them! We must be delighted, Sir, that that has been achieved. But it is a fact that this kind of success has been achieved at the high cost of unemployment in Europe. It is a mad world which is developing if one industrial community's success is another's tears. It should not be — it must not be. Some new system of fair trade has to be evolved out of free talks between us. That, as I understand it, is the real burden of the thirteen suggestions in this resolution.

Some people put tremendous emphasis — perhaps undue emphasis — on restoring the balance of trade between our two communities, on penetrating the Japanese home market. What is the sorry story of Europe's failure in that respect? Is it a drying up of our native enterprise, our personal enterprise? Are our exporters and businessmen so inept that they cannot maintain the level of exports necessary to sustain Europe's standard of living — because that is what it comes to? Have we really to reconcile ourselves to 5 million unemployed without embarking on herculean efforts to adjust the balance of world trade, with particular regard to Japanese trade? Mr Baas says no. The report says no. And I am sure that every Member of this Parliament says no. And in the resolution, paragraph 5 says no. I quote: 'Community exports to Japan would play' — not 'could play' — 'would play a key role in ending this trade deficit'. But we cannot do that if our hands are tied behind our backs. We cannot do that unless certain internal impediments are removed inside the Japanese economy. Both sides must realize that the rules of the game must be agreed

in advance. And rule No 1 — it has been mentioned this morning — is: No dumping! I know how the diplomats of all our countries avoid the word 'dumping' because of offence it has given. But if we are to be realistic partners in the proposals made in the resolution, then we face the fact that in one case this Assembly and its instruments have found reason to accuse the Japanese of dumping, and all of us have figures in our possession which give rise to very great suspicion indeed that dumping has taken place in other sections. And that Mr Baas — with all the generosity of his spirit, with all his addiction to the religion, almost, of free trade — has to admit.

We have to realize, of course, that we are dealing with a kind of economic and commercial hybrid which is quite new in the world. Japan is not a clear-cut case of State trading — a word which, of course, raises the hackles of some Members on the other side of the House and which the Community as a whole has found very great difficulty in forming any communion with. Nor is it capitalism plus. The report produced by Mr Baas points out that the basis of Japanese strength is a fantastic and unique combination between the industrial giants — six of them — the great banks — six of them — and the government itself, who not for one moment deter one another in their efforts to penetrate foreign fields, nor do they hold back when it is a question of agreeing among themselves the restrictions, the pin-pricking restrictions, which will keep out foreign exports.

So we have this unique organization. It may be that it is a prototype of what is to come. I certainly am not going to make a final judgement on the efficacy on an oligarchy of that kind as compared with traditional totalitarianism or free enterprise. Certainly not. All we know is that, in the words of Mr Baas, these six *soyo shosha* — the big boys of Japan, with their banks and their State — represent, says Mr Baas, the most formidable commercial tool in the world and they have holdings in five hundred companies at home and abroad. They have, let us face it, established something like a monopoly and, says Mr Baas again, unless assistance is given by the *shosha*, it is very difficult to market any foreign product in Japan. None of the Western countries has any instrument comparable in efficiency with those available in Japan. That I regard as a very serious warning. It cannot be in the resolution. But anyway we know the problem.

We have expressed in the resolution a great deal of good will. Good will fairly oozes from the resolution, and some may have wished to see it very much harder and more direct in its recommendations. But if the recommendations are acted upon by the Commission and by industry itself, then I, for one, welcome that approach. If we can accelerate improvement in our trading relations, if we can dispel the present difficulties by the methods suggested in the resolution, I shout hurrah. But the operative word in that declaration is: 'If'. Because we really must brace ourselves to

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the fact that if over the next few months the type of monitoring of our activities which I see having to happen and which we ask for, indicates no rapid improvement, then it will be an obligation upon this Community to think of other methods to give back hope to European industry.

President. — I call Mr Jahn to speak on behalf of the Christian-Democratic Group.

Mr Jahn. — (*D*) Mr President, ladies and gentlemen, may I first of all congratulate Mr Baas on behalf of the Christian-Democratic Group on the excellent and balanced report which he has presented to the House today in his capacity as an experienced and knowledgeable expert on relations between the European Community and Japan. My Group gives it unqualified support to the report's basic tenets.

Since 1970 the Community's trading deficit with Japan has increased from year to year and has now assumed alarming proportions. 1976 set a new record with a deficit of 4 000 million dollars. This means that Community exports to Japan did not even go halfway towards meeting the value of imports from Japan. The inexorable growth of Japan's trade surplus with the Community is viewed with growing concern and displeasure. Seen against the background of an overall Community trade deficit of some 20 000 million dollars, a deficit of over 4 000 million dollars in trade with Japan alone is in the long run intolerable.

But, Mr President, I have no desire to give special priority to the need for a perfect balance of trade between these two economic powers. I pointed out in December in the course of the debate on Mr Osborn's oral question that a target of that kind could not even be achieved in the socialist countries' planned economies. How much more impossible or pointless would it be then in countries pursuing liberal trade policies like ours?

As far as trade between Japan and the Community is concerned, we are particularly concerned about two points:

Firstly, the present imbalance cannot be tolerated any longer for the principal reason that our imports from Japan are not vital raw materials but predominantly high quality consumer goods.

Secondly, Japanese exports concentrate on a small number of product groups such as steel, shipbuilding, cars and electrical products; it is precisely this concentration which has caused major market disturbances in a number of industrial sectors in Europe.

The fact that Japanese exports consist mainly of high quality consumer goods designed for a modern, industrialized society enables production to be concentrated on the most modern, super-rationalized, maximum-

capacity plants. By these means, and by virtue of aggressive sales methods — and this must be stated quite openly and frankly — Japan has gained a dominant market position in the Community for certain high quality, mass produced articles. Japanese suppliers have captured large shares of the market from European manufacturers, and it is precisely these cases of concentrated sales expansion and extensive market takeover which are having an adverse effect on overall economic relations between Europe and Japan.

A great deal has been said and written about the strategy pursued by the Japanese economy and Japanese exporters.

On the one hand, certain branches of industry and business associations in the USA and the Community complain about what they see as a conscious policy pursued by the Japanese Central Bank of maintaining the low exchange rate of the yen so as to favour Japanese exports and make it more difficult to export to Japan. The Japanese, however, deny that the yen is being held at an artificially low level; they maintain that the central bank intervenes only to iron out excessive fluctuations in the exchange rate.

On the other hand, the Japanese are accused of dumping, of selective undercutting and of subsidizing exports as well as setting up non-tariff barriers against imports. European manufacturers frequently attribute the success of their Japanese competitors to Japanese export strategy: Far Eastern companies penetrate export markets by offering their products for sale at artificially low prices and allowing for a temporary fall in profits.

Mr President, ladies and gentlemen, there is of course no way of providing proof to back up these accusations. But regardless of whether or not they are justified, we can see that the Japanese are now conscious of the economic and political dimensions of the problem of trade relations with the EC. The relevant ministries and Japanese industry seem to be fully aware of the dangers for Japan of an aggressive foreign trade image in a world economy which is no longer expanding steadily. The talks and negotiations which have taken place in recent weeks and months have shown that the Japanese intend to put a curb on their aggressive export and pricing policies in a few crucial sectors and to encourage stronger penetration of the Japanese market by EEC products by dismantling non-tariff trade barriers. This intention has been confirmed recently by top-level representatives of the Japanese government in the course of talks which took place in my country and in other Member States of the Community. The new Japanese government under Prime Minister Fukuda is interested in a balanced development of trade relations with Japan's most important European partners.

Jahn

This can only be achieved, Mr President — and this point is clearly brought out in the Baas Report — if the Japanese exercise a degree of short-term restraint in certain major sectors of their exports to the Community. The latest measures taken by the Japanese, e.g. in the shipbuilding sector, may be regarded as a step in the right direction. As you will know, at the recent OECD negotiations in Paris, the Japanese agreed to cut back their share of the world shipbuilding market to less than 50 %. The Japanese shipbuilders themselves have already given notice that, for the time being, they will refuse to accept any further orders from, for instance, my own country. Furthermore, the government in Tokyo has ordered the planned export price increases for all kinds of ships to be put into effect. We regard these measures of self-restraint as a step in the right direction; others must follow.

In the medium term, Mr President, efforts must be made to achieve a better balance by the way of expansion, i.e. by increasing European exports. Hitherto the structure of the Japanese economy was so vertical and nationally-orientated that many branches of manufacturing industry were simply not geared to the idea of importing. At the same time, by means of ingenious systematic cooperation between industry, commerce, banks and government, the Japanese economy has been successfully sealed off against imports.

But here too, the Japanese have undertaken the first steps towards removing non-tariff trade barriers:

firstly, by abandoning the hitherto compulsory certification tests on foreign motor vehicles;

secondly, by abandoning pre-clinical tests in Japan for the manufacture of pharmaceutical products and thirdly, by relaxing import restrictions on various agricultural products.

These examples of the Japanese intention of pursuing a policy of encouraging imports must be backed-up by further concrete actions. Pressing on with the upswing in the Japanese economy could make it easier to achieve the planned restoration of balance in trade with Europe.

Mr President, ladies and gentlemen, may I reiterate something which I said in the December debate: EEC industry must ask itself in all conscience whether it has so far devoted the amount of intensive work to the Japanese market which a closed, but potentially enormously promising market, calls for. There can be no denying that, in many respects, the Japanese have been more active — and clearly more successful — in opening up new markets than European companies have been in Japan.

Mr President, following a provisional anti-dumping procedure directed against Japanese manufacturers of ball-bearings last November, the Commission was forced at the beginning of February to introduce an anti-dumping levy on these products.

I must admit that my Group is rather uneasy about this ball-bearing decision. I certainly do not regard it as indicating a change of direction in Community trade policy, as certain commentators have done, but it is reason enough to warn the Community against being forced into a dangerous course of action which might possibly provide others with a pretext for adopting protectionist measures.

And I should like to add at this point — dangerous not only for world trade but also for intra-Community trade, since appeals for 'shopping basket patriotism' or 'commercial patriotism' — as Vice-President Haferkamp recently called it — have the same effect as protectionist measures. These appeals claim — and I should be grateful if you would take special notice here — that anyone in the Community who prefers foreign products is casting a vote against his own national economy and against employment in his own country. The whole thing assumes grotesque proportions when slogans are coined — as was the case this morning or yesterday morning in certain newspapers in one of the Member States — calling for a boycott on the purchase of products from a particular country.

Mr President, ladies and gentlemen, I believe this kind of reasoning to be dangerous. Foreign trade cannot be held responsible for dangers for economic growth and employment resulting mainly from internal conflicts and imbalances.

Mr President, I say this merely as an expression of my concern for the maintenance of free world trade. Economic instability in the industrialized West, chronic trade deficits in the USA and a number of Community countries, high levels of indebtedness in the Eastern Bloc, over-indebtedness in the Third World — all these are signs and symptoms of the dangers facing free world trade.

And our pleas on behalf of free world trade must be tempered by the realization that this freedom must not be overstrained. Free world trade is not an all-in wrestling match with no holds barred. Hence our appeal to Japan not to force the European Community along a path which could have disastrous repercussions on world trade.

I am coming to the end now, Mr President. The Christian-Democratic Group is convinced that the difficulties in trade relations between Europe and Japan must — and I emphasize the word 'must' — be resolved by means of negotiations conducted in a spirit of mutual trust. Or, in the words of the Baas report:

The differences between Japan and the Community should be resolved by a common agreement on the basis of the principle of freedom of trade.

We therefore support the proposal made by the rapporteur that these consultations should be extended to parliamentary level by establishing regular contacts between the European Parliament and the

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Japanese Diet. Mr President, we should establish these contacts; I find in many discussions in this House that the speaker has no real conception of the subject because he has never really got to know the country or its economy either in economic, statistical or simply visual terms.

President. — Ladies and gentlemen, Mr Haferkamp must leave at 1.15 p.m., and in the remaining hour we should try to deal both with the report by Mr Baas on Japan and with the report by Mr Patijn on India. I therefore ask speakers to be as brief as possible.

6. Agenda

President. — I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — Mr President, I think it is fair to say that if we are in that difficulty the best thing to do would probably be to put Mr Patijn's report off until our next part-session, because after all it is dealing with a very sensitive subject six days before the polling day in the Indian General Elections. If we are in this difficulty, I would have thought the most satisfactory solution all the way round both from Mr Haferkamp's point of view and from this House's point of view, and certainly so that we shall not be accused of interfering in internal policies in India, would be to postpone it to April.

President. — I call Lord Ardwick.

Lord Ardwick. — May I move a point of order — that this question be deferred until next month, simply because it is ill-timed? Could I support that? The Indian elections take place six days from now and the timing of this question must look to the Indians like a gratuitous attempt to interfere in their elections on the side of the opponents of the present government. Because, the whole subject of the election is Mrs Gandhi's handling of the emergency. If we went ahead we should, as a Parliament, be taking sides on the eve of a general election, which I think is unwise.

President. — I call Mr Patijn.

Mr Patijn. — (NL) Mr President, in accordance with the Rules of Procedure, I should like to speak against this proposal. The arguments advanced in favour of deferring the question would probably not be necessary if Mr Haferkamp and I did not have to leave this afternoon. This argument is now being put forward *pour les besoins de la cause*. I do not accept that we should not speak about India today because elections are being held there next week. In three months there are elections in the Netherlands, and I acknowledge every Member's right to speak in this House about the Netherlands whenever it suits him. The matter in question is very important and the reasons behind this question have this question have to do with the elections. Therefore I am strongly opposed to postponing

it and should like to recommend to Parliament to retain this item on the agenda and deal with it immediately after the report on Japan.

President. — I now put to the vote Mr Scott-Hopkin's proposal, which the rapporteur does not accept, that consideration of this oral question be postponed until April.

The proposal is rejected.

7. Economic and trade relations between the European Community and Japan (resumption)

President. — We shall now resume the debate on the report by Mr Baas (Doc. 570/76).

I call Mr Nyborg to speak on behalf of the Group of European Progressive Democrats.

Mr Nyborg. — (DK) On behalf of the European Progressive Democrats I should now like to comment on the Baas report.

We are once again faced with the difficulties arising from the Community's growing trade deficit with Japan. In December this House dealt in detail with this disturbing situation. Since July we have witnessed a kind of Euro-Japanese ballet, but these numerous meetings have not led to any real settlement. The meeting of the Japan-EEC Contact Group on 11 and 12 November 1976, the consultations held at all levels on 15 and 16 November and the meetings in the OECD can hardly be said to have produced any agreements satisfactory to all interested parties or even to have raised hopes of such agreements. Our trade deficit with Japan has increased to such an extent that we must as a matter of urgency devote all our energy to finding a solution to the problem.

However, the resolution approved was a very moderate one. It recommended that the Commission should propose measures which would improve the transparency of the transactions of those Japanese firms which export most to the Community and should urge the Japanese Government to make substantial concessions giving the industries of the Community access to the Japanese domestic market comparable to that enjoyed by Japan to the Community market.

We have recalled this resolution briefly to underline the contrast between it and the motion for a resolution in the Baas report. Two months have passed, a kind of understanding seems to have been arrived at. Solutions have been found. Nevertheless, the tone seems to have become sharper.

The rapporteur calls for voluntary limitation of Japanese exports and talks of Japanese methods which are 'infringing the rules of fair competition', whereas in practice it seems to be impossible to provide proof of such dubious trading practices and the experts are reluctant to accuse Japan of protectionism.

A quick examination of recent events would rather give grounds for optimism:

Nyborg

— in the shipbuilding industry Japan intends to increase export prices, to stop exporting to those countries hardest hit and if necessary to reduce working time by 25 %.

— the six largest Japanese groups in the iron and steel industry have given an undertaking that their exports to the Nine will not exceed the 1976 level.

Pressure will be brought to bear on independent producers to ensure that they reduce their exports by 40 % in respect of the 1976 level. Finally, consultations are to be held to discuss the opening up of Japanese markets to European food producers. Measures are being prepared to increase the quota of skimmed milk, to conclude contracts on the importation of standard butter, to remove the ban on imports of French processed meat and to simplify import procedures for manufactured tobacco products.

It is a fair inference that all these measures, in addition to those which followed the investigations in Europe into pharmaceutical products and motor vehicles, are more than a favourable omen.

However, it is depressing to hear that the Japanese are firmly convinced that they are not in any way responsible for the recession in Europe which, in their view, having called for free trade now wants to restrict it in order to solve its internal problems.

Without questioning the sincerity of the Japanese undertakings, we cannot help wondering if they will be effective. Will they make it possible to tackle the crisis affecting the Community and Japan, which will in the future find themselves closely linked together for geopolitical reasons?

Will a price increase of 5 % in the shipbuilding sector offset the present difference of up to 30 % between European and Japanese prices? Considering that the British government has just decided to provide assistance of £ 65 million for its shipbuilding industry to help it to obtain new orders, the answer would seem to be no. Negotiations are also going on between the Commission and France, which wishes to introduce similar measures.

Will the restriction of Japanese iron and steel exports to the Community to the 1976 level not be counterbalanced by increased sales in the markets of third countries such as Spain or Switzerland, and is there not a risk that some Japanese iron and steel products will thus find their way into the Community market?

Have we any reason to feel reassured when we still do not know if the non-integrated undertakings, whose share of the Japanese iron and steel industry is as much as 40 %, have decided on a voluntary limitation of exports?

Answering this question, put by Mr Cousté in February 1977, the President-in-Office of the Council, Mr Tomlinson, could only say: 'The Japanese have given reassuring forecasts of the level of shipments from the smaller producers this year'.

Can we feel satisfied when one factory after another is closing down and when the rate of unemployment is rising daily?

With regard to increases in import quotas for processed agricultural products, we should not forget that we are dealing here with global quotas which apply to all third countries. The Community must therefore make a special effort to succeed in this market.

What are we to make of the Japanese authorities' reaction to the temporary duty of 20 % on ball-bearings which the Commission has introduced? Referring the matter to GATT's Anti-dumping Committee, taking it to the International Court of Justice, show Japan's lack of understanding, not to say its dishonesty. There can be no justification for using protectionist tactics and then having recourse to a procedure which is designed to prevent breaches of recognized trading practice.

Like the Commission, the Group of European Progressive Democrats is quite convinced that the problem of the imbalance in Community trade with Japan is one that can be solved only by respecting the principle of free trade. We cannot restore the balance by applying protectionist measures. Such a course would be indefensible and would be against the general interest. The structures of the Japanese production, distribution and marketing system are themselves to a large extent to blame. Even if voluntary limitation of exports by the Japanese or Community import restrictions produced a short-term solution, it is clear that in the long term Europe will have to make strenuous efforts to understand the details of Japanese administration and to succeed in that market.

We should like to thank Mr Baas for the very great amount of work which he put into this excellent report.

President. — I call Mr Scott-Hopkins to speak on behalf of the European Conservative Group.

Mr Scott-Hopkins. — Mr President, I, too, would congratulate the rapporteur on the report which he has produced, and the extremely hard work which he has put in. The facts and figures in it do bring out the unhappy position in which we find ourselves in the Community. He will be more than aware that, when he first drafted his resolution, I was extremely critical of the original text and indeed so was my group. We felt it was a little too optimistic and a bit over-generalized as such, and perhaps too generous to our Japanese friends. But the version which is now before us is a great improvement, and we will have no difficulty in supporting it at the end of this debate. We hope that the Commission will use what I am sure will be the unanimous vote of this House here to strengthen them in their resolve to improve a situation which is

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causing the greatest concern at the moment. We must be quite clear about this. As you know, Mr President, it is so easy to be emotive about this matter and one does not want to be, but the penetration of Japanese industrial companies into the western, particularly the Community's market has been extreme in many specialized areas.

Everybody knows what those areas are. Mr Osborn will be speaking after me and I hope will spend some time on a particular aspect of this. We all know what has happened and some of the methods used by our Japanese friends have been, to put it mildly, a little dubious as far as commercial practice is concerned. But I do not wish to pursue this point any further. But it is an emotive subject, because what they have done when they have dominated any particular sector of the market has been to their advantage and one cannot say it has been to the advantage of that sector of the market within our own Community. Grave damage has been done, as I am sure Mr Haferkamp knows, to sectors of our industrial economy in the Community at a time which is particularly unfortunate, following the jacking up of the oil prices. This, indeed, has not helped us at all.

But I have given previous notice to the Commissioner of two specific questions. One has already been referred to, I think by Mr Baas, but certainly by Mr Jahn as well. Has the Commissioner any hard evidence of action on the part of the Japanese Government to keep down the value of the yen as a means of maintaining the competitiveness of Japanese goods, when Japanese manufacturers are facing a rapid increase in production costs? I do not need to elaborate to the House what this would mean if this were so. I have a shrewd suspicion that it is so, and of course it would breach several particular codes if this were the case.

My second point is to ask the Commissioner if he would take this opportunity to explain to the House how and to what extent the establishment of a European Export Bank could assist our exporters to meet Japanese competition, not only in their efforts to penetrate the Japanese market, but also in their efforts to secure large sales contracts against Japanese competition in third countries. We have a huge deficit at the moment, and there are obviously many reasons why this has happened. There is no doubt that we must share a certain amount of the blame. Our exporters, in their efforts to penetrate the Japanese market, have come up against tariff and non-tariff barriers but have perhaps not gone far enough in understanding and learning exactly the way the Japanese market works. I wonder how many of them have learned Japanese, and I wonder to what extent they have really taken it upon themselves to familiarize themselves with the way the Japanese themselves sell within their own country. For an exporter not to do this is really asking for trouble.

There is the other way of course: we could, as a Community — and I would deprecate this — take steps to follow what our Italian colleagues have had to do for their own particular purposes, namely put import restrictions on. I would deprecate that step from the Community point of view. But there is no doubt that for many reasons, some of which I have given, our exporters are not penetrating sufficiently into the Japanese market.

We obviously cannot allow this kind of deficit to continue. As has been said by many of the previous speakers, the Japanese themselves are limiting their own exports to the European Community market, but that is something which is at the disposal of the Japanese exporters, the big industrial companies that were mentioned by Lord Castle. I would hope that the Commissioner will be able to say what the European Export Bank, if it comes into being, will be able to do to help us in this particular field. But, as I said, a trading deficit of 4 000 million dollars per annum makes it absolutely imperative for us to look at solid, practical measures which can improve this situation. Fine words are going to be no good any more. It is much too serious now for our manufacturers to put their confidence in generalizations and protracted international negotiations — something concrete has got to come from now onwards. We look to Mr Haferkamp to do this. The situation is grave and, without being over-emotive about it, unless he can really do something concrete, positive, in the near future, we could face an almost disastrous situation.

President. — I call Mr Osborn.

Mr Osborn. — Mr President, I too would like to congratulate Mr Baas on a well-balanced appraisal of a difficult situation that faces the Community and particularly the Commission. I welcome his rejection of the short-term protectionist measures and his emphasis on the importance of solutions being found in accordance with the principles of free trade, particularly, paragraph 9 of the resolution which says that differences between Japan and the Community should be resolved by common agreement on this basis of the principle of free trade. The work by the committee has been very thorough and this is shown in Mr Baas' report.

When I raised this question in October and again when we debated it on 15 December I welcomed the global Community approach in dealing with trading relations with Japan and stressed the weakness of voluntary and bilateral agreements. Now that is nearly six months ago and while Mr Baas' report is comprehensive what I would now like guidance on, product by product, is the extent to which Japanese sales, particularly to Great Britain and the Community have become static and the extent in that period to which the Community has managed to increase its exports to eliminate this deficit we have been talking about.

Osborn

What interests all of us and those in industry in the Community is what type of regular contact there is at Community level, both with the Commission and the Council of Ministers. What in fact is being done in Europe to meet Japanese representatives? I note there are some attending this debate now. To what extent can we have exchange of Japanese parliamentarians to the Community and perhaps committees going over to Japan to look at the problems of mutual interest?

May I refer the Commissioner to some of the points I made in the debate on 15 December? I have given him advance notice of this. There is the question of Japanese exports of special steels to the Community but to the United Kingdom in particular. The reply I had then was that there would be further talks early in the new year. Are these now taking place? My information from the industry is that there has been adequate voluntary understanding, particularly in the private sector in Britain. But the steel industry in Britain and throughout the whole Community is concerned about the Simonet plan which can be operated by Commissioner Davignon to cut back and rationalize the European industry. Are we satisfied that the Japanese impact upon the Community industry in the steel sector is reducing?

Secondly, on car exports, particularly to the United Kingdom, there were going to be further exchanges of information in 1977 between the industries concerned. What have these exchanges revealed? The statistics on page 13 of Mr Baas' report barely indicate the trends for this current year. In the debate in December I congratulated the Japanese — and Mr Baas has referred to this in his report — on their productivity, the scale of investment and the quality of the product they are making.

My colleague Mr Normanton has asked me to raise the question of ballbearings. Has this question been satisfactorily resolved? There are other cases of dumping by Japanese exporters into the Community. Is this situation being dealt with satisfactorily?

Non-tariff barriers have been raised and we were told by the Commission in December that there were going to be detailed discussions. Who are holding these? How possible is it to implement paragraph 6 of the resolution urging the Japanese Government to make substantial concessions giving the industries of the European Community access to the Japanese domestic market comparable to that enjoyed by Japan with the Community?

One of the difficulties that we have to understand is that Japan has to import raw materials, energy and even food and they can only purchase those by the sale of manufactured products. The Japanese have marketing and costing systems that make distribution of European products in their country exceedingly difficult. This has already been mentioned. But the basic fact is that Japan must export manufactured

products to survive. It could be more tolerant perhaps to its neighbours in New Zealand and Australia by importing their products at a reasonable price. The Community would be interested in fair play in the Pacific area in the interests of the problem we have to face.

British and Community industrialists are concerned about the correct value of the yen but these other points must be brought home again because the deficit is still, as I know, running at this 4 000 million dollar level. It raises the whole question of faith in the Community's institutions. As this House will be aware, this motion calls attention to the existence of bilateral agreements between Japan and individual Member States and, expresses the hope that such agreements can be brought into an overall common trade policy, which we supported in December. The only way of ensuring that the present crisis does not generate a whole host of bilateral agreements is for the Community's institutions to command sufficient confidence amongst the governments of the Nine, exporters, industrialists, to enable them to negotiate the right agreement on behalf of the Community.

We have a new Commissioner who has taken over a big responsibility. Has the Commission the machinery, is it obtaining the back-up from the institutions of the member governments to continue the global approach which gave such hope six months ago?

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission. — (D) Mr President, there is of course a lot one could say on this subject, and I think it would be best if a number of specific points — and particularly the long list of questions which have just been raised — were discussed in detail at a meeting of the competent committee. It is simply impossible for me to do this in the few minutes at my disposal.

I join in the thanks and congratulations to the rapporteur. The report gives a first-class analysis of the situation and presents important pointers to solutions. I also join those who have praised the impartiality of the report.

If the motion for a resolution obtains the approval of the House, the Commission will be in full agreement with it.

And now as regards the problems in general, Mr President. At its most recent meeting in November last, when looking at relations between the Community and Japan, the European Council stated that it was essential to cooperate in solving any problems which had arisen on the basis of mutual understanding. In this context I should like to quote the heading of Chapter III, Section 4 of the report — 'Closer cooperation between the Community and Japan'. I believe

Haferkamp

this should be our objective. I realize that it will not be easy for either side, and that great efforts will be required, but this is the spirit in which we should proceed.

Several speakers have already pointed out what has been achieved over the last few months in the specific sectors particularly affected — shipbuilding, steel, motor vehicles and so on. I need not repeat the achievements in detail, but in reply to Mr Osborn's question I can say that the planned talks on special steel are in progress, that the Japanese have given us statements and assurances about restricting the export of motor vehicles to the United Kingdom, and that we are making progress in removing the non-tariff barriers in various sectors — pharmaceutical and chemical products and so on. We are continuing these efforts.

As regards the dumping of ball-bearings, I should like to make one point. This is a decision which we reached in accordance with the existing Community regulations, the GATT regulations etc. This is something for which there is a legal basis and for which provision is made. It does not represent a change in our policy of cooperation. Nor is it the first step towards protectionism — it is a measure which is provided for and which is, on the whole, necessary if we are to be able to counter unfair practices and disturbances in free world trade. It will undoubtedly have to be used now and then when the facts justify it — and we feel this is true in this particular case. As I have said, what is involved is the implementation of measures which are provided for, and not a change in policy. I must emphasize this.

There has been a lot of talk here about the size of the European market in relation to the size of the Japanese market. My view is that we must not forget that we have to compete against Japanese products in third markets just as we have to compete against those of other countries. There would be no point in our taking measures which applied only to our own market and forgetting that there are third markets in which we have to be successful. Nor must we forget — even in any settlements we may reach with the Japanese — that others are interested in these markets and in the other world markets, among them our American friends. We in the Community are not alone in the world, nor are we alone in world with Japan, and it is not just these two markets which are involved, but the effects on other markets as well. I would ask you to take account of the fact that the Commission is bearing these overall interrelationships in mind, since it has to do so.

I should like to reply briefly to Mr Scott-Hopkins' questions. The Commission has no evidence of any influencing of the rate of the yen, such as he has mentioned. In fact, we note that there was a considerable upward trend in the value of the yen on the currency markets in November 1976.

As regards the European Export Bank, this is a special subject which will have to be discussed in depth here in due course. There is only one thing I should like to say: if such an institute is ever set up, it could only be as an auxiliary instrument to provide aid. The essential thing is that the Member States should have a coordinated policy in all their efforts to increase and promote exports, and that they should not compete against each other by, for instance, undercutting credit conditions and exports guarantees — this is a special field familiar to you, and we hope to make some progress here. It is, however, essential for our export industries to make major efforts. This applies to the whole of the export economy and to the trade unions. Without these efforts we shall not succeed in putting matters straight, nothing can be done without these efforts on our part. There is no point in our trying to take refuge behind barriers or in accusing others.

President. — I call Mr Baas.

Mr Baas, rapporteur. — (NL) Mr President, I should like to thank all those who have expressed their appreciation of my report. As rapporteur, I have tried to record objectively the arguments put forward in the discussions, but I naturally had to take account of the highly emotional reactions we have recently had in some areas and constituencies to the aggressive Japanese sales tactics. As a politician, I had no choice in the matter. I should also like to thank Lord Castle for his remarks. He is right in constantly drawing our attention to the word 'if'. Mr Haferkamp also stated that the Committee on External Economic Relations will have to occupy itself continuously with the progress made with regard to the elimination of trade barriers etc. I am also glad that Mr Haferkamp has made it clear that the measures to combat the dumping of ball bearings do not represent a change in policy. All it means is that we are using the existing machinery, and machinery which we cannot use would be useless. Whenever there is any threat to a sector which is covered by the anti-dumping rules, we must have the courage to make use of the existing machinery.

In this context, I listened with great interest to Mr Jahn's speech, which showed that the Christian-Democratic Group is equally concerned about certain branches of industry in Western Europe. It is quite plain that these massive imports from Japan are threatening jobs, and there comes a time when we have to see whether this sort of competition can be tolerated any longer. After all, two partners are required for trade. The Japanese need us to do business with, and we shall therefore have to agree on the rules of the market.

Mr President, I must be frank and admit that I fail to see the point of Mr Nyborg's speech. However, since he is no longer here I need make no supreme effort to

Baas

do so. I fail to understand what he meant when he said, at the start of his speech, that the Commission had achieved nothing — I find this simply untrue. Over the last few years the Commission has achieved results which I believe will turn out to be of lasting value.

