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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.

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SITTING OF MONDAY, 14 OCTOBER 1974

IN THE CHAIR: MR MARTENS

Vice-President

(The sitting was opened at 4.30 p.m.)

President. — The sitting is open.

1. *Resumption of the session*

President. — I declare resumed the session of the European Parliament adjourned on 26 September 1974.

2. *Apologies*

President. — Apologies for absence have been received from Mr Walkhoff who regrets his inability to attend today's sitting, from Mr Vernaschi, who is unable to attend this part-session, and from Mr Brégégère, who cannot attend the part-session because of illness.

3. *Texts of treaties forwarded by the Council*

President. — I have received from the Council of the European Communities certified copies of the following documents:

- Agreement between the European Economic Community and the Republic of the Gambia on the supply of husked rice as food aid;
- Agreement between the European Economic Community and the Republic of Indonesia on the supply of common wheat as food aid;
- Agreement between the European Economic Community and Malta on the supply of common wheat as food aid;
- Agreement between the European Economic Community and the Togolese Republic on the supply of common wheat as food aid;
- Agreement between the European Economic Community and the Republic of Sri Lanka on the supply of flour of common wheat as food aid.

These documents have been placed in the archives of the European Parliament.

4. *Appointment of a new delegation*

President. — The two Chambers of the States-General of the Kingdom of the Netherlands have renewed their delegation to the European Parliament. The following have been appointed:

- First Chamber: Mr Broeksz, Mr Schuijt, Mr Baas and Mr Hartog;

President

— Second Chamber: Mr Berkhouwer, Mr Notenboom, Mr Scholten, Mr Geurtsen, Mr Laban, Mr De Koning, Mr Van der Gun, Mr Patijn, Mr Van der Hek and Mr Albers.

The credentials of these Members will be verified after the Bureau's next meeting, on the understanding that under Rule 3(3) of the Rules of Procedure, they will provisionally take their seats with the same rights as other Members of Parliament.

I congratulate colleagues whose appointments have been renewed and welcome the new Members.

5. Membership of committees

President. — I have received from the Liberal and Allies Group a request for the appointment of Mr Berthoin to the Legal Affairs Committee to replace Mr Pintat.

Are there any objections?

The appointment is ratified.

6. Reference to the European Parliament of the draft general budget for 1975

President. — I have received from the Council the draft general Budget of the European Communities for 1975.

This draft budget has been distributed under No 288/74 and referred to the Committee on Budgets pursuant to Rule 23 (2) of the Rules of Procedure.

It would seem to me useful to point out that now that the draft budget for 1975 has been received, we should take advantage of the provisions of the Treaties. Hence the importance of the decision that we will be taking in this matter, since we must finally establish the Community budget in particular, on the basis of the powers conferred on us by the Treaties.

I must also draw the attention of the House to the fact that the question of our budgetary powers has still to be settled and that various initiatives are at present being prepared which will produce results sooner or later.

In view of the involved nature of the question of procedure connected with the application of the Treaties to this sphere, we adopted a resolution during the sitting of 25 September 1974 on the internal rules of procedure for consideration of the draft general budget of the Communities for the 1975 financial year, and of that budget alone.

Pursuant to paragraph 2 of that resolution the President has taken all the necessary internal measures called for in the Annex to Bulletin No 34/74 of 7 October 1974. This document has been distributed to all Members of Parliament and all the departments of the Secretariat.

Pursuant to these provisions the President will fix the time-limit at the end of the first debate on the budget, to be held on Wednesday, 16 October 1974, for the submission of opinions by the committees concerned and for the tabling of proposed modifications, draft amendments, proposals for the rejection of the whole draft budget and amendments to the maximum rate of increase in expenditure.

As you will know from the Bulletin of the European Parliament, the President will in all probability set this date at 25 October 1974.

You may feel that this does not leave a great deal of time, but I would remind the House that all budgetary documents must be submitted to the Committee on Budgets so that account can be taken of them when it draws up its report on the draft budget.

The Committee on Budgets intends to complete this report on 4 November 1974 so that it can be submitted in good time for the November part-session.

It should also be pointed out that the committees concerned have had this document since 5 October and that they have also been able to study the preliminary draft budget forwarded to us by the Commission in the second half of August.

Finally, I would draw the attention of the House to the fact that during the November part-session a second time-limit will be set for the submission of budgetary documents after the report has been published; the Committee on Budgets will then be able to prepare a supplementary report. For other details of procedure for the 1975 financial year I would refer you to the brochure which has been published and distributed for your information.

7. Documents received

President. — Since the session was adjourned, I have received the following documents:

(a) from the Council of the European Communities, requests for an opinion 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 restricting the marketing and use of certain dangerous substances and preparations (Doc. 238/74).

President

This document has been referred to the Committee on Public Health and the Environment as the committee responsible and to the Committee on Economic and Monetary Affairs and the Legal Affairs Committee for their opinions;

- the proposal from the Commission of the European Communities to the Council for a regulation on the establishment of a Community register of olive cultivation (Doc. 276/74).

This document has been referred to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion;

- the proposal from the Commission of the European Communities to the Council for a decision supplementing the Community programme of research into classical swine fever and African swine fever (Doc. 277/74).

This document has been referred to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion;

- the proposal from the Commission of the European Communities to the Council for a regulation supplementing Regulation Nos 121/67/EEC as regards measures to be taken in the event of a substantial fall in prices for pig meat (Doc. 278/74).

This document has been referred to the Committee on Agriculture;

- the proposal from the Commission of the European Communities to the Council concerning the annual report on the economic situation in the Community (Doc. 280/74).

This document has been referred to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Budgets for its opinion;

- the proposal from the Commission of the European Communities to the Council for a Council decision establishing a programme of technological research in the textile sector (Doc. 287/74).

This document has been referred to the Committee on Energy, Research and Technology as the committee responsible and to the following committees for their opinions:

- Committee on Budgets

- Committee on Economic and Monetary Affairs, for its opinion on the first programme

- Committee on Public Health and the Environment, for its opinion on the second and third programmes;

- the proposal from the Commission of the European Communities to the Council for a directive on the disposal of waste (Doc. 289/74).

This document has been referred to the Committee on Public Health and the Environment as the committee responsible and to the Committee on Economic and Monetary Affairs and the Legal Affairs Committee for their opinions;

- the communication from the Commission of the European Communities to the Council concerning a plan of action in the field of information and documentation in science and technology (Doc. 294/74).

This document has been referred to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Budgets for their opinions;

- the proposal for transfers of appropriations between chapters within Section II - Council - Annex I - Economic and Social Committee - of the general budget for the financial year 1974 (Doc. 298/74).

This document has been referred to the Committee on Budgets;

- the proposal from the Commission of the European Communities to the Council for a regulation concerning Community loans (Doc. 301/74).

This document has been referred to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Budgets and the Political Affairs Committee for their opinions;

- the proposals from the Commission of the European Communities to the Council for

- I. a regulation opening, allocating and providing for the administration of a Community tariff quota for Jerez wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Spain

President

- II. a regulation opening, allocating and providing for the administration of a Community tariff quota for Malaga wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Spain
- III. a regulation opening, allocating and providing for the administration of a Community tariff quota for wines from Jumilla, Priorato, Rioja and Valdetenas falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Spain
- IV. a regulation opening, allocating and providing for the administration of a Community tariff quota for dried figs falling within sub-heading ex 08.03 B of the Common Customs Tariff originating in Spain
- V. a regulation opening, allocating and providing for the administration of a Community tariff quota for dried grapes falling within sub-heading 08.04 B I of the Common Customs Tariff, originating in Spain (Doc. 302/74).

This document has been referred to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture for its opinion;

- the proposals from the Commission of the European Communities to the Council for

- I. a regulation on the introduction of a subsidy on imports of white and raw sugar
- II. a regulation on the financing of the subsidy on sugar imports and the granting of a subsidy on sugar produced in excess of the maximum quota (Doc. 303/74).

This document has been referred to the Committee on Agriculture as the committee responsible and to the Committee on External Economic Relations and the Committee on Budgets for their opinions;

- the proposal for transfers of appropriations from Chapter 98 - Non-allocated provisional appropriations - to Chapter 26 - Expenditure on studies, surveys and consultations - of the draft general budget of the European Communities for 1974 (Doc. 304/74).

This document has been referred to the Committee on Budgets;

- (b) the following oral questions:

- oral question with debate put by Mr Jahn, Mr Artzinger, Mr Härzschel, Mr Klepsch, Mr Mursch and Mr Springorum to the Council on the development programme for the areas adjoining the border between the United Kingdom and Ireland (Doc. 272/74);
- oral question with debate put by Mr Jahn, Mr Artzinger, Mr Härzschel, Mr Klepsch, Mr Mursch and Mr Springorum to the Commission on the development programme for the areas adjoining the border between the United Kingdom and Ireland (Doc. 273/74);
- oral question without debate put by Mr Herbert to the Commission on regional policy and cross-border cooperation (Doc. 274/74);
- oral question with debate put by Mr Bordu and Mr Sandri on behalf of the Communist and Allies Group to the Commission on the congratulations extended by the President of the Commission to the military junta in Chile (Doc. 282/74);
- oral question with debate put by Mr Jahn, Mr Lücker, Mr Springorum, Mr Alfred Bertrand, Mr Vandewiele, Mr Klepsch and Mr Noè to the Commission on relations between the European Community and the Arab States (Doc. 283/74);
- oral question with debate put by the Committee on Development and Cooperation to the Commission on the Community's participation in the United Nations emergency programme for countries most seriously hit by recent international price rises (Doc. 284/74);
- oral questions put by Mr Noè, Mr Normanton, Mr Blumenfeld, Sir Douglas Dodds-Parker, Mr Patijn, Lord Bessborough and Lord O'Hagan pursuant to Rule 47A of the Rules of Procedure for Question Time on 16 October 1974 (Doc. 296/74);

- (c) from the committees, the following reports:

- report by Mr de la Malène, on behalf of the Committee on External Economic Relations, on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 803/68 concerning delivery periods of imported goods (Doc. 279/74);

President

- report by Mr Boano, 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 customs treatment of goods imported for testing (Doc. 281/74);
- report by Mr Kaspereit, on behalf of the Committee on Development and Cooperation, on the proposals and communications from the Commission of the European Communities to the Council concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1 to 24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25 to 99, originating in developing countries (Doc. 285/74);
- report by Mr Bousch, on behalf of the Committee on Economic and Monetary Affairs, on the proposal from the Commission of the European Communities to the Council (Doc. 280/74) concerning the annual report on the economic situation in the Community (Doc. 286/74);
- report by Mr Artzinger, on behalf of the Committee on Economic and Monetary Affairs, on the Third Report on Competition Policy (Annex to the Seventh General Report on the Activities of the Communities) (Doc. 290/74);
- report by Mr Nørgaard, on behalf of the Committee on Economic and Monetary Affairs, on the communications from the Commission of the European Communities to the Council on the problems of the pulp, paper and paperboard industry (Doc. 291/74);
- report by Mr Leenhardt, on behalf of the Committee on Economic and Monetary Affairs, on the communication from the Commission of the European Communities to the Council on multi-national undertakings and Community regulations (Doc. 292/74);
- report by Dr Bourdellès, on behalf of the Committee on Agriculture, on the proposal from the Commission of the European Communities to the Council for a regulation supplementing Regulation No 121/67/EEC as regards measures to be taken in the event of a substantial fall in prices for pigmeat (Doc. 293/74);
- report by Mr Liogier, on behalf of the Committee on Agriculture, on the proposal from the Commission of the Euro-

pean Communities to the Council for a regulation on aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for 1974 (Doc. 295/74);

- report by Mr Pêtre, on behalf of the Committee on Budgets, on the second financial report on the European Agricultural Guidance and Guarantee Fund—financial year 1972—presented by the Commission of the European Communities to the Council and the European Parliament (Doc. 297/74);

- interim report by Mr Alfred Bertrand, on behalf of the Political Affairs Committee, on European Union (Doc. 300/74).

8. *Tabling of a motion for a resolution and adoption of urgent procedure*

President. — I have received from Mr Vernaschi on behalf of the Legal Affairs Committee a motion for a resolution of the extradition of the war criminal Klaus Barbie (Doc. 299/74) with a request that it be dealt with by urgent procedure.

Are there any objections to the request for urgent procedure?

The adoption of urgent procedure is agreed.

I propose that this motion for a resolution be dealt with as the first item of the agenda of Tuesday, 15 October 1974.

Are there any objections?

That is agreed.

9. *Order of business*

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

At its meeting of 2 October 1974 the enlarged Bureau prepared a draft agenda, which has been distributed.

Since then I have received a request from the Council for Parliament to deliver an opinion by urgent procedure pursuant to Rule 14 of the Rules of Procedure, during this part-session on a regulation on Community loans.

As this is an outline regulation which is of economic importance and the political and budgetary consequences of which are unmistakable, the relevant document has been referred to the Committee on Economic and Monetary Affairs as the committee responsible and to the Political Affairs Committee and the Committee on Budgets for their opinions.