In conclusion, Mr President, I agree with a number of speakers that we shall have to pay closer attention to the exchange rate of the yen. In my view, we shall also have to acquire greater understanding of the factors determining the exchange rate of the Japanese currency. We must establish the relationship between this and their productivity, and see how the whole system functions. I hope Mr Haferkamp will give an assurance that he will provide Parliament with more detailed information and documentary material on this particular point, so that we can concern ourselves further — after this somewhat provisional report — with what I believe is going to be one of the major problems of the Community, alongside our relations with the United States. On a solution to these problems will depend whether or not the industrialized world can hold its place and maintain its responsibility.

If we can approve this report with this in mind, we shall have prepared the way for further talks which will have to be held very soon. Mr President, I recall submitting a report seven years ago on our relations with Japan, but I think that, as things stand, we shall have to think in terms of seven months — rather than seven years — before the next report.

President. — Since no one else wishes to speak, I put the motion for a resolution to the vote.

The resolution is adopted.¹

8. Procedural motion

President. — This morning Mr Fellermaier expressed on behalf of the Socialist Group his regret that the President, Mr Colombo, was absent. He requested an emergency meeting of the enlarged Bureau. I have to inform Parliament that Mr Colombo, like all the other Italian Members of Parliament had to return to Rome immediately because the two Houses of the Italian Parliament are currently holding a joint meeting to exercise their legal functions. Voting is taking place continually in accordance with a procedure by which certain ex-ministers are facing accusations.

The political situation in other countries such as Belgium prevents other Members from attending today's sitting. In these circumstances I must inform you that it is not possible to call an extraordinary meeting of the enlarged Bureau today or tomorrow, because there will be not enough Members of the Bureau present. I therefore assume that Mr Fellermaier will not persist in his request and that the

enlarged Bureau will be able to deal with the problems which he wanted to raise at its next ordinary meeting.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, thank you very much for that information. If I may, Mr President, I would just ask that it be recorded in the minutes of today's proceedings that I did not express regret that President Colombo was not present; I asked whether he has present, or when he would be in the House, since my Group wished to make a statement in his presence. For the rest, Mr President, I must say that the absence of some Members for pressing reasons does not in principle mean that the Bureau cannot meet. This would be a dangerous precedent.

It would be tantamount asking whether Parliament can proceed with its work at all; for it can only do so if a Bureau capable of performing its functions exists. Indeed, any incident in the House can make it necessary to call a meeting of the Bureau, and therefore I cannot accept this interpretation.

I am not insisting that we should call a meeting of the Bureau come what may because we can also make our statement at the next meeting of the Bureau. But with all due respect, Mr President, I cannot endorse your views that whether or not the Bureau can meet depends on the number of Members of the Bureau who happen to be present in the House. If I am not mistaken the part-session runs from Monday to Friday, and according to the Rules of Procedure any organ of Parliament can be convened between Monday and Friday. I would therefore ask you, Mr President, to give an interpretation in line with the letter and the spirit of our Rules of Procedure.

President. — I take note of Mr Fellermaier's statement; the matter will come up for discussion in one of the next meetings of the Bureau.

I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — Mr President, could we not now adjourn for lunch and take the oral question on the EEC's commercial relations with India at 3 o'clock when we resume? The time now is 13.08. Are we really going to discuss India in five minutes flat or something?

President. — Mr Scott-Hopkins, the difficulty is that Mr Haferkamp will not be available after lunch.

Mr Scott-Hopkins. — But Mr President, it is regrettable that he will not be available after lunch but we have been told so many times that they are a collegiate body. Presumably he has extensive notes which he can pass on to somebody else to read for him. I

¹ OJ C 83 of 4. 4. 1977.

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really do think that it is ridiculous to do this. If you so decide it is your privilege and the House's privilege to do what it wishes — I couldn't agree more — but I think it is foolish to start doing this now at ten minutes past one.

President. — Would it not be possible, since we all know the question, for Mr Haferkamp to answer it immediately? It has been decided that the question will be dealt with and the position now is that Mr Haferkamp wants to answer himself.

I call Lord Ardwick.

Lord Ardwick. — Mr President, it is not simply a matter of answering the question. The question itself should come under challenge as it contains a number of implicit and explicit statements which I do not hold to be wholly true. I think to leave this just as it is and just have an answer is not good enough for a parliament of this kind.

President. — But the questioners agreed that since we all know the contents of the question, Mr Haferkamp should answer it and that then they can comment.

9. *Oral question with debate: The EEC's commercial relations with India*

President. — The next item is the oral question with debate put by Mr Lagorce, Mr Mitchell, Mr Radoux, Mr Patijn, Mr Flämig, Mr K. Nielsen, Mr Amadei, Mr Hughes and Mr Sieglerschmidt to the Commission of the European Communities (Doc. 572/76):

In December 1973 a Commercial Cooperation Agreement was signed between the EEC and India. In April 1975 President Ortoli, during a visit to India, said that this Agreement should be extended. Two months later a State of Emergency was declared. The international press has reported that for the next 19 months, many thousands of political leaders of most of the Opposition Parties, including members of the Indian National Parliament and State Assemblies, as well as many trade unionists, were detained in prison without trial, and that the press was heavily censored.

The calling of a new General Election by the Prime Minister on January 18, 1977, to take place towards the end of March has led to the release of several of the leading detainees and a relaxation of press censorship, although many important political leaders, and thousands of rank and file opposition supporters, remain in prison, while editors are obliged to exercise great discretion.

Will the Commission state:

1. Whether it has any plans at present to extend the EEC-India Commercial Cooperation Agreement?
2. Does it not consider that the return to real parliamentary democracy in India is a precondition for the strengthening of commercial relations between the EEC and India?

As agreed, Mr Haferkamp will now reply immediately. Do you no longer agree with this procedure, Mr Patijn?

Mr Patijn. — (NL) Mr President, may I not explain the whole question very briefly and then Mr Haferkamp can reply, after which I can speak again?

President. — Yes, but I thought that we were to dispense with an introduction, since your questions are known to the House.

Mr Patijn. — (NL) Mr President, I shall not need more than a couple of minutes.

The problem is this. In 1973 the EEC concluded a trade agreement with India, at a time when there was a functioning parliamentary democracy in India. At that time there was no reason to ask any questions on that point or to take any action whatever. It is not just a question of a preferential agreement, it is an agreement with a Joint Commission, with certain parliamentary contacts and with a procedure for automatic prolongation. Under the normal circumstances of 1973 there would be no cause to pursue the matter any further now.

In June 1975, however, a state of emergency was declared in India, and according to our information — I would stress, according to our information — tens of thousands of people were then imprisoned for political reasons. Now we are aware — and I too am happy to say that following this morning's discussion on procedure — that recently certain measures have been taken to ease the situation somewhat. The fact remains, however, that we are still unconvinced that this means the election can be held under the best democratic conditions. We are not here to censure India, we are not banging the table here and saying that India should or should not do this or that. We merely wish to express our concern, the reasons for which have now, in the last few weeks before the elections, diminished somewhat. I thus wish to keep up to date and hope that, after the elections, our concern will be still further alleviated.

Therefore, we would ask Mr Haferkamp how he views the situation and what, in view of the present political situation, he thinks should be done at the moment on relations between the EEC and India.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission (D) — Mr President, I should like first of all, speaking personally to express my regret that I was the cause of a discussion on timing. I would not have ventured to arrange things like this except for the fact that the questions we have dealt with this morning, including this one, were originally on the agenda for yesterday afternoon. I had of course planned my time in accordance with Parliament's expected timetable. There is unfortunately no way I can stay any longer.

Haferkamp

Now to the question itself. Firstly, the Commission is of the opinion that the present form of the agreement on commercial cooperation is adequate for the intended objectives, i.e. adequate for establishing cooperation between the Community and India in the fields for which the Community is responsible. Consequently the Commission does not at present intend — as might be implied by the question — to seek any amendment or extension of the agreement.

Secondly, the Commission has on various occasions stated — and I did so myself during a debate at the last part-session — that it condemns the infringement of human rights or of democratic principles, wherever it may occur. In the case of India it can be said that recently, in connection with the forthcoming elections, there has been some relaxation of the state of emergency. This has involved in particular the lifting of press censorship, free political activity for all parties and also the release of political prisoners. We regard these measures as a step in the right direction, although we do not think the process is complete; we do, however, appreciate what has happened as a step in the right direction.

President. — I call Mr Patijn.

Mr Patijn (NL) — Mr President, I should just like to point out that while the state of emergency was fully in force the Community concluded three agreements with India for particular products, namely in October 1975, April 1976 and July 1976. The developments in the last few weeks do indeed represent a step in the right direction. We too welcome these developments and we hope that the result of the elections will be that the state of emergency can be ended and that all political prisoners will be freed. We are harping on the question of political prisoners because, according to our information, there are probably at this moment still some tens of thousands of people in prison. Our colleagues of the socialist party of India in particular are being prevented in a number of respects from freely taking part in the elections.

We too are, of course, prepared at a later stage to talk about an extension of relations with India. That goes without saying. We appreciate that a trade agreement is of exceptional importance for India, but at the moment we are concerned to express our anxiety about the situation. We know that things are going the right way, but the elections will not automatically result in India's becoming a democracy again. That is why I want to sound a warning. I should like to urge the Commission, if a possible extension of relations with India should come up for discussion in the near future, to keep a careful watch on the maintenance of human rights in that country which will, moreover, be in great need of our support, our help and our trade agreements.

President. — I call Mr Baas to speak on behalf of the Liberal and Democratic Group.

Mr Baas. (NL) — Mr President, I think the moment for tabling this question was chosen more than a little tactlessly. The situation in India has been very disturbing for two years already. My Group is therefore not clear why this question should be put just now. Of course, there is an agreement with India, just as we had an agreement with Greece. And during the period in which the situation in Greece was very disturbing we more or less put that agreement on ice.

If one studies the whole course of events, it is apparent that the Commission has kept strictly to the obligations of the agreement. There is not at present any question of extending the agreement with India. The latest developments in India suggest that we are indeed on the right path. My Group would thus have preferred a debate to be held immediately after the elections, on the basis of the situation they produce on what we should do in our relations with India. The Socialists' question, however, seems to me at this moment to be a shot across the bows, that in my view will have little effect in this sort of situation.

In any case, my Group fully shares the Socialist Group's great concern. We too have followed with horror the whole course of events over the past few years, but we hope that after the elections we shall be able to have a further exchange of views on this question on a sounder basis and thus at a much better-chosen moment, and that the Commission will then be able to put us in the picture with reference to the latest developments.

President. — I call Lord Ardwick.

Lord Ardwick. — Mr President, I want to start by thanking Mr Patijn for his very moderate and modest statement. If the question had been couched in those same modest terms, I would have had no objection to it even at this inappropriate date.

Now, I am not posing as an expert on India — I don't think there are any in this Chamber — but I did go to India just after the emergency was declared on behalf of pretty well all the press of the free Western world to talk with Mrs Gandhi and to see how long it was likely to be before the censorship was lifted.

I met her friends — who included some of the influential editors of India — and I met some of her opponents who included the editors of some of the most important papers. And the conclusion I could only hazard in a most hesitant way was that the emergency had got a certain reality, but that it was possible that democracy was threatened by some of Mrs Gandhi's opponents and that, paradoxically, she was putting severe curbs on democracy in order to deal with the threat. What I could not gauge and what nobody else that I met could gauge was whether the emergency was as bad as she said it was or whether she had badly overreacted to it.

Lord Ardwick

As for the future, I was willing to give Mrs Gandhi the benefit of the doubt. But of course this was a very difficult position for a socialist and a journalist of my generation to adopt. So many of my friends had struggled in the years before 1945 for the liberation of India from British rule and we all took such pride in the fact that Britain's greatest legacy was to leave India in a way which permitted that great country, with its hundreds of millions, to attempt a massive experiment in democracy. And what upset all my old friends — my old socialist colleagues — was that disillusion that idealists feel when what they admire proves to be so much less admirable than they had hoped. And even those of us who preserved some hope, could not excuse the stupidity of the censorship nor accept the cruel fact that so many people — including politicians — had to be in gaol. So I am not defending Mrs Gandhi. We were all very dubious — we were full of despair, but there was just a little bit of hope that she might find it possible to change her ways. And some months ago the cloud began to lift: the censorship was lightened, people began to leave the prisons and then suddenly the sun shone through the cloud on 18 January as Mrs Gandhi announced this general election and the lifting of the censorship and the welcome release of the politicians. But so strong was the suspicion, that Mrs Gandhi was immediately accused of holding an election at a time when her opponents could not put up an effective opposition. An unjustified feat because now it looks as though as Mrs Gandhi is quite liable to lose the election.

But what I want to suggest is that since the question was originally conceived, democracy has considerably improved in India. I think we should mark its return with pleasure and that we are right to stress our hope that the freedom of the press will be retained whichever side wins the election and that the gaols will be emptied of all political prisoners who are not acknowledged men of violence. But let us avoid charges and phrases that could be used in the election campaign by either side. I think we have done that in the speeches, but not in the resolution itself.

In India, whatever we say, this will look like an attempt to interfere in the elections and it will certainly be used by the opponents of Mrs Gandhi — not all of whom can be classed as democratic. Nor are the facts in the question, I think, of unchallengeable accuracy. At the height of the emergency there certainly were 25 000 or more prisoners. How many there are today I do not know, but I should suspect that it is less than the tens of thousands which Mr Patijn suggested.

Today there are still some political workers in gaol. But I would be surprised if there were any important leaders, Mr Patijn, apart from Mr Fernandes who has to face a charge of possessing explosives. Who are the others? Can you give us the names? Can you give us the names of half a dozen of the other important

ones? What is the source of your facts about this? Have you just taken them out of the international press or have you gone to some official non-Indian source, as I have, for your information?

I am surprised really that the Bureau accepted this question for this particular month, so close to the elections. I am surprised too that this Parliament, confronted with the briefest possible debate, should then say that we can still go ahead when there are only ten or twelve minutes of time to discuss such an important question. Well there it is! It will do less harm than it might have done because the press of India are on strike — not for any political motive — but they think this is a good chance to insist that the government of India should get their wages increased and that this is their golden opportunity. So the propaganda effect of what has happened here is likely to be not very great.

(Laughter)

President. — I call Lord Reay.

Lord Reay. — Mr President, there has been a certain difference of opinion which has cut across the groups in this Parliament as to whether this has been the right moment to introduce for the first time the question of the fate of India's democracy and what should be the Community's official expression of interest and concern in that fate. Personally, I belong to those who think that this is the right time, or at least it is not the wrong time, to bring it up. There is no doubt that there is quite a general, natural and reasonable fear in India at the present time that the authorities, whether nationally or locally, may be tempted out of a fear of what the outcome of the election may be, to pervert the election by ballot-rigging or in some other manner or to take other steps to retract the progress that has already been made towards democracy. I think that reason alone is sufficient justification for us to take this opportunity to express our concern about what in the past has happened in India. I don't wish to gainsay at all the more positive descriptions that have been given by Mr Patijn and Lord Ardwick, of what has happened there in the recent period. Undoubtedly there has been a substantial alleviation of the dictatorial conditions that had applied earlier last year, and we hope very much that this improvement will be sustained and the election will be allowed to be a fair one.

I think also that the question is stated in a perfectly correct and modest manner. It is not asking that commercial relations should be severed with India. It is just raising the question whether this special preferential agreement should be extended in the future if our worst fears were to prove justified. I think there is no doubt that we would in ordinary circumstances wish our commercial relations to be continued with India on a favourable level. They are important to us and they are without doubt extremely important to

Lord Reay

India. We are the principal customers for India's exports and I think this is a reason why we could expect that country to take notice of any action we felt obliged to take in the commercial field.

As I say, I hope it will not in future be necessary for the Community to take any action based on the fears which have been expressed here today, but I do think we have a right to ask them to take into account the concern we have expressed about the political conditions in India when they come to consider our future commercial relations.

President. — The debate is closed.

10. Regulation on advance implementation of certain provisions of the ACP-EEC Convention

President. — The next item is the vote without debate on the motion for a resolution contained in the report (Doc. 583/76) drawn up by Mr Deschamps, on behalf of the Committee on Development and Cooperation on the

proposals from the Commission of the European Communities to the Council for a regulation on the advance application of certain provisions of the ACP-EEC Convention of Lomé relating to trade which respect to certain countries signatory to agreements of accession to this Convention (Sao Tomé and Príncipe and Cape Verde and Papua/New Guinea).

Since no one wishes to speak, I put the motion for a resolution to the vote.

The resolution is adopted.¹

The proceedings will now be suspended until 3 p.m.

The House will rise.

(The sitting was suspended at 1.30 p.m. and resumed at 3.05 p.m.)

IN THE CHAIR : MR DESCHAMPS

Vice-President

President. — The sitting is resumed.

11. Tabling of a motion of censure

President. — I have received from Mr de la Malène, Mr Cointat, Mr Gibbons, Mr Liogier, Mr Hunault, Mr Bouquerel, Mr Cousté, Mr Herbert, Mr Kaspereit, Mr Krieg, Mr Laudrin, Mr Lenihan, Mr Nolan, Mr Nyborg, Mr Rivierez, Mr Terrenoire and Mr Yeats, on behalf of the Group of European Progressive Democrats, a motion of censure on the Commission of the European Communities.

This motion of censure will be printed and distributed as Doc. No 3/77.

¹ OJ C 83 of 4. 4. 1977.

Pursuant to Rule 21 of the Rules of Procedure, the debate on a motion of censure cannot be opened earlier than 24 hours after its receipt is announced. Consequently it cannot be debated during this part-session, and I propose to the House that it be discussed at the next part-session, i.e. on 22 and 23 March.

I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — I do not dispute the right of the group to put down a motion of censure at any time they so wish. Of course it is their right to do so. But you, and indeed the House will be aware of what exactly this means. We have got a very over-charged agenda for that special part-session on 22 and 23 March. We are not starting till 4.30 on the Tuesday and we are going to be debating the agricultural price review until round about midday on the second day. We shall then be dealing with something over 80 amendments if past years are any guide. So the earliest we shall finish this agricultural debate will be around 8 o'clock on the Wednesday night. This was what was decided in the enlarged Bureau when we were discussing this matter at the meeting before last.

And you, Sir are now saying that we are going to have this motion of censure interposed into that. I do not see how we are going to do it, unless we are going to break off the agricultural debate and put in it the middle, which would be quite monstrous and the wrong thing to do. If you are going to have it at the end, it means having it probably after 10 o'clock at night when there will not be any Members there worth talking about. So I really think the whole thing is ridiculous. There is no time-limit in the Rules of Procedure as to when you can have it. All of us will want to study deeply the terms of it, and I am sure the Commission, who are now used to being censured on agricultural matters, will want to study the matter deeply in order to get their reply correct. Therefore, it would seem to me that the only time you can have it would be in April, that is at the next full part-session of this Parliament. I object most strongly, on behalf of my group, to any question of this motion of censure being taken in the special part-session which is being called for the price review. I would suggest to you, Sir that it is quite out of order so to do.

(Cries of 'Hear!, hear!')

President. — I call Mr Nyborg.

Mr Nyborg. — *(DK)* Mr President, I cannot agree with Mr Scott-Hopkins' attempt to depart from the Rules of Procedure. We must insist that the motion be discussed at the next part-session quarter-session later this month; it arises in any case from agricultural problems. I repeat, Mr President, that I cannot accept

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the argument put forward by the Conservative Group. I must insist that we respect the Rules of Procedure which we ourselves have laid down, and see to it that the motion is discussed at the next part-session.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, people here obviously think that the extraordinary part-session of Parliament, intended for the debate on prices, is to be considered as a normal part-session at which such things as a motion of censure can be dealt with. Admittedly this motion has something to do with butter and the butter sales, but it has nothing to do with the debate on prices which we shall be having at the extraordinary part-session.

Mr President, could you please interpret the Rules of Procedure to the effect that this motion of censure can be placed on the agenda of the ordinary part-session of the European Parliament in April, and not on the agenda of an extraordinary part-session which is being treated as if it were an ordinary one on the grounds that it is the next one.

President. — I note that there are differing views on this point. I was obliged by Rule 21 (3) of the Rules of Procedure to announce to you the tabling of a motion of censure today, but we shall be discussing the agenda for the next part-session tomorrow. This will give us time to think about and decide this point. For this reason I propose that we leave it at that for the moment.

I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — I agree with Mr Lange that we should take this particular motion in April. It is not out of order, Mr Nyborg, the Rules of Procedure state quite clearly the minimum time that must elapse, but they don't say anything about the maximum time. I have looked very carefully into this, as I am sure you have. And your English is as good if not better than time. And my Danish is worse than yours. Therefore, there is, in point of fact, no maximum period laid down in the Rules of Procedure. But we have no precedent here, Sir, which is unfortunate and we also have no meeting of the enlarged Bureau between now and the special session, which is even more unfortunate. Therefore I honestly do not believe with even the best will in the world that you can decide this tomorrow morning. And as the enlarged Bureau cannot meet before the special session, as our President unfortunately has to be engaged in other matters elsewhere — through no fault of his own — I do suggest in those circumstances that we accept what Mr Lange and myself have suggested, that this should be taken at our next meeting in April.

President. — I call Mr Nyborg.

Mr Nyborg. — (DK) Mr President, Mr Scott-Hopkins' remarks do not become any more correct by repetition. Furthermore I would add that Mr Scott-

Hopkins' objection that there will not be a large enough number of Members present at the next part-session cannot possibly be true. We all know how important agricultural problems are for the entire Community; I believe that there will indeed be many Members present and I hope that a proper and reasonable solution to this problem will be found tomorrow.

President. — I can only repeat that we shall not be able to settle this point until tomorrow, when we decide on the agenda for the next part-session.

12. Agenda

President. — I call Mr Scott-Hopkins on a point of order.

Mr Scott-Hopkins. — On a point with nothing to do with what Mr Nyborg has said, Sir at all. I noticed on the order of the day, Sir, we have one report left — Mr Schwörer's. everything else seems to have been got through with a remarkable dispatch. We even dispatched India within 15 minutes at 1.15 p.m. today which amazes me — and outrages me too. Nevertheless, Sir, this means that this one report of Mr Schwörer is all we have on our agenda. And yet we have — if I look at it dispassionately — a fairly heavy agenda for tomorrow. Would it not be possible, Sir, to transfer some of tomorrow's business to today? I see your advisers are shaking their heads. Sir, I would ask you to pay no attention to them in this particular respect, no matter how well-versed they may be in the french version of the Rules of Procedure. We can perfectly well take some of these items because the Commission are here in the presence of ex-President Ortoli who is more than capable of answering the technical question which may arise from tomorrow's agenda. It would cut matters much shorter tomorrow and make matters much easier for all of us.

President. — Mr Scott-Hopkins, I have much respect for your wisdom, but I also have a great deal of consideration for our colleagues, who have been officially informed of the agenda as drawn up and who have arranged their schedules accordingly. Some of the Members who wish to speak tomorrow on one or other of the items are not here today, so that if we do what you suggest, we would be likely to deprive them of the opportunity of taking part in the debate.

Out of regard for Members as a whole, I therefore feel that I cannot propose that Parliament should adopt the amendment which you suggest.

13. Fourth medium-term economic policy programme

President. — The next item is the report (Doc. 579/76) drawn up by Mr Schwörer on the Committee on Economic and Monetary Affairs, on the

proposal from the Commission of the European Communities to the Council for a draft fourth medium-term economic policy programme.

I call Mr Schwörer.

Mr Schwörer, rapporteur. — (D) Mr President, first of all I should like to say how pleased I am to be, as the first speaker, to inaugurate your presidency. May I offer you my warmest congratulations on your election as Vice-President of this Parliament?

I should further like to thank the Commission for the programme that they have presented to us here in Doc. 361/76. On this point I should like to make it clear that we feel the negative remarks as to the time taken to put forward this programme can be counter-balanced somewhat by saying that although it has taken a long time the result is all the better, and we in the Committee on Economic and Monetary Affairs can only be thankful for this excellent summary of the economic policy problems facing us in the next four years.

All the Member States of the Community are today in economic difficulties. Despite a certain increase in economic activity there are serious problems in all countries, in particular that of large-scale unemployment. There are still excessive rates of inflation and certain Member States have balance of payments problems. It has turned out to be considerably more difficult to solve these problems than was originally assumed.

In this House we have on several occasions stressed the fact that our economic problems are not just cyclical but also structural. It is precisely in connection with the formation of medium-term economic policy that the structural aspects become of exceptional importance, whereas normally — in the course of examining the annual economic report from the Commission and of laying down the guidelines for the economic policy of the Member States and for public spending — we concentrate more on the cyclical questions.

The current economic situation raises questions which cannot be solved in the short term; never in the history of the Community has it been of greater importance for the Community to develop a realistic and far-sighted medium-term economic policy which can help in particular to remove the structural problems and iron out the differences which are becoming increasingly apparent in the economic development of individual Member States. It is only by this means, and through greater discipline on the part of the Member States in following the guidelines laid down by the Community, that we can achieve harmonious economic and social development in the Member States of the Community.

Ladies and gentlemen, the Committee on Economic and Monetary Affairs has submitted to you a motion for a resolution comprising 26 points. You will appreciate that in the limited time available I cannot comment on all 26 points one by one. I shall confine myself to outlining the contents of the motion for a resolution and presenting those points which gave rise to particular discussion in Committee.

I should like to start by stressing — as we also did in the introduction and the preamble — that the value of this programme depends on whether the Commission submits the necessary concrete proposals for its implementation for it is indeed only an outline which needs to be filled in. Many people would regard that as obvious, but I think it is a good thing to emphasize it one again, because otherwise we run the risk of not getting beyond good intentions and a recognition of the facts, without any subsequent action.

To get back to the motion for a resolution; the first six points have been grouped under the heading of the long-term objective, namely economic and monetary union, the beginnings of which were solemnly proclaimed in 1970 but which has unfortunately made less and less progress in the past few years — indeed it can even be said to have lost ground. These points bring out the fact that the Community has not been sufficiently able to take decision which could have led directly to this goal.

We call on the Commission to make it unequivocally clear to the Council that the Community is at a crossroads where we can either move towards greater homogeneity in our economic development or move further and further apart, which could be a serious threat to the existence of the Community. In point 7 we call on the Commission to fulfil its task as an organ of management authoritatively and to make use of the powers at its disposal if a Member State fails to observe the guidelines laid down by the Community.

The Commission itself drew attention in its document to this 1974 coordination directive from the Council.

The final points of the motion for a resolution concentrate on the actual content of the Fourth Programme and it was thus this part which gave rise to the most detailed and difficult discussions in the Committee; I shall therefore have to comment rather more fully on individual points. Points 9 and 10 deal with both the links and the differences between short-term and medium-term economic policy. In short-term policies a particular objective, e.g. full employment, can be given more weight than the other economic objectives. In medium-term policy, greater care is needed in applying such a broad orientation as is given in the Fourth Programme since there can be differences in the assessment and also in the remedial action therapy chosen from country to country and in various periods.

The objectives to be achieved are four in number; full employment, stability, economic growth and external balance. Each of these should be given priority when it is particularly at risk or even threatens to be reversed.

Point 11 asks the European Parliament to take note of the quantitative objectives put forward by the Commis-

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sion. On the basis of economic developments in 1976 and at the beginning of 1977, there is reason to doubt whether the objectives given here can be achieved in the period 1976-1980.

In reassessing the situation we may find it necessary to set less optimistic objectives. We did not, however, regard it as our task to say that in so many words in the motion, since we did not wish to allow ourselves to be forced into a defeatist stance. We would hope that we shall perhaps come close to achieving these objectives nonetheless. We are of the opinion that the Community must aim at achieving these objectives because they are in themselves — depending on how you look at it — minimum or maximum values, otherwise it will be extremely difficult particularly to achieve the reduction in unemployment by 1980. Points 12 and 13 gave rise to fairly lengthy discussions in the Committee. It was not thought appropriate to list in point 11 all the measures mentioned elsewhere in the motion for a resolution which need to be implemented in connection with the fight against unemployment. We have, however, stressed the fact we regard two conditions as being particularly important for reducing unemployment, namely new or increased economic growth and a lower rate of inflation. These are the most important and essential, but by no means the only conditions for achieving an appreciable reduction in unemployment.

I now come to point 13, which concerns the question of how far bringing forward the age of retirement, reducing working hours and raising the school leaving age can help in this task of reducing unemployment. There were varying opinions on this in the Committee. One proposed version said that these measures should not be taken solely as a means of lowering the rate of unemployment. Another said that this was not the best way to reduce unemployment. A third version put forward the idea that a necessary condition for raising the school leaving age was that this would lead to a considerable improvement in the professional qualifications of young people. Finally there was a fourth proposal to draw attention to the fact that such measures are only possible when productivity can be substantially and significantly improved.

The majority of the Committee expressed the wish that I should explain here today the meaning of the phrase 'on their own'. This means that there is considerably more to be said on each individual subject and that other aspects need to be taken into account, especially the one I mentioned just now, namely improved productivity.

The same goes for points 14 and 15. Here too these are important questions which cannot be gone into thoroughly. It should, however, be pointed out that various factors are of decisive importance for the chances of achieving a consensus between the two sides of industry and the public authorities without

which there is little prospect of establishing cooperation and thus external stability. This is connected with the question of co-determination and workers' participation in company profits.

Point 17 is addressed to the Council; the Commission's proposal and the relevant opinion of the European Parliament were submitted long ago. It is now a question of finally giving the institution for monetary cooperation, the European Monetary Cooperation Fund, a wider role, particularly in connection with questions concerning common monetary policy in the Community.

Points 18 and 19 stress the fact that the international competitiveness of Community countries must be improved by means of a structural policy. We are sorry to see that concrete measures in this field take up so little space in the Commission's programme. We shall insist, Mr Vice-President that the Commission present a general structural policy programme in the course of 1977, as it has promised. And we should like to draw your attention now to the fact that it should be primarily the small and medium-sized firms which receive assistance here under this structural policy programme, since we see them as having the earliest chance of assuming a particularly active and successful role in combating these economic difficulties, and above all in reducing unemployment.

Point 20 derives from these considerations and from the wish of the President of the Commission, Roy Jenkins, for better coordination between the Community Funds. On this point, however, the Committee could not reach agreement. The point at issue was whether the subject should be mentioned in this context at all, and whether Mr Jenkins' ideas on this matter were realistic and relevant. The chairman of the Committee on Budgets raised the question of whether the Community should have any recourse at all to Funds with sector-based spheres of operation, or whether this money should not rather be included in the general budget of the Community.

There was lengthy discussion, on point 22 of the motion for a resolution, which deals with the so-called notification of investment in highly capital-intensive fields. Several members of the Committee spoke of the danger that in the course of time an investment notification procedure could develop into investment direction. Some, on the other hand thought there was no danger of this. We were, however, largely agreed that the brief remarks in point 9 of the Commission's introduction to its programme — and only in the introduction, that was the interesting thing — could not be regarded as sufficient basis for an opinion from the European Parliament.

The Committee on Economic and Monetary Affairs therefore proposes that this House should not deliver an opinion on this question, either favourably or unfavourably but should wait and see what detailed propo-

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sals the Commission prepares and submits to us in the course of the next few years, so that we can then deliver our final opinion.

Mr President, I should, however, like to say that the predominant opinion in the Committee is that investment notification is completely unacceptable as a preparatory step towards measures to direct investment. We are very much in favour — and this view is shared in all the Groups — of preserving the freedom of entrepreneurial decision and of excluding from this programme anything which could be opposed to this freedom of decision.

But on this point we await further information from the Commission. Mr President, ladies and gentlemen, I do not think that the other points of the motion for a resolution are likely to give rise to differences of opinion here in the House, and I should thus like to stress in conclusion that with point 24 we should like to help ensure that the Fourth Programme does not turn out to be as great a fiasco as the Third. We therefore recommend that the Fourth Programme should be reviewed yearly, that it should be made the basis for the formation of the short-term economic policies of the individual Member States and that the Commission should regularly check that the individual states' policies are compatible with the medium-term objectives.