President

These committees will have to decide whether they are able to draw up the report and opinions in the time available and thus meet the Council's request. This is of course a question to which Parliament attaches great importance. I call Mr Kirk.

Mr Kirk, *Chairman of the European Conservative Group*. — I wish to raise two points which I regard as being of great seriousness. The first is the request from the Council that in the course of this week we should consider a document of great importance which none of us has seen and which concerns the right of the Community to raise loans.

This is a matter on which Parliament has taken a consistent view. I do not know what the document contains, but it seems to me absolutely monstrous that we should suddenly receive on Monday morning from the Council a document on a matter of high political importance and raising a question of policy for the Community as a whole and discuss it in two days when, so far as I can see, this issue has been going on now for more than 15 years. There is no reason why the committees of this Parliament should not have proper time to consider this matter and to examine this unknown document from the Council, and my group and I will oppose the inscription of this matter on the agenda under the urgent procedure.

The second point is this. As some Members may know, we have been having an election campaign in Great Britain. I was informed the day before polling day that the delegation to meet the Council on the matter of budgetary powers had been convoked for this afternoon in Luxembourg—that is, at a time when it was well known that this Parliament was meeting in Strasbourg and had matters of great importance before it. I regard it as outrageous that we should be expected to be in two places at once. I refused myself to go and I reserve the right of both the Political Affairs Committee, which I represent, and my group not to accept anything that may be decided by the meeting of the delegation today. It is absolutely scandalous that the Council should require us to meet it at times when it knows that we are meeting in another place and to discuss a matter of this importance and at such short notice.

I wish to register those two points briefly, but, it I may say so, vehemently, because I feel very strongly about both of them. Both are matters that go to the root of the sovereignty of this Parliament, and if Parliament is prepared to be pushed around by the Council in this way, we might as well shut up shop.

(Applause from the European Conservative Group and from the Liberal and Allies Group)

President. — I call Mr Lange.

Mr Lange, *chairman of the Committee on Economic and Monetary Affairs*. — (D) Mr President, honourable Members, I heard last Friday of the Council's and Commission's request, which arises out of the present urgent need to provide Member States with Community aid. I have done all I can to ensure that this matter is debated at this part-session, since the Committee on Economic and Monetary Affairs has already discussed the Commission's intentions in this regard in connection with the annual economic report. So it is not a completely new issue.

I would therefore be grateful if the Council's request could be complied with, despite the difficult attendant circumstances. The Council would like to take a decision on 21 October, having been urged to do so by the Commission, so that subsequent regulations deriving from this basic regulation can be adopted as quickly as possible.

I therefore urge the House to put this matter on Thursday's or Friday's agenda so that the appropriate preparations can be made. Unlike Mr Kirk, I feel that we should not fall back on formalities in this particular case and that in a matter of such urgency we should not refuse the other two institutions our help.

If you will allow, Mr President, I should like to go into another matter in connection with the agenda. The Committee on Economic and Monetary Affairs informed the Bureau some time ago what topics it had scheduled for the agenda of the October part-session. There were four altogether. We have withdrawn one because the rapporteur is unable to present his report himself, and the matter is not especially urgent. The Bureau has included two of our topics in the agenda: the Bousch report on the economic situation in the Community and Mr Nørgaard's report on problems in the paper industry. The Bureau has not, however, included the Artzinger report on the Commission's report on competition policy. The Artzinger report is now available. It will not take up much time, but it contains some requests to the Commission, and it would therefore be an advantage if it could be adopted by the House before the Commission submits its next report on competition policy.

I should therefore be grateful if we could also discuss this report on Thursday or Friday. The recommendations to the Commission must be dealt with before the end of the year. If we do not get down to this report until November, we

Lange

cannot count on this being done. I would therefore appreciate it if the House and yourself, Mr President, could comply with the original request and with my suggestion that the Artzinger report and not least the proposal for a regulation on Community loans be put on the agenda for this part-session.

President. — I call Mr Lücker.

Mr Lücker, *chairman of the Christian-Democratic Group.* — (D) Mr President, I can perfectly well understand Mr Kirk's being upset by the way the Council treats Parliament in always setting such short and unexpected time-limits.

On the other hand, we all know, Mr President, what a burning issue the problem of the European loan is for all of us. The matter has not simply been under discussion since yesterday: it has been discussed in committee since June. Mr Lange has convened a meeting of the Committee on Economic and Monetary Affairs for tomorrow morning. He has said that we should not allow the outline regulation on European loans—on which the Council of Ministers has agreed—to be held up, so as not to delay the floating of the first European loan, however modest it may be. It should be possible for this to be done by December.

Since the committee responsible has stated that it is willing to do the necessary work, I would ask Mr Kirk, in spite of his exasperation, to withdraw his proposals. I should like, in view of the line taken by my group over the past years, to propose that this matter be debated this week, although I, too, object to the short notice we have been given. The Council did not need to meet officially to decide what it only decided a few days ago.

On behalf of my group I would therefore like to say that I am in favour of the report on European loans being debated this week.

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

Mr Fellermaier. — (D) Mr President, ladies and gentlemen, I of course understand Mr Kirk's irritation at the manner in which the Council deals with Parliament. You will have the opportunity, the day after tomorrow, to raise this matter directly with the President of the Council in a political debate. But I feel that a Parliament such as ours should show a high degree of flexibility in order not to end up being an obstacle to progress in a matter which is of public interest inside and outside Europe. With this in view, I should like to appeal to the European Conservative Group to think again and to agree with us that the report on the

proposals for an outline regulation should be given its final wording and adopted by Committee on Economic and Monetary Affairs tomorrow. All of us here are, I believe, in a position to debate and reach a decision on the basic principles. I can therefore now state on behalf of my group that we are in favour of this matter being dealt with this week.

President. — I call Mr Bordu.

Mr Bordu. — (F) Mr President, this is a question of absolutely vital importance, and I think that we ought at least to have at our disposal full information about the arrangements to be made for these loans. I therefore feel it would be useful to have a preliminary exchange of views revealing the different attitudes within Parliament. I think this could be done as has been suggested.

President. — Does Mr Kirk maintain his point of view?

Mr Kirk. — Yes, Sir. Despite the objections of Mr Lücker, Mr Fellermaier and Mr Lange, as I have not seen the text of the Council it is quite impossible to decide whether this is a text which can be dealt with by Parliament this week. Therefore, I would advise my friends to vote against inscribing this item on the agenda.

President. — I put to the House Mr Kirk's suggestion that the proposal for a regulation on community loans not be placed on the agenda of this part-session.

The proposal is rejected.

I therefore assume that the Committee on Economic and Monetary Affairs will draw up its report and the other committees their opinions as quickly as possible.

I propose to place this item on Friday's agenda.

Are there any objections?

That is agreed.

I have received a request from the Committee on Economic and Monetary Affairs for a report drawn up by Mr Artzinger and approved by that committee at its meeting of 3 and 4 October on the Third Report of the Commission of the European Communities on competition policy to be placed on the agenda.

The enlarged Bureau was aware that the Committee on Economic and Monetary Affairs would approve this report. As the agenda for this part-session is already very heavy, we would have had to arrange for a second evening sitting to debate the report.

President

The enlarged Bureau therefore felt that consideration of this report should be postponed until the November part-session.

In the meantime we have been informed that it has not been possible to submit the report drawn up by Mr James Hill on permanent links across certain sea straits, which is on the agenda for Friday. Mr Artzinger's report could perhaps be considered in its place.

I call Mr Lange.

Mr Lange. — (D) Mr President, I am most grateful. The report is available as a printed document in all the official languages. Basically, it will take up no more time than will be required for its presentation by the rapporteur, since there was no fundamental disagreement in committee. I therefore assume that the topic will not give rise to a long debate here so that we can expect to spend half an hour at the most on it.

President. — Mr Lange proposes that Mr Artzinger's report be placed on Friday's agenda.

Are there any objections?

That is agreed.

I call Mr James Hill.

Mr James Hill. — After that discussion, Mr President, I have just a minor point to raise. We have on the agenda for the week three Oral Questions on regional development. The first is No 200, to be taken tomorrow morning, and then there are two further Questions, Nos 205 and 206, to be taken on Wednesday morning.

In my consideration, No 206 and No 205 should be taken together, and as one is an Oral Question without debate, I suggest that the order of business on Wednesday morning should be Questions No 205, No 206 and then No 200. This would be a logical way of dealing with the matter.

President. — I would ask you to postpone the discussion of this item until we come to the order of business for the individual days.

Having regard to the decision which we have just taken, I propose that Parliament adopt the following order of business:

This afternoon:

- Commission statement on the action taken on the opinion of Parliament;
- Report by Mr Vetrone on dried grapes ;
- Report by Mr Vetrone on wines from Portugal;

- Report by Mr Baas on hazelnuts from Turkey;
- Report by Mr Bourdellès on measures in the pigmeat sector
- Report by Mr Pêtre on the second financial report on the EAGGF;
- Report by Mr Liogier on EAGGF aid for 1974

Mr Laban's report on the structure of agricultural holdings and Mr Brégégère's report on yeast and yeast residues have been removed from the agenda.

Tuesday, 15 October 1974

It has been proposed that the Oral Question by Mr Herbert on cross-border cooperation should be placed on Wednesday's agenda.

Are there any objections?

I call Mr Lückner.

Mr Lückner. — (D) I am not sure, Mr President, if I understand the proposal correctly: was it a question of either postponing item No 200 until Wednesday or bringing items No 205 and No 206 forward to Tuesday.

As we have a heavy agenda for Wednesday anyway and may possibly finish quite early this evening, we might consider bringing the two questions scheduled for Wednesday forward to Tuesday. We could then deal with them altogether.

President. — The Council cannot attend tomorrow, but it will be here on Wednesday.

I call Mr Lückner.

Mr Lückner. — In that case, the problem is solved, if the Council cannot be here tomorrow.

President. — I put to the House the proposal that Mr Herbert's Oral Question be placed on Wednesday's agenda.

Are there any objections?

That is agreed.

Tuesday's agenda therefore reads:

10 a.m. and 3 p.m.

- Motion for a resolution tabled by Mr Vernaschi on the extradition of Klaus Barbie;
- Report by Mr Bousch on the proposal concerning the annual report on the economic situation in the Community;

President

- Report by Mr Nørgaard on problems in the paper industry;
- Report by Miss Flesch on amendments to the Staff Regulations of Officials of the Communities.

I propose that the time-limit for tabling amendments to Mr Nørgaard's report be set for 10 a.m. tomorrow morning.

Are there any objections?

That is agreed. . .

I propose that the time-limit for tabling amendments to the report by Miss Flesch be set for 6 p.m. this evening.

Are there any objections?

I call Mr Fellermaier to speak on behalf of the Socialist Group.

Mr Fellermaier. — (D) Mr President, if the time-limit for tabling amendments to the report by Miss Flesch is to be 6 p.m., I should simply like to ask how we are to work as political groups. With the best will in the world we have not been able to get through the whole agenda this afternoon. We cannot possibly bring up the Flesch report in our group before tomorrow morning, because a number of our numbers who are on the Committee on Budgets cannot be present for reasons of which Mr De Koning is aware. I should therefore like to ask you to extend the time-limit for tabling amendments to Miss Flesch's report accordingly, so that if need be, we can table amendments as a political group after the debate tomorrow morning. I believe the other groups in this House share my view.

President. — Should we then fix the time-limit for 10 a.m. tomorrow morning?

I call Mr Lückner.

Mr Lückner. — (D) Mr President, that will not work. Tomorrow morning at 9 a.m. we have a group meeting. Our experts will not be back from Luxembourg until this evening. The time-limit would have to be 12 noon or perhaps 11.30 a.m. We should perhaps be a bit more liberal.

Mr Fellermaier. — (D) 11.30.

Mr Lückner. — (D) That would be the earliest we could accept for technical reasons.

President. — I put to the House Mr Lückner's proposal that the time-limit for the tabling of amendments to the Flesch report be set for Tuesday, 15 October, at 11.30 a.m.

Are there any objections?

That is agreed.

I call Mr Kirk.

Mr Kirk. — With regard to Tuesday's business, Mr Bousch's document refers specifically to the question of raising loans, which we have just discussed. It would seem silly to discuss the same subject twice in one week. Therefore, as the Committee on Economic and Monetary Affairs is not meeting until 2 o'clock tomorrow afternoon, I understand, and might wish to modify Mr Bousch's document in the light of the Council's report, which none of us has yet seen, could we not more profitably put back Bousch's report to be discussed with the Council's document on the question of loans?

President. — Mr Kirk proposes that we have a joint debate on Mr Bousch's report and Mr Lange's report on Community loans.

Are there any objections?

I call Mr Lange.

Mr Lange. — (D) Mr President, I see no need for that. The Bousch report can be dealt with quite separately. If we take the two things together, we shall complicate the whole issue. We should keep the loans separate from conjunctural developments, which in effect form the basis of the annual economic report. I should therefore be grateful if the European Conservative Group could withdraw its proposal for a joint debate. We must keep Friday clear for discussion of the outline regulation, and we should not now cram in every possible topic dealt with in the Bousch report.

I would appreciate it if the idea of a joint debate were dropped and the agenda left so that the Bousch report can be discussed tomorrow and the outline regulation on Community loans on Friday.

President. — I call Mr Bourges.

Mr Bourges. — (F) Mr President, I have nothing to add to Mr Lange's remarks but I should like to point out that, if we shift Mr Bousch's report, together with Mr Herbert's question, to Wednesday, we will be left with only two reports to deal with on Tuesday whereas Wednesday's agenda, which already includes the report by the President of the Conference of the Foreign Ministers, the statements by the President-in-Office of the Council of the European Communities and the President of the Commission on the political situation and Mr Bertrand's report, will be overloaded.

Bourges

I am afraid that the result would be a severe imbalance in the arrangement of our business. I therefore feel that we should at least keep Mr Bousch's report on Tuesday's agenda.

President. — I would emphasize that drawing up an agenda is a very difficult matter. I would also point out that Mr Bousch's report deals with the economic situation in the Community. It seems to me that this is a somewhat different subject from the problem of Community loans.

I call Mr Kirk.

Mr Kirk. — Yes, I take the points of Mr Lange and Mr Bourges, and the point about the timetable.

I would merely point out—and I am sure that Mr Lange realizes this—that paragraphs 8 and 9 of the motion proposed by Mr Bousch turn specifically on the point we shall be discussing as a result of the Council's message.

If Mr Lange and Mr Bousch would agree that those two paragraphs could be withdrawn from this motion and reincorporated in another one, I should be quite prepared to go along with an economic discussion.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, if you read paragraphs 8 and 9, you will see that they contain nothing technical but merely refer to the necessity for Community aid to be granted to Member States with balance of payments deficits. Everything else remains open. In this connection there is simply a reference to the Commission's intentions as regards Community aid. The subject as such, Mr Kirk, is not dealt with in detail in paragraphs 8 and 9; there is simply a mention of the need for Community aid.

If you think the problem cannot be dealt with through Community aid or if you feel it could be dealt with by some other means, then I recommend that you table an amendment, and we can talk about it tomorrow. But to withdraw these two paragraphs just because an outline regulation on Community loans has been submitted, seems to me inappropriate. Aid for the Member States remains a necessity in any case. And we should prefer it to be multilateral—that is Community aid—rather than bilateral.

President. — I put to the House the proposal that Mr Bousch's report be placed on Friday's agenda.

The proposal is rejected.

This report will therefore remain on Tuesday's agenda.

We thus come to the agenda for

Wednesday, 16 October 1974

10 a.m., 3 p.m. and possibly 9 p.m.

- Question Time
- Presentation of the draft budget for 1975 and initial debate
- Oral question with debate by Mr Jahn, Mr Artzinger, Mr Härzschel, Mr Klepsch, Mr Mursch and Mr Springorum to the Council of the European Communities on the development programme for the areas adjoining the border between the United Kingdom and Ireland
- Oral question with debate by Mr Jahn, Mr Artzinger, Mr Härzschel, Mr Klepsch, Mr Mursch and Mr Springorum to the Commission of the European Communities on the development programme for the areas adjoining the border between the United Kingdom and Ireland
- Oral question with debate by Mr Amendola and Mr Ansart on behalf of the Communist and Allies Group to the Council of the European Communities on the extension of the EEC headquarters in Brussels
- Oral question without debate by Mr Herbert to the Commission of the European Communities on regional policy and cross-border cooperation
- Joint debate on:
 - Report by the President of the Conference of the Foreign Ministers on political cooperation
 - Statements by the President-in-Office of the Council of the European Communities and the President of the Commission of the European Communities on the political situation
 - Interim report by Mr Alfred Bertrand on behalf of the Political Affairs Committee on European Union
- Oral question with debate by Mr Corona on behalf of the Socialist Group to the Commission of the European Communities on Portugal's connections with the European Community
- Oral question with debate by Mr Bordu and Mr Sandri on behalf of the Communist and Allies Group to the Commission of the Euro-

President

pean Communities on the congratulations extended by the President of the Commission to the military junta in Chile

- Oral question with debate by Mr Jahn, Mr Lücker, Mr Springorum, Mr Alfred Bertrand, Mr Vandewiele, Mr Klepsch and Mr Noè to the Commission of the European Communities on relations between the European Community and the Arab States

Various Members have asked if we might not begin the political debate immediately after the initial consideration of the draft budget and thus before the Oral Questions put by Mr Jahn and Mr Amendola.

I have no objection to this, but we know that Mr Sauvagnargues cannot be here until tomorrow afternoon for the political debate.

On the other hand, the debate on the draft budget may finish before the suspension of proceedings at 1 p.m. Consequently, there are still two Oral Questions on the agenda for possible discussion before the political debate.

I therefore propose that if the debate on the draft budget finishes at about 1 p.m., these two Oral Questions should be put on the agenda after the political debate.

Are there any objections?

I call Mr Lücker.

Mr Lücker. — (D) Mr President, two observations on the general debate, the political debate.

Firstly, at the meeting of the enlarged Bureau in Rome we discussed this and proposed combining items No 208 and 209. Under No 208 we have the report by the President of the Conference of the Foreign Ministers on political cooperation and then after this report, the same minister, Mr Sauvagnargues, will immediately take the floor again in his capacity as President of the Council of the European Communities to deliver his second report. In Rome we agreed that the President-in-Office of the Council should deliver the two reports as one, and it astonishes me to see them on the agenda separately. I can find no explanation for this.

Secondly, Mr President, you have just told us that Mr Sauvagnargues cannot be here this afternoon. At the last part-session we specifically asked the President to try to arrange for the debate to begin in the morning. We have since learnt that Mr Sauvagnargues, as French Foreign Minister, has to attend the meeting of the French Cabinet on Wednesday morning. I should therefore like to confine myself to the following reflection, Mr President: could Wednesday's agenda not be taken on Thursday and

vice versa? I know what I am saying is very questionable, but I am afraid that—and I mention this as a warning for future occasions—if the statement by the Presidents of the Council and Commission are delivered at 2.30 p.m. and we then hear the presentation of the Bertrand report, by the time we begin the debate, it will be 5 or 5.30 p.m. If the debate lasts on into the night, the European press will be unable to report on it; we shall therefore end up debating among ourselves without there being an echo in the ears of the European public. I wonder if that is the way political debate in this Parliament should be. A debate of this kind should be held in the morning so that the European public hears something about it, because no European newspaper will report on a two-day-old debate, and in the long run that is harmful to Parliament.

I know that it would be very difficult to make a change at this time. I am sorry that it has turned out like this and that no-one has done anything in the interim to arrange the times in such a way that a debate held here can be properly reported in the European press.

I should in any case like to ask that items No 208 and No 209 be taken together; any other procedure would be incomprehensible to the public. Besides, we have been preparing a motion for a resolution in the Political Affairs Committee asking for the incorporation of these reports in the report of the President of the Council by the Davignon procedure. A question on the same lines was also put by Mr Durieux in the summer. I ask for this to be changed not because I want to be petty, but because it is of prime importance.

(Applause from the Christian-Democratic Group)

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, ladies and gentlemen, in view of Mr Lücker's understandable wish, which I largely share, I fear that the President of the Council will give priority on Wednesday and Thursday to his national commitments rather than to his duties as President of the Council towards this House. Even before the debate was arranged, it should have been made quite clear that it would take place at the time at which the House as a whole wanted it to take place. Little can be done about it now.

We should at least be thankful that Mr Sauvagnargues does not have to take a special plane to get from one place another to act in his two capacities. That is a modest step forward compared with what we call in European terms 'President of the Council of the European Communities' and 'President of the Conference of Foreign Ministers'.

Fellermaier

I would like to comment on another point on behalf of my group. As things stand, we shall inevitably have a lengthy debate continuing until late in the evening. I just wonder whether it is consistent with the instructions given to Parliament and the other institutions at the Paris Summit Conference to draw up reports on political union if we debate the first interim report on the long-term aim of political union together with, of all things, the statements by the President of the Council and the President of the Conference of Foreign Ministers.

I therefore request, Mr President, on behalf of my group, that items No 208 and No 209 be dealt with together and item No 210 separately from them. That would correspond to the significance of a report which is addressed to the House and then to the European public. The Bertrand report should be considered independently of the political debate with the Presidents of the Council and Commission, which will be dominated by the problems at present facing the Community. The Bertrand report concerns the long-term objective which we call European or political union and the effect it will have on the sovereignty of Member States rather than present problems.

President. — We must now come to a decision on the two proposals that have been made.

Mr Lückner proposes that the report of the President of the Conference of Foreign Ministers and the statements by the Presidents of the Council and the Commission be dealt with together, and Mr Fellermaier proposes that the interim report by Mr Alfred Bertrand be considered separately.

In addition, Mr Lückner requests that these three items be placed on Thursday's agenda.

I call Mr Lückner.

Mr Lückner. — (D) Mr President, that was not a formal proposal. I merely asked for it to be considered because I am aware that it is probably too late for a proposal to be implemented now. I only mentioned it today to ensure that this situation does not recur in the future.

President. — I believe that Mr Lückner and Mr Fellermaier would both like to have the interim report by Mr Bertrand debated separately from the other two items, which they feel should be dealt with together.

I call Mr Lückner.

Mr Lückner. — (D) Mr President, I agree with Mr Fellermaier that items No 208 and No 209 of

the agenda should be dealt with together. With regard to item No 210, I cannot entirely agree with Mr Fellermaier although I can accept part of his argument. Mr Fellermaier, it is simply that I start out from a different assumption in this political debate. After our Luxembourg debate in September, I am sure that Mr Ortoli at least will concentrate in his statement on the question of the political and institutional situation of the Community at present and in the near future. He did this so clearly in Luxembourg that I believe that he will do so even more clearly today in Strasbourg. The main issue will in fact be whether we should move more towards a policy of integration, a Community policy, or towards inter-governmental cooperation. That was the crux of the Luxembourg debate, too.

But if this is so, Mr Fellermaier, and if we include the Bertrand report in this debate, we as Parliament should tell the President of the Council what we now think of the institutional organization of the Community and how we think it should develop in the future. Then we can expect Mr Sauvagnargues to deal with this matter in his concluding remarks and to tell us more than he did in his introductory statement as President of the Council.

That, Mr President, is our view, and that is why I think that, to save time, we should include the Bertrand report in the joint debate. Then we will have the whole picture before us, and the debate can deal with all the aspects of these three items. I therefore request Mr Fellermaier to consider whether he can agree to my proposal.

President. — I call Mr Jahn.

Mr Jahn. — (D) Mr President, ladies and gentlemen, I would like to make one comment. We as Members of Parliament can hardly be expected to agree with a request to change dates if we only receive the agenda two weeks before and have to make arrangements in our national parliaments. As a result of such changes, on three occasions I have not been able to answer questions in person and consequently many points have not been discussed in this Chamber. I would therefore urge that when we fix the agenda, no changes of date are made, since we do have work to do in our national parliaments.

President. — I call Mr Bourges.

Mr Bourges. — (F) Mr President, ladies and gentlemen, as Mr Fellermaier has pointed out, Mr Bertrand's report goes beyond, far beyond

Bourges

in my eyes, items 208 and 209 on the summary of the present political situation and political cooperation.

For our group and, I imagine, all the other groups of our Parliament, it is quite obvious that these two reports must be discussed together.

Mr Bertrand's report looks to the future. To some extent our Parliament, noting the progress of time, is carrying out the mandate given it by the Paris, Hague and Copenhagen Summit Conferences and drawing up proposals for constructing European Union. As Mr Fellermaier has stressed, this report has quite enough intrinsic importance. However, I feel that there are two essential points. Firstly—not that anyone has suggested this—consideration of Mr Bertrand's report must not be postponed; secondly, as Mr Lücker has stressed, it is essential that, in discussing this report, we should be aware of the feelings of the Commission and the President-in-Office of the Council of Ministers.

Mr President, I hope that these three items will be included in the agenda and, in particular, that they are discussed in the afternoon sitting so that they will not get mixed up with the items on the morning agenda. I basically think that we need to devote the whole afternoon, and perhaps even the evening, to consideration of these three questions.

The other items on the agenda concern questions addressed to the Commission. If it is not possible to deal with them on Wednesday, perhaps they could be considered another day because the Commission is available throughout the whole of this part-session.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr Lücker, you have convinced me and my political friends that we should really take the two debates separately. We differ from the Council and Commission in that a Council report exists. Instead there are interim reports on political union. I am not aware that a Council report exists. Instead there are reams of questions drafted by the Permanent Representatives and now being circulated in the Member States. There is not the slightest indication of how the results of this questionnaire will be formulated in a first draft report. No one should believe that in this matter of the questionnaire the President of the Council will produce more than a non-committal statement on the substance and creation of political union. We, on the other hand, wish to discuss the current problems of the Community with the Pre-

sident of the Council and President of the Conference of Foreign Ministers and with the President of the Commission.