If this programme is to have any sense at all, it is vital that the short-term economic policies of the Member States should be developed within the framework of medium-term economic policy and be compatible with it. How to put this into practice is, I know, still a difficult question.

We therefore stress — and I should like to address this remark specifically to the Vice-President of the Commission who is responsible for these matters — that our Committee will be very glad to help you in implementing this programme. We have said in the motion that we wish to keep a constant watch on the implementation of the programme. We are also prepared to use our influence in our national parliaments to see that these programmes proposed by the Commission, and the measures proposed for particular situations, are actually put into effect in the individual Member States.

Mr President, we have had lengthy discussions on this motion for a resolution and the Council has more than once called for us to deliver our opinion. I hope you will give your consent to what the Committee on Economic and Monetary Affairs has set out here and what it proposes to do in the future. We have also largely taken account of the arguments of the Committee on Social Affairs and Employment, and the version of the motion that you have before you was accepted unanimously in the Committee on Economic and Monetary Affairs. I should therefore like to ask you, ladies and gentlemen, to approve the present motion for a resolution.

(Applause)

President. — I call Mrs Kellett-Bowman to present the opinion of the Committee on Social Affairs, Employment and Education.

Mrs Kellett-Bowman, draftsman of the opinion. — Mr President, may I too congratulate you on your new position? I should like at the outset, and particularly in view of the criticism I shall be levelling at the Commission's document, to thank the Commission for the undoubted hard work which they have put into the document, which unfortunately has been set at naught by the complete change in the economic climate since the time when it was brought up.

I should also like to congratulate Mr Schwörer on his report, with which my committee almost entirely agrees, although the final version is substantially different from the version we studied in committee. In my view, at any rate, the new paragraph 1 does not entirely reflect what follows. But it seems to me that with this Commission document, as with so many others, by the time we come to draft our opinion, let alone the time when action is to be taken on it, the whole situation has changed so much as to make our efforts almost irrelevant, and I agree very much with the concluding paragraph of Mr Schwörer's explanatory statement which reads:

The way in which this programme is presented clearly shows its uncertainty and its weaknesses. There would then remain only the memory of desirable objectives.

That seems to me rather to sum up the Commission document and our views upon it. But I shall do my utmost as rapporteur for the Committee on Social Affairs and Employment to concentrate on those particular aspects, but as members will be only too well aware, it is extremely difficult, if not positively harmful, to try and keep the economic and social effects apart. The aims of this fourth economic programme are admirable. The only snag is, as Mr Albers pointed out when we were discussing it in committee, they are already hopelessly out of date. The subject on which it is based — increasing GNP, reducing inflation and unemployment — are unfortunately proving too optimistic and the indicators are turning in the opposite direction.

I have here *Euroforum* for the middle of last year, just about the time the Commission's document was being finalized. It contains the heading: *Economic situation, things are looking up*. And it goes on to state that industrial production made further progress, the unemployment situation improved and inflation was rising no faster than in the two previous months. But alas, at the Hague meeting the Council admitted that the tide had begun to flow strongly the other way. What is more disturbing, when we consider that one of the objectives of the Rome Treaty — and indeed of this,

Kellet-Bowman

as of previous plans — is to reduce regional disparities, is to find that the gap between the performance of the richer members and of the poorer is widening more rapidly than ever. On December 23 John Fay, the Head of the Economic Research Department of OECD, said that the latest UK mini budget would cut the UK growth rate from an estimated 1.25 % to 0.75 %, which is less than a quarter of that required by the plan. Indeed in the 6 years since 1970 the UK production index has increased by only 2.8 which is less than a the annual increase required by the plan. Worse still, the Department of Trade and Industry figures published on 25 February revealed that productive investment has declined 5 % on the year and is 22% down on 1970 which really bodes ill for the future from the point of view of trying to implement the plan to anything like its full extent in one member country in particular. It really is not good enough to say cheerfully at point 82,

on a partical level the achievement of the programme's objectives is dependent on a short-term growth path policy which would permit sustained and continuous growth in more stable price-conditions

when everyone in this Chamber knows, Mr President, that this simply is not happening. It is true that under the plan, growth rates are permitted to diverge, but a rate of only one quarter of that required and forecast, as in one Member State, really renders the plan rather absurd, and one wonders what emergency plans the Commission has for dealing with this situation.

Unfortunately too, there are many price rises in the pipeline which have not yet worked their way to the retail price index, and although a rise of 5 % in the price of oil was hailed as a major triumph for the West, it is not all that long since a 5 % rise would have been regarded as a disaster, and this 5 % will aggravate both inflation and the balance of payments situation in all the Member States. It will cost the EEC an extra 3 200 million dollars per annum, but it will cost the United States and Japan only 2 700 million and 1 700 million dollars respectively, thus further weakening our competitive position. Again, what contingency plans has the Commission to deal with this worsening situation? If it should prove that oil prices rise beyond 5 %, every further 1 % rise will add roughly 1 200 million dollars to the combined deficits of the Community countries.

Now I hate to sound unduly gloomy, as Mr Schwörer himself said, but much of the consensus which he has rightly stressed as being of great importance will be very much harder to achieve if the economic factors continue to deteriorate. What sanctions if any does the Commission propose if any country falls too badly behind its target? It seems to me that despite the stress laid on the need for flexibility in Member States' economies, the worsening of the economic climate makes inevitably for rigidity rather than flexibility in and the programme gives no indication whatever as to what the results of this increasing rigidity will be. Now this warning is conveyed very clearly in Mr Schwörer's point 6, but paragraph 80 of the Commis-

sion document seems to me to be one of sheer despair at the inherent contradictions in the document and our situation, which is only very palely reflected in our own point 6. I very much hope that the Commission will pay heed to our point 7, because it seems to me to be wholly wrong for the whole Community to cut its spending simply because some Member States' economies are exceedingly weak. This it seems to me will only exacerbate the problem. As far as possible Community spending should be counter-cyclical.

Point 123 states that voluntary geographical mobility must be encouraged and that mobility aid should provide a real incentive. But what is a real incentive? When we bear in mind that the cost of housing in depressed areas — and this is something that greatly worries my committee — is a third to a half that in more prosperous areas, the mobility allowances now offered are derisory. I would suggest that we should alter the rules of the Social Fund so that cheap mortgages can be offered to workers moving out of a depressed area of high unemployment on the lines of those offered by the Coal and Steel Community and I would beg the Commission not to turn down the suggestion out of hand which has been made in our committee, but to give it serious consideration.

But to be fair to the Commission — and one must always relent at the end — not only did their document come out when conditions were vastly different from those prevailing today, but it was conceived before the development of the more global united approach to regional problems so long desired by Mr Thomson and now being espoused by the new Commission. It is my belief and the belief of my committee, that it is only by putting the whole of the economic force of the Community behind a coordinated regional, social, agricultural and employment policy, that we shall achieve the sort of Europe the Commission points to and for which its citizens yearn.

(Applause)

President. — I call Mr Lange to speak on behalf of the Socialist Group.

Mr Lange. — *(D)* Mr President, ladies and gentlemen, Mr Schwörer has already pointed out that this report was adopted unanimously, albeit after some tough discussions. This means that the Socialist Group too will naturally support this motion.

Allow me now, ladies and gentlemen, to make a few general comments. Despite the fact that there was some delay in presenting the Fourth Programme for medium-term economic policy, we must, I think, see the opportunities provided here by the Commission's plans in the context of overall economic developments, not just in the Community but in the whole world. Although we may say that the Commission is taking a rather too optimistic view because a number of indicators seem at present to suggest that we are not making as much progress as expected, I do not think we should therefore say that this or that particular objective cannot be achieved.

Lange

I should like first of all to remind you that in their negotiations for the Treaty the fathers of the Treaty of Rome were thinking of an annual growth rate of 5%. If, therefore, 5% is now regarded as disastrously little, I would say that that is a mistaken view. 5% is quite a lot. The question is, however, whether this 5% rate can be achieved by simply allowing things to take their course, or whether it can only be achieved if the individual Member States actually pursue an economic policy which will limit inflationary tendencies, strengthen investment, eradicate structural weaknesses and thus create the conditions for maximum growth. Ladies and gentlemen, anyone who supports the now fashionable dictum that we can no longer justify growth on account of the exploitation of the resources and so on that mankind has available, is on the wrong track. If this Community and these highly developed industrial nations could, despite all their difficulties, which have been made more acute by certain developments in recent years — oil for example — agree on a medium-term policy which provides for the careful use of raw materials and the recovery of waste — in Germany and elsewhere this is called recycling, i.e. reintroducing into the production process whatever is reusable in consumer goods — if all of us and our fellow citizens together stopped acting as if we had a superabundance of everything, if we finally got used to the idea that we can only help the Third World and the Fourth World if we stop regarding ourselves as an affluent society, then, Mrs Kellett-Bowman, I think greater optimism would be justified.

We should not, therefore, take a pessimistic view here, if only because economic optimism creates an atmosphere for investment. Now I do not wish to say a priori that investment today means jobs tomorrow. That would be inadmissible. Some investment is for the purpose of rationalization, i.e. the capital expenditure serves to increase productivity and competitiveness, and as a rule, Mr Schwörer, these investment projects initially cause the loss of existing jobs. The word 'initially' is of no importance here; the point is that manpower is replaced by something else. There is no doubt about that. All in all, therefore, some thought needs to be given to how this newly available manpower can be re-employed elsewhere, and that is a question of particular importance in the service industries if we still wish to remain highly competitive in the production sphere.

On the other hand, ladies and gentlemen, this means that we must also come up with some ideas in the context of the worldwide debate on the 'new world economic order'. We still have no answer to the question that is raised here. We merely say that this new world economic order must be fairer in the future, i.e. the poor nations in the world must be given the chance of participating in industrial progress and in the related progress towards improving the quality of life.

The other side of this, however, is also that these highly developed industrial nations must all have the courage to think about the necessary structural changes in their own economies — and not only to think about them but also, when they think they have found certain remedies, to put them into practice, for we produce goods and offer services and other benefits which are meant to find a market in the rest of the world. If they are to find this market, we must naturally also contribute to creating the right conditions for the rest of the world to have the necessary purchasing power. Part of the Third World, or the Third World as a whole — and here I mean exclusively the oil producing and oil exporting countries — already has this purchasing power, as we have seen in the years since autumn 1973. But on the other hand the remaining countries of the then Third World, which we now call the Fourth World, have become increasingly dependent on others. They have not been given any chance to develop their economies to the necessary extent, and as we know, in the context of the North-South dialogue these questions are still all unresolved.

It is naturally a good thing to discuss this and come to an understanding that the countries which provide raw materials — and I am not speaking only about oil, although it is naturally included — must be given a chance to stabilize their earnings from raw materials exports. They should not be subject to fluctuations on the commodity exchanges, nor should they be subject — as far as primary production i.e. agricultural primary production is concerned — to the vagaries of climate, the harvest and so on, but they must be provided with a certain continuity. One way of doing this is that offered by the Community to the 46 associated countries in Africa, the Caribbean and the Pacific under the Lomé Convention. I do not think there is any point in talking about integrated plans for raw materials and worldwide stockpiles of raw materials to be financed internationally. In my view it can only be of benefit to conclude bilateral agreements for the supply — and of course also the purchase — of raw materials, with a correlation between the supply and purchase commitments, and with prices fixed on the basis of a certain reference period and stable for a period of three to five years.

When I say 'bilateral' here, this means that the Community would be a party to any such bilateral negotiations — and thus to any agreement — for the arrangements that were discussed in Nairobi in this connection, and which were partly agreed upon and partly left open, must now be settled relatively soon, since the North-South discussions are beginning again, or rather they have basically already begun. In other words, then, we must see to it, in the Community and in the Member States of the Community, that suitable proposals are put to the Third World and

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the Fourth World for improving the earnings of our various partners there. In my view the oil-exporting countries, along with the industrialized nations, must also make a substantial contribution here.

There is, in my view, just one thing here that is not feasible in the form envisaged by some people, namely linking the prices of raw materials — implicitly this means oil — to changes in the prices of industrial goods. The cost factors for raw materials are quite different from those for manufactured goods, and this means that any such indexing is extremely dangerous for the exchange of goods and materials in the world. Moreover, examining the matter more closely in the light of the ideas put forward at the fourth UNCTAD Conference, this ultimately means the complete cartelization and syndication of the world economy, and it would then be illusory to talk of any real, necessary and desirable free exchange of goods — even under conditions guaranteeing a fairer share for others.

Ladies and gentlemen, we in the industrialized nations must be prepared to take such steps. This means in other words — let me repeat what I have already said before — that we must have the courage to say where we would do better in the long run not to maintain production and to transfer it under different conditions to other parts of the world, firstly because there are more favourable conditions there and secondly because it will then make a much needed contribution to safeguarding the capacity to purchase our more sophisticated technological products — and here products can also mean whole factories.

Up to now this courage has been lacking in our own countries, because there are always electoral disputes — just think of one of our Member States now — and because politicians everywhere have to consider the voter and just don't have the courage to say to the voter or the citizen that this or that must be done. That will have to be tried sometime, for better or for worse, and it can be done by all those governments and parties in parliaments which already have elections behind them, since at the moment they do not need to be afraid to tell the truth for electoral reasons. That means then that the decisive thing about what the Commission has proposed and what the Committee on Economic and Monetary Affairs basically supports is that in this period of the fourth medium-term programme we should get down to making structural changes in our economies — which, by the way, is not a new point in this House, nor is it something that the Commission is mentioning for the first time. We have already said this quite clearly on earlier occasions, even in connection with the annual economic report and the subsequent guidelines for the Community and the Member States. We must, however, now that we all appreciate this, finally begin to do something about it.

This is not an appeal to the Commission, since we support the Commission's intentions, and to this extent the intentions of the Commission and of Parliament are identical. What is needed, in the Member States and thus also in the European body in which the Member States participate — i.e. the Council — is rather the political will to pursue a policy which will make it possible gradually to eliminate the structural economic weaknesses, for only in this way — as the Committee on Social Affairs also rightly noted and Mrs Kellett-Bowman explained once again just now — can we put an end to the social consequences of these structural weaknesses. This in turn means that we are in fact faced with the necessity — whether we like it or not — of agreeing on a genuinely coordinated economic policy, which of course must at the same time be accompanied by a corresponding monetary policy — I do not need to say anything about the Monetary Cooperation Fund for the moment — and this also means that the other areas of policy, which are after all influenced by a properly functioning economy, must be adapted accordingly.

Now what the President of the Commission said in a different context in his speech on the Community's action programme is also nothing new, namely that we have very marked regional differences in the Community, but at the same time he also observed — and this needs to be emphasized — that we still have marked regional differences within the individual Member States as well. If we are to eliminate these differences it is of course also necessary for the individual Member States to have the determination first of all to put their own house in order and then, using Community funds in a horizontal fiscal adjustment — this more or less means the contribution that have been paid up to now, and then there is also the system by which the Funds are financed — which at the same time would amount to an inter-level adjustment as well, these things can be dealt with somewhat better. But first of all the Member States must show they have the will.

There is one further point I should like to emphasize most strongly. I refer to what the Commission has put forward, albeit rather vaguely, in Point 9 of the introduction, i.e. this notification procedure for investment in highly capital-intensive branches of industry. Quite apart from the question of 'capital-intensive', I am strongly in favour of notification of investment above a certain figure. I say this now, regardless of the Commission's version and regardless of the wish expressed by the Committee, because I regard it as essential that the authorities responsible for economic and monetary policy should be informed about large-scale investment plans and large-scale projects completed, otherwise those responsible for economic and monetary policy are groping in the dark.

Lange

These notifications must, therefore, be made, there are no two ways about it. I would, however, like to make it equally clear that these notifications cannot and must not lead to orders to invest or not to invest. In other words, if someone has money burning a hole in his pocket, let him make a bad investment, but then no government department should be so stupid as to provide additional public money for such investments. That cannot be allowed.

Notification of movements of capital does seem sensible if we consider the amounts that are involved in the case of certain companies, and the social consequences arising from these movements of capital in the form of investment. There are a number of examples; I do not need to name any firms here, just a few countries and one field. I thus need only mention the Netherlands, Belgium, the Federal Republic and Switzerland and refer to man-made fibres in order to make it clear to everyone what I mean, for we have discussed this case in this House not just once but several times. Much the same can be said for the motor industry.

All this must be made known because the motor industry has now also worked out a strategy for transferring production from one country to another when there are industrial disputes, i.e. wage disputes, thereby undermining the legitimate demands of the workers in one country and making them more or less pointless. For this reason — and this is a matter for national legislation, and perhaps also for European legislation — we must, in tackling these structural questions from the social point of view, achieve a greater degree of participation on the part of the workers. To put it plainly: what is needed here is a form of worker participation that goes beyond what is in existence at present in most countries. Thus it is really a matter of providing those with political responsibility with all the data they need to assess economic, monetary and social developments.

Now, Mr President, I should like once again to emphasize strongly something that Mr Schwörer said towards the end of his speech. We regard it as being of particular importance that, unlike the Third Programme, the Fourth Programme should be made the guideline and yardstick for short-term economic policy, in other words that the guidelines put forward for the Community and the individual member countries together with each annual economic report should, without exception, be within the framework of the medium-term programme — which, as Mr Schwörer said, and as the Economic Affairs Committee noted, must be continually updated — and that the Commission should make use of the existing opportunities — this is something that we have already accomplished by means of a Council decision reached in a crisis situation — to keep a very careful watch on the implementation of the decisions on guidelines and, if necessary, to take action against non-observance of these decisions, in that government which deviated from the decisions they had helped to adopt would be forced to

explain their reasons for doing so. Then, if the answer is not satisfactory but is given for the sake of convenience, consideration will have to be given to whether to take a further step beyond what is provided for in the Council decision in this connection — namely whether sanctions should be imposed. I am most reluctant to use that expression, but one cannot just make mutual promises to do something, these promises must be kept as well, and we have experienced in the past that the Member States, with certain exceptions, generally have not observed the jointly agreed guidelines. They have not even taken the trouble to achieve a stronger, coordinated, joint economic policy — which is after all essential for a unified, consistent monetary policy and, based on this, a regional and sectoral structural policy and — as a superstructure, you might say — a social policy.

Mr President, I felt obliged to make these remarks because it seems to me that we must have a clear understanding of certain things concerning the overall position in the world, if we are to be able to fulfil our responsibilities in the forthcoming discussions with the developing countries, or the countries capable of development. If we fail to find answers to these questions, ladies and gentlemen, it will be rather difficult for the industrialized nations — and here I express myself cautiously — to return to sound, stable economic principles which will at the same time be able to ensure secure social conditions for Community citizens and thus guarantee peace within this Community.

Mr President, the Socialist Group, as I said at the beginning, supports Mr Schwörer's report. I have attempted to highlight a few particular points.

(Applause)

President. — I call Mr Schwörer to speak on behalf of the Christian-Democratic Group.

Mr Schwörer. — *(D)* Mr President, ladies and gentlemen, as spokesman for the Christian-Democratic Group, I should like to highlight a few points in the programme and the report.

Our Group's main standpoint is that it is intolerable for the economy of the European Community that almost 6 million people are unemployed, and that it is mainly young people who are affected by this and who account for most of these unemployed.

We know that this type of situation raises the question: is it the system which has broken down? It is interesting that the Commission also devotes a great deal of attention to the question as to the cause of these phenomena. In paragraph 19 it states:

The source of this recession is to be found mainly in the continuous and accelerated development of inflation which began in the mid-1960's. It was amplified by the interplay of several factors, some of which were themselves caused by inflation: the rise in oil prices, the restrictive policies adopted by the member countries, and a number of structural factors.

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And not the other way round, as it is sometimes maintained, as if the cause had been the prices demanded by the oil-producing countries and the structural factors. These factors were aggravated and sometimes even caused by inflation. The Commission maintains that the main reason of all is inflation, which was recognized too late and then inadequately combatted. It goes on to speak about the excessive increase in domestic and international liquidity and the rise in incomes beyond the level of productivity growth, and not until the end does it refer to the increase in the price of European industry's raw and auxiliary materials. In paragraph 22 we read :

In most of the Community countries, not only were the necessary structural policies not implemented but also the tightening up of economic policy came too late.

Ladies and gentlemen, we are thus right to begin by taking full employment as the main of our economic policy over the next four years. This means that in all the countries prices will have to be successfully stabilized — which in turn is an essential prerequisite for strong economic growth — and that we shall and here I fully agree with you, Mr Lange — is attainable, but which also, if we do achieve it, will represent real success under present circumstances.

But this increase in growth depends essentially on investment, and I should just like to refer briefly to the rationalization projects! First of all, when rationalization projects are being carried out, we must not forget that additional jobs are created at the machines which are being produced and in the buildings which are being erected. So there are new jobs here too, and if you look at the statistics, you can see that on balance the actual number of jobs saved is not much at all, amounting to less than 10 % of the jobs which at first appear to have been saved.

In our view growth policy equals structural policy. It begins with thorough information on the aims of the Member States. It continues via the setting up of a system of structural policy instruments with subsidies and credits to undertakings and public authorities for establishing new industries. It also involves the greatest possible concentration of the available funds on specific areas. But this also means that a climate must be created which encourages investment and thereby strengthens in the continuation of our free market economy. This report clearly does so. It also means that we must stand up for the right of private ownership. It is interesting to note that this very day the GATT authority has stated in its latest report that its experts consider structural distortions and the lack of confidence in future economic development to be the causes of high unemployment, sluggish investment and protectionist tendencies. This confidence therefore plays a vital role in economic revival. At this

point I should also like to state that a better chance should be given to young craftsmen and to skilled foremen to set up business on their own, since this enables them to build up a new independent existence and to create additional jobs.

I think, however, that this structural policy also means that the involvement of the State should be limited to absolutely essential activities. Among these are the reduction of public deficits and a stop to any further increase in the tax burden, which only serves to stifle private initiative. I am very grateful for the statement in the report that the most effective method of achieving structural improvement is to give special encouragement to the vigorous development of small and medium-sized undertakings. They must be encouraged, strengthened and safeguarded, since the State cannot create these additional jobs let alone the multinationals. It is the many small and medium-sized undertakings which in the long term can bring about an improvement on the employment market.

Mr Vice-President of the Commission, I should now like to draw your particular attention to an item from today's debate. I have noticed in recent weeks that the resources budgeted for in the Regional Fund are not being used at all to finance additional structural measures, but are mostly absorbed into the national budgets and there replace the funds which the States had already earmarked for these measures, so that no additional impulse is provided by these payments from the Regional Fund. I cannot believe that the purpose of a structural policy is merely to redirect the funds in this way.

Now, ladies and gentlemen, I shall turn to growth policy. Mr Lange has already spoken about what must be borne in mind with regard to a market for our goods. Whenever we say 'more growth', the younger generation always asks what is the point, since we shall soon no longer be able to sell our goods for lack of new markets. I hold a completely different view. We shall just have to develop new forms of cooperation and come up with new opportunities for selling our goods in the underdeveloped countries as well. I think that Europe, as an area poor in raw materials, has great chances here, even if there are undoubtedly great dangers too. And yet there is a considerable likelihood that in future such countries will provide markets for new and increased production.

I think that what we really need in external economic policy is more solidarity. This attempt to outbid each other and to create advantages for oneself at the expense of others with export subsidies, and so on, must ultimately lead to trouble. It merely creates a climate which is damaging to everyone and which, in particular, prevents the establishment of the common-trade policy which forms part of the Treaty.

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Ladies and gentlemen, I should like to say something more about the second point which we consider important, and that is stability. The Commission in fact referred to it as the basic condition, and that is how I see it too. Stability is indispensable and essential for lasting, solid growth. This rate of 4.5 % is the maximum we can afford. We are glad that no ambitious plans are being made for a 'here today, gone tomorrow' upswing, but that planning is on a long-term basis, on the lines that it is better to have solid growth than an immediate rapid improvement which proves impossible to maintain.

We therefore welcome the Commission's ideas on the matter. It was especially Vice-President Ortoli's predecessor, Mr Haferkamp, who worked so hard to bring about this concerted action in an attempt to limit the struggle for the distribution of the economic 'cake' through concerted Community action, in which the overall economic conditions would be presented as a basis for future improvements in income and in which increased productivity is regarded in turn as a criterion for increasing wages and salaries in order to achieve growth without inflation. This, in my view, is where the question of the authority of the State arises, and this also applies to the Community. It is a question of whether the State is prepared to join in the negotiations between both sides of industry and put forward the consumer's point of view and that of the socially disadvantaged, instead of allowing the strong to come to an agreement at the expense of the disadvantaged and, above all, of the consumers.

This is where the Commission has an important role to play. It is quite right when it states in paragraph 7 — and I stress it word for word — :

limits must be set to the self-interest of social groups.

That is an indispensable element of any economic strategy aimed at eliminating inflation.

The social groups must put their own particular interests further behind those of the public as a whole... The Governments and the Community, acting together with the two sides of industry, must discuss and determine the necessary macro-economic framework for this... A larger degree of social consensus in all the Member States is essential if excessive and therefore inflationary demands on the national product are to end.

I am 100 % in agreement with what the Commission says on this point, and I also agree with it when it states that progress must be made in the participation of workers in decisions in their undertakings, and in the profits of their undertakings, in the form of wage investment schemes or the like — something which has already been put into practice in some Member States.

Ladies and gentlemen, in order to solve the problem of employment we also need an active policy on the employment market. I referred to this in my report. We hold the view that it is extremely doubtful

whether anything can really be achieved with these three measures — lowering the age of retirement, reducing working hours and raising the school leaving age. This only leads to increased expenditure which is then a further burden on the economy. So I do not know whether we should take this easy way out. I think we must do it the other way round. The ultimate benefits of increased growth and improved productivity must be offered to the workers as a possibility, but they should not be introduced at the outset, since this would only saddle the economy with the additional costs at this time of great financial strain. Ladies and gentlemen, we also welcome the statement in the programme that a consistent, strict money and credit policy will have to play a major part in gradually reducing inflationary trend. Money supply policy is in fact an essential factor in achieving growth without inflation.

This of course also calls for a reduction in public deficits and a rejection of the practice in many countries whose expenditure exceeds revenue, namely that of increasing taxation and further burdening the citizen, instead of adopting the opposite course of greater economy and not constantly increasing the State's share of people's incomes. We are also in favour of accompanying measures in the field of external economic policy and incomes policy, but I cannot deal with these points in any greater detail here. We are also very much in agreement — as I said earlier — with the statements on the consensus in industrial relations and are prepared to support the new plans proposed by the Community on this point.

I now turn to what Mr Lange said about the notification of investment projects. This point was hotly debated in committee, but I must say that I would rather have a little less than a little more in this respect, since the type of bureaucracy which may be set up to deal with this tends to become independent and then tries to interfere in economic decision-making and the organization of the economy. Mr Lange, I do not object when you say 'for projects completed'. Those are statistics, and we cannot do without them. But I do not agree that industry should be required to give advance notification of what it intends to do. That is no business of the State. If it wants money from the State, it must give such notification anyway. But if it wants to invest its own money, then in my view we must beware of introducing any new instruments which might then be misused by others — not by you, Mr Lange, I know that you think in terms of a free market economy — to perhaps secure themselves an influence on the way in which these investments are managed.

Ladies and gentlemen, every medium-term programme inevitably raises the question of the purpose and, especially, the prospect of such programmes. The unfavourable experiences with the

Schwörer

third programme might induce one to say that it is very doubtful whether the fourth programme will be of any value, since in recent years we have in any case not achieved the aim of a Community of growth and stability. Economic and monetary union has stagnated. In the world economic crisis the Community has been incapable of finding constructive and joint answers to many important economic questions. I therefore feel that we should make an effort to start moving again towards economic and monetary union. Above all, we should take stock of our actual situation to see where we have progressed, or whether we have even regressed, as I stated in my report. We must see how far it is possible to strengthen the concertation which exists at the moment. I am thinking here of the cooperation between central banks or the harmonization of guidelines. The existing instruments must be developed in this field.

I am also thinking here about one particular aspect which affects everyone who is constantly crossing frontiers, namely the question of customs duties. Ladies and gentlemen, I feel it really is a bad sign if there is not progress but rather regression in this respect, with border controls becoming even stricter than they were before, simply because we are not making any headway with tax harmonization. It is high time that more pressure was exerted here so that, with the harmonization of taxes, these border controls can be abolished.

I also feel — as Mr Lange has said — that this Council Decision of 18 February 1974 is especially valuable in that it is an example of the Community acting to achieve, and to exert pressure with a view to achieving, what it has jointly determined. As I also said in my report, I should like on behalf of my Group to offer our services in those areas where our own countries do not observe the guidelines. In such cases we should take up the cause of the Community in our own parliaments in order to ensure that these guidelines are implemented more effectively than at present.

Ladies and gentlemen, we are certain that it is only by means of the coordination of macro-economic aims and a common medium-term programme based on the principles of a free market economy that it will be possible to achieve increased coordination of the economic policies of the Member States and harmonious economic development in the Community. I should therefore like to express the hope that the guidelines contained in this programme will by taken into account as soon as possible in all the Community countries when economic decisions are being taken. I am convinced that, if we apply the programme systematically and if the responsible Community bodies, of which we are one, work together, we can achieve these objectives which we have set ourselves for the next four years and which in my view are worthy of the greatest effort, namely to regain full employment with stability.

(Applause)

President. — I call Mr Nyborg to speak on behalf of the Group of Progressive European Democrats.

Mr Nyborg. — (DK) Mr President, I shall now have the pleasure of presenting to the *entire* Assembly the ideas which the Group of European Progressive Democrats stands for.

The need for economic analyses has assumed a new urgency today in view of the challenges facing the Community. As was recently confirmed by the Commission, the Community has never before had to cope simultaneously with such serious difficulties in employment, inflation and the balance of trade.

This equilibrium can no longer look the same as in years of continuous growth. Short-term control of growth rates is no longer possible today in our countries where our supplies are mainly dependent on outside sources and consequently on the close link between economic growth and energy consumption; in practical terms, this means that we cannot disregard medium-term prospects when, for example, we are considering short-term measures for 1977.

In this connection we can only applaud the realism which characterizes the fourth medium-term economic policy programme for 1976-1980, while at the same time we regret — as was stressed in Mr Schwörer's excellent report — that the programme will only have any value if the Commission submits the detailed proposals necessary to implement it.

The main practical conclusion to be drawn from this is that the targets set for approximately 1980 and which are referred to in this programme should now be adjusted to become the objectives for 1977.

Unfortunately there is some doubt as to whether this is a feasible task since, broadly speaking, fulfilment of the targets depends on the policies applied by the individual Member States.

However, the economic crisis is itself in some ways a unifying influence. The campaign against unemployment and inflation must in the future be waged on the basis of the new world-wide structural relationship which has resulted from the energy price increases. The increasing interdependence of all Western industrial countries and particularly of Member States makes very close cooperation on economic policy more necessary than ever before.

The primary objective of this policy should be harmonious growth, which making it possible to iron out cyclical movements, provide full employment and reduce conflict over the distribution of wealth. This growth should be planned on an ambitious scale. We have no wish to be counted among the supporters of the Malthusian views of the Club of Rome.

Nyborg

It is however understandable that there should be scepticism about the very limited growth of capital formation in all the member countries, both in France and in Italy, in the United Kingdom and in Germany. An estimated 5 % annual growth in GNP will not help to bring the level of unemployment down below 3 % of the gainfully employed population.

In our view, the 5 % growth rate in the Community's GNP can only be a minimum figure. We would have preferred the Commission to have offered us more satisfactory plans in this area. Since Parliament has to give its opinion, even if only in an advisory capacity, on the fourth medium-term economic policy programme, it would have been preferable to have been given a more comprehensive set of opinions rather than be asked to rubber-stamp a choice already made by technical authorities.