A discussion on the final aim of political union cannot be integrated into that debate. That is why, Mr Lücker, I and my group must maintain that we wish to deal with item No 210 separately; this is also in the interests of Mr Bertrand, who has a right to have his outstanding work on this report discussed separately; otherwise, we will have a completely disjointed debate, because the President cannot prevent speaker X from addressing Mr Sauvagnargues as Foreign Minister and speaker Z from following this with a discussion of Mr Bertrand's interim report.

In the interests, then, of Mr Bertrand, and given the importance of his report, my group requests that it be dealt with separately, and may I add that, if necessary, it should be postponed to the following morning. It deserves to be discussed separately.

Moreover, may I request on behalf of my group that you Mr President, convene a meeting of the group chairmen, pursuant to Rule 28 of the Rules of Procedure, so that the joint debate on items No 208 and No 209 may be organized in accordance with that rule.

President. — I call Mr Alfred Bertrand.

Mr Alfred Bertrand. — (NL) Mr President, you will appreciate that I cannot remain silent after so much has been said about an interim report which bears my name.

I would point out to the House that my report consists of two parts. The first deals with the instructions given to the institutions at the Paris Summit Conference to draw up a report on European Union in 1975. This part at least is very much linked to the political debate. We want to know from the Council and Commission whether they are keeping to the decisions taken at the Summit Conference. Will they in fact be obeying the instructions?

We want Parliament itself to decide to draw up a report before 30 June 1975. I am grateful to Mr Fellermaier for saying that he wants the report discussed in detail. He said that all the Council has managed to produce is a questionnaire. Parliament has not even managed to do that. It has not itself drawn up a report on European Union. There is no such report yet. There is merely a draft before the Political Affairs Committee.

We should in the first instance decide to carry out the instructions issued at the Summit Conference to present a report. And we ask the

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Council and Commission to do the same. When we know the points of view of the three Community institutions, we can see if it is possible to draw up a common report by the end of 1975.

If it seems after we have received the three texts, that a common report is not possible, Parliament can still publish its own.

The first part of my interim report should therefore, I feel, be discussed during the political debate.

I willingly admit that the picture is somewhat different as regards the second part. Parliament already wants to begin setting a general course for what it understands by European Union. We also want to establish what we expect of European Union.

If Parliament does not wish to include the interim report in the discussion on political cooperation and the political situation, I would formally propose—so as to fall in with Parliament's wishes—that my report be discussed on Wednesday morning after the debate on the budget, since you feel that the latter debate will not take the whole morning.

The Council can then take note of Parliament's view and react more easily to it during the political debate in the afternoon.

We shall thus be able to see if, like Parliament, the Council and Commission are prepared to commit themselves to doing something by 30 June 1975.

President. — Three different proposals have now been made.

Would it not be more sensible to take up Mr Fellermaier's suggestion that the arrangements for the debate on Wednesday afternoon be left to the chairmen of the political groups rather than continuing this discussion?

It would in fact seem to be more logical for the chairmen of the political groups to decide on this matter.

Are there any objections?

That is agreed.

I propose that Parliament adopt the following order of business for

Thursday, 17 October 1974

11 a.m. and 3 p.m.

— *Joint debate on:*

— Oral Question with debate by Mr Blumenfeld, Mr Härzschel, Mr Jahn, Mr Klepsch

and Mr Schwörer to the Commission of the European Communities on the contribution by the European Community to the United Nations fund for developing countries with few natural resources;

— Oral Question with debate by the Committee on Development and Cooperation to the Commission of the European Communities on the Community's participation in the United Nations emergency operation for countries most seriously hit by the recent international price movements;

— Report by Mr Kaspereit on behalf of the Committee on Development and Cooperation on the proposals and communications from the Commission of the European Communities to the Council concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1 to 24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25 to 99, originating in developing countries;

— Oral Question with debate by Mr Jahn, Mr Burgbacher, Mr Härzschel, Mr Klepsch, Mr Mitterdorfer, Mr Mursch, Mr Schwörer and Mr Springorum to the Commission of the European Communities on cooperation agreements with the Soviet Union;

— Report by Mr Broeks on behalf of the Legal Affairs Committee on the proposals from the Commission of the European Communities to the Council for:

— a first directive on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct life assurance;

— a directive abolishing restrictions of freedom of establishment in the business of direct life assurance.

I propose that the time-limit for tabling amendments to the report by Mr Broeks be set for Wednesday 16 October, at 6 p.m.

Are there any objections?

That is agreed.

Friday, 18 October 1974

9 a.m. to 12 noon

— Report by Mr Lange on behalf of the Committee on External Economic Relations on the proposals from the Commission of the

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European Communities to the Council for a regulation on the common definition of the concept of the origin of petroleum products;

- Report by Mr Lange on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council for a regulation concerning Community Loans;
- Report by Mr Boano 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 customs treatment of goods imported for testing (without debate);
- Report by Mr de la Malène on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 803/68 concerning delivery periods of imported goods (without debate);
- Report by Mr Klepsch on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 803/68 concerning the value of goods for customs purposes;
- Report by Mr Knud Thomsen on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation modifying Regulation (EEC) No 1445/72 concerning the nomenclature of goods for the external trade statistics of the Community and statistics of trade between Member States (NIMEXE);
- Report by Mr Artzinger on behalf of the Committee on Economic and Monetary Affairs on the Third Report of the Commission of the European Communities on competition policy.

I call Mr Kirk for a procedural motion.

Mr Kirk. — I wish to raise a point of information, Mr President. My copy of the draft agenda contains for Friday morning item No 219: Report by Mr James Hill on permanent links across certain sea straits. Has this item been withdrawn?

President. — The report by Mr James Hill on further links across certain sea straits has not been submitted and has therefore been removed from the agenda.

I call Mr Seefeld.

Mr Seefeld. — (D) Mr President, originally this report was to have been adopted at the Rome meeting. But since Mr Hill was busy with the British elections, this was not possible. The report has not gone through committee and cannot therefore be submitted or discussed.

President. — I put to the House the draft agenda so amended.

Are there any objections?

The agenda is adopted.

I call Mr Seefeld.

Mr Seefeld. — (D) Mr President, at the end of this discussion I should like to make one remark: We have now spent an hour and a quarter agreeing on this week's agenda. Mr President, this is not the first time; it seems to have become the usual practice to begin our part-sessions with lengthy discussions on what items we will deal with when. I wonder, and we are all wondering, what does Parliament's Bureau do? Could not all these matters, most of which are put forward by Members who are also in the Bureau, be dealt with beforehand?

I would like to take today's lengthy debate on the agenda as an opportunity to urge the Bureau to consider how to improve the preparation and fixing of the agenda so that it may be dealt with more quickly in future.

(Loud applause)

10. Allocation of speaking time

President. — In accordance with the usual practice and pursuant to Rule 31 of the Rules of Procedure, I propose that speaking time be allocated as follows:

Reports:

- 15 minutes for the rapporteur and one speaker for each political group;
- 10 minutes for other speakers;
- 5 minutes for speakers on amendments;

Oral Questions with debate:

- 10 minutes for the author;
- 5 minutes for other speakers.

Are there any objections?

That is agreed.

11. *Decision on urgent procedure*

President. — As a result of the very short period between the last and this part-session, it has not been possible for a number of reports to be submitted by the proper time. I therefore propose that Parliament deal by urgent procedure with reports not submitted within the time-limits laid down in the Rules of 11 May 1967.

Are there any objections?

That is agreed.

12. *Welcome to Mr Wijntuin*

President. — On behalf of Parliament I should like to welcome Mr Wijntuin, President of the Parliament of Surinam, who is here with us today.

(Applause)

13. *Action taken by the Commission on opinions and proposals put forward by the European Parliament*

President. — The next item is the statement by the Commission of the European Communities on action taken on opinions and proposals put forward by the European Parliament.

I call Mr Lardinois.

Mr Lardinois, member of the Commission of the European Communities. — (NL) Mr President, as this part-session follows on very soon after the last, I would request that this item of the agenda be deferred until the November part-session when the Commission will state what has happened following the last series of the European Parliament's part-sessions.

President. — I propose that, as Mr Lardinois has requested, the House decide to remove the Commission's statement from the agenda and place it on the agenda for the November part-session.

Are there any objections?

That is agreed.

14. *Regulation on a Community tariff quota for dried grapes*

President. — The next item is the report drawn up by Mr Vetrone on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Commu-

nities to the Council for a regulation on the opening, allocation and administration of a 1975 Community tariff quota for dried grapes falling within subheading 08.04 B I of the Common Customs Tariff in immediate containers of a net capacity of 15 kg or less (Doc. 267/74).

I call Mr Vetrone, who has asked to present his report.

Mr Vetrone, rapporteur. — (I) Mr President, ladies and gentlemen, the trade agreement concluded between the European Community and Iran stipulated that the Community would open a Community tariff quota for the importation of dried grapes.

However, this agreement was not extended beyond 30 November 1973, so the Community decided independently to grant a tariff quota for 1974 on conditions identical to those established under the agreement in question even though, I stress, the latter had not been extended.

The delegations of the Member States have established that, as from 1 January 1975, the Community should open an autonomous tariff quota, at a rate of 1.2%, for an amount equivalent to 10,960 tonnes to be shared between the Member States in proportion to their imports from third, non-associated countries. The proposal for a regulation under consideration simply formalizes the decision taken at this meeting between the Member States' delegations.

It should also be pointed out that this proposal for a regulation differs from most Community quotas in that the whole quota is split up so that no reserve is created. Implementation of the contents of this proposal therefore has no political implications and, in view of its relative insignificance in economic terms, the rapporteur invites the Assembly to give a favourable opinion.

President. — I call Mr Lardinois.

Mr Lardinois member of the Commission of the European Communities. — (NL) I should like to thank the Committee on External Economic Relations for delivering a favourable opinion on the Commission's proposal.

My particular thanks go to the rapporteur, who has gone into this matter in great detail and won over his committee.

President. — Thank you Mr Lardinois.

Does anyone else wish to speak?

President

I put the motion for a resolution to the vote.

The resolution is adopted.¹

15. *Regulations on Community tariff quotas for port, Madeira and Setubal muscatel wines*

President. — The next item is the report drawn up by Mr Vetrone on behalf of the Committee on External Economic Relations on the proposals from the Commission of the European Communities to the Council for three regulations opening, allocating and providing for the administration of Community tariff quotas for port, Madeira and Setubal muscatel wines falling within subheading ex 22.05 of the Common Customs Tariff, originating in Portugal (Doc. 264/74).

I call Mr Vetrone, who has asked to present his report.

Mr Vetrone, rapporteur. — (I) Mr President, ladies and gentlemen, the three proposals for regulations submitted by the Commission to the Council effectively refer back to the agreement concluded between the Community and the Portuguese Republic on 22 July 1972.

Under this agreement it was established that Community tariff quotas would be opened for port, Madeira and Setubal muscatel wines. These three regulations would open the quota for 1975 and in no way differ from similar regulations discussed and approved by Parliament in the past.

The regulations provide for a 60% reduction in the tariffs levied on port wine for a quota of 20,000 hectolitres in containers holding two litres or more and, in addition, a 50% reduction for a quota of 285,000 hectolitres for port wine in containers holding more than two litres.

The second proposal for a regulation provides for a quota of 15,000 hectolitres of Madeira wine enjoying a tariff reduction of 30% and the third for a similar 30% reduction for a quota of 30,000 hectolitres of Setubal muscatel wine.

The Committee on Agriculture has once more pointed out that this tariff quota will probably not be fairly shared simply because the Commission does not have complete and up-to-date statistics, and, as the Commission itself has revealed, the experts of the various Member States have challenged the allocation of these tariff quotas to the various Member States.

As rapporteur for the Committee on External Economic Relations, I fully support the emphasis given to this point by the Committee on Agri-

culture and therefore urge the Commission to take immediate steps to prepare these statistical data. This is essentially a tariff quota, since 90% of the amount in question is allocated to the Member States, leaving a reserve of only 10% on which Member States may draw if and when they can show that they have used up their original allocation.

Given that these imports of Portuguese wines are limited in quantity and above all, in my view at least, have a very clearly defined market, the Committee on External Economic Relations invites the Assembly, as in the past, to give a favourable opinion.

President. — I call Mr Lardinois.

Mr Lardinois, member of the Commission of the European Communities. — (NL) Mr President, I should like to thank the Committee on External Economic Relations and the Committee on Agriculture for their favourable opinions.

I willingly assure the rapporteur that we will take the necessary steps as quickly as possible to provide a better statistical basis for this regulation.

President. — Thank you, Mr Lardinois.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

16. *Regulation on a Community tariff quota for hazelnuts*

President. — The next item is the report drawn up by Mr Baas on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation on the opening, allocation and administration of a Community tariff quota for fresh or dried hazelnuts, shelled or otherwise, falling within sub-heading ex 08.05 G of the Common Customs Tariff and originating in Turkey (Doc. 263/74).

Mr Baas has informed me that he has nothing to add to his report.

I call Mr Lardinois.

Mr Lardinois, member of the Commission of the European Communities. — (NL) Mr President, we understand that no difficulties arose during the discussion of our proposal in the parliamentary committee, a fact which we particularly welcome.

¹ OJ No C 140 of 13 November 1974.

¹ OJ No C 140 of 13 November 1974.

Lardinois

I would therefore ask Parliament to approve this proposal.

President. — Thank you, Mr Lardinois.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

17. *Regulation on certain measures to be taken in the pigmeat sector*

President. — The next item is the report drawn up by Mr Bourdellès on the proposal from the Commission of the European Communities to the Council for a regulation supplementing Regulation No 121/67/EEC as regards measures to be taken in the case of a substantial fall in prices for pigmeat (Doc. 293/74).

I call Mr Houdet, chairman of the Committee on Agriculture, to present the report on behalf of Mr Bourdellès.

Mr Houdet. — (*F*) Mr President, Mr Bourdellès, our rapporteur, has asked me to present his apologies. He is unavoidably detained by vital national commitments.

I shall try and briefly explain the proposal for a regulation referred to the Committee on Agriculture. As you probably know, the text under consideration has a very simple aim. The proposal is for an amendment to Regulation No 121/67/EEC on the organization of the pigmeat market. This regulation stipulated that if there was a significant rise in prices, resulting in market fluctuations, the Commission could take the appropriate action.

We are all aware that there have been considerable downward shifts in prices in this market over the last months. Luckily, the end of this crisis is now in sight. That the production of pigmeat is cyclic is known to us all, particularly our breeders and raisers.

To meet this crisis, the Commission—though, we regret to note, somewhat late in the day—proposes to supplement the basic regulation so that it covers not only significant upward but also significant downward shifts. There is an obvious link with the beef and veal market and the measures which we took in that sector.

Your committee, by 11 votes to 5, recommends that the House approve the Commission's proposal. In adopting this stand we consider that we are conforming to both aspects of Article 39 of the Treaty of Rome. Nevertheless, since the pigmeat market is particularly sensitive and

subject to cyclical changes, the Committee on Agriculture asks the Commission to improve its statistical data so that in the future critical situations such as this may be avoided. We also ask that, with the agreement of the Member States, the Commission make an effort to improve the distribution network in order to safeguard consumers' interests. This request also applies to other markets but your committee wishes to raise it in discussing the pigmeat market.

President. — I call Mrs Orth to speak on behalf of the Socialist Group.

Mrs Orth. — (*D*) Mr President, honourable Members, on behalf of the Socialist Group I wish to say that we reject this Commission proposal. The chairman of the Committee on Agriculture has already said that as a whole the market has functioned well and that producer prices are again rising. That shows that here for once market trends are developing to the benefit of the consumer. The producers are again obtaining higher prices and the consumers, perhaps for the first time, profiting from the fact that price drops have actually been reflected in the price they have to pay in the shops. We believe, therefore, that market interventions could only be detrimental at this time, when the market is stabilizing itself to the benefit of the producer, especially as there is no mention of the form these interventions would take.

At a meeting of the Committee on Agriculture, we discussed measures to encourage meat consumption. At first the Commission proposed to include both beef and pigmeat, perhaps even poultry, in the publicity campaign. The Committee on Agriculture objected to this. The situation on the beef market is far more strained than on the pigmeat. If the campaign included all meat, no-one would benefit, and this would probably mean the situation remaining unchanged in the end. So we do not agree that the Commission should be given a kind of blank check to take measures, some of which we have already rejected.

The only point on which we agree is the request to the Commission to cooperate with Member States in ensuring that the distribution network is improved. Otherwise, as I have said, my group rejects the proposal.

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

Mr Liogier. — (*F*) Mr President, ladies and gentlemen, as the chairman of the Committee on Agriculture, speaking on behalf of the absent

¹ OJ No C 140 of 13 November 1974.

Liogier

rapporteur, Mr Bourdellès, has said, the Commission has submitted a proposal for a regulation extending the scope of Article 11 of Regulation No 121/67, which governs the organization of the pigmeat market.

Article 11 at present authorizes the Commission to intervene only if there has been a significant rise in prices. In such a case, the Commission can adopt measures to protect the consumer as provided in particular in Article 39 of the Treaty. As there has been a collapse in pigmeat prices, Article 39(1)(b), which deals with producers' incomes, is no longer enough.

We therefore approve the extension of Article 11 of the regulation to allow the Commission to take steps if market prices fall to a low level, but we feel that this is being done very late in the day. In fact, in view of the present market situation, the price of live pigs is rising slightly, although some fluctuation is already apparent; and it would seem that, without prejudging a cycle which is always extremely variable, this tendency will continue for some time at least.

It is of course perfectly reasonable, in the light of the serious problems which have afflicted this market, to include a fall in prices in the scope of this regulation. But we are amazed that the Commission did not take this action sooner. We know that the market, which to some extent carries its own internal regulatory mechanism, is subject to as many sudden ups and downs in the pigmeat sector as any other. The peak which occurred recently coincided with an increase in costs largely due to the energy crisis. The simultaneous occurrence of these factors gave rise to a serious situation, which, as you know, revealed itself in a fall in prices and a change in the consumption habits of the typical family. The latter element further aggravated the drop in meat consumption.

To correct the situation, the Commission has suggested many measures such as the adjustment of the basic price of pigmeat, storage measures and the declassification of pig carcasses. Today it proposes adding another instrument which will enable it to take action whenever and however market prices fluctuate.

This, then, is a planning instrument, and as such could of course be useful if and when, in the future, there is a real fall in prices, but the Commission should be particularly cautious in its management at the present moment. In other words, we ask it not to make use of this article at present. In particular, it would be pointless to extend the measures currently applied in the beef and veal sector to the pigmeat market. As you know, ladies and gentlemen, these include a publicity campaign and premiums for slaugh-

tering by progressive stages. The application of these measures to pigmeat would in effect be to the detriment of beef and veal because there is a ceiling on the sum allocated for those purposes.

Furthermore, such delaying measures might upset the already very sensitive pigmeat production cycle, which is at present showing some tendency towards stabilization, if not recovery. On the other hand, the Commission must ensure that it has better statistical data at its fingertips in the future so that it can direct production more easily. It will be necessary to carry out very thorough statistical studies on the number of pigs, the storage possibilities and forecasts of future pig production.

We find it rather surprising that the Commission's agricultural statistics departments, which do have a team of specialists in this field, were unable to foresee, or at least give some warning of the present situation.

Finally, we think that there is a need to improve the distribution network and, in particular, to bring the producer into closer contact with industrial processing.

In essence, what I have said on behalf of my group tallies with the sentiments expressed by Mr Bourdellès in his report, on which we congratulate him and which we have no hesitation in approving.

President. — I call Mr Knud Thomsen to speak on behalf of the European Conservative Group.

Mr Knud Thomsen. — (DK) Mr President, I would like to begin by stating that the European Conservative Group will vote in favour of the motion for a resolution before the House, which will enable the Commission to take the various measures open to it, even in the event of a drop in the price of pigmeat.

Several speakers have mentioned the development which has taken place in the pigmeat market, namely a significant drop in prices coming at the same time as the energy crisis, followed by a degree of stabilization. I believe that it would be interesting to hear Mr Lardinois' assessment of future trends in the pigmeat market, so that we have an idea of that, too.

I would also like to know whether Mr Lardinois can state what specific measures are under consideration. I am not a member of the Committee on Agriculture, but it is clear from the papers we have here that the committee is not in complete agreement on the value of the various measures which can be taken.

Knud Thomsen

I would like to conclude with a third question to Mr Lardinois, in which I echo Mrs Orth's sentiments: does the Commission not feel that by stimulating, for example, the pigment sector, it may be jeopardizing the measures which are being taken simultaneously to stimulate the consumption of beef, veal and other products.

President. — I call Mr Lardinois.

Mr Lardinois, *member of the Commission of the European Communities.* — (NL) I should like to thank Mr Houdet for his presentation of the report drawn up on behalf of the Committee on Agriculture. His call for an improvement in our statistics in this field will of course be taken seriously. I would, however, point out that our statistics on the pigmeat sector are much better than those on beef and veal. Things are also easier in the pigmeat sector. This in fact applies to the pigmeat trade as a whole. The industrial processing of pigmeat is run on far better and more efficient lines than is the case with beef and veal. One result of this is that a drop in the price of pigmeat is noticed in the shops sooner. The pigmeat sector is simply in a far better state than the beef and veal sector.

I was disappointed to hear the objections raised by Mrs Orth. I shall endeavour to change her mind for her. We are asking you to agree to various amendments to the basic regulation on pigmeat so that a number of measures, hitherto impossible, can be taken.

If it is possible to allow the price of pigmeat to drop to 80% of the basic price, it is also possible to intervene. With very high refunds it is also possible in some cases to export meat to third countries.

I do not believe that these two measures are the best we can take when the supply on the market is excessive. On the contrary. In my opinion we must try to prevent both cases happening or at least prevent refunds for exports to third countries being caused by a difference in the prices of cereals. At the moment the price of cereals in the Community is lower than on the world market. Nevertheless, we grant refunds for sales on the world market.

One of the reasons for this is that our basic regulation offers us too few possibilities of selling meat at lower prices in the Community itself, for example to special groups. By amending the regulation we can for one thing ensure that certain groups within the Community, in other words our own people, enjoy some of the benefits that are at present only too frequently enjoyed by consumers in third countries.

A second amendment will allow us to intervene in the production process by stipulating the slaughter of pigs at a lower weight when supplies are too high. In the present circumstances this will also be an excellent measure.

At present we have in fact to contend with a shortage of cereals. Pigs with a high weight consume proportionally far more to put on the same weight. It will be better for us as far as the meat market is concerned, if we can say that pigs must be slaughtered at a lower weight.

Mrs Orth has objected to the publicity campaigns. I will offer her a compromise: we will not conduct any publicity campaigns in the pigmeat sector before submitting a special proposal to Parliament if she will drop her objections. In other words, the possibility of conducting campaigns which exists in principle, will be removed by our assurance. We will first have to submit a possible proposal on this to the Committee on Agriculture and Parliament. If Mrs Orth can see her way to agreeing to this, there are other opportunities open to us, from extraordinary refunds for sales on the world market to intervention in the strict sense of the term.

We definitely cannot do without these. They will make it possible to tackle the pigmeat market in a much more subtle manner and regulate it properly.

I should particularly like to thank Mr Liogier and Mr Thomsen for the support they have given this proposal. I have already told Mr Thomsen what some of the objectives of our proposal are. I agree with him that in this sensitive part of the pig-breeding sector, which can be expanded so quickly, we must be extremely careful, particularly in the present phase when we are stimulating production.

As regards the future development of pigmeat production, it is estimated that there will be considerable expansion in the pigmeat sector in the original six Member States next year. In the three new Member States—Britain, Denmark and Ireland—we can expect there to be a considerable reduction of pigmeat production next year. But one does not cancel the other out. In view of the present stocks of pigmeat I feel that in the fairly short term production should be somewhat reduced rather than increased.

President. — I call Mrs Orth.

Mrs Orth. — (D) Mr Lardinois, you seem to wish to strike a bargain with me. If I or my group agrees, you will then allow me to change my mind about the publicity campaigns for pigmeat. This may sound very tempting and convincing

Orth

to some, but I am a little suspicious. I hope you will not take that amiss. We have spoken of a campaign for cheaper beef. At that time we established clearly in the Committee on Agriculture that we would agree to the proposal only if its object was that the inhabitants of our Community really could enjoy cheaper meat and this meat would not be sold elsewhere at giveaway prices. We had scarcely made this decision when I read in the press that huge quantities of fresh meat had just been sold to the USSR. That is why I fear that if today I say, 'Yes, Mr Lardinois, I feel we should discuss a publicity campaign again and you will promise in return that pigmeat will only be sold within the Community to less-favoured groups,' the result might still be more sales to the USSR or another country that is not a developing country. So, please do not be offended, Mr Lardinois, if I and all my colleagues in the group maintain our objection. *(Applause)*

President. — I call Mr Lardinois.

M. Lardinois. — *(NL)* I should just like to say that I am sorry that my arguments were obviously not convincing. This is, however, a matter of daily policy.

To Mrs Orth in particular I should like to say the following on the subject of pigmeat. If Parliament rejects our proposal, one of the results will be that pigmeat cannot be made available at low prices to certain categories in the Community. It will then only be possible to sell it to third countries.

If the proposal is adopted, it will not of course mean that we will not be exporting any more meat at world market prices. This is already happening with pigmeat and beef and veal.

In 1974, too, we have imported considerably more beef and veal from eastern Europe at world market prices than we have exported to Eastern Europe.