Having set itself the task of doing something about the unemployment problem the Community should take steps, while continuing the fight against inflation to stimulate the productive investment needed to create jobs. Priority should be given to programmes which consistently create employment as part of an active policy in this area. Such a productive investment programme would also have the advantage of facilitating an essential reorganization of industry by developing new sources of energy and by generally increasing new productive capacity. It cannot be denied that short- and medium-term economic policy are of crucial importance to the implementation of the general guidelines laid down in the fourth programme. Although the Group of European Progressive Democrats agrees in principle with the Commission's ideas, it feels it advisable to make some comment on the memorandum recently distributed which would alter the priority allocated to certain objectives.

Firstly, each individual country must restore its general economic balance by controlling supply and demand so that each European country presents a healthier and more stable pattern of economic activity.

- There is an immediate need for measures to stimulate supply by means of a very selective increase in credit, a renewal of confidence on the capital market and the introduction of industrial legislation to improve the effectiveness of enterprises.
- There is a need for other bold initiatives such as selective limitation of public spending, which has reached a disturbing level; it is difficult to apply Keynesian theory in open economics which bear the full brunt of international price increases.
- In addition, export prices in every country must be stabilized to prevent a reduction in imports; in more general terms, an attempt must be made to reduce production costs by controlling unjustified increases in value added per unit cost.

- Finally, it is important to make it clear to the general public that new funds must be made available to counterbalance any new expenditure; nevertheless, it must be realized that any excessive burden of taxation will have a marked effect on costs and will involve the risk of increased inflation.

A balance must be struck — and we are now learning how difficult a task this is — between economic security on the one hand and, on the other, the rationalization of our economic structures — which is so necessary if our economies are to be modernized.

As we restore our economies certain countries will have to assume special responsibilities. Attempts to achieve the growth target could in fact come to grief if certain Member States adopted a policy which was harmful to the development of other countries. There must therefore be closer coordination. In this way it will be possible to impose on countries which have surpluses a greater share of responsibility by requiring them to follow a more rapid and more comprehensive pattern of development than they would have been able to if they had been guided solely by national priorities.

The Group of European Progressive Democrats insists that each country, while working for European solidarity, should state its intention to take effective steps to fight inflation by explaining to its people that our civilization depends on the result of that fight and that it is part and parcel of our future economic structure.

President. — I call Sir Brandon Rhys Williams to speak on behalf of the European Conservative Group.

Sir Brandon Rhys Williams. — Mr President, I would like to apologize to our rapporteur for not having had the privilege of hearing his opening speech, which began sooner than I anticipated and, I think, took others, besides myself, somewhat by surprise. But I have had the pleasure of listening to him expounding his report in committee on a number of occasions, and I think I can say that I broadly support his aims and welcome his report.

Like all reports on a very general subject produced in a committee where all parties are represented, if the report is to receive unanimous approval at the end of the day then it is obviously going to be very general in character. I do not think that we should blame our rapporteur because his report, like other documents produced under similar conditions, inclines to the general rather than the specific. But one has to comment, not with scepticism but perhaps a little bit of wariness, that there are expressions of hope here of a kind which have proved wrong before, and I wonder sometimes whether we ought not to try to sharpen, perhaps under the Commission's leadership, our aims

Rhys Williams

even if we make them a little less broad. It is better to have a limited target and to reach it, than to cry out for very broad attainments and then fail hopelessly to reach them. We find in this report, and it is an echo of the Commission's own document, that we are against unemployment — we want to have it; we are in favour of growth — we have chosen a figure, 4.5 or 5.5 % per annum; why not 2, 3 or 7 %? The figures begin to be meaningless when they are on such a general basis. Inflation of course we don't like — we want to bring it down to 4 or 5 % by 1980. We don't agree with having an overall deficit — we want to bring it into balance once again by 1980 and we choose a figure of 0.5 to 1 % of GDP.

I don't want to make our rapporteur uncomfortable, because I think he is following the fashion that the Community has adopted in choosing targets of a very general character which really are not in our hands to attain. But I sometimes ask myself how many divisions has the Pope, and how many millions has Mr Ortolini to devote to the execution of his policies. It is not very easy to see what the Commission's power is that is going to be able to send it out into the economic future of Europe with a mission to achieve this, that or the other target. Events will continue to make the running for the European Economic Community, and we unfortunately have neither the will nor the institutions which make it possible for us to defy events except in a very limited way. But I remain an optimist, as my colleagues know, and there is absolutely no reason why we shouldn't learn from the past and change our aims and sharpen our aims for the future.

Mr Schwörer is very well aware of the problems. He deals with economic and monetary union, which I regard as one of the central dilemmas of the Community — how to reconcile the aim towards unification, with the obvious benefits which can be obtained from that, with recognition of the continuing national autonomy which gives each central bank, each treasury, each Parliament in each of the Member States the right to set its own course. Mr Schwörer points to the lack of political volition. In paragraph 5, he says that lack of progress by the Community towards economic and monetary union is due to the lack of political volition on the part of the Council to take the necessary decisions, on the part of the Member States to act in accordance with the decisions taken by the Council, to the Commission's hesitancy about submitting concrete proposals where acceptance by the Council is in doubt.

I sometimes wonder whether we have been entirely right in the policy of bringing the currencies together as a specific aim. I know that, looking back 10 years to the time when Werner produced his great report, it was possible to think in terms of harmonization of the currencies. The hope at that time was that by harmonizing the currencies we should bring our national purposes into line. Now, I think, what we need to

think of is the opposite: how to bring our national purposes into line and then find that the currencies have harmonized themselves.

I think there is another problem and that is our preoccupation with exchange-rates. Of course they are headline news every day in all our financial papers. They make a great deal of difference, even from minute to minute, in the way the banks have to operate and big business dealing across frontiers have to handle their affairs. But exchange-rates are not the whole aspect of the European economy. We really must look at the influence of interest-rates in the different centres. I believe that the interest-rate in Frankfurt now is only about a third of what it is in London for a comparable commercial risk. We are certainly not achieving anything like economic and monetary union when divergencies are as wild as that. We are not doing anything at all about bringing interest-rates into line in the European Community's major financial centres.

Look at tax-rates — taxes on companies, taxes on individuals, taxes on goods. They differ so much from one country to another, and are constantly changing as well. So we have no background of continuing economic and commercial conditions in which businessmen can make their decisions on a Community scale. Wage-rates are another preoccupation. But we tend in the Committee on Economic and Monetary Affairs to regard that as a social problem without realizing that the differences in wage-rates in the different Member States are of intense interest when it comes to economic planning.

As for activity rates, well, we think that is a matter for the Committee on Regional Policy, Regional Planning and Transport.

But the fact that in the different parts of the Community and even within Member States you find such very divergent economic conditions means that we are not getting the benefit of the economic Community, of even such unity as we have twenty years after the Rome Treaty was signed. So I hope that the Commission will be ambitious in the sense that they will broaden out their view of economic and monetary union and look at many things besides simply exchange-rates, but at the same time will narrow their view to the targets which are actually attainable and which do not just go out into the cloudy distance where they cease to have any real meaning at all. We must not change our policies with every swing of events, not must we set ourselves unrealistic targets. What we need to do is to produce a background of economic and commercial conditions in which businessmen all over the Community can take decisions which prove right, and they must know that the conditions are such that a decision taken this year will not look foolish within three or six months or within a year or two because there has been some change of policy or some new approach which has completely upset the apple-cart.

Rhys Williams

One hears monetarists of the extreme school saying that until we can get back to the free play of market forces we shall never have healthy economic conditions. I feel that people who talk like that have learnt their economics from journalists or from professors, not from the practical viewpoint of someone starting life as, perhaps an export-clerk or as a foreign-exchange clerk in a bank. People who have practical experience of market forces are not among those who want uncontrolled market forces, pure floating and the like. That is something which we have to leave to the academics.

But nor do we want political management of the economy to take an even more powerful hand. Unfortunately, politicians come and go. It is among the glories of the free democratic system which we enjoy in Western Europe that the people can change their minds about politicians and governments and have the right. And it happens quite frequently. In fact, from one month to the next there is probably an election or a rumour of an election in one or other of the Community's Member States all the time. The people change their policies and they change their leaders.

But where business is concerned, what we need is continuity. We must strive to establish institutions and to adhere to pacts which will hold our policies together for years or even decades at a time. This, I would like to say to Mr Ortoli, is one of the reasons why I keep using the phrase 'economic pact' — a monetary pact for the Community based on realistic targets for national economic management which can be adhered to and which can be attained.

We all hope great things from the Duisenberg initiative. Experts tell me that no progress at all is being made with the study of the Duisenberg report; but here is a field where Mr Ortoli can show his authority and vigour, because we can learn from the work that has been done in the International Monetary Fund on devising systems for controls and managed floating, and we can actually put them into effect in the European Community where, perhaps, in the larger forum of the International Monetary Fund it is not possible.

I do hope, too, that the Commission will follow up the idea of a central reference point — a unit of account for the Community's currencies which can be adopted as a central and dependable measure of value for transactions — long-term and short-term — between Member States and perhaps in due course even become a new store of value which will finally supersede national paper currencies.

I would like to say a lot more about the ways in which we can approach a freer capital market, because while we have so much restriction on movement of funds between one country and another we are not getting the benefit of the investment opportunities which undoubtedly exist within the Community. If we were to progress towards the freedom of movement of

capital, it would help to establish much more favourable and predictable investment conditions and it would also draw money into real innovation and not merely into limited but safe national projects or, worst of all, simply into pushing up the prices of existing assets like property. We have seen too much of that.

I think that we have made progress and can congratulate ourselves on the ways in which the Economic Community is beginning to act together in dealing with countries outside. Negotiations with Russia over the fishing problem, with Japan over dumping — these are examples in recent weeks where we have suddenly found our strength as a Community, and I think that we must continue to exercise our muscle so as to make certain that our traders get a fair deal in the whole world.

We must also give a fair deal. I am a particularly strong supporter of the initiative which, I think, was originally a French scheme — the STABEX project. We need to build upon that and extend it, because Europe is a world trading community, and we need to remember our overseas trading partners and their continuity of policy in dealing with them as well as our relationship simply within Europe with other Member States of the Community.

I would like to say much more about Mr Schwörer's report. It contains much which is admirable and sound, and I wouldn't like him to feel that I have been critical of this report, because I think that in the context of our work, and our method of working, he has done an excellent job. But now we must look to the Commission to send up altogether new fireworks which will make Europe aghast with admiration and decide that something new is on the way.

We have got to solve this dilemma of national priorities and Community aims. Really it is a false dilemma. I feel that in some countries — particularly, perhaps, in Britain — we are tending to think that we have to postpone further advance towards convergence until we have solved our own national problems. But in fact it is by moving towards convergence that we shall find the solutions to our national problems. We must solve our inflation and stagnation problems and that other besetting problem, the lack of confidence of the British economy — and this goes for other economies too — by opening out and taking advantage of the opportunities that exist within the Economic Community.

In spite of all the clouds on the horizon, all the difficulties and the setbacks and the loss of confidence, I feel that we have so much to be proud of and so much to build upon in Western Europe that there are absolutely no grounds for despair. But we do have to take our destiny into our own hands. My feeling is that if we look after the policies, the currencies will look after themselves.

(Applause)

President. — I call Mr Berkhouwer to speak on behalf of the Liberal and Democratic Group.

Mr Berkhouwer. — It is difficult, Mr President, not to feel depressed when reading this report and the document on which it was based — namely, the fourth medium-term economic policy programme. Precisely because Mr Schwörer has been a painstaking and conscientious rapporteur, he has had to call attention to a great many disappointments — to growing and widespread divergences in the economies of the Member States which put off the achievement of our proclaimed intention and which threatened to undermine the achievements of the past.

But it is at least encouraging that the Committee on Economic and Monetary Affairs recognizes these dangers and that in both his speeches to Parliament the new President of the Commission has shown that he is aware of them too. We are faced with many dangers and great difficulties, but complacency is not one of them. When the Committee on Economic and Monetary Affairs met to discuss Mr Schwörer's report for the last time, Danish members were conspicuous by their absence, being actively engaged elsewhere, as no doubt are our Italian colleagues today. I hope the rapporteur will forgive me, therefore, if I make some minor criticisms of the text of his report, which I would ordinarily have made in committee and which would then have been made by a Danish colleague of mine who, too, is absent this afternoon.

I think, Mr President, that to speak of the collapse of the social consensus in several countries is expressing things somewhat too strongly. The Commission speaks of strains on the consensus and dangers to it. That is unfortunately true. But to speak of 'collapse' seems to me to be a bit over-dramatic.

I also regret the use of the expression 'the two sides of industry' in the English text. There is of course far too much industrial conflict in our Community. We should not seek to deceive ourselves about this. Perhaps the term 'social partners' which is used in the other languages is too optimistic. But, to speak of 'the two sides' is to accept as habitual and natural a divergence of interests which is increasingly unrealistic. It ought to be clear, especially in the context of incomes policy, where the phrase is used, that there can only be one side in the struggle against inflation.

Labour and capital, management and unions, have a vital common interest in overcoming inflation because, if they do not, it will overcome them — both of them. The fact that in Denmark and Ireland, Great Britain, Italy and France — and to a lesser degree, in Benelux and even Germany — so many workers and some employers still find this hard to understand is proof of the power of the social prejudice which has its basis in the past, not in the present, and a preju-

dice which threatens the future. That prejudice, Mr President, is reinforced by the continued use of phrases like 'the two sides of industry' which imply the inevitability of a conflict which is not only destructive but increasingly obsolete.

In the early days of our Community it used to be believed that stagnation and inflation were mutually exclusive, that the economy could not, as it were, suffer the pangs of indigestion and hunger simultaneously. But, Mr President, we are wiser and also sadder now. Stagflation has become so persistently characteristic of most of the economies of the Nine that the rapporteur does not find it necessary to comment on it as a strange phenomenon, but, rightly, takes it for granted as a disagreeable fact of life. Thus he implicitly recognizes the inadequacy of our counter-cyclical policies in themselves. There are some other doses of economic realism which the Liberals will be glad to see in Mr Schwörer's report.

There is the firm statement of the need to expand the regional programme. There is the clear understanding that over-taxation can be — or, rather, already is — an inflationary pressure. There is the recognition that a firm monetary policy is an essential, although not a sufficient part of any programme of reform. There is support for small and medium businesses which should find an echo in a society increasingly suspicious of size, and hence increasingly sceptical about both the social and economic value of nationalization and the claims to superior economic and social efficiency of big business. There is the insistence on the importance of improving vocational training and retraining to alleviate and eventually abolish the scandal of involuntary unemployment, especially among the young. There is, too, in the explanatory memorandum — although not in the resolution — an understanding that the protection of the environment is an essential part of any programme of social progress and economic development. All these, Mr President, are for us Liberal politicians, who might lose our seats in the future, Sir Brandon, or hold on to them, according to the choice of the public, a matter of priorities. We can only be pleased by the flattery of imitation, whether it comes from Socialist or Conservative sources. As a group, we would express some reservations over the Commission's attitude to consumer policy in the report, for to propose the setting up, of a system for gathering and publishing prices for a number of important and identical products is really, according to us, rather useless. It is difficult not to suspect that this proposal is an enterprise in bureaucratic empire building rather than a genuine service to the consumer. Real hope for the consumers will come from the rigorous enforcement of competition policy rather than by getting officials to collect information which the press can already report.

Berkhouwer

Let me end, Mr President, by underlining the following: in the absence of genuine political responsibility at Community level, the different interests of the various individual Member States make it increasingly difficult to work out a Community solution. And here, my friends and I find, is the crux of the whole matter. The Member States know that they cannot overcome their domestic economic difficulties except through and in the Community, but they are still reluctant to establish the political structures which will make the Community work as it should. That is why on this, as on so many other issues, we are brought back to the importance of the direct election of this Parliament. It is only when this Parliament can go direct to the people of the Community to persuade them of the importance of Community action that we shall be able to generate the pressure on Member States to ensure that they make the economic policy work in practice. It is the lack of progress in the development of the institutions of the Community which makes us less critical of the Commission than the delays and disappointments of their report would otherwise lead us to be. We know that the failure to act in unison and in time is not the fault of the Commission — it is the failure of the governments, and it is the duty of every Member of this Parliament to make this plain to public opinion.

(Applause)

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — *(F)* Mr President, I wish first of all to thank the Committee on Economic and Monetary Affairs and the rapporteur for their work. I would like also to thank the various speakers who have expressed their views on the major problems which confront us.

It grieves me that there are not more Members present for this debate on the medium-term economic policy programme, which provides the general framework within which the Community is going to act. This is a sector which is causing us very great concern, since to speak of the medium-term economic policy programme is to speak of difficulties ahead, of a difficult future, of the whole series of structural problems referred to a short time ago by the rapporteur, in short, of how to assess the problems confronting us and of how to combat them together.

I am sad to see that there are so few of us here for this first round of our fight to bring Parliament's opinion of the Commission's ideas before the Council. I was struck by the importance which all the speakers, and especially the rapporteur, attached to the link, in the coming period, between economic growth — without which we cannot solve our problems in the employment sector — and the battle we have to engage in order to combat inflation, for without this battle our efforts will be meaningless and there will be no justice

for those whom we represent. I agree that these are the most illuminating aspects of this medium-term policy programme. It is obviously true that both growth and stability can be achieved with this programme, but I am certain that unless we endeavour to create the machinery, based on men and on governments, which will allow us to achieve growth and stability at the same time, the period ahead will be one of immense difficulty for Europe.

You were right, Mr Schwörer and other honourable Members, to stress that this problem, which at times presents us with a dilemma, nevertheless reflects our main aim. For growth means employment, and stability means durability and, in the long run, justice. The principal aim of this programme is to reduce unemployment and to achieve an economy in which more jobs lead to greater purchasing power and social justice. There is no doubt that this is an ambitious programme, but we need this combination of growth and stability particularly since — as I said just now — there can be no growth without stability, because we must never forget for a moment that our economies are constantly being evaluated. We have no means of influencing the instrument of evaluation directly, but it has a name: the balance of payments.

It is possible to follow unwise policies and believe, at a given moment, that a better policy is feasible, with greater growth and a more satisfactory level of employment. But if this policy ignores the vital necessity of restoring equilibrium to our balance of payments, knocked askew by our dependence on raw materials and energy sources, there will be someone waiting just around the corner with a large cudgel ready to bring us back to our senses.

This extremely difficult task means that we must avoid — if I may use a piece of economic jargon — a 'stop-go' economy, one of sudden acceleration and equally sudden braking. We must, therefore, avoid deflation and unemployment, and pursue a policy which rejects that other tempting solution, protectionism.

All these are key words in the course we intend to follow. They also show why it has been so difficult to draw up a medium-term policy programme. Reconciling all these objectives in one package was extremely difficult.

I presupposes a consensus of the kind advocated in this House. What exactly do we mean by 'consensus'? Simply that we must agree on what is required and then work together to achieve it.

Consensus means seeing and stating things clearly. It also means common sense and working together to achieve what is vital to us all.

Inevitably, this implies that the Community — and note that I say the Community and not only the Member States — must clarify the conditions of and

Ortoli

the vital need for this consensus — I am thinking here of the Tripartite Conference and of the work with the social partners. We know full well that we have to combine a number of policies which you will find outlined in the Commission's programme. Some of the Member States must pursue a stringent policy, since not all of them have reached a degree of convergence which would allow them to implement the same measures. This policy of stringency involves combatting inflation and steadily redressing the balance of payments. But the Member States which are in a better position must also play a more active part so that, with the exports which they will make possible, we can achieve better balance and increased growth throughout the Community.

Mr Lange was quite right to add the international dimension to the programme and the analysis of it. The Community dimension is vitally important, but it is not the only level at which measures can be taken to deal with the problems. Consequently, let us not get sidetracked into doctrinal squabbles about the need to collaborate with the other Western powers. We must work together with them, and I feel that the Community can only gain by this policy which goes beyond the Community. Our interests will be better served if we are united in this dialogue, and note that I say dialogue and not confrontation. Nor shall we succeed if we do not settle a whole set of problems affecting the countries of the Third and Fourth World. This must be kept in mind, for we are a democratic Community, which believes that justice is a fundamental part of its policies and that justice cannot be limited to the Community alone, however large it may be. But another and more immediate task is to ensure a more balanced situation in the world's economy, which has been profoundly disturbed and which — as many of you pointed out — presents a number of immense problems which must be solved. These include ensuring reasonably stable prices of raw materials and energy resources, an adequate future availability of these resources, and the development of international trade to support our own activities. These are just a few sectors in which our interests are at stake. Then there are our joint efforts to achieve stability. We are all aware of the dire effects of the general upheaval in the world's economy which was the result of a monetary crisis which we did not see coming and did not know how to deal with. We are paying the terrible cost of all this now, although the problems really began some ten or more years ago.

So this is a second point on which I fully agree. Beside this complementary policy we must recognize that these problems have an international dimension, and that our countries and our Community must play a part in restoring a stability, which as well as being sounder is more just and more dynamic.

However — and this is the third point of the overall policy I want to argue adequate international organization, and in this respect I am in agreement with the majority of the speakers. Nor do I believe that it is sufficient for some of our States to decide to introduce anti-inflation policies and for others to pursue a policy of growth. In my opinion, the way to deal with these structural problems is to develop structural policies.

Do not think that I am advocating any kind of *dirigisme*, but it seems to me that we are taking a risk if we believe, at least in the present circumstances, that properly implemented national policies are enough to solve all the problems facing us. Structural policies are mentioned in the document before you, most of you have referred to them, and they range from a policy of competition essential to the genuine free market we are aiming at, to a consumer policy, which is also an aspect of freedom within the market, to an active policy, which is also an aspect of freedom within the market, to an active policy for employment capable of facilitating the mobility of labour and creating machinery which will permit better arrangements to be made. And there are also, of course, the sectoral policies, to which I shall return later.

It may well be asked whether an analysis of this type has not a touch of fantasy about it. Various people have said: 'We like the Commission and are grateful for the ideas it has come up with, but let us look at the facts realistically.'

As they appear today, the figures do not correspond with the trend you are describing and which should lead, by 1980, to reduced unemployment, a growth rate of 4.5-5 %, price increases kept within 4.5-5 %, etc.'

I would recognize the force of this argument if I did not share the view expressed by the rapporteur and Mr Lange, although they expressed themselves in other terms. Firstly, let me tell Sir Brandon Rhys Williams that if we have selected certain figures which we feel to represent realistic targets, rather than others, it is not because we particularly like those figures but because we dislike unemployment, and because we have asked ourselves how best to achieve a return to conditions of satisfactory employment. I believe this is the Community's duty because this, in fact, is our major problem. Consequently — and it is here that my views coincide with those of the rapporteur and Mr Lange — it is true that there are both voluntary and binding elements in the proposals we are making. However, I know Sir Brandon too well not to know that he can distinguish between a forecast and a policy. We are not making a forecast, we are proposing a policy, and one which we believe can be implemented.

Ortoli

I cannot be sure that we shall have reached our target in 1980. I am sorry to see that we are already getting behind schedule. But what exactly is the significance of this medium-term policy programme, if we take a close look at its quantifiable aims? Its initial significance — and one which I trust will be of benefit to us — is that discussion has gone ahead with governments, trade unions and industry, in order to discover their views on what efforts should be made and what results sought. Secondly, this programme is also significant in the sense that — as a French philosopher once said, although I am afraid I have forgotten his exact words — ‘When man looks at his future, he changes it’.

I freely admit that just looking at our problems, at what we want to do and fixing targets is not creating the conditions in which these goals can be achieved. But it forces us to think about the machinery required to achieve these goals at government level and at the various levels of the economy agents. This is vitally important. So I believe that a programme of this kind, provided it is realistically constructed, is first and foremost an aid to clear thinking. It establishes the warning signals, marks out a route to follow, states and defines the need for coordination, stresses the need for solidarity, and lets us know what additional effort is required to reach a certain number of objectives. This is not all, but it is already a great deal. And it does not weaken — indeed, quite the opposite — the diagnostic character of the whole.

In elaborating this programme, we wondered how we could effect the policy, which, like Mr Schwörer a short while ago, I have attempted to outline for you here. The first step is to look ahead and work out a policy. But the policy still has to be put into effect and I fully appreciate the questions that have been put to me on the implementation of the medium-term policy programme, for I do not believe that this programme can be really useful unless it is used effectively for this kind of constant questioning which is necessary if these policies are to be given practical form, both at national and at Community level. The purpose of an outline is to be an outline; it is meaningless if it is too fixed. Consequently, both I and my colleagues who are responsible for ensuring that this programme is put into effect are determined to implement it in detail, and to come up with ideas, as we were asked to do a little while ago. It is not by chance that Mr Vredeling is here. He is here because he believes, as I do, that we have some very difficult objectives to set, and that it is up to us to overcome these difficulties so that we can reach these objectives and so that the Member States can reach them. It is true that our resources are limited, but we can already ask — and this we have begun to do — for the debate on the successive stages of the programme to be accorded as much importance as the debate on the general outline. This is what I myself wrote to the

Finance Ministers, and this is what I said myself and what I told others to say to the Economic Policy Committee. At the last meeting of the Finance Ministers I said ‘I should be very glad to have a debate on the programme, but let us also talk at the same time about how to follow it through, and let us see how we can work together on employment and investment policies.’ I asked if we could get down to discussing procedures and timetables from Monday onwards.

Neither Mr Vredeling nor myself is yet in a position to make concrete proposals, but we are beginning to get an idea of the questions to be answered, and perhaps even some idea of how we can get all the States to agree on a joint approach. Consequently, our aim must be to think clearly and precisely, to come up with proper analyses and sound ideas, and to be resolute in carrying out our efforts at persuasion. We thought, therefore, that it would be better to commence immediately, without waiting for the programme to be adopted and a new round of talks started.

This is also why it has to be reviewed from year to year and why the manner in which the resources have been used and in which the aims can be achieved should occasionally be subjected to more thoroughgoing scrutiny. But I realize that, whatever our determination, our direct powers are fairly limited and that some day we shall have to resolve this problem. It has to be settled since we have not now, nor shall we have in the near future, a central bank carrying out the monetary policy of the Community. We have not now, nor shall we have in the near future, a Community currency on which the Community can base its entire monetary policy. We have not now, nor shall we have in the near future, a Community budget which has enough weight in the economy of the Community to represent a decisive means of attaining the goals we have set ourselves. What we can do is coordinate policies, steadily increase resources, and make the best possible use of these resources. What we can do is propose measures which will be implemented at national level but in a genuinely Community context. What we can do is fight for the triumph of reason and consensus. This is a lot, but I do not think we can hope to go any farther.

Nonetheless, we can still achieve a great deal, provided we want to and are capable of it. You told us that those who advanced with few resources to back them up had little chance of success. Our position, after all, is rather similar to that of missionaries who have to bring the Gospel to nine recalcitrant tribes. But if the missionaries believe in what they are doing and if they look for the best way of approaching the tribes, there is a change that the good word will spread among them and collaboration will begin. We are then back to the problem of what to do next, of the need to decide carefully where to undertake

Ortoli

Community action, since Community action is not just a matter of talk or exhortation: it involves doing something. For this reason a wider-ranging employment policy and careful thinking about an investment policy are essential in our view to any action we may wish to take.

Earlier, a number of speakers mentioned investments in connection with the notification procedure. I should like to say something on this, since I feel that investments could be one of the central foci of our action in the near future. We do not accept at the present time that consumption, or more precisely, an exaggerated increase in consumption, can be the major or sole cause of the growth we are forecasting. We are hoping to increase exports, but we know that this will happen only slowly, and that we cannot absorb right away all the surpluses that exist in some of the Member States.

And so, while both exports and the flow of capital, which will be determined by recycling, will be major factors, investments will have a central role to play. I am personally convinced that this need for public or private investment, but especially private investment, is such that there can be no solution to our problems without growth, and there can be no solution to the problems of growth unless there is growth in industry and related services.

I am sorry to be so down to earth, but this is how I see it. I believe that unless growth is based on a solid foundation of production, we shall not achieve the results we are aiming at. The notion of developing industry and its services is therefore fundamental. We must not be afraid to speak of industrial growth, and it is our collective duty to find ways and means of achieving it.

In other words, our first task is to get this idea across, the absolute truth of which some countries realize. They are the countries whose relative recession is perhaps the result of an inadequate level of industrial growth in their development. We have to improve the climate and convince people of the vital need to invest and to promote industry and its related services, since jobs for the most part are provided by the small and medium-size concerns referred to earlier and by the services which are directly or indirectly linked to industry.

Thus we have to provide some sort of plan for this development. I share the view that the development and necessary growth of industry can be encouraged more by the creation of the right climate than by massive intervention.

But we also need to coordinate national and Community resources which are used to boost investment and growth or to solve industrial problems. I shall not deal at length with the coordination of funds, as this is something which the Commission has covered in its

programme. We also need to coordinate and to use all our resources in following specific industrial policies which, whether we like it or not, are getting under way: policies for the steel industry, shipbuilding, the aerospace and textile industries. All this is beginning to take shape, with very different resources and not necessarily with massive intervention. Then there is the coordination of financial aid. National aid is of course an element in this approach and should be, where possible, an additional means of encouraging investment. We are considering how to ensure that reconversion in various industrial sectors does not go ahead too quickly and have too great an impact on employment. On the other hand, with regard to the industries of the future, we are considering how to exploit the future, how to understand it and how to move steadily towards it, and how and when the Community can make a contribution here.

All this puts this notification of investments in its true perspective, and it worries me to see that such an idea can be regarded as being extremely dirigistic.

If this were the case, it would have to be possible, following notification of the investments, for the Community to step in and block them. Given the present composition of the Council, this is a very remote risk. For this to happen some remarkable changes would be needed in a number of Member States.

Furthermore — and the steel industry is a fine example here — why do we not improve the standard of our information? Why cannot we have exact information of what is happening in the sectors where so much money is being invested but where so few jobs are being created?

Everyone must be allowed — freely, of course, but freedom can and indeed must be open to inspection — to invest on his own or to ask for government help in investing, since this is very often what happens with government aid. In the case of large investments which could present considerable problems later I fail to see why we should not attempt to keep a watch on things. Nobody's freedom would be affected.

I am not making this an essential aspect of the programme, but just look at the steel industry. There the system has been working for years. The requirement to give notification of investments exists in a treaty which is considerably stricter than the treaty establishing the European Economic Community. I do not feel that the system is entirely satisfactory, but it is not that bad. We are quite happy nowadays to have some system by which we can discuss the objectives we are going to set in the steel industry. One or two States are pleased to have this opportunity to discuss this problem at a European level and to consider, at this level, what is reasonable for the workers in such a sensitive sector.

Ortoli

I am no out-and-out pragmatist, but if it appears that information is required for the common good in a number of sectors, the Commission will not fail in its duty to say so and to urge it. But since it obviously cannot do this alone, there will have to be discussions on the validity of its proposals, and these will show whether the Commission is right or wrong.

One last point: the link between the short term and the medium term. This is one of the items which the programme deals with in several places. It is vital, in fact, that the medium-term programme should take account of the short term. Consequently, we must make some adjustments, but we must also monitor the policies which the Member States adopt in connection with our objectives. What this means, above all, is that we have to identify the interrelationships and see how mutual aid can be applied to help us achieve these major objectives. Solidarity among the Member States, with the aim of achieving these objectives, means solidarity tomorrow, not in three or four years. But we must also ensure that our budgetary and monetary policies are more closely coordinated so that we can achieve the objectives we have set ourselves.

As far as budgetary policy is concerned, it is obvious that we cannot at present insist on the immediate and complete resorption of the deficits. However, what we must do in the medium term is stipulate that the tax burden must not exceed a certain level — which it has probably reached in almost all the Member States — so that the natural growth of our economies is not hindered.