President. — Thank you Mr Lardinois.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

18. *Second financial report on the EAGGF for 1972*

President. — The next item is the report drawn up by Mr Pêtre on behalf of the Committee on Budgets on the Second Financial Report on the

European Agricultural Guidance and Guarantee Fund—financial year 1972—presented by the Commission of the European Communities to the Council and the European Parliament (Doc. 297/74).

I call Mr Pêtre who has asked to present his report.

Mr Pêtre, rapporteur. — *(F)* Mr President, ladies and gentlemen, I have the honour to present the report by the Committee on Budgets on the Second Financial Report on the European Agricultural Guidance and Guarantee Fund. The committee has devoted several meetings to this report, which was adopted subject to certain reservations, which I shall refer to in a few minutes.

First off all, however, I should like to remind you that Regulation No 729/70 on the financing of the agricultural policy stipulates that, by 1 July of each year, the Commission must submit a report on the financial management of the EAGGF and that this report must also contain a chapter on frauds and irregularities and an assessment of the financial management of food aid.

The Committee on Budgets would also like to remind you that, although the Financial Regulation of 25 April 1973 stipulates that the Audit Board's report must be forwarded to Parliament on 31 October of the year following the financial year under review, the Second Financial Report for 1972 was only forwarded to us on 4 June 1974. I can assure you that I am in no way being ironic when I say that we are getting our information too late. The Committee on Budgets wanted to draw particular attention to this delay, hoping that in the future the deadlines laid down for passing on and considering this report will be respected.

After these opening remarks, in view of the speaking time allowed me, I see that I have no choice but to confine myself to a few essential comments on the main chapters dealt with in this Second Financial Report on the EAGGF.

As you will have noted in reading the explanatory statement of my written report, many questions were referred to the Commission. We do not intend to go over them here since the Commission's representatives very kindly provided the answers at our last meetings, for which I should like to thank them.

It was after hearing these replies, Mr President, and subjecting the matter to a critical examination that the Committee on Budgets adopted the report and the motion for a resolution now before the House.

¹ OJ No C 140 of 13 November 1974.

Pêtre

Firstly, I should like to draw the attention of the Commission and Parliament to the general financing of interventions under the Guarantee Section of the EAGGF. Over a year ago the Council adopted a regulation further postponing the total financing of certain interventions considered as second category. They include interventions characterized by complex purchasing, storage, processing and disposal operations concerning agricultural products. The Committee on Budgets hopes that the Commission will take a stand on the question of financing all expenditure incurred by the Guarantee Section, taking account of the fact that in the case of beef and veal only 50% of this expenditure will be met by the Guarantee Section. In 1972, second category expenditure amounted to 190 m units of account, including 150 m for milk and dairy products. Total Guarantee Section expenditure has risen to 2 446 000 units of account, and there is no doubt that total financing would have significantly increased this sum.

The Committee on Budgets would draw your attention to the resolution adopted by Parliament on 19 January 1973, following the report by Mr Beylot, which asked the Commission to report to the Council and Parliament before 31 December 1974 on the application of the proposal for a regulation providing for the total financing of secondary category expenditure. Although this proposal was rejected by the Council, the committee hopes that in its draft financial report for 1973 the Commission will include a paragraph on the problems raised by total financing and the solutions it intends to propose.

Despite the fact that Parliament recently adopted a proposal for a regulation providing for a twice-yearly report on monetary compensatory amounts, the Committee on Budgets hopes that in the future the financial report on the EAGGF will also contain a chapter dealing with the overall results of the policy of monetary compensation.

As regards the various taxes which may be levied within the common market organizations, the Committee on Budgets would like to point out that since the Council refuses to create additional own resources for the Community, various taxes are levied at the tax-payer's expense, and adequate parliamentary supervision cannot always be ensured. We all know, Mr President, that own resources derived from agricultural levies and tariff duties have been joined by Accession compensatory amounts under the Treaty extending the Community to the three new Member States and, through a simple Council regulation, by monetary compensatory amounts of a temporary nature.

I should like to add that when the Commission presented its document on the adjustment of the common agricultural policy, the question of introducing a tax on milk products arose. Here as elsewhere, the Committee on Budgets took pains to investigate to what extent new taxes can be created within the Community, whether they would be temporary or permanent and who would benefit from them. The Committee on Budgets expects the Commission to clarify these points in its next financial report on the EAGGF.

I should now like to dwell for a few moments on individual projects. The Committee on Budgets devoted much attention to them, but showed equally lively interest in some flat-rate aid. We also considered a question which I should like to stress in passing, that is the problem of fraud and irregularities. I shall end my speech by talking about these three particular points.

On the first point, the Committee on Budgets felt it important to stress that the amount allocated to individual projects should not be considered as binding since, in the past, the Council, for various reasons, found it advisable to restrict the funds allocated for these projects, and this practice has become habitual.

The committee considers that the success of the individual project policy gives sufficient proof that it should be continued. It has noted the assurances given by the Commission on this point, and I am sure that Mr Lardinois is not unaware of them.

The Commission's representative also indicated that it might be possible to group a number of these individual projects in the form of joint actions. I think I speak for the committee as a whole when I heartily urge the Commission to institute this arrangement.

The financial report is extremely critical of some flat-rate aids since some Member States have not produced the official evidence which they undertook to submit by the deadline laid down. The Committee on Budgets hopes that use is made of Article 90 of the new Financial Regulation which empowers Parliament to request the Audit Board to provide reports or analyses of particular questions concerning the past financial year.

Both the financial report under consideration and such recent information as we have been able to obtain from the Commission leave the Committee on Budgets more or less undecided on the question of irregularities and fraud. Furthermore, Mr President, we have difficulty in arriving at the clear view which would be desirable of the problems connected with cooperation

Pêtre

between the legal and customs authorities of the Member States. The committee was forced to draw the conclusion that Regulation No 283/72 on fraud and irregularities was very far from satisfactory.

The question of the Commission's financial requirements was also frequently touched on during consideration of this second report. I am sorry, Mr President, that I am coming to the end of the time allotted to me because I should have liked to go into the question of financial requirements rather more thoroughly. In the circumstances, however, I shall simply say that it would seem that, as soon as the Community is entirely financed by own resources, in other words, the moment that VAT replaces financial contributions, a new solution to the financial question will have to be found. Since Article 37 of the Financial Regulation expressly provides for a revision of the provisions currently applicable, the Committee on Budgets thinks that this provision should confirm the Communities' financial independence and make them less directly dependent on national institutions.

I should finally like to add that the Committee on Budgets was able to compare the report drafted by the Commission with that prepared by the Audit Board. This comparison is very interesting and enabled us to make certain assessments which may be useful in respect of the discharge to be given on the Community's accounts, at least as regards the common agricultural policy.

Mr President, ladies and gentlemen, the time has come for me to close my speech. Within the limits of the time at my disposal, I have tried to explain succinctly the work and the motion for a resolution of the Committee on Budgets. The motion was unanimously adopted by the committee, with one abstention. I am sure you realize that this is a complex subject and not easy to grasp because it brings together widely differing provisions and regulations.

(Applause)

President. — I call Mr Cipolla, draftsman of the opinion of the Committee on Agriculture.

Mr Cipolla. — (1) Mr President, in considering the Second Financial Report on the EAGGF for 1972, the Committee on Agriculture looked more to the future than to the past and, on the basis of last year's experience summarized in Mr Früh's report, attempted to discover what are the real problems facing the Community today.

These are very specific problems, well known to us all, and the Committee on Agriculture confined itself to posing some questions since, if it

had attempted to answer them, it would have been impossible to obtain the unanimous support in the committee that was achieved over the choice of arguments. In any case, it is for the Community to reply to these points during the general review which, at the last part-session, the Council of Ministers decided must be held before February.

The first objective fact to note is the progressive increase in the expenditure in the Guarantee Section. In fact, expenditure in this section has continually increased ever since the Community was first established—in clear contrast to the freeze on expenditure in the Guidance Section. This results in the malfunctions which may be seen in Community agriculture today, particularly since expenditure in the Guidance Section, frozen at a ceiling of 285 m units of account, is further diminished by the fact that a certain proportion is indefinitely postponed, pigeon-holed while we wait for directives which may not be applied for years.

Another point to take into consideration is the difference in rates of utilization of expenditure. In the Guarantee Section, apart from olive oil and durum wheat, expenditure is undertaken in step with the budget whereas Guidance Section expenditure suffers from a lag, for reasons which we have analysed.

There is also a difference between the two sections as regards the proportion of expenditure met by individual beneficiaries and the Member States. Since, at present, discussion tends to focus on the problem of the compatibility of expenditure in the Community budget with national balances of payments, we, like Mr Pêtre in his report, wondered whether this difference in the treatment of the two branches of the EAGGF did not have certain inconvenient repercussions. Lastly, we considered the allocation of expenditure to the various products and, using data on farmers' incomes in the various production sectors, we observed that the notion of fairness could not be held to justify the large degree of concentration of the EAGGF's expenditure on certain products and relative absence of support for other products, some of which are also suffering from crises. In reviewing the arrangements we should therefore seek a fairer system of sharing expenditure between the various sectors.

We then considered a problem which is the real cause of the disagreement that led to the German *nein* and the British Government's frequent request for renegotiations.

The problem is that some countries are always debtors and others are always creditors. If the budget were divided into various headings for the different measures (regional policy, research

Cipolla

policy, energy policy, etc.), it might not be important that more help was given one year to some sectors and to others the next year. But, with the budget structured as it is, this tendency has serious consequences. Another point concerns compensatory amounts. This problem, which has also been tackled by the Committee on Budgets and its rapporteur, must be solved—we cannot put it off any longer. We cannot just say that in a while the currencies will settle down and compensatory amounts will vanish of their own accord. This, unfortunately, does not seem likely to happen in the near future. We must not forget that the compensatory amounts which feature in the Community budget seriously distort competition between the production sectors of the different countries and give rise to enormous bureaucratic difficulties, which often require very lengthy telex messages from the Commission.

We must therefore get out of this *impasse* since this road leads nowhere. We need to find the means to re-establish the common agricultural market which today cannot really be said to exist. We have free trade in industrial products but not in agricultural products. Before the Community was created, there was after all only one tariff, whereas now we have two: one on entry and another on exit. This simply cannot go on and we must find a way to prevent it.

The procedure followed in the Guidance Section, which differs from that used in the Guarantee Section, results in lags in allocating funds so that, in a period of increasing devaluation, various projects are abandoned. It is quite obvious that in 1974 it will not be possible to carry out a project whose prices were fixed in 1972 or 1973. Some of the members of the Committee on Agriculture wondered whether the decision-making power should not be given to the Member States, leaving the Commission with the supervisory power, which is particularly simple to exercise in the field of investments. Others of my colleagues felt that this inconvenience could be eliminated by increasing the EAGG's staff.

Committee on Agriculture, we also point out in the document submitted on behalf of the that in applying directives account must be taken of the changed situation and stress the need to include the expenditure required for a renewed agricultural policy in the Community budget alongside funds earmarked for other Community policies.

We support the rapporteur's request for punctuality and hope that in the future the financial report will provide greater clarification. We must not forget that there is to be a major debate on the agricultural policy during the next month. All the newspapers in all our

countries are already giving a great deal of coverage to how much is given and how much received by each country. It would seem desirable that these data, especially on the creation and types of measures, should be provided in greater detail by the Commission. We could then be sure that the discussion was based on correct official data.

I thank my colleagues who unanimously adopted this document, thus indicating that the Committee on Agriculture is well aware of the need to safeguard the agricultural policy and that, for this very reason, we cannot continue along the same road but must carry out far-reaching changes. We do not want the common agricultural policy to become a focus of discussion, a reason for disagreement and a centrifugal force which may have unfavourable effects for the Community rather than providing a bond between different members.

(Applause)

President. — I call Mr Hougardy to speak on behalf of the Liberal and Allies Group.

Mr Hougardy. — (F) Mr President, ladies and gentlemen, I have listened with great interest to Mr Pêtre's comments on his report.

I am not an agricultural specialist and, you may be sure, Mr Lardinois, that I shall not deal with the question of pigmeat or beef prices, but I should nevertheless like to draw your attention to various aspects of the report.

First of all, I should like to stress that one of the serious faults of the Community which we are building is a tendency not to act in the open. This is creating a gap between the Communities and public opinion. The man in the street will not be impressed by our efforts to harmonize legislation since these questions are too technical and rarely affect him directly. On the other hand, he is interested in what we are doing to improve his position and quality of life, to resolve his problems, safeguard his employment and protect him against inflation. This is how he looks at the Community and what he sees is less and less impressive.

If, in addition, Europeans find out that the EAGGF, which is one of the most obvious achievements, involves enormous frauds and realize that, in many cases, all serious checks remain ineffective, what little confidence in the future of Europe they may have retained despite everything will very quickly disappear.

I congratulate the rapporteur for having stressed this side of the question. However, if I may say so most amicably, I am sorry that he did not use more severe terms in the motion for a resolu-

Hougardy

tion, in particular in paragraphs 3, 6, 8 and 9. There is no doubt that those responsible for these cases of fraud have shown imagination worthy of a better cause, which has certainly surprised the officials. It would be impossible to enumerate all the cases of fraud since I am afraid that there are more of them than have been reported in the press.