With regard to monetary policy, I fully agree with what was said by the rapporteur and by Sir Brandon Rhys Williams. It is my view that our short-term policy, set in the context of a medium-term policy, must lead to a very stringent application of the short-term instruments available to us. The problem is that we have no fine words to offer and that we do not have many ideas which are fresh enough to impress the general public and — dare I say it? — the Members of this House.

All we can offer is steadfastness and the implementation of what we have been promising for some years but have as yet been unable to do. As far as monetary policy is concerned, for example, I am not a committed monetarist. It is my opinion that the general control of economic activity depends to some extent on States acting through the budget, to some extent on the real income situation — in other words, I hope, on a policy of consensus — and to some extent on monetary intervention. I do not find it unreasonable for each of the Member States to set itself standards, in other words, to make an effort to look at the situation and accept the need for supervision and justification.

The Community must then play its part in the process. I am not going to accept answers like 'No, it

is too difficult, we do not know what to do yet', or 'Keep out of something that has nothing to do with you'.

There is no doubt that the coordination of policies implies many elements of interdependence and complementarity, and indeed of collective courage. Personally, I am determined to make sure that this coordination becomes more of a reality.

Mr President, this is what I wanted to say in reply to those who spoke before me. But I should be ignoring one of the most important points if I did not add that all this presupposes a resolute and courageous striving for consensus among the Member States and at Community level.

Unless each of us accepts his share of responsibility along the difficult road to growth and full employment in a stable society, if we do not accept the constraints as well as the objectives, since it is these constraints which determine success and since there are no ten available routes, we shall not achieve the aims of this medium-term policy programme.

I therefore wish to thank you for your comments to the Commission, which you have asked to be clear and courageous. I thank you for whatever you can do to encourage Member States to implement policies which are as stringent and as open as possible. But this will not be enough unless there is a greater consensus. Let us look to the future, since we are talking about a medium-term programme. This Community must not be one of constant complaints that we have not achieved as much as we wanted. This must be a Community with objectives, a Community where action is the key word. It is our job to convince the citizens of Europe that we are really working for their good in this programme which is both disciplined and ambitious, but which is also subject to certain constraints. It is because we are the servants of the people, because this programme outlines reasonably well what can be done to achieve the best results, that it must, in my opinion, be adopted. Let me thank the House once again for holding such a useful debate on this subject.

(Applause)

President. — I call Mr Schwörer.

Mr Schwörer, rapporteur. — *(D)* Mr President, ladies and gentlemen, I am sorry that Vice-President Ortoli felt the need to criticize the attendance in the House, which he construed as reflecting a certain lack of interest.

Mr President, the facts are these: we had expected this debate to start at 6 p.m., which may explain why many Members have not turned up for the debate this afternoon. Secondly, three of the big delegations have already left. You know of course that there are problems, or at least important divisions, in the Italian

Schwörer

Parliament; the Dutch Members have left for home and the French Members are no longer in the House due to the forthcoming elections. I think that, under the circumstances, you will make allowances for our somewhat sparse attendance. However, Mr Ortoli, you may rest assured that we shall take a very active interest in your future work in implementing this programme. I should like to say one thing to you on this point:

You should not underestimate the Commission's potential. You have powers to initiate and coordinate, and you have a Parliament to back you up. This Parliament, and more especially the Committee on Economic and Monetary Affairs will, support your attempts to make your views prevail at national and Community level. We therefore await your future actions with interest, and you may reckon on our continuing support in the wider context; there must be a change in this situation, unemployment must be eliminated and stability and growth restored. And — as we know — this can only be achieved if the whole Community works together. It is no good individual countries pursuing sensible policies if the others then assume that they need do nothing. I do not think there is any great enthusiasm in the statistically better-off countries for repeatedly conceding special treatment to those other countries which prove incapable of keeping up with progress towards full employment. In any case, we shall give you our full backing when you draw up this future policy under your programme. But now a word of criticism on these investment notifications which will no doubt come up for discussion in the Committee. On the strength of these lists, Mr Ortoli, no one has any way of knowing whether these advance notifications will be implemented correctly in practice. As far as investment in the steel industry is concerned, I do not have the impression that these notifications have resulted in capacity being cut back and rationalized in such a way as to dispel concern. On the contrary, there is probably no other sector of industry which is so troubled by excess capacity as the one covered by these notifications. But, as I said before, let us leave that question for today and carry on discussion in the Committee on the best ways and means of reconciling our views with the Commission's thoughts on the subject.

To Mr Berkhouwer's criticism of several passages in my report — I can no longer see him in the Chamber — I should just like to say that the report makes no mention of a collapse of the social consensus and when he talks about the two sides, I must point out that this is purely a translation problem. Our German text speaks of 'social partners', whereas the English text refers to 'the two sides of industry'. That is the difference. We refer to social partners to express our view that the two sides belong together, and that they must get together to formulate policy; in other words, they are not two distinct sides which just happen to

sit round the same table. We are talking about genuine partners and I believe this attitude comes out throughout the report. Cooperation between the two groups is absolutely essential first of all for the creation of a social consensus and, subsequently, for the achievement of those successes which will enable both groups — and the problem areas of the economy as a whole, particularly the question of full employment — to make further progress.

I should therefore like to remind Mr Ortoli once again that we shall be waiting to see what further action he takes, and that we shall tackle these problems side by side and with the kind of enthusiastic commitment you referred to earlier.

President. — Since no one else wishes to speak, the debate is closed.

We shall now consider the motion for a resolution.

I put the preamble and paragraphs 1 to 4 to the vote.

The preamble and paragraphs 1 to 4 are adopted.

After paragraph 4 I have Amendment No 1 tabled by Sir Brandon Rhys Williams aimed at the inclusion of a new paragraph:

- 4a. Recalls its resolution of 5 April 1976 in which it approved the Commission proposal for a European Communities Institute for Economic Analysis and Research, and calls upon the Council to establish the Institute without any further delay;

I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — Mr President, I think I can move briefly this, I hope, uncontroversial amendment and that the rapporteur will welcome it. Parliament decided last year to endorse the Commission's proposal that the Community should set up an institute for medium and long-term economic studies. I think that we are too much distracted by day-to-day problems and that it would help all our policy makers if we were able to benefit from the advice of an institute formally established to study the longer economic future.

I know that there will be those in national government departments, and perhaps even within the Commission itself, who feel that the long-term view is already sufficiently dealt with by officials already in office. But I think that an independent Community institution would provide a degree of creative tension which would be useful, even if it only existed as a centre of controversy. Parliament has, in fact, endorsed this and reinforced this endorsement this year by insisting on increasing from 200 000 to 1 million units of account the allocation of funds for the current year. So what are we waiting for? My amendment was prompted by the fact that yesterday the President-in-Office of the Council seemed to hesitate about this project. I think that Parliament should take this opportunity today to reinforce its will that this institute should be set up and that it should be set up without any more delay.

Rhys Williams

I will say one more word about the location of the institute. I believe that it would be fruitful if it were established in Berlin. We need to remember that Berlin is part of the Community, we need to establish there institutions of the Community which perhaps do not need too much going to and fro but which nevertheless attract attention. I think that in Berlin we have students of economic affairs second to none in the Community and I believe that, apart from questions of economic and monetary union, which must be the primary study of the new institute, our relations with Eastern Europe could well be put on to a more academic basis.

Therefore I do hope that the Parliament will endorse my amendment to Mr Schwörer's report so that we can re-emphasize our intentions in supporting the Commission over this.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, ladies and gentlemen, Sir Brandon Rhys Williams is of course right in what he has said. But his amendment is out of place in this resolution. This is not part of the medium-term programme. Last year we came out in favour of the institute and we could now proceed in the following way — I hope, Sir Brandon, you will consider this proposal very carefully because we might then be in agreement: we should refer this matter to the Committee on Economic and Monetary Affairs with the proviso that the committee will put an oral question with debate to the Council so as to consider this problem separately with the Council. If we now add this provision to the resolution it will be one of many items which do not really belong there.

I hope, Sir Brandon, that we shall be able to agree on this procedure and should like to hear your views on the matter.

President. — I call Lord Bruce.

Lord Bruce of Donington. — I rise to support the amendment that has been put forward by Sir Brandon Rhys Williams. I think it has a very adequate place in the motion for a resolution. Indeed the report itself and the proposals put forward by the Commission bear every evidence that their deliberations very sorely need the existence of a research institute of this kind. Parliament, as Sir Brandon has already said, has approved the whole principle of this, has in fact debated it before and I see no harm whatsoever in the Council being reminded of the fact that Parliament still does consider this matter as being one of considerable importance. I would invite my colleagues to support the amendment.

President. — What is the rapporteur's position?

Mr Schwörer, rapporteur. — (D) I wish to support the proposal by our colleague, Mr Lange. We should discuss the matter again in committee. Perhaps the Council has its reasons for not wanting this institute at the present time; perhaps experience in the Community has not been altogether satisfactory with agencies of this kind, with research establishments which belong to the European Community. I do not know, but I would ask you to agree to this procedure, Sir Brandon; we could discuss the matter in committee and then put a request, as a committee, to the Council to ascertain its views. I think we shall then be giving the necessary emphasis to this matter.

I should therefore like to see this motion referred back as it stands to the Committee on Economic and Monetary Affairs.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, it is not for me to say whether a particular amendment should be adopted or not and I prefer not to think about what Lord Bruce meant when he said that we sorely needed an institute of this kind. I just want to draw Parliament's attention to two points.

The first is that you have already approved the creation of the institute; a resolution has been adopted. Secondly, I am resolved to press the Council to set up an institute of this kind because I think it could be useful to us and to others, especially in the form in which we envisage it. I would ask you to be on your guard against discussions in committee when Parliament has already stated its opinion.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — I understand Mr Lange's view, but I do not accept it. It seems to me that we do not have to fall flat on our faces in front of the Council just because the Council is hesitating over a proposal put forward by the Commission and supported by Parliament. I see no reason why we should not discuss this in the committee, but I think that it would be a pity if we did not come to the support of the Commission today. I would therefore like to ask Parliament to take a vote on my amendment.

President. — I call Mr Lange.

Mr Lange. — (D) I have suggested that this matter should be referred to the committee which could then put an oral question with debate to the Council. The issue is not one of discussion in committee but of the procedure to be adopted towards the Council. To that extent we agree with you. If your proposal were now included in the resolution it would just be one of many points which carry no particular weight. But if we put an oral question with debate to the Council, it will gain special weight.

President. — Since the request is supported by the rapporteur, the Rules say that reference to committee is automatic.

I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — This is a strange way of going about things, Mr President. I do not pretend to be an expert on this matter at all, but it seems to me that here we have a report which is being discussed and a particular amendment which has been proposed and has been opposed. And now Mr Lange and other honourable Members seem to want to send that particular amendment — amendment, mark you — to a committee: if this is what is going to happen under the Rules of Procedure you are holding in your hand, then the whole report must go back to committee, not just the amendment.

(Cries of 'Hear, hear!')

It is ludicrous. I really do suggest, Mr President, that you have another look at these Rules of Procedure and that we should proceed to the vote. Perhaps Parliament will chuck this amendment out. Alright, it will chuck it out. But if it does not, if the amendment is adopted, there is nothing to stop Mr Lange in his committee bringing forward an oral question with debate to the Council at some later stage. But truly, you cannot send an amendment back without sending the whole report back.

President. — Rule 29 (5) of the Rules of Procedure states that 'reference of an amendment to committee may be requested at any time'.

Such a reference back to committee is automatic if it is requested by the chairman or rapporteur of the committee responsible.

The rapporteur is Mr Schwörer, and we have heard him support the request made by Mr Lange pursuant to the Rules of Procedure for the amendment to be referred back to committee. I am therefore bound by the Rules of Procedure.

Mr Scott-Hopkins. — Mr President, I am not disagreeing with you but the whole report should be referred back to committee too. You cannot just refer an amendment in the blue: surely this is absolute nonsense.

(Protests)

Mr Prescott. — What on earth is the amendment to, if the report is rejected?

Mr Scott-Hopkins. — I really do not understand. I do apologize for continuing, but I do not understand how an amendment can suddenly arrive in the committee with no report to back it up. What can it be an amendment to when it gets through the committee? If you are amending something, then the report should go back. If this is what the rapporteur and the chairman wish of course I don't object. That

is what the Rules of Procedure allow — so be it. Let it go back to committee — with the report.

President. — I call Mr Schwörer.

Mr Schwörer, rapporteur. — *(D)* If we now do what Mr Lange has proposed we shall not be amending the report but simply not incorporating in it an amendment tabled by Sir Brandon. I think the rapporteur must agree to this; the Rules of Procedure are perfectly logical on this point. We do not know whether this amendment changes the report or whether it has not been sufficiently discussed. That is why it seems to me that the rapporteur can and must request reference back to committee of this item or proposal — which is what I have now done. I therefore ask for this section of the Rules of Procedure to be applied in this case.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — *(F)* Mr President, I am not very familiar with the niceties of the Rules of Procedure but I hope that a vote will be taken on the report today because I think I detect some logic in the words of Mr Scott-Hopkins. It seems to me that if you refer back an amendment while still voting the report, the report is adopted and the amendment lapses. Whatever your decision on the amendment, I hope it will not result in the disappearance of the report which has been the subject of a debate and we must be able to consider it in the Council on Monday.

President. — The Rules of Procedure, Mr Ortoli, endorse your argument, because the Rule which I have just read out goes on to say that

when an amendment is referred to committee, its discussion in plenary sitting, but not necessarily the general debate shall be interrupted.

The general debate is now closed and we are dealing with the vote. If, therefore, we refer this amendment back to committee, it means that there cannot be a vote.

I call Mr Prescott.

Mr Prescott. — Whatever the Rules might say, I think one is very much concerned with the logic of the case. Namely, there is a report before the Parliament. That report may be rejected or accepted. If the report were rejected and you followed the procedure of referring an amendment back to the committee, the amendment returned to the committee would be irrelevant. But, as the rapporteur has said, that amendment may be very important and affect the character of the resolution. That is correct; and that is all the more reason why you can recommend it to go back to the committee; but we must vote here on whether we accept your recommendation or not. If we do not do that, it will mean that any amendment put down by

Prescott

any Member or any group could be sent back to the committee without this Chamber in any way expressing its point of view about it and that amendment might fundamentally change the report. If we do accept that logic, it means that we really cannot accept voting for a report without the amendments to it. It would be crazy.

President. — I call Mr Bertrand.

Mr A. Bertrand. — (NL) Mr President, Rules of Procedure are there to be respected and they cannot be changed during a debate. Our Rules are quite clear on this point. If the chairman and rapporteur ask for an amendment to be referred to the committee responsible, that must automatically be done. Discussion of the amendment is then suspended but consideration of the motion for a resolution continues. That is the situation now. Sir Brandon Rhys William's amendment will go to committee and the remainder of the motion will be dealt with. A decision will be taken later as to the action necessary on Sir Brandon's amendment. This amendment does not affect the substance of the motion for a resolution. I therefore ask for the Rules of Procedure to be applied, that is to say, automatic reference to committee at the request of its chairman or rapporteur and continuation of our discussion of the motion for a resolution.

President. — I call Mrs Kellett-Bowman.

Mrs Kellett-Bowman. — Mr President, I would just like to ask you what happens to the motion for a resolution if the amendment is passed in committee. Do we then re-amend the motion we have just passed or what in fact does happen, because obviously something has got to happen?

President. — I call Sir Brandon.

Sir Brandon Rhys Williams. — Mr President, Mr Lange opened by saying that he thought my amendment was out of character with the rest of the report. But it truly is not. We are dealing here with the medium-term economic policy programme. The object of the Commission in proposing the setting up of this institute was that it should study the medium-term/long-term programme. So my amendment is certainly not outside the scope of the Schwörer report. I suggested that we should proceed with this — I believe — uncontroversial recommendation. I suggested that the institute should be established in Berlin. To my amazement Mr Lange opposes that. I would like your guidance. Can we not persuade Mr Lange to withdraw his objection so Parliament can proceed to the vote, because I believe that Parliament would be happy to accept my amendment if it were not for this procedural obstacle which has been placed in our way by Mr Lange? But may we have your guidance about this? If a proposal is made that an amendment should

be referred back to the committee, is it for Parliament to decide or for Mr Lange or perhaps for the rapporteur? It seems to me that it must be for Parliament to decide. And if that is right, can we not first proceed to a vote as to whether my amendment should be voted upon now or whether it should be sent back to the committee? That surely is a matter for Parliament to decide?

President. — On this question Sir Brandon, I shall take a strict line: it is not a question either of Mr Lange or of Parliament, it is a question of the Rules of Procedure adopted by Parliament, which in this instance must be applied. But I was just about to ask the rapporteur if he supported Mr Lange's request, since if he does not, the matter cannot be referred back.

I call Mr Schwörer.

Mr Scwörer, rapporteur. — (D) Mr President, ladies and gentlemen, I do not think that we should get bogged down on this matter. Mr Ortoli has said he would like to lay this issue before the Council on Monday. In the report we also pointed out that we require objective data as an argument in favour of the creation of such an institute. I therefore withdraw my request for reference of this amendment back to the Committee on Economic and Monetary Affairs.

President. — I call Mr Bertrand.

Mr A. Bertrand. — (F) Mr President, I must apologize for stressing the point but the Rules of Procedure are perfectly clear: if the chairman or rapporteur so requests, reference to committee is automatic.

President. — But the chairman of the committee is not here and the rapporteur is not supporting the request for reference back.

I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — May I speak perhaps in the capacity of vice-chairman of the Committee on Economic and Monetary Affairs? I believe that the committee would not wish this to be referred back but would wish Parliament to decide at once.

President. — Since reference back to committee is not supported either by the chairman of the committee or the rapporteur, we have to take a vote.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, as a Member of the House I now formally request reference back to committee. The House must now take a formal vote on my request.

President. — We therefore have a formal request for reference back from a Member of the Assembly.

I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, I apologize for speaking on a matter which is not my responsibility. Firstly, it seems to me that the logic of Mr Prescott's words is irrefutable but I want, secondly, to highlight something you said which seems particularly significant to me: the request for reference back to committee does not interrupt the debate. But you also said, and this too seems perfectly logical, that there cannot then be a vote.

That being so, I return stubbornly to my initial idea: on behalf of the Commission, I urge Parliament at all events to vote on the report so that it can be discussed on Monday at the Council of Ministers' meeting.

President. — I call Mr Martens.

Mr Martens. — (NL) Mr President, may I remind the House how this problem was dealt with by the Committee on the Rules of Procedure and Petitions. At first sight it was felt that the reference of an amendment to the committee responsible must automatically result in a suspension of the discussion of the motion for a resolution as a whole. However, the view of the committee was that reference back of an amendment merely suspended the discussion of that amendment but not consideration of the motion for a resolution as a whole. However, if an amendment is referred back to committee, obviously no vote can be taken on the motion for a resolution. If it is desired to vote on the motion the amendment must not be referred back to committee.

President. — I think we are all clear about the implications of the vote which we are going to take if Mr Fellermaier maintains his request for referral back. Mr Fellermaier, do you maintain your request for the amendment to be referred back to committee?

Mr Fellermaier. — (D) There is no direct material link between the economic institute and the remainder of the report on the principles of a medium-term economic policy. An individual amendment can of course be referred back to committee at any time without the vote on the report as a whole being called into question. Mr Ortoli, your interpretation of the Rules of Procedure of this House is therefore not altogether correct since the House can in fact adopt the Schwörer report without further ado. It will simply not deal with the amendment tabled by Sir Brandon Rhys Williams. That amendment will be referred back to committee.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Under what Article of the Rules of Procedure can an honourable Member, other than the rapporteur or the chairman of the committee, refer an amendment back? Of course, if Mr Fellermaier wants to, he can ask the House to refer the entire report back. He has every right to do so.

But I maintain that he has no right to ask for an amendment to be referred back under the Rules Procedure.

President. — Mr Scott-Hopkins, we are applying Rule 29, under which a request can be made at any time by a Member of the Assembly for an amendment to be referred back to committee.

I put the request for referral back to committee to the vote.

The request is rejected.

I put Amendment No 1 to the vote.

Amendment No 1 is adopted.

I put paragraphs 5 to 22 to the vote.

Paragraphs 5 to 22 are adopted.

On paragraph 23 I have Amendment No 2 tabled by Sir Brandon Rhys Williams on behalf of the European Conservative Group and aimed at the deletion of the first indent.

I call Sir Brandon.

Sir Brandon Rhys Williams. — Mr President, I think it would be a mistake if the report went forward with this indent which refers back to the situation as things were in 1970. At that time there had been no progress with setting up the European Monetary Cooperation Fund. Colleagues now say there has been little enough progress even now. At any rate, it has been set up since 1973. Therefore, it is not necessary to make this point again. That is simply reviving a situation of 7 years ago. It is also inconsistent with the report, because in paragraph 17 of the resolution which Parliament has just adopted, we say that we are of the opinion that the Council must take urgent steps to transform the European Monetary Cooperation Fund into an instrument for coordination between the Member States in the fields of currency and credit.

So there is a degree of inconsistency if we insist on this indent here. Moreover, the indent is not even an accurate repetition of Parliament's wishes of 1970, which referred only to economic policy and not economic and monetary policy. There could be a significance in leaving this as it stands, in that it might be thought that Parliament wished the Commission to become involved from day-to-day in questions of money market intervention and active monetary policy carried out in some way in addition to the work of the central banks and national governments and of the European Monetary Cooperation Fund, which we hope will soon come to more active life. I believe therefore that this is not controversial, and I hope the rapporteur will endorse my view.

President. — I call Mr Bertrand.

Mr Bertrand. — (NL) Mr President, the author of the amendment is partly right and partly wrong.

Bertrand

Paragraph 23 refers to instruments in the plural while Sir Brandon Rhys Williams is concerned with one particular instrument which already exists, namely the Monetary Cooperation Fund. In addition to that Fund, other instruments are also needed.

I am thinking here of industrial policy and of the Snake, in respect of which certain proposals are made in the Tindemans report. Those are instruments which do not yet exist.

I am afraid that instruments will be provided which are managed not by the Commission but on an inter-governmental basis.

I am therefore opposed to Sir Brandon's amendment because it would allow the Commission to control new instruments for a future economic and monetary policy.

I therefore hope that the amendment will be rejected.

President. — I call Mr Schwörer.

Mr Schwörer, rapporteur. — (D) I agree with Mr Bertrand. A small step has been taken but on the whole the instruments as we envisaged them have not been created. Things should therefore be left as they are even if that does not correspond entirely to reality. I therefore consider that this amendment should be rejected.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — If I may so, Mr President, Mr Bertrand has chosen a particularly unfortunate example in referring to the Snake. The Snake is not an instrument of policy, it is a policy in itself. It so happens that the vehicle for the management of the Snake is the European Monetary Cooperation Fund, which handles all the arrangements made for clearances and so on. That is virtually its only function. So, he could not have adduced an argument which is more strongly in favour of my recommendation and which more completely destroys his own intervention. I trust, therefore, that he will withdraw his objection to the amendment that I have tabled. If he does not, I think we must ask Parliament to vote.

President. — I put Amendment No 2 to the vote. Amendment No 2 is rejected.

I put paragraphs 23 to 26 to the vote.

Paragraphs 23 to 26 are adopted.

Since no one else wishes to speak, I put the motion for a resolution as a whole to the vote.

The resolution is adopted.¹

14. *Tabling of a motion for a resolution*

President. — Ladies and gentlemen, I have received from Mr Alfred Bertrand, on behalf of the Christian-

Democratic Group, Mr Bangemann, on behalf of the Liberal and Democratic Group, and Sir Peter Kirk, on behalf of the European Conservative Group, a motion for a resolution with request for urgent debate pursuant to Rule 14 of the Rules of Procedure, on the creation of a European Foundation with a view to fostering public support for European objectives and policies.

This document will be distributed as No 4/77. I shall consult the Assembly at the beginning of tomorrow's sitting on the urgency of this motion for a resolution.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, I wish to lodge a formal objection. There is an agreement between the political groups that no urgent motions should be considered on Friday. This gentlemen's agreement was reached after an earlier incident. We should stick to it and I therefore urge the authors to postpone their motion until the April part-session.

President. — I call Mr Bertrand.

Mr A. Bertrand. — (F) Logically we should take a vote now on the urgency of this matter since we cannot do so on Friday.

President. — I do not think we can vote now on a text which has not been distributed, Mr Bertrand. Do you therefore agree that we hold this vote over until the April part-session?

Mr A. Bertrand. — (F) Mr President, the choice is simple: since the text has not been distributed we must postpone the vote until the April part-session.

President. — Are there any objections?

That is agreed.

15. *Agenda for next sitting*

President. — The next sitting will take place tomorrow, Friday 11 March 1977, from 9 a.m. to 12 noon, with the following agenda:

- *Procedure without report*
- McDonald report on the sale of agricultural products on board ship (without debate)
- oral question to the Commission on Community transport policy towards State-trading countries
- Nyborg report on the approximation of legislation relating to boats
- Shaw report on the application of the European unit of account.

¹ OJ C 83 of 4. 4. 1977

President

- Gerlach report on the ECSC Auditor's report for 1975 and discharge to be given for that financial year
- F. Hansen report on flat-rate aid granted to Italy from the EAGGF Guidance Section
- Dunwoody report on the European Convention on the Protection of Farm Animals
- W. Muller report on health protection standards for sulphur dioxide
- oral question to the Commission on titanium dioxide waste
- oral question to the Commission on the danger to health of asbestos

I call Mr Scott-Hopkins for a procedural motion.

Mr Scott-Hopkins. — I assume from what you have said that we are not taking a decision tomorrow on whether the motion of censure on the Commission should be included. Do I understand therefore that it will be taken in April, as there is no meeting of the Bureau between now and that part-session, and you cannot bring it in at the special session in March, unless this House decides to do so? May I therefore

assume — and, if so, that is the right decision, Sir, — that it will be in April?

President. — When this matter was raised at the beginning of this sitting, I said that we would take a decision about it tomorrow when we are fixing the agenda for our next part-session.

Mr Scott-Hopkins. — Am I to understand that when there are going to be three men and a boy here on a Friday at 12 o'clock, we are going to decide whether this motion of censure should be taken in the special debate? Is that really what you are saying?

President. — That is so, but I would say in passing that I would certainly not apply to those who are still present at the end of tomorrow's sitting the expression which you have used.

Mr Scott-Hopkins. — I am delighted to hear it, because it will not get through.

President. — The sitting is closed.
(The sitting was closed at 6.30 p.m.)

*ANNEX**Questions to the Commission, which could not be answered during
Question Time, with written answers**Question by Mr Kaspereit*

Subject : Relations with Iran

Does the mandate given by the Council to the Commission for a trade and economic cooperation agreement with Iran include directives on the subject of refined petroleum products ?

If not, how does the Commission intend to approach this matter and reach agreement with the Iranian authorities ?

Answer

The Council has empowered the Commission to negotiate with Iran for the purpose of concluding a trade and cooperation agreement. For this reason the Council has adopted general guidelines for the negotiations.

Any problems concerned with trade policy may be raised as part of the negotiations, and this therefore includes those relating to petroleum products.

Question by Mr Nolan

Subject : common sheep policy

Is it a priority of the new Commission to press for the early adoption of a common sheep policy in the Community ?

Answer

The Commission intends to continue its efforts for a decision of the Council on the proposal for an interim regime presented by the Commission in 1975. Work has started in the Commission on a proposal for a definite regime. This proposal will be forwarded as soon as possible.

Question by Mr Hamilton

Subject : The CAP and inflation

Does the Commission agree that the greatest threat to the stability of the EEC is that of inflation ; and if so will the Commission take that into account in formulating new proposals on the common agricultural policy ?

Answer

The Commission has based its elaboration of the price proposals for the marketing year 1977-1978 on several elements.

Agriculture is for the European countries an important economic activity, and it is clearly not possible to isolate agriculture from the overall economic trends. In the present circumstances where inflation and unemployment pose serious problems for all the Member States, it is imperative that the Community in its price policy for farm products makes a contribution to the anti-inflationary policy pursued by all the Member States. This is clearly reflected in the Commission's proposal by a cautious price policy for the coming year.

Question by Mr Lemoine

Subject : Agricultural prices

In view of the fact that the Commission's report itself estimates the average increase of agricultural production costs in the Community at about 12 % and notes a decline in agricultural incomes in several Member States, including France, does not the Commission consider it necessary to fix for the next marketing year a rate of increase of agricultural prices which is in line with rises in production costs and not, as it has proposed, a rate of increase which would result in a further fall in agricultural incomes ?

Answer

The average increase in costs calculated in national currencies is only a general indicator which the Commission uses in combination with others when formulating its price proposals. In particular, monetary disturbances in recent years must also be taken into account. The Commission's price proposals aim at a moderate increase in prices as expressed in units of account.

The proposed monetary adjustments will allow Member States whose currencies, like the French franc, have depreciated in value to obtain a larger price increase as expressed in national currencies.

The Commission's proposals on prices and monetary adjustments have taken into account the efforts pursued by several Member States, including France, to combat inflation.

Question by Mr Noè

Subject : Domestic use of solar energy

Does the Commission not think that the forecasts of future energy requirements, which are being used as a basis for its useful studies of the role of electrical energy, might already allow for the utilization at an early date of solar energy for domestic hot water supplies ?

Answer

Yes. Solar energy is already being used extensively to produce hot water, although mainly in non-Community countries such as Israel and Japan. Within the Community the equipment is not yet widely available on the market, although it is already an economic proposition. We therefore expect that it will come into widespread use in the next few years. While the initial capital cost is still relatively high, it is economically viable. We have not yet included solar energy as a matter of course in our estimates of energy supplies up to 1985, because it would not make much impression in the medium term, but we estimate that by the year 2000 it might account for up to 2 % of energy supplies and 6 % of domestic heating requirements.

Question by Mr Dalyell

Subject : Uranium mining

Will the Commission report on what they have learned from their investigation promised by Commissioner Brunner, which they have made into the approach to the local people in Orkney in the matter of uranium mining, and what happens, in practice, when Community funds are used so that discredit does not rebound on the Community ?

Answer

Let me first put one thing straight : In the case of Orkney it is not a question of a uranium mining project, simply one of prospecting.

The question of mining would only arise if uranium were found, but this would be a completely new stage which would have to be carefully considered and prepared. I think that a great deal of the public concern, about which Mr Dalyell spoke in February, could have been avoided if this had been realized.

There has never been any doubt that the prospecting operation in which the Community is involved is not harmful. All the organizations which submitted tenders, which included the South of Scotland Electricity Board (SSEB) which finally was awarded the contract, were required to answer 16 questions on subjects ranging from rights of access and ownership to environmental effects.

Following a detailed examination by our staff, the SSEB prospecting programme was found to satisfy these requirements in all respects. As regards the second part of the question I can only say that the Commission is of course free at any time to terminate a contract if the company concerned does not fulfil its obligations under the contract.

This is obviously not the case here however.

The Commission naturally keeps a careful watch to see that Community funds are properly used.

Question by Mr Gibbons

Subject: New Zealand butter on the UK Market

As recent reports indicate a serious reduction in butter consumption on the U.K. Market over the next few years, what measures does the Commission intend to take to control imports of butter from New Zealand, which, if they continue at their present guaranteed high level, will be detrimental to sales of Community-produced butter on the U.K. market?

Answer

The conditions for imports of butter from New Zealand are laid down in Protocol 18 to the Treaty of Accession and in a Council Decision of last year prolonging the import regime until 1980. In the regime in force from 1978 and onwards the share of New Zealand butter in the UK's direct consumption is limited to 25 %. This leaves a fair share on the UK market for butter produced in the Community when taking into account the necessity of protecting a traditional interest of trade. — I can inform the honourable Member that in fact butter imports from the Community to the UK almost doubled from 1972 to 1976.

Question by Mr Leonardi

Subject: Development of intra-Community trade

Can the Commission state whether the slowing down in intra-Community trade over the past few years, as compared with Community trade with third countries, is a continuing trend, and if this is so, what effects this might have on the cohesion of the Community and what action it intends to take in this field?

Answer

It is true that the difference between the rate of development of intra-Community trade and that of trade with non-member countries is tending to decrease progressively as the Common Market becomes established, but this is not a disturbing phenomenon.

The abolition of customs duties in the Community has so far allowed trade between Member States to accelerate in a spectacular fashion by way of a more effective distribution of labour and a general increase in the rate of expansion. It should be stressed that this has mainly involved the creation of additional trade between member countries and not a replacement of the flow of trade between the Community and non-member countries by intra-Community trade to the detriment of third countries. During the period 1958-1971 (the Six) the volume of imports from non-member countries continued to increase at a very steady rate (9 %) by comparison with a rate of nearly 15 % for intra-Community trade (8 % imports from outside and 15 % from inside in the period 1958-1968, before the tariff union was established, 11.5 % imports from outside and 14.5 % from inside during the period 1968-1971 after the tariff union was established).

In the last few years a number of events have disturbed the development of external trade itself and its interpretation, viz.:

- the monetary crisis;
- the rise in raw materials prices and the resultant substantial stockpiling during the period 1972-1973;
- the huge rise in crude petroleum prices;
- the economic recession 1974-1975.

The stockpiling of raw materials in the industrialized countries caused a not inconsiderable acceleration in purchases from third countries in 1972 and 1973. While it remained below the rate of development of intra-Community trade, the rate of increase in imports from non-member countries did approach very close to that figure. A reaction set in in 1974. Imports from outside dropped (-3.5 %) while internal trade continued to increase by more than 6 %. The recession makes it difficult to interpret the figures for 1975: internal and external trade fell by about 7 %. In 1976 the rebuilding of

stocks which is characteristic of a period of recovery caused a very marked acceleration in purchases from third countries; this rise (+ 12 % by volume) was nevertheless still below that for intra-Community trade (+ 14 %). For 1977 the Commission at present foresees an increase of 6.5 % for intra-Community trade and a little more than 3 % for purchases from non-member countries. For the whole of the period 1972-1977 the annual rates of growth would therefore be 6 % for internal trade and 3 % for external.

The comparison between intra-Community trade and exports to third countries has been greatly influenced since 1974 by the substantial transfer of purchasing power to the petroleum producing countries, a phenomenon which clearly accelerated sales to third countries (annual rate of + 7 % during the period 1972-1977). A comparison with the figures recorded during the period preceding the rise in petroleum prices is now meaningless.

Although the basic trends in trade over the last few years are difficult to pin down because of certain erratic developments, it can nevertheless be said that there has been a reduction, which can be considered normal, in the difference between the rate of development of intra-Community trade and that of trade with non-member countries. Now that the powerful stimulus provided by the abolition of customs duties between member countries has gone, it is reasonable to expect the rates of development of internal and external trade to draw near to each other again. Furthermore, the proportion of intra-Community trade in the total trade of the Community has become so great (33 % in 1958, more than 50 % now) that it is becoming a not inconsiderable proportion of the imports from third countries and their purchases are fairly closely linked with the general rate of expansion, which guarantees them a steady development.

This alignment in rates does not appear to present any fundamental danger for the internal cohesion of the Community. In the coming years the progress made in the establishment and functioning of the Common Market in general and in the achievement of economic and monetary union in particular will also mean that more than likely the rate of development of intra-Community trade will continue to exceed that of imports from third countries for a considerable time.

Question by Mr Spinelli

Subject: Community representation at the next summit

How will the Community be represented at the Western economic summit scheduled for the first half of May; what will be the role of the Commission and what proposals does it intend to put forward?

Answer

The view of the Commission is that the Community as such should be present at the Economic Summit and that it should be there represented by the President-in-Office of the Council and the President of the Commission. This view is fortified by the fact that any likely agenda will cover matters with a clear Community competence such as the North/South dialogue, the Multilateral Trade Negotiations and energy, as well as general economic and monetary perspectives. The Commission would wish to see that in seeking solutions to these problems the needs and views of the Community as a whole are taken fully into account.

Question by Mr Cifarelli

Subject: Landing rights for Concorde

Owing to the delays in working out a common policy in the aeronautical sector, negotiations on operating and landing rights are conducted at bilateral level between the individual Member States and non-member countries. How does the Commission intend to overcome the difficulties presented by this system, which have been confirmed by the obstacles with which Concorde has recently been faced in respect of flights to and landing rights in the United States of America?

Answer

The Commission approached the United States Government last year to point out that the granting of landing rights for Concorde was a matter of interest to the Community and could help in the development of its cooperation relations with the United States. That is still our firm position.

The Commission is continuing to press for the establishment of a common air transport policy and in particular for joint Community negotiations with third countries on landing rights. The need for such a policy is felt to be even more urgent with the imminent termination of the Bermuda Agreement in June 1977.

SITTING OF FRIDAY, 11 MARCH 1977

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IN THE CHAIR : MR MEINTZ

Vice-President

(The sitting was opened at 9.05 a.m.)

President. — The sitting is open.

1. *Approval of the minutes*

President. — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes are approval.

2. *Document received*

President. — I have received from the Council a request for an opinion on the Commission's proposal for

a regulation concluding the Additional Protocol and the Financial Protocol between the European Economic Community and the Portuguese Republic (Doc. 2/77).

This document has been referred to the Committee on External Economic Relations, as the committee responsible and to the Political Affairs Committee, the Committee on Agriculture and the Committee on Budgets for their opinions.

3. *Petitions*

President. — I have received from Mr Volker Heydt a petition on a supranational stamp to commemorate direct elections and from Mr Helmut Merschdorf a petition on the reuniting of families.

These petitions have been entered under Nos 1/77 and 2/77 in the general register provided for under Rule 48 (2) of the Rules of Procedure and, pursuant to paragraph 3 of the same rule, have been referred to the Committee on the Rules of Procedure and Petitions.

4. *Agenda*

President. — I call Mr A. Bertrand on a procedural motion.

Mr A. Bertrand. — *(NL)* Mr President, my colleagues, Mr Fioret, Mr Noè and Mr Vernaschi have asked me to request that oral question (Doc. 571/76) be withdrawn from the agenda as no member of the Italian delegation is able to be present; domestic Italian matters prevent them from being here. I accordingly put their request to Parliament.

President. — Are there any objections to this item being withdrawn, as Mr Bertrand has requested?

That is agreed.

I call Mr De Clercq on a procedural motion.

Mr de Clercq. — *(F)* Mr President, for reasons of a personal, but nevertheless Community nature, I wish to ask for the report by Mr Hansen (Doc. 577/76) to be postponed until the next normal part-session. Looking at this report in detail I see that it deals with control of flat-rate aids granted to Italy for the improvement of certain production structures through the EAGGF Guidance Section.

As you know, our Italian colleagues have had to return to Italy and none of them will be able to take part in the debate. It therefore seems right that it should not go ahead. Our colleagues might in fact be able to provide valuable information to us in that debate and perhaps also justifications with the details of which we are not at present familiar. I think therefore that there will be no objection to this debate being held over until the April part-session.

President. — Are there any objections to this item being held over, as Mr De Clercq has requested?

5. *Procedure without report*

President. — On Wednesday I announced the Commission proposals to the Council to be dealt with under the *procedure without report*, provided for under Rule 27A of the Rules of Procedure. Since no Member has asked for leave to speak and no amendments to them have been tabled, I declare these proposals approved by the European Parliament. They are:

- Proposals from the Commission of the European Communities to the Council for:
 - a regulation amending Regulation (EEC) No 816/70 as regards the rules on the maximum sulphur dioxide content of wine
 - a regulation amending Regulation (EEC) No 2893/74 on sparkling wines produced in the Community and specified in item 12 of Annex II to a Regulation (EEC) No 816/70 and Regulation (EEC) No 817/70 laying down special provisions relating to quality wines produced in specified regions (Doc. 554/76).

6. *Regulation on the sale of agricultural products on board ship*

President. — The next item is a vote without debate on the report (Doc. 582/76) drawn up by Mr McDonald, on behalf of the Committee on Agriculture, on

The proposal from the Commission of the European Communities to the Council for a regulation concerning certain measures to prevent abuses resulting from the sale of agricultural products on board ship.

President

Does anyone wish to speak ?

I put the motion for a resolution to the vote.

The resolution is adopted.

7. Oral question with debate: Community transport policy towards State-trading countries

President. — The next item is an Oral Question with debate (Doc. 574/76) by Mr Jahn, Mr A. Bertrand, Mr Früh, Mr Fuchs, Mr Ligios, H.-W. Müller and Mr Schyns, to the Commission, on the Community's transport policy towards the State-trading countries :

In recent years transport activities between the State-trading countries and the Member States of the European Community have increased constantly, with the former threatening to assume a monopoly position in important areas of the transport market by the use of measures that distort competition.

In view of this development in the transport sector and particularly in view of the unambiguous provisions of the Treaties of Rome on the creation of a common transport policy, can the Commission still defend the absence of common rules in respect of the State-trading countries ?

In the circumstances mentioned above, should not the Commission forthwith expedite work on the common transport policy, in order to anticipate any bilateral transport agreements between individual Member States of the European Communities and the State-trading countries ?

I call Mr Jahn.

Mr Jahn. — (D) Mr President, ladies and gentlemen the development of transfrontier traffic between the European Community and the State-trading countries has been characterized since 1970 by growing penetration by Comecon transport undertakings.

We have already considered this matter in dealing with an interim report by Mr Prescott on the Community shipping industry. The penetration of Eastern bloc State-trading countries into the transport economy of the Western world has been studied by the Adolf-Weber Foundation and also at a colloquy of 16 November 1976 on East-West and West-East traffic. Studies have also been made by the German Bundestag and the Federal Government and many reports have been presented by experts in Hamburg, Bremen, Antwerp, Amsterdam and elsewhere.

The increasing penetration of Comecon transport undertakings is placing at risk the very existence of transport concerns in the Community and jeopardizing the independence of EEC-exports.

The transport policy of the State-trading nations forms part of their overall economic policy and is integrated into their external economic policy. Their strategic aims involve considerations of transport policy, foreign currency policy and power politics. The Eastern bloc has taken a monopoly on bilateral transport to achieve these aims. It is playing an increasing

part in internal traffic within Western countries by acquiring or taking out holding shares in transport undertakings, forwarding agencies, shipping firms and by setting up subsidiaries of its own. In this way it is able to gain access to third country traffic or cross-trade.

Given the personnel, capital and insurance costs of these undertakings they are able to make price offers which practically exclude competition by Western transport concerns. In other words they are deliberately engaged in a distortion of competition designed to displace Western companies.

In an answer to a question in the German Bundestag, the Federal Government made the following observation on rate undercutting: depending on the traffic area, undercutting amounts to between 10 and 60 %. The CEUSA indicates an average undercutting percentage of 20 %.

Mr President, ladies and gentlemen, the state-trading countries are able to achieve this advance by means of massive state subsidies, low interest rates, non-existent social costs for personnel and outright budgetary grants. As soon as a strong market position is gained by these unfair means it is exploited by steep price rises. The Comecon countries adjust flexibly to the given situation in each particular transport area.

The Eastern bloc countries are systematically establishing a dense network of their own agencies or acquiring dominant holdings in suitable concerns. In this way the East is not only displacing Western European agencies from East-West transport traffic but pursuing a policy of strategic support points by setting up its own agencies. We have observed that East-African trade which for decades was firmly in the hands of German or European shipping lines is now handled to an extent of 80 % by the Eastern bloc shippers which naturally use the harbours in East Africa as support bases.

The aims of the Comecon policy are exemplified by the rapid penetration of bilateral traffic with the Federal Republic which is now largely dominated and partly even monopolized by the Eastern bloc.

The same holds good for traffic between the state-trading nations and the EEC transiting through the Federal Republic. Here studies have been made by the German Chamber of Industry and Commerce which highlight the risks.

A brief word now about the Soviet fleet; of the 57 Soviet liner services, 15 operate via Hamburg and many more through Rotterdam and Antwerp. All 15 Polish overseas lines and 11 overseas lines of the German Democratic Republic serve all the West German ports and most ports in Western Europe.

By bringing heavy transport capacity to bear in individual traffic areas the Russians are able to force Western shipping companies to withdraw altogether.

Jahn

Recently they have even set up shipping lines in the EEC, in Belgium and Italy. In trans-frontier truck traffic the State-trading concerns also hold a growing share of the trade.

Despite a government agreement on a 50 : 50 share-out of traffic, the German fleet now only has a 13 % share of inland waterway traffic with Poland. When the Rhine-Main-Danube Canal is completed, we shall see the same phenomenon throughout inland waterway traffic in Central Europe as far as the Black Sea.

The reason for the Federal Republic's low share of transport is the State-trading countries' control of carriers which they exploit for their own unilateral benefit through pricing policy, exchange rates and State transport subsidies.

Success cannot be achieved in face of the Eastern transport offensive unless the Western partners agree among themselves — at least within the EEC. We have found that an awareness of the problem is now growing but agreements are called for and a directive or regulation must be issued to harmonize future transport.

State-trading country penetration of cross trade can only be avoided if the EEC partners at least, and preferably also the North Americans, jointly lay down a system of concentrated authorizations which must be strictly observed. Western solidarity is vital too in the inland waterway sector: when the canal system is completed we shall see the loss of all our small cargo traffic, in particular on the inland waterway network. This will obviously harm the interests of all the Western countries.

Ladies and gentlemen, we can expect little more than non-binding declarations from the OECD and its committee on maritime law. The EEC partners must take joint action here.

The Eastern bloc countries stick together and find that they are dealing with a West which continues to be divided by conflicting economic and political interests. West European solidarity on transport policy is the only way to set effective limits here. This calls for a common strategy in the external economic and foreign policy sectors. The overall aim must obviously not be to discriminate against or even displace the Eastern operators but hard currency and those of the West for fair competition, while also corresponding to the fundamental principle of reciprocity laid down in international law — reciprocity based not so much on the volume as on the value of the goods transported.

Mr President, I urge the Commission and Council to take the necessary action in good time to avoid our bulk cargoes one day being transported in every case by the Soviet Union from continent to continent and even within the Community. That might have catastrophic consequences in a crisis situation.

President. — I call Mr Burke.

Mr Burke, member of the Commission. — Mr Jahn deserves the congratulations of Parliament for his

exposition before us this morning of the problems arising in our Community in the transport field. The Commission is well aware of the problems of transport in East/West relations and attaches great importance to them, in particular with regard to the Community's efforts to establish a common transport policy as provided for by the Treaty of Rome. The Commission has for some time been carefully observing the development of relations with State-trading countries in the transport sector. It notes with concern the increasing number of difficulties encountered by the Community transport industry in this field, notably with regard to a certain distortion of the conditions of competition. In this respect the Commission shares the concern expressed by Mr Jahn, a concern which I am quite sure will be echoed by other speakers in the debate this morning.

The Commission has already been contributing its efforts to the solution of the existing transport problems in East-West relations and will continue to do so. In this context one should mention the Commission's active role in the course of the European Conference on Security and Cooperation which contributed to the adoption of important provisions in the transport field. Basket 2, Section 6 of the final act of Helsinki, for example refers to the principle of: 'adequate participation on the basis of reciprocal advantage'. Furthermore the Commission's communication of 30 June 1976 on maritime transport and the relations between the European Community and third countries in this field, in particular with State-trading countries, should be pointed out.

As you certainly know, the Council of Ministers of Transport on 4 November 1976, taking into account this Commission communication and initiatives on behalf of the Dutch presidency and the French delegation, drew up a decision in order to install a consultation procedure among the Member States as concerns international maritime transport matters. The relevant text is presently under discussion in the competent bodies of the Council. In the course of the Council meeting of 16 December 1976, the Commission underlined the importance of in due time installing a consultation procedure in the field of road transport, thus following and supporting a suggestion made by the Netherlands Government. Finally, the Commission is at present engaged in a thorough examination of certain aspects of transport problems arising in inland waterway navigation. In this the impact of the opening of the future Rhine/Main/Danube link has certainly to be taken into account.

It is thus clear that the Commission is already involved in the search for appropriate solutions to the transport problems that, with different intensity for all modes of transport, exist in the relations between State-trading countries and the Community and its Member States. As the Commissioner responsible I

Burke

would like to assure Members of the European Parliament that the Commission will continue to examine closely these problems and propose, where appropriate, suitable and necessary action.

However, we must take into account that the problems of transport in East/West relations, basically being the results of two very different economic systems which have dissimilar conceptions of trade and transport, are to be seen in a larger political framework which goes far beyond the complex and difficult transport matters involved as such. That is to say, the Commission must also consider the political implications for the Community's relations with third countries. Furthermore, we must be aware of the existing difficulties within the Community in making adequate progress in shaping the common transport policy. Clearly there could be advantages for the interests of our countries in the Community bringing its combined weight to bear in relations with the State-trading countries in the transport sector. Mr Jahn in his contribution emphasized this point. There might be a range of possible means of doing this: concertation of national bilateral dealings, common Community action — whether unilateral or by way of negotiation — or Community rules. It is too soon to say precisely which would be soundest. We have, as things stand, largely to feel our way step by step. Thus the subject of this oral question reveals a wide range of complicated problems for the solution of which we will have to work very carefully and deliberately and with much patience. However, let me seize this opportunity also to express the hope that new impulses to the common transport policy of the Community will derive from the present discussions. In particular let me ask you, as Members of this Parliament and of your respective national parliaments, to draw to the attention of your governments the need to make substantial progress in establishing the Community's common transport policy facing new problems from the outside.

President. — I call Mr Prescott to speak on behalf of the Socialist Group.

Mr Prescott. — Mr President, the subject this morning is an extremely important one, which we spent some considerable time discussing at the last meeting of this Parliament and one that rates considerable attention. I draw to the mind of the Parliament the recommendation of the committee which said that the Committee on Economic and Monetary Affairs should attempt to convene a conference to discuss developments in shipping and their implications for the Community. The speech made by Mr Jahn this morning referred to the threat of the development of the Comecon fleets but, as each day goes by there are other developments: the *Globtik Venus* incident in Le Havre last week indicates a breakdown in shipping attitudes and policy where they exist in the Community.

The arguments put forward this morning clearly indicate the growth of the Comecon fleets, but I think this needs to be put into perspective; that perspective I hope was shown in my report. I would remind the House that the Comecon fleet has grown in the last ten years, between 1964 and 1974, from a 5.2 % share of world shipping to 7.6 %, whereas the OECD countries have something like 60 % of world shipping. In perspective it is a small, but important and growing fleet, and the reasons why it is growing are the ones which we should understand if we are to develop any kind of comprehensive approach to the matter of shipping policy in the Community.

Let us be clear that the shipping industry in the Western world has always done everything it can to restrict the forces of competition acting upon it. That is the reason why we have a phenomenal growth of conference line systems: 350 of them in the world, most of them controlled by Western companies expressly designed and built to prevent competition having the effect that some in this Parliament believe it should have on the development of trade. So restriction of competition in world shipping has always been with us and will continue to be with us, and the question is what kind of criteria we are to develop to control the development of growth in world shipping and the Community's role in it.

If we look at the growth of the Comecon fleet we have to recognize why it is beginning to have a particular importance at a time when the proportional share of European shipping fleets in the world is beginning to fall. Consider the membership of the conference line systems to which I refer. I would have thought perhaps they would only have been made up of Western shipping companies. In fact they are not. They are made up of the Comecon countries also, who are invited into the conference line systems to take up their share in rigging the world trade market. So both Western and Eastern fleets are involved in the same process. The complaint by the Western companies is that the Comecon countries have been far too successful at it and, secondly, are not recognizing the historical share of traffic on which the conference system formulas are determined.

At the same time they are claiming that it is unfair competition. What is the basis of this unfair competition claim? The basis is that considerable subsidies are paid to the Comecon fleet. Now I have no doubt that that is so, but I have no doubt equally that considerable subsidies are paid to Western fleets also. Britain's shipping industry alone from 1970 to 1974 received £430 million in subsidies. This is shown in my report. So subsidies again are a common feature to Eastern European and Western fleets. That in itself is not the sole explanation.

Prescott

If one wants to find the reason for the great pressure for the growth of the Comecon fleets one has to look at the trade deficit between East and West. The trade deficit has increased from about \$200 million in 1974 to \$5.5 billion in 1975. That is a considerable rise and it means that the Eastern European countries are in deficit in trade to the tune of \$12 billion to the Western countries. They are trying to correct it by expanding earnings in foreign currency in shipping. Clearly that is the reason. It does not justify the growth and development, but it is a reason which it is very important to understand.

I clearly do not have time to develop all the arguments — most of them I developed last time — but just want to make two other points.

You may say there is unfair competition. Indeed, those operating under State-trading systems do not have to pay insurance because the state insures all its fleet. For Western fleets, insurance can be 30 % of the economic cost of operating a ship, so clearly the different economic systems do give a considerable advantage to the Comecon fleets. Clearly, we have to control the situation. I am not advocating an acceptance of the Comecon fleets. What we have to do is regulate the control and development of the shipping industry. This is an area which has clearly a European dimension, it is an area to which we have a right and a responsibility to bring some kind of rational thought. It is important that we do so.

The last point that I would like to make is that when there is a complaint against Comecon I hope we can hear an equally strong complaint against flags of convenience ships, whereby Western countries go to other countries to avoid paying tax, to avoid paying proper wages to seamen, and are exploiting seamen, with a death rate twice as high as all the other Western countries. There is an area as with the *Globtik Venus*, in which we must take action and if you want action against Comecon let me also hear of action against those who avoid paying decent wages and create considerably more deaths by using flags of convenience. This is equally an area for us to show concern about.

President. — I call Mr De Clercq to speak on behalf of the Liberal and Democratic Group.

Mr De Clercq. — (NL) Mr President, ladies and gentlemen, the debate on this oral question must not be taken as a pretext for a general debate on transport. We have had many of those in this Parliament and the result has always been negative. Without going into excessive detail, I shall now simply look at the problems created for the Community by the shipping policy of the Comecon countries. These problems are serious enough because the dumping policy of the Eastern bloc liner services is the most serious threat to the existence of our shipping lines in their present

form. The Commission must understand that this dumping policy of the Eastern bloc liner services cannot be combated purely with commercial resources; those resources will have no effect as long as the conditions of competition within the system differ so widely. These differences must be analysed by the Commission and taken into consideration in its studies and proposals. To put it even more clearly: one aim of the socialist shipping lines is to make profits but that is just one of the four chief objectives. There are three others: the transport function, the currency earning potential and the military or strategic function. Leaving aside the last of these considerations, there remain three functions which are closely linked from the economic angle and regularly come into play together. It is possible, and here too we must remain observant, that in a particular phase of development one particular function may come to take priority. Nothing could illustrate more clearly the difference from a free market economy.

Finally let me say this: the theory underlying the Comecon shipping policy is not easy to fathom. However, we must examine it closely because until we have made a detailed study of the theory we have little chance of finding the necessary counter-measures. That, Mr President, must be an urgent task and perhaps even a challenge for the Commission.

President — I call Mr Nyborg to speak on behalf of the Group of European Progressive Democrats.

Mr Nyborg. — (DK) I should like to start by saying that I was very happy to hear the Commission state in connection with this debate that we should shortly also have a common internal transport policy. It would have pleased me even more to hear the same view expressed by the Council, but enough said.

As regards transport policy towards the state-trading countries, it is essential to secure coordination of the policies of the individual Member States in this field since these countries and Russia in particular have fully grasped how to exploit the absence of agreement among the Member countries in the Community. The air transport sector has recently witnessed attempts by the Soviet airline to conquer a share of the market by flagrant use of dumping prices. It has been and still is possible for this and other airlines to take such action, since they do not subscribe to the IATA provisions governing charter rates.

As mentioned previously, shipping is the area in which the negative effects of the lack of a common transport policy can clearly be seen. It is quite apparent that Comecon and especially Russia do not use normal methods of calculation when fixing freight rates etc. No account is taken of such trivial items as construction costs, insurance, etc. Wages are also considerably below the levels that have to be paid in the Community.

Nyborg

During the last 18 years the Soviet merchant fleet has moved from No 26 to No 6 on the list of the worlds' largest merchant fleets, and today the Soviet Union has the world's largest conventional fleet of liners totalling close on 7 million gross registered tonnes. We know that dumping takes place at the rate of somewhere between 5 % and 50 % and we also know that use is made of flag discrimination in shipping contracts etc.; all of these practices are detrimental to us. As Mr Prescott said, this emerges perfectly clearly from the trade balance between Russia and the rest of the world.

In the light of these remarks, we would urge the Commission to draw up a proposal for a transport policy covering this special sector instead of waiting for an overall transport policy to be formulated for the whole Community. The latter is obviously such a long-term proposition that to wait for it might have disastrous consequences for our competitive position.

I should like to conclude by thanking Mr Jahn for the excellent way in which he presented his case.

President. — I call Mr Normanton to speak on behalf of the European Conservative Group.

Mr Normanton. — Mr President, I think my contribution is something which can be spelt out crisply, clearly and forcibly, and should be repeated consistently.

Firstly, we ought to congratulate Mr Jahn and those who have had the courage and foresight to append their signatures to this question for debate this morning, for bringing the attention of Parliament and, through Parliament, the people of Europe, to the growing danger to the free world — which is clear for all who have eyes to see — of the Comecon shipping industry. The question refers to, and centres upon, shipping but we should recognize that this is but one of a whole series of economic instruments which are being deployed, increasingly effectively, by the Soviet Union and her satellites in pursuing her political objective, because that is precisely what the whole thing is about.

And that precise political objective, whether we have the ability or the wit to see it, is world hegemony, neither more nor less. I said 'economic instruments' Mr President, but the Soviet Union do not see it in economic terms. They see every single activity in political terms. The tragedy lies in the fact that we, in a free society of Europe, firstly and largely do not see it as a danger; secondly, do not see it in political terms; thirdly, do not recognize that a free society in the broad sense of that term — a free society in the West — is seen as a vulnerable society by those who are committed to this political objective.

I, personally, am not satisfied with the response which has been given this morning by the Commissioner,

not because he has in any way rejected, or declined to recognize, the warnings which have been given by Mr Jahn, but because I do not accept the words in which he responded when he said the Commission continue to examine the situation. To my mind this really is not sufficient. If we as a Community have not been aware of what is going on, we are rightly to be indicted for our myopia. I did not accept the way he said we would have to work carefully and deliberately and with much patience. This is almost a policy of apathy, almost of disinterest. I want, the Conservative Group wants, and, I believe, the vast majority, hopefully, of all Members of Parliament want and indeed demand urgent, positive and clear evidence that the Commission recognizes the dangers which lie ahead. The dangers not just in terms of Comecon shipping, but the dangers in political terms. And that is what this debate this morning is about.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — The contributions to the debate are clear and to the point. I shall refer very briefly to some of them. We had Mr Prescott's very balanced statement bringing a measure of perspective into the whole debate. I would like to point out that the Commission's communication of 30 June to the Council would be a method by which we could get some movement in this field. As for Mr Normanton's suggestion that the Commission was apathetic in this regard, I would reject that criticism and refer to my statement in which I said that I seized this opportunity of requesting the honourable Members to get their respective national parliaments — and presumably, through them the respective governments — to make some move on the common transport policy. It is not apathy on our part that leads to these difficulties — it is lack of movement in the Community in general and the Commission can only do so much. We need a little help both from Parliament and from the national governments and from the Council.

With regard to the points made by the other speakers, I would like to suggest to Mr Nyborg that when he said he was happy to hear that the Community would soon have a common transport policy, he in fact must have misheard me because what I said was that we must be aware of the existing difficulties within the Community in making adequate progress in shaping the common transport policy.

I want to assure the honourable Members that I, as Commissioner responsible for transport, am anxious to make movement in this field. But I need the help — and I have asked for it this morning — of interested Members in getting action from others who are also responsible with the Commission for getting movement in these areas.

President. — I call Mr Jahn.

Mr Jahn. — (D) May I thank Mr Burke for his promise that action will now be taken in this sector; I hope he will meet with success in the Council. Since he asked what action has been taken at national level, I should now just like to outline briefly the opinion of the Federal German government on this matter.

It stated firstly that it was attempting through the European Community and nationally at the level of bilateral traffic to compensate the imbalance which now exists. It also quoted figures, Mr Prescott, which we should consider. The German government stated:

'The size of the commercial fleet of the Eastern bloc State-trading countries has risen from 4.4 million gross registered tonnes in 1960 to 18.6 million gross registered tonnes in 1975, an increase of four hundred per cent. The Eastern bloc State-trading countries' merchant fleets owned 7.5 % of the total shipping tonnage in mid-1975 in the bulk goods transport sector, while the USSR alone has the biggest bulk cargo fleet in the world totalling 7.3 million gross registered tonnes.'

That is an official declaration by the Federal German government. In mid-1975 the Eastern bloc state-trading countries accounted for 4.7 % of world orders for seagoing vessels, but 17 % of orders for liner and bulk cargo carriers. I drew attention to the importance of this development for cross trade in general and in particular to the risk this creates for us. I hope then — and I am grateful to my colleagues for agreeing with me on this — that we shall see a common approach not only to sea transport, inland waterway transport, airlines and air traffic but also to long distance road haulage where in the Federal Republic we now only have a 13 % share, the remaining 87 % being accounted for by others. The German government reached the following conclusion in its report:

'The considerations at stake here are not simply those of foreign currency or balance of payment problems or even the promotion of the State-trading countries' own foreign trade, but also egoistic considerations of supply and politico-military factors'.

President. — The debate is closed.

8. Directive on the approximation of legislation in relation to boats

President. — The next item is the report (Doc. 575/76) drawn up by Mr Nyborg, on behalf of the Committee on Regional Policy, Regional Planning and Transport, on

the proposal from the Commission of the European Communities to the Council for a directive on the approximation of the laws of the Member States relating to boats and their fittings.

I call Mr Nyborg.

Mr Nyborg, rapporteur. — (DK) Mr President, this report by the Committee on Regional Policy, Regional Planning and Transport has the aim of approximating the legal and administrative provisions governing individual parts, design features and fittings of one specific category of boats, i.e. pleasure craft.

The background for the relevant draft directive is the Council resolution of 28 May 1969 establishing a programme for the elimination of technical obstacles to trade in industrial products. The provisions in force in this area in the various Member States are divergent and this hinders trade within the Community, and can sometimes give rise to distortions of competition. The Commission's proposal is that the method to be used should be that of optional harmonization which allows the Member States to retain their own national provisions for the internal market, while at the same time providing an opportunity for exporting to the whole Community, the only condition being compliance with Community provisions.

In its opinion delivered to the Committee on Regional Policy, Regional Planning and Transport, the Committee on Economic and Monetary Affairs has adopted a negative attitude towards the use of the optional harmonization method. Nevertheless, we in the Committee on Regional Policy, Regional Planning and Transport take the view that optional harmonization is the best solution in this case since the boat-building sector contains a fair number of small firms which do not export their products and hence cannot constitute a barrier to trade. On the contrary, they do in many cases fulfil a local need and as long as these boatyards comply with national regulations there is no reason to compel them to abide by EEC regulations. Such action would in fact increase production costs to such an extent that in many cases it would not be possible to continue in business.

Another aspect of the matter is the widely differing requirements in the various Community waters. For instance, it is simply not possible to make a direct comparison between the Rhine and the North Sea or between the Dutch canals and Lake Garda. These are further reasons for employing optional harmonization. In drawing up safety regulations, account must at all events be taken of these different kinds of aquatic milieu in the Community.

I therefore recommend approval of the proposal for a directive submitted by the Commission, in spite of its limited scope, since it may be regarded as a first step towards the introduction of a European-type craft which will facilitate trade between the European States.