But the problem is to discover what instruments we have at our disposal to prevent fraud. How are we acting at the present moment and what measures could be applied to prevent these cases recurring or remaining unpunished? This, for the Liberal and Allies Group, is the real subject of this debate.

My political friends think, like me, that it is not enough to present a financial report almost three years later—as the rapporteur stressed, the document refers to the operation of the EAGGF for the 1971/72 financial year; more practical action must be taken in order to convince the European tax-payer that his money is being well used. This argument is all the stronger in the present economic situation in which the fiscal burden is continually increasing. The establishment of a Court of Auditors could really represent a step towards achieving more effective supervision of the use of public money, but the main problem is still to avoid repeating at Community level the errors which have been made in the individual Member States. All too often we are led to deplore the ineffectiveness, delays and uselessness of our national audit offices. Let us try to avoid repeating the same pattern.

We must also have the courage to admit that the Member States do not always individually achieve their aims as regards fraud prevention. They are probably more to blame than the officials who have not set up an efficient control system. Without wishing to prejudge the Court of Auditors, I hope that it will be run in a different way from that all too often adopted in our countries where it may be compared to the chorus in a Greek tragedy which deplores the dangers and mistakes without having the slightest influence on events or their results.

Furthermore, the Court of Auditors is being set up far too long after the irregularities have occurred.

As spokesman for the Liberal and Allies Group, I should like to put you on your guard against the unfortunate trend of events. There is a serious risk of permanently alienating public opinion from the construction of Europe by factors such as those I have mentioned which really affect people.

Of course, I admit that a certain number of frauds have been discovered and punished, but I also know that the punishments are often only nominal because it is impossible to pin down those responsible. This is hardly surprising when the audit is made so much later.

So let us be frank and make these facts widely available because any form of reticence, delay or glossing over will lead to a questioning of the responsibility of Parliament and the Community as a whole.

(Applause)

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

Mr Liogier. — *(F)* Mr President, ladies and gentlemen, the essentially technical report presented by the Commission refers to the 1972 financial year. We have every right to be shocked and to deplore the fact that it has been submitted for our consideration only now when the decision should really have been taken by the end of 1973 at the latest.

Although it is difficult to understand such a delay, it does not detract from the interest of this report as is shown by the pertinent criticisms made by Mr Pêtre, rapporteur of the Committee on Budgets, and Mr Cipolla, draftsman of the opinion of the Committee on Agriculture, both of whom I should like to congratulate for their excellent analyses.

As Mr Cipolla has just explained, in considering this report, the Committee on Agriculture bore the future in mind more than the past.

In this report it is easy to see how the Commission has sometimes moved away from the goal which it initially set for the common agricultural policy, the creation of policy which would safeguard the incomes of Community producers as a whole. It seems to us that the Community institutions have tended to lose sight of the aim of the common agricultural policy and remember only the rules which now appear to be aimed simply at keeping down Community expenditure.

We will not embark upon an analysis of the details which would show some countries with a net gain and others with a net loss. The results would be most surprising. But let us not anticipate the report which the Commission will be instructed to draw up for next year.

In reality, the major factor seems to be the existence of extreme disparity between sectors. The results of actual policy and management have created a certain degree of distortion within agriculture itself.

Liogier

The 'good sectors' are those which have guaranteed prices, in other words cereals, wheat in particular, whereas other sectors, in particular animal products, fruit, vegetables and wines, have suffered from very severe fluctuations the repercussion of which are making themselves felt at the present time.

To guarantee the farmer a fair income, the Community contribution must cover all Community agricultural sectors, without a single exception.

Of course, as Mr Cipolla, amongst others, has pointed out, the problem would be quite different if other policies, a social policy and a regional policy in particular, came to the aid of an often inadequate agricultural policy with a more rightly endowed Social Fund and, finally, a Regional Fund. But this unfortunately is not the case, at least not yet. In practical terms these policies do not yet exist, and we basically have to rely, whether we like it or not, on the agricultural policy.

Let nobody tell us that this common agricultural policy is particularly expensive! We know that, on the contrary, prices on world markets are at present much higher than those on the Community market. This situation primarily benefits European consumers, about which we talk so much, and, in particular, consumers in certain countries which are today simultaneously enjoying the benefits of the common agricultural policy and the liberalization of industrial trade. They seem to be having their cake and eating it!

Another point is that, like the rapporteur of the Committee on Budgets, we think that in its management the Commission should attempt to subject itself to parliamentary supervision as closely as possible.

This particularly applies to the institution of the various taxes which have sprung up here and there in response to the vagaries of the short-term agricultural situation. These taxes were established to deal with special situations, particularly in the dairy sector and, recently, in the sugar sector, involving various quotas. It would not be a good thing if these taxes were instituted without democratic control being established over their creation, incidence and possible suppression.

It also applies to the question of compensatory amounts, which since they are of monetary origin, are, to some extent a fiscal instrument, though not actually considered part of own resources. Of course we are in favour of a return to monetary unity, which would permit the suppression of these compensatory payments, but in the meantime we think that Parliament

should effectively supervise their working and their consequences. For this reason, we support the rapporteur in asking the Commission to devote a special chapter to monetary compensatory amounts.

Finally, we think that Parliament's budgetary powers over the allocation of the annual appropriations in the Guidance Section of the EAGGF should be retained. It does not seem normal to suggest that large sums should be allocated by a simple regulation. We think that this basically amounts to a challenge to Parliament's budgetary power, which should, on the contrary, be asserted. We therefore request that annual appropriations in the Guidance Section be allocated within the framework of the budgetary procedure. This naturally leads us to the management of expenditure in the Guidance Section. Here, above all, we seem to note a certain tardiness. Of course this is due to the mechanism itself, which is essentially unwieldy, but, at a time like this, this phenomenon has particularly grave consequences. In a situation of monetary instability, projects which are put forward at a certain moment soon become outdated, particularly as regards their cost, given the rate of inflation. In this case they are either abandoned or become uneconomic.

We therefore think reform is needed in this field. We support Mr Pêtre's request on this point, particularly with regard to the action taken, insisting that less time should elapse before total finance for the action is provided, and ask the Commission to submit a report on the problems to which this financing gives rise and the solutions which it intends proposing. We hope that the next financial report will be published on time and that it will take account of our remarks and suggestions. In 1975 the system of own resources will become generalized, posing various financial problems which the Commission must start thinking about.

It should adopt a new system which, in particular, covers the continuing receipts from VAT. This is certainly a question of practical details, but that does not make it any less important. In practical terms, the common agricultural policy is almost the only policy that exists. It therefore obviously involves expenditure; hence the importance of rational management and speed in adopting the regulations required to achieve optimum efficiency.

(Applause)

President. — I call Mr Lardinois.

Mr Lardinois, *member of the Commission of the European Communities.* — *(NL)* Mr President, I should like to thank the rapporteur for the

Lardinois

work he has put into his report and also for his criticism because it was constructive. Not only the rapporteur but also Mr Cipolla, Mr Hougardy and Mr Liogier resented the fact that the report on 1972 is only being discussed today.

When I took over the responsibility for agriculture, I discovered that there was an enormous backlog of work in all fields of the EAGGF. This was discussed in detail very soon after my first appearance here. It applied in particular to Guidance Section projects, the closing of financial years and reporting to Parliament.

I said at the time that I would try to eliminate the backlog. This also applies to reporting. The report in 1971 was debated by Parliament in January of this year. The 1972 report is now under discussion in October 1974. I will see to it that the 1973 report is submitted to Parliament in March of next year and that the 1974 report can be dealt with at the end of 1975.

This is all I can offer because we do not have sufficient people available to eliminate the backlog entirely. I can only catch up 3 or 4 months each year, which means that when we come to discuss the 1974 report, we should be almost on schedule. I hope that after that we can forward the reports to Parliament sooner.

The disadvantage now is that Parliament must deal with two reports in one year. This will also be the case next year.

Mr Pêtre has raised a number of fundamental questions in his motion for a resolution and his presentation. He criticizes the flat-rate system in the case of interventions. Mr Liogier agrees with him on this. It has also been the subject of past resolutions and discussions in Parliament.

We are doing our best to arrive at an integral form of financing in this case, too. The rapporteur is aware of the problems in this field. We have problems with defining the real costs and the differences in costs in the various Member States. Then there are the controls, additional expenditure and so on. Because of these problems the Council has decided to retain the so-called flat-rate system for the time being. It has the advantage that it acts on the national authorities as a very strong incentive to reduce their costs when the latter rise above the average. From a financial point of view I would describe this as a positive matter.

The problem raised by the rapporteur is, however, known to us. I will willingly devote a separate chapter in our 1973 report, which will

appear next spring, to the question of monetary compensatory amounts. That I can formally promise the rapporteur.

in reply to Mr Cipolla I should like to say that I completely agree with him that we should abolish the system of monetary compensatory amounts as quickly as possible or at least progressively reduce them.

I feel that the measures we took at the end of September as regards prices were an energetic step in the right direction. I hope that the proposals we will be making at the end of November will constitute a similar step forward. I really do agree with Mr Cipolla that if we go on paying the present amounts too long, competition will be distorted.

Like Mr Cipolla, the rapporteur talked about the various Guidance Section projects. I wish to inform Parliament that the sum to be set aside for financing the Guidance Section projects to be proposed at the beginning of 1975 will be increased from 170m to 230m units of account.

We are thus going back on the policy that we have pursued in this respect in the past, namely to build up a certain reserve each year for the structural projects approved in March 1972, the Mansholt reserve as it is popularly known.

We feel that we should not go on expanding this reserve any more, but that if money is available in our budget, we should use it for individual projects as far as possible. Hence the possibility of a considerable increase in these projects.

Mr Cipolla has proposed that, principally to gain time, the Member States should be given more power in the matter and that the say of the Brussels institutions should be reduced.

I frequently have the impression that the procedure and time-limits that we stipulate in Brussels have a favourable effect in that they force the Member States to round off the projects at a given moment and thus act as a stimulant rather than a brake.

Secondly, we must at all events retain enough control over and say in these projects to be able to account to Parliament for the budget.

The rapporteur also asked for better cooperation between the customs and legal authorities. I completely agree with him. On this subject we have submitted to the Council various proposals which Parliament has already approved. I sympathize with the rapporteur in this, and I will also report to the Council in an effort to have it deal with the proposals in question more quickly. I completely agree with him that this is an urgent matter.

Lardinois

Mr Hougardy spoke of the various cases of fraud that have occurred. I am grateful to him for stressing this point once again. I agree that the publicity given to these cases does not do the European cause any good; on the contrary. On the other hand, we must admit that we have unfortunately not yet reached the stage where we can prevent our fellow citizens committing fraud with European money and get them to limit their activities to a national level. We cannot eliminate all the problems with which individual Member States are confronted in the tax field, the cases of tax evasion which cost the Member States or the national treasuries an enormous amount of money; I am also thinking here of the butter frauds which occurred at one time in the Benelux countries and which also involved enormous amounts of money. With expenditure of this magnitude it is simply not possible to prevent fraud occurring. I still feel, however, that we must devote the greatest possible attention to this problem, that we must not try to find excuses and that we must achieve a situation in which the legal authorities can take action.

Another point is that we must try to publish a report as quickly as possible.

Mr Cipolla asked a number of questions on the amount of expenditure. He wondered among other things how high the expenditure for the various products in the various countries was. There is indeed a connection between the two. If more is spent in the wine sector, for example, the large producers will definitely profit most. I am putting the word profit in inverted commas. For if high expenditure is required, it usually means that the normal price trend on the market is anything but favourable. If we have high costs in the wine sector in 1974, it means that the situation for the wine growers is anything but favourable.

The same applies, for example, to the beef and veal sector, where we have never been faced with high costs in the past. But in 1974 costs have been high, and this is an ominous sign for the producers or countries that have specialized in this regard.

The dairy sector has, I feel, always had in the past—and this is still the case—too large a share in expenditure. This has perhaps to do with the way in which this sector is organized, but is also due to the fact that it produces most surpluses or relative surpluses. One of the causes of these surpluses is frequently the requirements of the Member States which happen to be in many cases the smallest producers; they have the greatest need for additional price measures or whatever.

I would be pleased to meet Mr Cipolla's request for actual figures of the distribution of expenditure among the Member States and so on.

At one time I did object to Mr Cipolla that I regretted the discussion on this subject had once again begun to become nationally oriented as a result, among other things, of the discussions on possible renegotiations with Britain.

Now that this discussion has begun, it must take place on the basis of official or formal information—and in this I agree with Mr Cipolla. We must not rely on shots in the dark by this or that journalist whose information is sketchy.

As regards the compensatory amounts, I can tell Mr Cipolla that over a year ago we were able to do away with the yard-long telexes, one of which I once gave the members of the Committee on Agriculture as an example, when we decided to adopt a completely different system. For more than a year now we have not had to deal with all that paper.