President. — I call Mr De Clercq to speak on behalf of the Liberal and Democratic Group.

Mr de Clercq. — (NL) Mr President, may I begin by thanking the rapporteur for his report on the harmonization of the Member States' statutory provisions on the construction of boats and their equipment. The purpose of the Commission's proposal, namely the removal of existing barriers to trade in the pleasure craft sector, is in principle to be welcomed. However, it is regrettable that in working out this directive the Commission has used a procedure applicable to a different sector and in so doing has proposed a very complicated system. It is doubtful whether regulations are really necessary for all the components listed in the annex. The notification of mobile equipment carried on the craft seems to us particularly questionable.

The draft directive is also inadequate in the sense that the scope is not accurately delimited, because of difficulties experienced in laying down the definition. The committee has already spent some time on a definition of the notion of 'optional harmonization'. This concept was eventually accepted by the parliamentary committee after the Commission representatives had given the necessary clarifications and explanations since it was shown that the optional method serves precisely the interests of small and medium-sized enterprises which produce a wide range of different models in small quantities for the domestic market. In principle, however, total harmonization should always be aimed at since this alone can lead to genuine approximation of the Member States' legislation.

Finally, I would point out that the proposed procedures need not necessarily lead to the creation of new decision-making bodies or to the extension of existing bodies. We are able to approve this motion for a resolution.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, the Commission thanks the rapporteur for his very positive report and for the approval which the Parliament gives to the Commission's proposal for a directive in this field.

The pleasure craft sector is one which is acquiring rapidly increasing importance in the Community. At present the number of persons in the Community engaged in pleasure craft activity measures about 4 million and there are about 2 million of these boats presently in operation. This situation is characterized by a significant number of accidents and a wide divergence in the size of enterprises building these boats, a considerable number of which do not possess the necessary structure or means to carry out a deep and exhaustive investigation of safety requirements. Only two Member States, France and Italy, possess homogenous and concrete legislation in this sector. A wide variety of standards and draft regulations, some in an

advanced state of preparation, exist in the other Member States. These factors led to the inclusion of this sector in the general programme for the abolition of technical barriers to trade as formulated in the Council regulation of 21 May 1973 supplementing the original 1969 resolution. Although our initiatives in this field come therefore within the scope of this programme, our approximation proposals are designed to ensure wider protection for consumers. The present proposal aims at setting up a legal and administrative framework for establishing safety rules on the construction of these boats and their on-board equipment as well as procedures designed to ensure respect for detailed technical provisions. Some examples of detailed provisions are already annexed to the present proposal and will be proposed in concrete form by the Commission once the Council has given its agreement on this proposed framework directive.

I wish to thank the rapporteur also for his approval of the optional harmonization method used in our proposal, given that the total method can be employed in certain well-defined specific cases in future. This, as he already stated, is to cater for the very varied quality of firms operating here, many of which are quite small and do not aim at the export market.

President. — Does anyone else wish to speak? I put the motion or a resolution to the vote. The resolution is adopted.

9. Regulation on the application of the European unit of account

President. — The next item is the report (Doc. 569/76) drawn up by Mr Shaw, on behalf of the Committee on Budgets, on

the proposal from the Commission of the European Communities to the Council for a regulation on the procedure for applying the European unit of account (EUA) to the legal acts adopted by the Institutions of the Communities.

I call Mr Shaw.

Mr Shaw, rapporteur. — Mr President, as rapporteur I have the honour to put this proposal before the House. I don't believe it to be controversial, for much of the ground has already been covered in principle; this is a document that supplies some of the mechanics that are necessary for fulfilling the principles and the obligations that we have from time to time taken in this House.

The changeover to the EUA from the existing unit of account is a reform of considerable significance to the Community finances. There is no getting away from the fact that the existing unit of account that we have used heretofore is now quite unreal, and it has been criticized time and again in this Parliament.

Shaw

On the other hand, the European unit of account has been endorsed by us in this House on many occasions. On 14 December last for example, Parliament adopted two resolutions which included paragraphs calling for the introduction of the EUA with effect from 1 January 1978. Thus, the principle of the changeover to the EUA has been fully accepted by this Parliament. We are politically committed to having the new unit of account operational by the beginning of next year. The Committee on Budgets attaches great importance to this deadline, and I shall say a word about that later.

What we have before us, Mr President, is a draft regulation on the procedure for applying the EUA to the legal acts adopted by the Institutions of the Communities. This proposal does not break new ground. Indeed, its chances of ready acceptance are enhanced because it does not contain proposals that are too ambitious. In the early part of the explanatory statement attached to my document — Doc. 569/76 — I describe the make-up of the new unit of account and trace its brief history. It is there for anybody who wants to read it; I am not going to go over it in detail this morning, except to say that it is an ingenious concept.

I would only add that this concept has been checked and rechecked by the monetary experts of the Commission and of the various Member States. I have gone to considerable trouble to check that this has been done in case anyone has any violent objection as to the consequences it would have for us. I have not found such objections.

The course proposed by the Commission is therefore pragmatic. It will not, for instance, cause an upheaval in the sphere of agriculture by attempting changes that are too ambitious. I might add that the precise proposals for the application of the EUA to the EAGGF with effect from 1979 — one year later than the rest — have yet to be communicated to us.

The solution with regard to the customs duties is also a reasonable one. It will facilitate the work of the customs officials of the Community and also, of course, of traders, import agents and business people generally, because the system will avoid too frequent changes in the figures. This is done by arranging under Article 21 — for those that want to look it up — that the value in national currencies of the EUA applicable to the Common Customs Tariff is to be calculated twice a year.

Clearly, Mr President, the EUA will have monetary and political implications for the Communities. However, we could easily exaggerate this position if we assessed this reform as being of the utmost significance for Economic and Monetary Union. Such an assessment would be an exaggeration and, indeed, a distortion.

Neither the Economic and Social Committee nor the Audit Board has been unfavourable in the opinions given by them on this issue. The Committee on Budgets gave the proposal a favourable reception also. However, I have been asked by the Committee on Budgets to say that we stress, as forcefully as we can, that Parliament expects the Council to give effect to this proposal without delay. I would add, Mr President, that the chairman of the Committee on Budgets, Mr Lange, has been absolutely consistent in our dealing with the Financial Regulation amendments and with this regulation in stressing that we should see that we do not slow down the process of this legislation. I may say that, thanks to his help and the help of the whole committee, we shall have — in passing this, as I hope we shall today — honoured to the full the pledge that was given many, many months ago. We have only done it because of the hard and united work that we have all put in to get it through. I hope that that hard work and dedication will continue in the final stage as it goes through the Council.

I would say, in conclusion, that the amendments do not alter the basic proposal in a fundamental way. They are aimed at a reordering of some provisions by the introduction of an article on definitions, some textual improvements and the bringing together in a single article of the references to further implementing measures that are to be taken in the future. I believe I can say — and say safely — that this proposal is an uncontroversial one and I therefore wholeheartedly recommend it to this House for approval.

President. — I call Lord Bruce of Donington.

Lord Bruce of Donington. — Mr President, in commending this proposal for the approval of the House, I would like to compliment the rapporteur on the clarity with which he has presented the proposal, the kind of clarity — if I may say so — which we have come to expect of him and which makes further contributions from the floor probably unnecessary.

I therefore rise on one point only, and that is to draw the attention of Parliament to that section of the report which emphasizes the necessity for the Audit Board to communicate to Parliament as early as possible any difficulties that are apprehended as and when the regulations come into force. This leads me to emphasize one further point, and that is the paramount desirability of the remaining Member States of the Community ratifying the Treaty of 22 July 1975 as speedily as possible in order that the Audit Court may be set up as quickly as may be. Knowing something of the resources available to the existing Audit Board, excellently led and manned as it may be, it is quite clear to me that if the Audit Court is not in existence by the time these regulations come into

Lord Bruce of Donington

force, the Audit Board on its own, despite its very great abilities, will not have the resources at its command to enable it to advise Parliament effectively during the transitional stages of the coming into operation of these regulations. I shall therefore, if I may, conclude by urging the paramount necessity of bringing pressure to bear through the Commission, through those representatives of the Council that are here, on the remaining Member States to ratify the Treaty of 22 July 1975; this will be of enormous assistance.

I have no hesitation in commending this proposal, as it stands and as so admirably explained by the rapporteur, Mr Shaw, to the House.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, I would like, on behalf of the Commission, to join with Lord Bruce in complimenting Mr Shaw on the very helpful report which has been made on the unit of account and, indeed, to extend through him our compliments to the Committee on Budgets.

I hope that the proposed resolution may be accepted and adopted by Parliament and that, without much further delay the decisions needed to apply the European unit of account to the Community budget, will be taken by the Council.

Mr Shaw has pointed out that this is not an issue on which Parliament and the Commission are in dispute. The present unit of account is based on fixed parities which are now a nostalgic relic of past monetary stability and a future objective which will only with difficulty be regained.

The distortions of its use for budgetary and for any other purposes are evident. Already the new European unit of account — based, as it is, on a basket of Community currencies, and thus remaining a reflection of the real market value of each, rather than on outdated parities — is being used for the Lomé Agreement by the European Investment Bank and by the European Coal and Steel Community. We are now considering its wider extension to the general budget of the Community.

The change, as Mr Shaw's report points out, will bring transparency to both sides of the budget. The new unit of account will give a correct picture of the proportion of receipts really flowing from each Member State. On the expenditure side, existing major distortions arising from ceilings and fixed amounts calculated in IMF units of account will disappear. These distortions have been brought home to us by attempts of which we have been recently reminded to exploit the possibility — even if this is now judged illegal — of paying off fines expressed in IMF units of account in the weakest currency in order to minimize the value of the penalty.

Unfortunately we cannot go as far as we would like. We propose to draw up the general budget in European units of account and to use the new unit for a substantial number of Community commitments and payments.

But in some areas we are not yet ready to follow this principle to its end. Notable is the agricultural sector. We want to apply the European unit of account to this important sector and are studying how this might be done. The problem is rather special, because, of course, in this field the IMF unit of account has in the meantime given way to the rather complicated arrangement of so-called 'green' units of account, representative rates and monetary compensatory amounts.

For the present the essential step is to make a beginning with the Community budget. I very much hope that the Parliament's approval — as I hope it will be — of the draft resolution will encourage the Council — and here I echo Mr Shaw's appeal — to take rapid decisions to enable the 1978 Budget to be established in European units of account.

The date 1 January 1978 may seem to be still a long way off. But the preliminary draft budget for 1978 has to be sent forward by the Commission in three months' time. We need an early, firm commitment from the Council in favour of the change to match the Parliament's firm opinion. And this is, of course, only a start in the longer process of full adoption of the European unit of account.

I turn briefly to deal with the amendments proposed in the report before Parliament. The Commission would be happy to accept almost all of these and our concern is with only two amendments. And there it is not a matter of substance but rather of drafting. It is proposed to amend Article 11 in such a way as to state that the arrangements for the application of the European unit of account to payments to Community staff should be defined in Article 29. But Article 29 does not in fact define these arrangements: it simply provides for separate regulations. We in the Commission feel it better to make this explicit in Article 11 and stick to the original text. This will involve a consequential modification of the amendment proposed to Article 29. But I think that this explanation makes it plain that what is in question is not a matter of substance.

In general, I repeat that we can accept the Committee on Budgets' proposals and the Commission hopes, Mr President, that Parliament will give the strongest possible support to this draft resolution.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — I want to speak, Mr President, in this debate, which is without controversy, to congratulate the Commissioner and also our rapporteur on their grasp of the essential point, which is that

Rhys Williams

we must hasten to introduce the new units of account across the board. I would like this morning simply to emphasize the need for the Commission's comparative statistics of different countries' performances to be translated into the new units of account so that they can be meaningful and generally understood. To produce statistics from now on in terms of the old units of account is simply a waste of time. I think my views on this are well known, but I want to emphasize the point so that we can get on with introducing the new units of account as quickly as possible.

President. — I call Mr Shaw.

Mr Shaw, rapporteur. — I would like to thank those who have made short, but very helpful, interventions on this matter. I would just raise perhaps two points.

Firstly, I entirely endorse the point that Lord Bruce made about the need for the setting up of the Court of Auditors. He is, as he so often is, absolutely right. This is a key factor.

I also would like to take this opportunity of thanking him for his kind words. I would only add that the Control Subcommittee has already on its agenda the very question that he raises and I will see to it that his words of this morning are brought to the Control Subcommittee's attention on Monday.

If I may deal with the words of Commissioner Burke, I thank him too for his comments. I feel like welcoming him to the budget club and I know we are all very glad to see him taking an interest in these matters, because clearly he has a very good grasp of them and it is a matter that we regard as being of the utmost importance in the Committee on Budgets. I would simply like to thank him for supporting the amendments that we have put in. We should certainly not resist the reservation that he has on the amendment in Article No 11. With those words I thank you for the kind reception that you have given to this motion.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, I shall reply briefly to the point made by Sir Brandon Rhys Williams about the inclusion of comparative statistics. We accept this in principle but of course we must first get the general budget straight before we can apply the unit of account to our comparative statistics. It is only as a consequence of doing the one that we can get to the other, but we take his point and will examine the position progressively.

President. — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.

10. *ECSC Auditor's report for 1975 and discharge to be given for that financial year*

President. — The next item is the report (Doc. 567/76) drawn up by Mr Gerlach, on behalf of the Committee on Budgets, on

the report of the ECSC Auditor for the financial year 1975 and the discharge to be given to the Commission of the European Communities in respect of the financial and budgetary activities of the ECSC in that financial year.

I call Mr Hansen.

Mr F. Hansen, deputy rapporteur. — (F) Mr President, it is my honour to present this report in plenary sitting. Mr Gerlach had originally been designated by the Socialist Group and appointed rapporteur by the Committee on Budgets. He had prepared the report and led the discussion in committee. Now that Mr Gerlach has left the Parliament I shall try to replace him in the plenary sitting today.

I am well aware of the importance which this report has now acquired. Firstly, the coal-mining industry and steelworks are experiencing a crisis. We are learning of dramatic new developments every day: unemployment, and reduction of working hours in Lorraine, Belgium, Luxembourg and elsewhere.

Secondly, we are on the eve of the establishment of the Court of Auditors. This is therefore the last report of the Auditor before the completion of the preparatory work leading to the creation of that new body. The statements of the Auditor might therefore become the basis not only of the philosophy but also of the working methods of the new external audit body which the Court of Auditors will in fact be. Mr President, it is also against that background that last year Parliament, in its resolution on the report of the ECSC Auditor for 1974, asked him to devote part of his draft annual report to a stocktaking of these external audit activities over the past twenty years.

As Parliament wanted him to do, the ECSC Auditor has given particular attention to the following matters:

(a) the date of submission of the audit report. Since 1953 the ECSC Auditor presents, at the latest six months after the end of the financial year, a report on the legality of the accounting operations and budgetary management of the various institutions. This procedure has enabled the Committee on Budgets and Parliament to ensure continuity of retrospective auditing and advance control of the budget for the following year. At that stage it is in fact still possible to influence the development in the next financial year;

F. Hansen

(b) retrospective auditing and control in respect of the current financial year. The financial regulation only mentions retrospective control and the rapporteurs had to stress repeatedly the fact that control of current operations was equally important. Retrospective control cannot in any instance replace permanent control of the current operations. It is regrettable that the 'control' subcommittee has already been placed on several occasions in a situation where it is faced with a *fait accompli*, in other words certain irregularities have already been denounced in the press before even being referred to our Parliament ;

(c) control of legality and proper administration and assessment of the appropriateness of expenditure. The Auditor has not confined himself to a simple statement of these general principles — he has also stressed the difficulty in drawing a suitable distinction between them. The difficulty is to establish a clear distinction between control of legality and control of proper administration, matters which fall within the province of an external audit, and an assessment of desirability, which falls within the competence of political organs. Of course these notions overlap. The Auditor has noted that it is essential for Parliament's bodies to find in a report drawn up by an independent body elements to guide their political judgment ;

(d) external auditing as a guarantee of the ECSC borrowing and lending policy. Since there has been nothing short of an explosion in the growth of ECSC financial activities — to which I shall return in a moment — external auditing which guarantees legal and efficient management in the lending and borrowing sector has obviously facilitated the floating of loans in the various third countries, especially the United States. The excellent reception given to ECSC loans, especially in countries where the issue conditions are particularly stringent, is to be welcomed.

(e) coordination of the different audit bodies. Mr President, ladies and gentlemen, I wish to draw your attention to the observations of the ECSC Auditor on the coordination of the various control bodies of the Community. Our Control Subcommittee has repeatedly stressed that external control must be based on the Commission's own internal financial control. Efficient work is scarcely possible without a privileged flow of information between the external audit body and the Parliament's own internal control. Mr President, that is why we must urgently review the working procedures of the European Court of Auditors. The European Parliament must ensure a smooth transition and the chairman of the subcommittee, Mr Aigner, will be presenting his observations within the next few days ; they will warrant close attention by our Parliament.

The financial situation of the ECSC for the financial year 1975 is a further important point. Allow me to

make first one preliminary remark concerning the unit of account. A new unit of account has been applied for the first time since the foundation of the ECSC. However, in the report of the ECSC Auditor, the amounts are expressed in the old unit of account to enable the documents to be scrutinized and compared with those of previous years. Analysis of the balance sheet shows total loans from borrowed funds standing at two thousand million units of account. This total breaks down into three financial sectors :

- (1) financing of industrial investments : 1.7 thousand million u.a. ;
- (2) industrial reconversion operations : 2.71 million u.a. ;
- (3) financing of projects for the construction of low cost housing : 20 430 000 u.a.

The debit side of the ECSC balance sheet shows a considerable intensification of ECSC borrowing activities, both on the international markets and on the national markets. There has, I repeat, been nothing short of an explosion in ECSC borrowing activities. The Community has become a bank for the coal and steel sector. The nominal value of contracted loans stood at 2.5 thousand million units of account on 31 December 1975. This amount is equivalent to one third of the total budget of the Communities. Unlike the loan policy which I have just described, the ECSC operational budget has remained extremely static. The levy rate brings in 70 million u.a. With reference to the ECSC operational budget, the rapporteur suggests that Parliament should reflect on ways of increasing the dynamism of the structure of this budget. Mr Terrenoire recently asked us to make a similar appraisal in his report on the ECSC levies.

Mr President, a few brief observations now on the control operations of the ECSC Auditor :

- (1) On levy revenue, the Auditor has verified the accuracy of collection of the total levy proceeds. The Auditor has noted a considerable increase in payment delays between 1974 and 1975. This is mainly due to the fact that the Italian and British steel industries have not yet honoured their commitments because of cash flow and conjunctural difficulties.
- (2) The following comments may be made on technical and social research expenditure : the lack of systematic compliance with contract dates, confined as it is to the financial aspect, prevents the authority responsible from assessing and following carefully financial policy in this sector.

Secondly, delays — sometimes excessive — between the introduction of applications and the decision to grant financing on the one hand, and further delays in the implementation of contracts on the other, often make it difficult for the ECSC Auditor to evaluate certain elements which are essential to an assessment of financing.

F. Hansen

Thirdly, the reports on the closure of these contracts and verifications on the spot, are inadequate.

One last remark, Mr President. Having regard to the increase in the European Parliament's budgetary powers, particularly in the matter of the giving of a discharge, the Committee on Budgets is submitting the report on the ECSC Auditor's report to you today in a new form. It is not merely a report on the report but above all a genuine decision on the financial and budgetary activities of the ECSC in this financial year.

This is both legitimate and in accordance with the ECSC Treaty which also provides the possibility of motions of censure on the High Authority.

That possibility would be of little significance if it could not be preceded by a discussion on the giving of a discharge, without which the reasons for a possible motion of censure could not be indicated.

Ladies and gentlemen, I would ask you to adopt the motion for a resolution which I have just presented to you.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, I should like first of all to congratulate Mr Hansen on the quality of the report — originally prepared by Mr Gerlach — which he has presented on this subject. I should like to thank them and the Committee on Budgets, on behalf of the Commission in its capacity as the ECSC High Authority, for the trouble that they have taken to analyse the ECSC's financial situation as presented and remarked on by the auditor.

This is an historic moment in the evolution of the Coal and Steel Community's audit procedures, for 1975 is the last year to be dealt with under the amended Treaty of Paris procedure. 1976 will be a transitional year, since the independent ECSC Auditor will prepare the report on the accounts of that year, but, assuming as we all do that the Court of Auditors is to be appointed this year, he is then due to abandon his activities as soon as this report is signed. The July 1975 Treaty provides for his term of office to end on submission of the report for the year preceding that during which the members of the new Court of Auditors are appointed. The Court of Auditors will take over from there and will be fully responsible for the report dealing with the year 1977.

This of course, is the reason why, following last year's requests from this House, the rapporteur — and the Auditor in the interesting comments in Annex III to this report — have laid proper emphasis on the fund of experience gained in the work the ECSC Auditor has done during the quarter century of his existence.

The Commission associates itself entirely with what is said in Part I of the motion for a resolution put forward by the Committee on Budgets to the effect that: 'What has been achieved in the external control of the ECSC must be safeguarded'.

There are two points I want to make about this. First, the Commission has long appreciated the practical approach of the ECSC Auditor in looking not only at the narrow field of accounting data but also the financial management problems which lie behind the data and his readiness, along with that of his staff, to engage in full and frank discussions of these matters with those responsible at all levels. This has naturally helped the Commission in discharging its management responsibilities, as well as contributing — as the draft resolution recognizes — to the depth and quality of the survey of ECSC affairs presented to Parliament in the Auditor's report.

My second point is simply to add that, in going into management problems with us, the Auditor has of course nonetheless always stayed — as his statutory impartiality requires — on his own side of the fence, and has not hesitated to speak out about any weaknesses that have appeared to him to exist.

The scale and importance of the ECSC's financial operations — which attained the order of one billion European units of account borrowed and lent last year, along with over one hundred million European units of account spent through the operational budget — demand a system of audit of the highest and most impeccable quality. This we have had up to now thanks to the work of Mr Gaudy and his predecessors along with their supporting staff. We expect no less in future from the European Court of Auditors.

Turning to Part II of the motion for a resolution, although there has been some discussion of certain points in the Committee on Budgets, I would like to refer to the important question of levy audits mentioned in point 4 and assure this House that the inspections made in this context do, in fact, follow a systematic rota planned in consultation with the Levy Office so that the limited resources available to the Commission for this purpose are used to good effect.

In the important field of ECSC research, there is no doubt that we need systematic records to meet the needs involved in managing the 750 or so contracts now in being with the rather limited staff which the Commission has been able to concentrate on this task. And although our needs naturally differ from those of the Auditor, I understand some useful discussion has taken place on the improvement to be pursued. The Commission will bear in mind the problems of timing and depth of audit touched on in the motion for a resolution. I would ask the House to note, however, that research funds are allocated through an

Burke

annual administrative cycle, so that the right proposal does not in general need to wait more than a year to be taken up. But there are of course others that need to be revised or regrouped before they can be favourably considered. The constraint on depth of audits carried out is, above all, the staff resources available, which do rule out narrative reports of the type once produced. What is important in this field is that the backlog of delays which was holding up the paying off of certain contractors, has now been largely eliminated.

I understand that the problem of the rent for the Washington property is now being put right, as we have supplied further data to the Auditor on the subject of subsidized housing with the aim of meeting his wish to be better informed on this subject.

I am bound finally to say that the Commission does not feel in all the circumstances that the critical tone at the end of point 14 in the motion for a resolution really strikes the right note.

My last comment is on the subject of the reform of the Community's budgetary accounts, on which Mr Cheysson provided some preliminary information to this House on 9 April last. The detailed budgetary accounts then foreshadowed are now operating satisfactorily and are proving a useful instrument for monitoring all commitments and payment charged to the operational budget. At the same time, the financial unity of the Coal and Steel Community remains unimpaired and the balance sheet continues to bring together a complete picture of the Community's activities both in borrowing and lending and in granting levy and other income in aid of the coal and steel sectors. This financial unity is a feature on which the ECSC Auditor has always rightly insisted. Although the object of today's discussions is simply the endorsement of the Community's accounts for 1975, it would be wrong to close my remarks without referring to the Commission's concern for the problems being encountered at the present time, as we all know, by the Community's steel industry. We are actively following these matters and fully recognize that the Commission in its capacity as High Authority under the Treaty of Paris, must continue to seek and implement in conjunction with the industry all the practical steps which can serve as a way forward out of the present difficulties.

A few further points, Mr President. Regarding Mr Hansen's praise of existing ECSC audit procedures and the need for current monitoring of financial operations, the Commission can agree with all of this. You may recall that the new Court of Auditors will have enhanced power to examine current operations.

As for the freezing of the operational budget, the Commission and industry in the steel sector are reluctant to increase the levy in view of the present financial difficulties of the industry. On the point about the

payment of levy and the delays therein, I would like to stress that these were only for minor amounts from one country and they have largely been paid up by now.

President. — I call Mr Hansen.

Mr F. Hansen, deputy rapporteur. — First of all I would like to join with Mr Burke in congratulating Mr Gaudy on his excellent work on audit affairs. Unfortunately, I cannot accept his comment about point 14. Our committee wants to keep point 14 as a guide to the Commission in the future.

President. — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.

11. *Decision on the European Convention on the Protection of Farm Animals*

President. — The next item is the report (Doc. 566/76) drawn up by Mrs Dunwoody, on behalf of the Committee on Agriculture, on

the proposal from the Commission of the European Communities to the Council for a decision concluding the European Convention on the Protection of Farm Animals.

I call Mrs Dunwoody.

Mrs Dunwoody, rapporteur. — Mr President, you may or may not be aware that every word I say is of such vital importance that I frequently appear on the front pages of the British press. Therefore I hope that this report, which is of very considerable importance, will receive very considerable coverage, not least because, of course, as in all conventions, one is not seeking to restrict the activities of the good farmer.

In introducing this report on behalf of the Committee on Agriculture it is only fair to say that in modern farming the man who has a great deal of investment both in his animals and in the well-being of those animals is hardly likely to treat them badly, because he knows very well that they are his income. However, it is also true to say that as we demand of agriculture that it becomes ever more efficient, and as we move towards more intensive farming, with all that that involves, factory farming is going to carry with it certain difficulties both for the farming community and for the consumer. Therefore it is only right that there should be at least minimum conditions to which the farmer adheres.

The Community has over a long period of time put forward a number of different policies in this field but, as always, the process of harmonization is a lengthy one, does not always meet with the simple approval that one would expect and therefore it

Dunwoody

seemed to the Committee on Agriculture that what they could suggest was that as a Community we should accede to the Convention laid down by the Council of Europe, because it provided a simple and easy framework in which the Member States could proceed towards a decent set of minimum conditions. This is of course the reason why this particular report has been framed in the mild and minimum terms that you have before you. If we are to attempt to create the sort of conditions in the farming community which are generally acceptable in a civilized and general policy, then I think we have to be sure that the animals, even when they are subjected to factory farming techniques, are properly cared for, have minimum conditions of light, of heat, of humidity and of general care. In order to proceed, what we have suggested was that, in using this existing Community approach through the convention, we shall have a number of nation States inside the Council of Europe who are able to put forward their particular interests in this field.

I do not pretend that I regard this as a very large step forward or even a very revolutionary step forward. What I regard this report as is a very helpful and minimum contribution not only towards the needs of animal husbandry but also towards acceptance of the feeling in all our countries that if we are to have modern farming techniques they must at least contain a certain number of minimum guarantees. I therefore ask the Parliament to accede to our request. I do not think that it carries with it any real difficulty; we have said that we regret the delays in the implementation of a Community policy in the fields of animal health but we believe that by acceding to the convention we will at least be making it possible for the Member States to advance in this field.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — I would congratulate Mrs Dunwoody on the report she has put forward, particularly in view of the exceptionally moderate way in which she has presented it to the House this morning.

I seem to have been involved in this particular issue for a very long time now, Mr President. I happened to be the minister in my own country who set up a thing called the Brambell Committee which reported to the House of Commons a very long time ago now, in 1964 and again two years later. I also took part in the debates in 1970/1971 in the Council of Europe which was in fact setting up the Convention to which Mrs Dunwoody's report is drawing attention and to which the Commission's proposal suggests that the Community should become a contracting party. As she has said, and I would agree with her, it is a small step forward and it is a necessary one and I am very glad that this step has been taken by the Commission in proposing this.

I think there is a long way to go yet and this is not the time or the place to start playing national trum-

pets, to say that in the United Kingdom we are better or less advanced than other countries, but I do think that we have done perhaps more research in the United Kingdom concerning animal husbandry, and as has been said by our rapporteur, there is no doubt that as the need for more protein food increases throughout the world, so new techniques are going to be developed and therefore one has got to have the techniques also to make certain that these are not putting undue stress, either psychological or physical, on the animals concerned. A whole wealth of research has taken place and is still taking place concerning these subjects. I hope that the Commission will use this opportunity to collate — I hate this word 'harmonize' — all the existing information — and there is a wealth of it, I can assure him — concerning this research and the progress that is being made. But as has been said, I hope that my group will support this report. I certainly will do so and I congratulate both the Commission and the rapporteur on bringing it forward in the way they have.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, the Commission welcomes the overall positive approach which the rapporteur and the Committee on Agriculture have taken towards its proposal. I would like to join in the comments made to congratulate the rapporteur on the moderation with which the matter has been presented, and to say that I, in so far as it is helpful, will give my personal approbation to the project.

It is very much hoped that by this initiative a common policy can be adopted for the benefit of animals. It is also hoped that differences which exist in national legislations can be reduced, thus creating equal conditions of competition for producers of animals and animal products within the Community. At the same time, the Commission's initiative ensures that no discrepancies arise between Member States' legal obligations towards the Council of Europe and the Community.

Although I must admit with the rapporteur that the Farm Animals Convention is to a large extent made up of fairly general principles, the Commission believes that the Community's acceptance of the Convention would constitute an important first step in establishing humane provisions for animals kept for farming purposes. In fact by means of the standing committee set up under the Convention, detailed rules will be adopted, implementing the general principles of the Convention. I can confirm that, as regards the Community, the adoption of these detailed rules will follow normal Community decision-making procedure including consultation of the European Parliament.

Burke

The rapporteur has suggested that the Commission should, after two years, prepare a report on the application in practice of the Convention principles. The Commission is ready to accept that suggestion.

President. — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.

12. *Directive on health protection standards for sulphur dioxide*

President. — The next item is the report (Doc. 568/76) drawn up by Mr W. Müller, on behalf of the Committee on the Environment, Public Health and Consumer Protection on

the proposal from the Commission of the European Communities to the Council for a directive concerning health protection standards for sulphur dioxide and suspended particulate matter in urban atmospheres

I call Mr Hoffmann.

Mr Hoffmann, deputy rapporteur. — (D) Mr President, ladies and gentlemen, I have the honour to be deputizing for the rapporteur, Mr Willi Müller, and wish to draw your attention to the following facts:

The reason why we are only now submitting our report on health protection standards for sulphur dioxide and suspended particulate matter in the atmosphere of urban areas, is that Parliament decided on 18 June 1976, at the request of Mr Osborn to refer the motion for a resolution back to the Committee on the Environment and to refer the proposal for a directive to the Committee on Economic and Monetary Affairs for its opinion.

After that committee eventually delivered its opinion at its meeting of 14/15 February 1977, we are now able to submit the supplementary report and the original report to the plenary assembly.

As we have done in the written explanatory statement, I shall also confine my remarks now to a reference to our original report (Doc. 88/76) which was unanimously adopted by the Committee on the Environment, as the committee responsible, on 26 April last year.

In the light of the opinion of the committee asked for its opinion, we find it necessary simply to add a new point 13 to the original motion for a resolution calling upon the Commission, as the guardian of the treaties, to urge the Member States to comply strictly with the directive since the risk exists that certain Member States may not comply adequately with its provisions because of their present economic difficulties. The Commission will therefore if necessary have to fall back on its right to institute proceedings under Article 169 of the EEC treaty. The Committee

on Economic and Monetary Affairs, asked for its opinion, rightly points out that less strict compliance by a particular Member State would give the latter a competitive advantage.

Finally the Committee on Economic and Monetary Affairs draws attention to the fact that the limitation of the provisions of the directive to areas of urban concentration will give competitive advantages to the concerns situated outside these areas and may influence the establishment of new undertakings. However, in view of the desirability of reducing the concentration of industrial concerns, this would be a positive development — that is the opinion of our committee too.

It remains for me to draw attention to the twelve other specific points in the resolution which already formed the subject of our report referred back to committee at the time (Doc. 88/76) and to recommend adoption of the entire resolution by the House.

Mr President, allow me to draw your attention briefly in this context to the two proposed amendments now before the House.

Mr Nyborg has tabled these two amendments. The first aims at redrafting point 13. You will see that the original text of point 13 refers to strict compliance with the directive so that in my view Mr Nyborg's amendment is basically already contained in the text and therefore superfluous. I therefore ask you to reject amendment No 1.

Mr Nyborg has also tabled a second amendment calling upon the Commission to make appropriate cost estimates. We agree fully with that. Those estimates must obviously be submitted. However, we consider that the passage in the amendment containing the words 'before the directive is enacted' might lead to a further delay in its adoption. I therefore ask you to delete the words 'before the directive is enacted' and, with that change, to accept Mr Nyborg's modified Amendment new paragraph No 2.

I hope that Mr Nyborg will delete that passage, otherwise a delay may be anticipated and we should oppose any such delay.

President. — I call Mr Nyborg to present the opinion of the Committee on Economic and Monetary Affairs.

Mr Nyborg, draftsman of opinion. — (DK) Mr President, as always whenever an item is placed on the agenda for a Friday sitting it is scarcely intended to give rise to a long debate. I will therefore endeavour to keep my speech on behalf of the Committee on Economic and Monetary Affairs as brief as possible.

Nyborg

As you will recall, one of the reasons which led to the decision of 18 June to refer the report back to the Committee on the Environment, Public Health and Consumer Protection was the express wish to let the Committee on Economic and Monetary Affairs consider this proposal for a directive. Consequently, it ought today to be of interest to hear an account of the views of the Committee on Economic and Monetary Affairs; these are by the way attached to the report. In the opinion we delivered we draw attention to two problems in particular.

Firstly, action must be taken to ensure that the Member States amend their legislation in accordance with the guidelines contained in the directive and that provision is made in national legislation for the imposition of fines on companies, that do not comply with the law, to prevent them from gaining a competitive advantage by failure to observe the prescribed standards.

Secondly, a financial estimate ought to be made of the costs associated with implementing the standards proposed and this estimate ought to be given careful consideration before the directive is issued. Looking at the motion for a resolution tabled by the Committee on the Environment, Public Health and Consumer Protection, I can only see that one of these problems has been dealt with in the motion, i.e. in paragraph 13.

The wording here is considerably more lax than in the version proposed by our committee.

Our comments, ought in truth, to result in specific amendments to the provisions of the directive. Our wish for a financial estimate is not included in the motion for a resolution and you will therefore hardly be surprised, Mr President, if I am unable on behalf of the Committee on Economic and Monetary Affairs to summon up a great deal of enthusiasm for the motion at present under consideration. I can see the explanation in the fact that the Committee on the Environment, Public Health and Consumer Protection adopted its motion for a resolution on 19 January, at which time the opinion of the Committee on Economic and Monetary Affairs had not yet been formulated in its final version. This did not in fact take place until 15 February when the text drafted by the Committee on Economic and Monetary Affairs was tightened up substantially in these selfsame two areas. Today I shall therefore not be recommending Members to vote either for or against the motion for a resolution. But I would ask the Bureau to consider whether there is any point in asking a committee to deliver an opinion if the committee responsible takes no account of opinions delivered by committees which have been asked for their opinion.

It would be a pity if the practice of asking committees for their opinion were to become a pure formality. In the Committee on Economic and Monetary Affairs we

have not had the opportunity of discussing any possible amendments and I therefore decided to table on my own account the two amendments which have already been referred to by the deputy rapporteur. As for the comments made about these amendments — it is perhaps simplest if I deal with them at this stage to save a heated debate when we come to them — I want to say that it is in my view extremely important to ensure that these amendments are adopted, since it is not really a great deal of use our promulgating a directive which does not contain any specific provisions stipulating how we are to secure compliance with the directive. We must have powers to impose fines or some other kind of penalty on firms which disregard the prescribed regulations. I therefore feel that my amendment No 1 is completely justified and entirely relevant and I would ask the House to adopt it. With regard to No 2, I shall be happy to make a concession; I do not see that it will weaken the amendment greatly if I delete the words 'before the directive is issued'.

Mr President, I have now completed my presentation of the views of the Committee on Economic and Monetary Affairs and of my own amendments.

President. — I call Mr Jahn to speak on behalf of the Christian-Democratic and European Conservative Groups.

Mr Jahn. — (*D*) Mr President, ladies and gentlemen, on behalf of the Christian-Democratic Group and, at the request of our colleagues in the Conservative Group who are also members of our committee, also on behalf of the European Conservative Group, I wish to put our views on this motion. I am also speaking as the vice-chairman of the committee which undertook a thorough discussion of this directive on health protection norms for sulphur dioxide and suspended particulate matter at several meetings.

As Mr Nyborg has said, this is a revised version of the motion referred back to committee by Parliament and a new version of point 13. At our meeting of 19 January 1977 we considered the entire report again and adopted it unanimously including the point 13. We note that the Commission is to take a further measure which implements Community provisions on air purity. The whole committee supports as a matter of principle the aims of the directive, namely to maintain observance of health protection norms for suspended particulate matter in the atmosphere of urban areas, although this must not under any circumstances lead to a deterioration of the air quality in areas where air pollution is less marked. We believe — and our friends in the Conservative Group agree — that the proposed time limit for the introduction of air quality standards beginning in 1982 should be shortened as far as possible without causing norms to be laid down before they have been thoroughly con-

Jahn

sidered. We should like the time limit for the enactment by the Member States of the legal instruments necessitated by the directive to be reduced, where possible, from 18 to 12 months.

I come now to point 13 of the motion. Mr Nyborg, when you propose a new version and say that it represents the views of the Committee on Economic and Monetary Affairs, I must point out that all legal provisions, norms and penalties must quite obviously be enforced in accordance with the terms of our Treaty. That can be taken for granted without any special mention in this article. When my colleague, Mr Lange, calls out that 'we must do it' I am obviously prepared to give the matter deep thought, but normally there can be no doubt about this. I have discussed the point at length with Mr Müller too.

Now for the second point: we agree to the deletion that has been proposed. But since I see that the deputy rapporteur has asked to speak once again, perhaps I may be allowed to make one further observation. On behalf of the Christian-Democratic and Conservative Groups, I wish to make it clear that we can agree to the report in this form.

President. — I call Mr Hoffmann.

Mr Hoffmann, deputy rapporteur. — (D) Mr President, it is of course a little difficult for me to adopt a concrete opinion in this situation. However, I believe that after what Mr Nyborg has said, it may be useful to incorporate Article 13 in the wording now proposed, in other words to include the question of the collection of financial penalties. I believe that what Mr Nyborg has said is acceptable in general and we can vote in this way on both amendments. I think that is possible.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, the Commission is particularly pleased that the work on Mr Müller's report within both the Committee on the Environment, Public Health and Consumer Protection and the Committee on Economic and Monetary Affairs has led to such a positive conclusion regarding the proposal for a directive submitted by the Commission.

With regard to the motion for a resolution, the Commission would point out that the long period needed to submit this proposal for a directive was due to the large number of studies and research projects which were necessary in order to produce proposals with an incontrovertible scientific basis. The Commission will notify the Parliament of the results of the epidemiological studies currently being conducted on the pollutant effects on children of sulphur dioxide and suspended particulate matter as soon as they are available.

On the subject of the amendments called for by the Parliament to Article 2, it would not be realistic, given the time which has already elapsed since the Commission submitted its proposals to the Council, to bring forward the proposed implementation dates of 1982 and 1987 to 1980 and 1985 respectively, as requested by the European Parliament, even though the Commission feels that for the protection of the public these time-limits should be as short as possible. Given the period which is still needed for the directive to be accepted and incorporated into national legislation, this would leave less than 2 years for the necessary technical arrangements to be made to ensure compliance with the standards laid down by the directive.

The Commission accepts the proposed amendment to Article 11, that is reducing from 18 months to 12 months the period within which the Member States must bring into force the necessary laws, regulations and administrative provisions to comply with this directive.

With regard to paragraph 13, the Commission takes note of the amendments and will give them careful consideration if passed.

President. — We shall now consider the motion for a resolution.

I put to the vote the preamble and paragraphs 1 to 12. The preamble and paragraphs 1 to 12 are adopted. On paragraph 13 I have Amendment No 1 by Mr Nyborg, calling for this paragraph to read as follows:

'13. Calls on the Commission to include in the proposal for a directive provisions to ensure that the Member States modify their legislation in accordance with the guidelines contained in the directive and to ensure that national legislation makes provision for the imposition of fines on undertakings which do not comply with the norms.'

I put Amendment No 1 to the vote.

The amendment is adopted.

After paragraph 13 I have Amendment No 2 by Mr Nyborg, calling for the insertion of a new paragraph worded as follows:

'13a. Calls on the Commission to submit, before the directive is issued, estimates on the expenditure arising from compliance with the proposed norms.'

I call Mr Nyborg.

Mr Nyborg. — (DK) Mr President, perhaps I should just indicate what the final version of the text is after deleting three words from the amendment.

It will now read as follows:

Calls on the Commission to submit estimates on the expenditure arising from compliance with the proposed norms.

President. — I put to the vote Amendment No 2 thus modified.

President

Amendment No 2, thus modified, is adopted.

I put paragraph 14 to the vote.

Paragraph 14 is adopted.

I put to the vote the motion for a resolution as a whole incorporating the various amendments that have been adopted.

The resolution is adopted.

13. *Oral question with debate :*
Danger to health of asbestos

President. — The next item is the oral question with debate (Doc. 573/76) by Mr W. Müller, Mr Guerlin, Mr Evans, Mr Spillecke and Mr Adams, to the Commission, on the danger to health of asbestos :

At major international scientific conferences, most recently in Lyons, recognized experts from all over the world have warned of the dangers to human health of the production and use of asbestos. In view of the uncontested carcinogenic properties of asbestos, parliaments, governments and responsible authorities were called upon to take urgent and suitable measures to eliminate the hazards to human health arising from asbestos.

Despite this, an advertising campaign is being run by the French Asbestos Trade Association and the Asbestos Cement Association, calling for a 'just reasonable and dispassionate attitude' and assuring the public that the World Health Organization and the highest scientific authorities in the world had hitherto been unanimous in declaring that there was no proof that the population in general was being exposed to particular risks by the asbestos industry.

1. How does the Commission view the pseudo-informative advertising campaign of the asbestos producers, which is clearly aimed to present their product as harmless ?
2. Does the Commission still uphold the principle it has always stressed, that informing the public as a means of preventing health hazards is an essential part of public health policy ?
3. Will it therefore, so long as there is still no proposal for a directive regulating the use of asbestos, take immediate action to inform the citizens of the Community of the risks to human health inherent in the use of asbestos, and what preventive measures can be taken to protect their health ?
4. Will the Commission further support any efforts aimed at limiting the production and use of asbestos and promoting research into the development of safe substitutes for asbestos ?

I call Mr Evans.

Mr Evans. — In presenting this oral question, with debate, on behalf of the Socialist Group, I am certain that everyone is only too well aware that there is increasing public concern about asbestos, its uses and its dangers.

As you probably well know, the Committee on Environment, Public Health and Consumer Protection is

at the moment drawing up an own-initiative report on this very subject, for which I also happen to be rapporteur. We have had several discussions in committee so far, and we have had an opportunity to put our point of view to representatives of the Commission, and in the not-too-distant future we shall be bringing a very full report to the Parliament.

However, we feel that it would be a good thing for the Commission to give a public statement of its intentions before this House. This question that we have presented deals mainly with information to the public, and the committee has already put forward some proposals of its own which will be presented in the final report. As it will be some months before this report appears on the agenda of the plenary session, we want to urge the Commission to take action now, and inform the public of the dangers presented by the use of asbestos and asbestos products.

I will not be satisfied with a reply from the Commission which tells me that research is being done. We know that research is being done. What we want is action, and that action must be taken immediately, because already organizations giving themselves official-sounding titles have been set up in many countries and are spending considerable sums of money on misinforming the public. In the United Kingdom such a body was required to withdraw its advertisements after the Advertising Standards Authority decided that it was misleading. The authority concluded that the advertisement was complacent about the dangers, oversimplified the health hazards, and that the information given was premature and unsubstantial.

I would also strongly draw to the attention of the Commission the very urgent need to establish adequate planning procedures for the siting of asbestos factories. It really is unbelievable that asbestos factories are still allowed to be built in close proximity to residential property, with consequent dangers to the residents, dangers which will be there for many years to come. In my report I shall be referring to this problem and making proposals, but I would urge the Commissioner to issue model procedures for planning permission to all member countries based upon the knowledge that many member-countries and many other countries throughout the world already have in this important field.

Mr President, it is Friday morning and we have not much time to spare, so I shall be very brief. When our report comes before the House, I hope we shall have ample time, at a more suitable time than a Friday morning, to discuss this question in depth. I would just remind the Commission that I will not accept any reply that does not offer practical ways of dealing with this problem. We are talking about a substance that kills people. We cannot afford to be complacent or to content ourselves with high-flown phrases.

President. I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, the Commission cannot support any advertising campaign which is aimed at making any dangerous substance appear innocuous. In fact in the general field of misleading advertising, the Commission has begun an action and is intending to propose in the near future a directive dealing with this matter. At present, misleading advertising, where regulated, is regulated by the provisions and laws of the Member States.

In reply to previous questions, the Parliament has been informed that a report entitled 'The Public Health Risks of exposure to Asbestos' will be published shortly. On the basis of this report the Commission is drawing up a communication which will shortly be submitted to the Council of Ministers.

The evaluation of the risks to the general population from asbestos is based on the experience gained in occupational and para-occupational exposure. The presence of traces of asbestos in the lungs of the general population points to the possibility of a risk of asbestos-related tumours. The Commission considers that measures have to be introduced to reduce asbestos dust and first of all crocidolite to the lowest practical levels, particularly in the working atmosphere where the risks of exposure are highest. This requires, firstly, improved hygiene and measures in processing, utilization, transport and disposal. Secondly, that special attention is paid to unnecessary risks of exposure of the general public to asbestos dust.

The Commission considers that support has to be given to the usage and development of substitutes after careful evaluation of the technical feasibilities, the health risks attached to them and to the economic implications. High priority has to be given to substitutes where sufficient control regarding asbestos dust emission is difficult to maintain in practice.

With regard to Mr Evans's suggestion that the Commission should undertake model planning procedures, the Commission has already replied to questions on planning permission for dangerous industrial activities in relation to the Seveso incident. The Commission has already under discussion a draft directive aimed at controlling such activities.

President. — I call Mr Jahn to speak on behalf of the Christian-Democratic and European Conservative Groups.

Mr Jahn. — (D) Mr President, ladies and gentlemen, we are most grateful to Mr Müller and his friends for putting this question again and we can subscribe on the whole to their intentions.

It was already known several decades ago that in contact with asbestos and materials containing asbestos inhalation of the dust was liable to cause

incurable asbestosis. This leads, among other symptoms, to cardiac disorders and respiratory difficulties and where workers are suffering from asbestosis the only possibility is to retard the progress of the disease, if it is diagnosed in good time, by moving these workers to jobs where they are not so exposed. This clarifies the nature of the problem. There is no successful therapy for asbestosis and prevention is the only measure to safeguard health.

More recently the earlier supposition that asbestos was also carcinogenic has been confirmed with certainty. The various types of asbestos can cause malignant tumours in man. Even after leaving a job which involved the handling of asbestos, the occurrence later on of delayed asbestosis and even malignant tumours cannot be ruled out. Recent research has shown that much less asbestos is needed to cause cancer than to provoke asbestosis. In practice this means that the permissible concentration of asbestos must be substantially lower than the values fixed for the reduction of the incidence of asbestosis and the risk of that disease.

Ladies and gentlemen, because of contacts within families and between neighbours, diseases caused by asbestos are liable to be transmitted. Moreover there is a possibility of contamination by asbestos of the area surrounding workplaces at which the material is handled. I welcome the fact that the location of asbestos production plants has been discussed here. Pollution is liable to occur in particular through the dissemination of asbestos dust over the countryside. Asbestos may also be encountered in food and drink, probably as a result of the use of asbestos filters in the manufacture of these products or due to the pollution of water by asbestos.

In addition pollution of public water supplies by asbestos waste has been observed.

It was clearly the duty of the Committee on the Environment to sound the alarm in this House. It has rightly been said that we cannot be content with theoretical declarations and we are glad that Mr Burke has said that practical measures are now to be taken.

Given this state of affairs, to which I have only made brief reference — it has already been discussed in many quarters and especially in our committee, as Mr Evans has rightly pointed out — it is vital to prohibit the use of asbestos and products containing asbestos where other materials which do not contain the substance are available. That would be a real step forward since these products are at present even used in filter and water systems. As my Conservative colleagues have pointed out, it is perfectly possible to use materials which do not contain asbestos for fire, heat and sound protection. We have the materials and there is no need to look for them. Conversion to these safe materials generally does not even involve additional expenditure. That is an important point: in some cases savings can even be made.

Burke

I do not wish to go into detail on this occasion. I know that we have clear, joint objectives in our Committee on the Environment, Public Health and Consumer Protection. The Commission would therefore be well advised to make appropriate proposals for the compulsory replacement of asbestos by other materials and also to ensure that effective measures are soon taken to protect workers and the population as a whole against asbestos dust. That can of course be no more than a first step.

It is also necessary for the use of asbestos in the food industry to be prohibited; at the very least, consumer goods which contain asbestos must be marked and bear warning labels. We do not want to pour the baby out with the bath water but, as in many other consumer goods sectors, let us draw attention to the real risks and significant factors.

That brings me to my conclusion. Studies of the harmful effects of asbestos and measurements of the asbestos content of the atmosphere may — as Mr Evans has made quite clear — be theoretically very valuable and must be undertaken. It is now high time for effective measures to be taken. Even small quantities of asbestos place some of our citizens at risk. At all events we welcome the initiative of the authors of this question and I appeal urgently to the Commission — certainly with the support of the questioners — for clear information to be provided without delay to the citizens of the Community on the risk created by asbestos to human health and of the preventive health protection measures which can be taken.

We hope too that efforts will be supported to limit the manufacture and use of asbestos and to pursue research into the development of harmless substitutes. It has already been pointed out that the Commission does not propose to confine itself to a communication to the Council — that would not be enough, although as Mr Burke has said it is a first step — but will draw up a directive containing detailed provisions to rule out unfair competition in this sector — that was the basic point made in the question.

President. — I call Mr Brown.

Mr Brown. — If I may say so, Mr President, I have some reservations on the reply the Commission have given on this matter, because it would appear to me, listening to Commissioner Burke's explanation, that the Commission was still foraging around looking for reasons for producing regulations. I have been associated with this problem now for a very long time and I have to declare my interest, since I am parliamentary adviser to the furniture, timber and allied trade unions where our workers are in fact constantly being called upon to operate with asbestos. Even now I am pursuing my own government in the United Kingdom about the fact that workers are being asked to cut asbestos in factories using a very coarse circular

saw, the result of that being that the very fine asbestos dust is flying everywhere within the factory and no attempt is being made to use other means and methods of cutting the asbestos, although it is well known that there is a machine on the market which is rather like a small vacuum cleaner that cuts the asbestos and withdraws the dust at the point closest to the cutting. I understand manufacturers are unlikely or unwilling to use it because it is expensive. I think it is outrageous that men's lives should be put at risk merely to save money in that way.

I would just briefly draw to the attention of Parliament and the Commission the real difficulty one has in proving the problems of asbestosis. I have for some years been attempting to get compensation for a man in my own constituency who for 15 years had the occupation of lagging pipes with asbestos. When he left the industry he found that he was coughing badly and when examined was found to have fibrous tissues in his lungs, and his sputum showed indications of asbestos fibres. Whilst the discussions were going on to obtain for him compensation for industrial disease, it was found that he had cancer the stomach. He was operated on and treated and appeared *prima facie* to be recovering. I continued the argument for asbestosis of the lungs. Unfortunately the man died rather suddenly and because the last operation that the man had was for stomach cancer, I was unable to show there was a relationship between asbestosis in the lungs and cancer in the stomach, and I am completely unable to obtain for his widow any sort of compensation whatsoever. But his family are satisfied that he died as a result of the symptoms of asbestosis — coughing and bringing up blood.

I was unable to prove that point. I only tell that rather distressing story because it is a tremendous task, as in fact was pointed out previously, to try and show evidence of asbestosis. I do hope the Commission will take this matter seriously and urgently and make sure we have legislation for all of our Member States.

President. — I call Mr Creed.

Mr Creed. — Like the other speakers I regret that we are discussing a problem like this at the end of a long week and as the last item on the agenda, because I regard it is a very serious problem. I want very briefly to address two questions to Commissioner Burke.

I think that with all the conflicting queries that have been advanced by people who are supposed to be experts on the dangers of asbestos, the situation is confusing and frightening. Could I ask the Commissioner if there is a safe level of emission? That is question No 1. If the answer is in the negative and there is no safe level of emission from the asbestos factories, then this is a frightening situation. If the answer is in the affirmative and there is a safe level of emission from an asbestos factory, then the position is that you

Creed

cannot legislate for a human error or for a mistake or for a breakdown in the factory equipment.

We are not, Mr President, speaking about harmonized levels or domestic problems, we are speaking about taking levies prematurely. As a member of the Committee on Public Health and the Environment, I would like to compliment Mr Evans and Mr Müller who have produced reports on the dangers of asbestos for that committee and have gone into very great detail in bringing the dangers to the notice of the committee. Could I also say that the difficulty, as it appears to me, is that the Commission and the people responsible are very slow to come to a more definitive decision on these dangers and the necessary action to be taken to prohibit the dangers to human health.

The reports which have come to us the Committee on Public Health and the Environment are worker-orientated, and I would compliment their authors for it, because it is important that workers should work in safe conditions.

But very little has been said about the dangers to the people who live in the vicinity of an asbestos factory. And could I say to the Commissioner and to the House — it may shock them that in my country, and in my constituency, 6 km away from the second biggest city in Ireland, a new asbestos factory using asbestos as a raw material has been granted planning permission for a site 1 km away from a town and in a residential area. This factory is now to go ahead. The people in the area are living in fear and the factory waste-disposal system is being run through the city to a dump quite close to two primary schools. This is a very serious matter.

And I would like to put a second question to Commissioner Burke. Does he agree that factories of this kind, industries using asbestos as their raw material, should not be based in a residential area as this one is? I see, Mr President, a reluctance on the part of the Member States and the governments of the Member States to confront people in this industry. The jobs may be necessary, but not at the price of the risks that are involved in the asbestos industry. There seems to be a general reluctance to confront those people. It is the same with the powerful firms who are advertising tobacco and alcohol, because governments are getting some revenue from them. But this House and the Commission have a duty to become more clear-cut and give a more definitive statement on the actions which they propose to take to deal with this very serious problem.

President. — I call Mr Evans.

Mr Evans. — I apologize for rising a second time, Mr President, but as the author of the question I would like to make one thing clear which may not be immediately clear to all Members, and that is that over the

past few months I have worked very closely indeed with the Commission representative on this subject. Could I say to my colleague Mr Brown that, when he attends the Committee on Public Health in the very near future, he will see that we are in fact producing a very tough report which, I hope, will be accepted by the Parliament and by the Commission as the basis for regulations which Mr Brown has rightly asked for. Our problem at the moment is that there are a number of countries, and he can rest assured that we are aiming for the toughest set of regulations, which we then would expect to be applied throughout the Community.

May I make two brief suggestions, Mr President, because this oral question refers to informing the public. We have not at this juncture referred to the general question of asbestos. May I suggest to the Commission that they put it to the Council of Ministers very quickly, because I am quite sure the Council of Ministers share the concern of everyone else about asbestos, that before any trade organization or commercial organization in any member country embarks on an advertising programme it should be its duty to submit it to the Commission for clearance? Secondly, may I suggest, again because of the widespread concern, that any planning application for an asbestos factory anywhere within the Community should also be submitted to the Commission? Because it would appear that whilst some Member States have now learned a great deal about the terrible and sometimes terrifying problems of asbestos, it may be that in other Member States — certainly, from what our colleague Mr Creed has said, this would appear to be the case in the Republic of Ireland — knowledge on the subject is limited.

I am not attacking anyone. I am merely making the point that those of us who have gained experience should be in a position to pass that experience on to those who do not have it, and the Commission is the ideal vehicle through which we could operate.

I put those two suggestions in a spirit of cooperation to the Commission.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — I would like to emphasize the importance of this question with debate this morning in Parliament and to thank various speakers who have contributed to it. I have already dealt with many of the points raised in the debate, but I want to give one assurance. There is no question that the Commission is dilatory, is unconcerned, is apathetic with regard to this very important matter. The Commission held the first meeting of the EEC Asbestosis Panel in December 1976. This panel has as one of its objects the investigation of asbestosis with a view to determining more objectively the medico-legal definition of asbestosis.

Burke

If I could refer briefly, Mr President, to a reply I gave in the previous debate, when I referred to sulphur dioxide and when I said that the delay in dealing with that directive was due to the necessity to produce proposals with an incontrovertible scientific basis. I say the same about this problem of asbestos. I have already indicated in my reply that shortly — and I mean shortly — a scientific report will be made entitled 'The Public-Health Risks of Exposure to Asbestos'. I therefore reject, although I understand the concern of the Members of the House, any suggestion that we are not in fact concerned and progressing with this matter.

May I, —having already referred to the planning permission directive, if I may so describe it — now refer to another directive, that of 27 July 1976. The Council on that date adopted a directive, EEC/76/769, on the limitation of the placing on the market and use of certain dangerous substances. This directive is a general legal instrument containing annexes by which the limitations in respect of the list of substances are imposed. Further substances such as asbestos could be added to these annexes by a Council procedure. It is open to the Commission to make appropriate proposals, but, as I have already indicated, since the scientific report to which I have referred is about to come out, we are awaiting its publication before proceeding any further under the directive to which I have referred.

I therefore emphasize that the Commission is undertaking studies not with a view to creating delay but in order to lay an incontrovertible scientific basis for the further work mentioned by Members of the House, in particular Mr Jahn when he referred to the problems of foodstuffs and water supplies. I thank him for his kind words when he thanked the Commissioner for the indication that the Commission was undertaking action. I would put it to Mr Evans that in fact we are, in the terms of his contribution, undertaking action, action which, we hope, will result in an incontrovertible scientific basis for the work — and this is what I must stress.

To Mr Brown I would say that it is not fair to suggest that the Commission is foraging round looking for reasons for delay. We have difficulties here — scientific difficulties. We are trying to overcome these. I have already referred to the difficulty of defining asbestosis and I have referred to the fact that we are working on the medico-legal problems involved.

To Mr Creed, I would first of all say that I know of the problem to which he refers — the problem of the siting of an asbestos factory, as he put it, within 6 km of the second city in Ireland. He posed two questions. He asked me if there was a safe level of emission. Now I would suggest to Mr Creed that I have already referred to this in my reply, but further I would say to him that most Member States have emission levels for

the working environment and some Member States have introduced legislation to deal with the general population. The Commission is studying all this legislation with a view to coming to a conclusion with regard to its proposals for future submission to the Council.

The second question was whether a factory should be placed in residential areas. I have already dealt with this in indicating that the Commission already has proposed a directive in regard to the placing of factories and industries involved in dangerous substances.

I would therefore ask the House, in view of the fact that a debate is going to take place later this year, and in view of the importance of the matter, to take it from me that very shortly — and I mean very shortly — a scientific report will be produced entitled 'The Public-Health Risks of Exposure to Asbestos'. When that has been produced, we shall be in a position to base our discussions on scientific knowledge. I therefore commend the House for drawing the attention of the public to this important matter and ask them to await the publication of the important report before the Commission can be expected to take any further action.

President. — I call Mr Creed.

Mr Creed. — Could I just briefly thank the Commissioner for his reply, and say that in no way do I hold him responsible for a rather serious situation. I shall just make one comment: we have dealt, and so has the Commissioner, with the dangers of the disease asbestosis. There is another much more serious one, mesothelioma, which is a disease that it is very difficult, I understand, to diagnose since it has a latent period of between 15 and 50 years. Where you have the situation that it takes 15 to 50 years to diagnose a disease caused by an industry, would it not be true to say that it is possible that that industry could have come and gone and left its trail of havoc behind it?

President. — The debate is closed.

14. Agenda of the next part-session

President. — There are no other items on the agenda. I thank the representatives of the Council and Commission for their contributions to our proceedings.

At its meetings on 9 and 23 February 1977, the enlarged Bureau decided to propose that Parliament should hold a part-session devoted exclusively to the subject of agricultural prices in Luxembourg from 4.30 p.m. on 22 March 1977 until the evening of 23 March 1977.

Since then, the Group of European Progressive Democrats has tabled a motion of censure against the Commission of the European Communities. At

President

yesterday afternoon's sitting the President announced that the motion had been received and informed Parliament that, pursuant to Rule 21 (3) of the Rules of Procedure, it could not be debated until at least twenty-four hours after its receipt had been announced, in other words not before the next part-session.

Since objections were raised from various quarters yesterday afternoon to the inclusion of the debate on this motion of censure on the agenda for the next part-session, the President considered it advisable to postpone a decision until that agenda was discussed, in other words until this morning.

In the meantime, I have received a letter from the Group of European Progressive Democrats requesting that the enlarged Bureau be convened before the beginning of the sitting of 22 March to settle the question.

As I see that very few Members are present now, I propose that we postpone the fixing of the agenda for the sittings of 22 and 23 March 1977 until the sitting of 22 March opens at 4.30 p.m. we could then draw up the agenda on the basis of any new proposals made by the Bureau.

I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Mr President, do I understand therefore that you are proposing that the enlarged Bureau should meet on the Monday before the session or on the Tuesday morning in order to fix the programme?

President. — Mr Scott-Hopkins, the letter from the Group of European Progressive Democrats requests that the enlarged Bureau be convened before the beginning of the sitting of 22 March. I am not however in a position to tell you at what exact time the meeting of the enlarged Bureau will be held.

Are there any comments?

That is agreed.

15. *Adjournment of the session*

President. — I declare the session of the European Parliament adjourned.

16. *Approval of the minutes*

President. — Rule 17 (2) of the Rules of Procedure requires me to lay before Parliament for its approval, the minutes of proceedings of this sitting which were written during the debates.

Are there any comments?

The minutes are approved.

I call Mr Scott-Hopkins on a procedural motion.

Mr Scott-Hopkins. — There are two matters that I wish to draw to your attention.

One is that I certainly have had one of my suits completely ruined by the fact that every single wall you touch around this place soils your clothing. Could you please ask the authorities of the Council of Europe to do something about it? It really is quite intolerable.

The second point I wish to raise, Sir, is that there seems to be a certain amount of difficulty concerning the Parliament's cars. Perhaps the Secretary-General could look into this matter.

President. — I take note of your statement, Mr Scott-Hopkins.

The sitting is closed.

(The sitting was closed at 11.55 a.m.)