To conclude, I should like to thank Parliament for the time it has spent on this report.

President. — I call Mr Pêtre.

Mr Pêtre, rapporteur. — (F) Mr President, you will understand that I cannot possibly let this debate pass without thanking Members who have spoken and Mr Lardinois for the commitments which he has just made. I think that it is particularly important for us to get back to a normal procedure over the important question of financing the EAGGF.

I should in particular like to thank Mr Cipolla whose opinion, I forgot to say earlier, was greatly appreciated by the Committee on Budgets.

There is one last point to which I would like to draw attention. It concerns Mr Cipolla's suggestion to the Committee on Agriculture to speed up decentralization. I think I have spoken about this subject previously with him. Certain of our colleagues must be put on their guard. We have no objection to devolution of the administrative machinery, which may well make things easier while power, particularly supervisory power, is retained at Community level. Decentralization, on the other hand, involves the surrender of various powers to certain nations and regions and to some extent makes them autonomous.

Devolution is therefore preferable to decentralization. It would mean sending officials invested with Community powers and authority where decisions have to be taken and activities checked. This is the distinction which I wish to make.

Pêtre

Mr President, this is not a quarrel about words alone because, as you know, in this and other cases words often have considerable significance.

President. — I call Mr Cipolla, draftsman of the opinion of the Committee on Agriculture.

Mr Cipolla. — (I) Mr President, I thank my colleagues and the Commissioner, Mr Lardinois. I do not intend to comment on all the latter's remarks in reply to my questions since this will be the subject of a debate in which I shall be able to speak a little more freely, and not, as I should like to remind Mr Lardinois, as committee draftsman. I put these questions on behalf of the Committee on Agriculture, not on my own account, in order that they might be answered in the debate on the change of the common agricultural policy to which we must proceed.

However, since Mr Pêtre has also raised the question, I should like to dwell on the subject of Community powers and decentralization of the Guidance Section. Let us first remember that, even from an administrative point of view, there is a difference between expenditure in the Guarantee Section and expenditure in the Guidance Section. Expenditure in the Guarantee Section is eight or ten—depending on the budget—times larger than expenditure in the Guidance Section. Furthermore, expenditure in the Guarantee Section is effected by the Member States and subsequently checked by the Commission. Mr Lardinois was the Dutch Minister of Agriculture and knows better than I do that the Dutch Government did not have to ask for the Commission's authorization to rent a warehouse for storing butter. It could act on its own initiative. If, basing themselves on a regulation, it became necessary to sell the stocks at a certain price, before they decomposed, the Dutch government, supervised by the Dutch Audit Office could act directly—the Commission could only intervene subsequently.

This procedure therefore applies for nine-tenths of the EAGGF budget. For the other one tenth of the budget, which represents the Guidance Section, matters are completely different. Before beginning a project covered by the Guidance Section, such as a producers' association building a refrigerated warehouse for butter, this association—by contrast with the procedure for renting this same warehouse, for which the national government does not need to refer to the Commission, the latter being empowered only to conduct subsequent checks—has to present a request to the national authorities who examine it and pass it on to the Commission, which must consider it before authorization is finally granted.

However, by the time authorization is eventually obtained, the plan no longer applies because the price of iron has increased, the price of cement has increased, the cost of labour has increased and technologies have changed. I have something to do with wine cooperatives and I can tell you that in two years there has been such a development in technology that a project drawn up in 1971, for example, would have been neither technically nor economically viable in 1973 when the authorization was finally given. To take a really shocking example, there was a citrus fruit crisis in 1968 and, rather than intervening directly, the Commission promised to draw up a plan for this sector which has still not been implemented since it has not been approved. Of course, it would be grossly unrealistic to place all the blame on Community bureaucracy because national bureaucracy is equally to blame and, every time this project had to be handed from one administration to the other, six or eight months passed while it was translated into all languages. In this way, we have had to wait from 1968, the year of the crisis, until 1974 for approval of the project.

This, then, is the essence of the question. We think that the Commission is perfectly capable of supervising because, although it is difficult to check whether a certain quantity of butter, meat or stored cereals has been sold, it is very easy for it to check whether or not a refrigerated plant, wine cooperative or irrigation project has been set up. This is the way to look at things, and I think that a comparison of the different treatment of the two branches of the EAGGF—the Guarantee Section and the Guidance Section—should be made in the course of this discussion.

When these problems are finally dealt with, it will not be enough for Mr Lardinois to reply to me or Parliament's Committee on Agriculture; he will have to reply to the institution which, for better or worse, has the real decision-making power. Because, however much we may all hope that there will soon be an elected Parliament endowed with full powers, at the moment the real decision-making power is held by the Council of Ministers. As European public opinion shows, governments and countries with a certain influence have become interested in these problems, which seem so irrelevant to you, and we hope that they will have influence in the Council of Ministers. It is to them, Mr Lardinois, that you must reply.

I hope that you believe me when I say that my remarks are inspired by true European feeling because, in the past and at present, it has been clear that the common agricultural policy is not uniting us but becoming a bone

Cipolla

of contention, and if we want Europe or at least as much of Europe as we can make, we must try and avoid this.

President. — I call Mr Lardinois.

Mr Lardinois. — (NL) Mr President, I see that there has been a misunderstanding and would like to see it eliminated. There is no question of waiting to implement a project until authorization has been received from Brussels.

In the first place Brussels does not give authorizations. Brussels may make a contribution to a project. Once an application has been received, work can begin on implementing the project. During this work news is then received as to whether a subsidy has been granted. On the majority of projects for which an application for subsidization is made to Brussels a start is made within two months of the application. This method is applied to prevent projects for which applications have been made from becoming out-dated.

President. — Thank you, Mr Lardinois.

I put the motion for a resolution to the vote.

The resolution is adopted.¹

19. *Regulation on aid from the EAGGF
for 1974*

President. — The next item is the report drawn up by Mr Liogier on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation on aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for 1974 (Doc. 295/74).

I call Mr Liogier, who has asked to present his report.

Mr Liogier, rapporteur. — (F) Mr President, ladies and gentlemen, the proposal for a regulation submitted by the Commission to the Council aims at the introduction of two measures for 1974 which are in no way innovatory and which the Committee on Agriculture has already endorsed, particularly last year when Mr Scott-Hopkins' report was considered.

The first measure increases the maximum assistance which the Fund may give certain projects for production structures from 25% to 45% as was done for 1971, 1972 and 1973. This is, in fact, a provision which has been in force since 1966.

The second measure provides for different contributions from the beneficiary according to whether plans relate to structures of production or marketing: 20% for production structures and 38% for marketing structures.

It seemed necessary to make a legal reservation about the second measure. It is not clear how those involved can take account of these provisions for projects introduced in 1974 given that, when this regulation comes into force their projects will already have been submitted, since projects have to be submitted to the Commission before 30 June of each year.

One last, procedural, remark. Last year, the Commission submitted both the above-mentioned measures and the allocation of appropriations of the Guidance Section for 1973 in a single regulation. This year, the appropriations for 1974 will be dealt with in a separate regulation, which will be referred to shortly.

In reply to enquiries of the Committee on Agriculture about the delay in drawing up this regulation, which should normally have been submitted by 30 June, the deadline laid down for requests for aid, the Commission's representative explained to us that this delay had had no unfavourable effect on the submission of requests for aid. At the appropriate moment, the Commission told the national administrations that for 1974, the 1973 procedure and percentages should be continued.

However, the Committee on Agriculture, through its chairman, expressed the hope that, in the future, the Commission would make an effort to avoid this hold-up. This wish is also mentioned in the report which you have in your hands.

The Committee on Budgets, for whom Mr Pêtre drafted an opinion, considers it inadmissible that in future there should continue to be no indication of the budgetary consequences of this increase in both the ceiling for EAGGF contributions and the ceiling for the beneficiaries' contributions. This point seems all the more vital now that the Community is—or is to be—financed entirely from own resources.

Your rapporteur asks you to adopt this report, which was unanimously approved by the Committee on Agriculture.

(Applause)

President. — I call Mr Pêtre, draftsman of the opinion of the Committee on Budgets.

Mr Pêtre. — (F) Mr President, since Mr Liogier has already most skillfully explained the opinion of the Committee on Budgets I have nothing to add. In other words, I endorse his statement without reservation.

¹ OJ No C 140 of 13 November 1974.

President. — I call Mr Lardinois.

Mr Lardinois, member of the Commission of the European Communities. — (NL) Mr President, I, too, should like to thank Mr Liogier for the report that he has drawn up and for the recommendation he has made to Parliament.

Mr Liogier asked in particular for clarification which is of importance for an appraisal of this matter. He said that no indication had been given of the budgetary consequences of the possibilities of improving conditions.

Our proposal simply sets out the conditions under which aid can be given. In itself it does not therefore have any budgetary consequences. Nor are the budgetary consequences really determined by higher or lower additional payments by the fixed amount that we set aside.

For this we have a ceiling. This means that if we try to stimulate certain expenditure through a higher percentage, other projects will be terminated. This is what we have done in the past as well. We are now proposing that a similar possibility be created for 1974.

President. — Thank you, Mr Lardinois.

Does any one else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

20. Agenda for next sitting

President. — The next sitting will be held tomorrow, 15 October 1974 at 10.00 a.m. and 3.00 p.m., with the following agenda:

- Motion for a resolution on the extradition of Klaus Barbie;
- Report by Mr Bousch on the annual report on the economic situation in the Community;
- Report by Mr Nørgaard on problems in the paper industry;
- Report by Miss Flesch on amendments to the Staff Regulations of Officials of the Communities.

I would remind the House that the time-limit for the tabling of amendments to the Nørgaard-Report has been set for 10.00 a.m. tomorrow and for the tabling of amendments to the Flesch-Report for 11.30 a.m. tomorrow.

The sitting is closed.

(The sitting was closed at 7.45 p.m.)

¹ OJ No C 140 of 13 November 1974.

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IN THE CHAIR: MR BERKHOUWER

President

(The sitting was opened at 10.10 a.m.)

President. — The sitting is open.

1. *Approval of the minutes.*

President. — The minutes of proceedings of the last sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

2. *Best wishes for a speedy recovery for Mr Poher.*

President. — I have received a message from Mr Poher that he is unable to be present at this part-session as a result of a recent accident.

I am sure that I am voicing the feelings of us all in sending him on your behalf my best wishes for a speedy recovery. I have just heard that Mr Poher must stay in bed until the end of this month. I shall be in Paris at the end of this month and shall visit him and give him your best wishes.

3. *Statements by the President.*

President. — Before we proceed to the agenda proper I should like to make the following statements.

President

The delegation on budgetary rights had a discussion with the Council yesterday in Luxembourg, in which the President and other members of the Council took part.

This discussion lasted from 3.30 p.m. to 7.30 p.m. and the atmosphere was extremely constructive. Agreement was reached on a number of points, but other points are still under discussion. We are awaiting new documents from the Council on these items.

I should also inform you that I am convening the Chairmen of the various Groups in connection with the discussion of Wednesday's agenda which took place yesterday in the Plenary Assembly—I am thinking here in particular of the political debate.

4. *Extradition of the war criminal Klaus Barbie.*

President. — The first item on the agenda is the motion for a resolution tabled by Mr Vernaschi, on behalf of the Legal Affairs Committee, on the extradition of the war criminal Klaus Barbie (Doc. 299/74).

I call Mr Broeks, deputizing for the rapporteur, to speak to this motion.

Mr Broeks. — (NL) Mr President, since Mr Vernaschi cannot be present to speak in support of the motion for a resolution tabled and unanimously approved by the Legal Affairs Committee, I have undertaken to do this for him. This motion for a resolution deals with a sad affair, namely the impossibility of carrying out a judicial sentence, in this case, execution, passed on a war criminal.

This sentence was passed in absentia in France in 1952 and later upheld in absentia on appeal. The judgments were made in absentia because the person in question was not in the country. Mr Virgile Barel of Nice has submitted a petition to Parliament which has been discussed by the Legal Affairs Committee.

As you will understand, I have no wish whatsoever to dwell for more than a moment on the atrocities committed by the man in question, Klaus Barbie, as head of the Gestapo in Lyons. It may perhaps suffice to quote an extract from his memoirs in *France-Soir*. He says, among other things, 'between 1940 and 1945 I had thousands of French people shot or deported, and I had Jean Moulin tortured'. This war criminal was therefore sentenced in absentia because he had fled abroad to South America. He went to Peru and when he was discovered there, he escaped to Bolivia. At the moment he

is living in Paraguay. In view of the circumstances, I feel it is perfectly understandable that the Legal Affairs Committee should unanimously approve the present motion for a resolution, which unconditionally supports Mr Barel's petition and urges the authorities concerned to facilitate the surrender of Klaus Barbie to the French authorities.

Paragraph 3 instructs you, in the normal manner, to forward the text of Mr Barel's petition and this resolution not only to the Council and Commission of the European Communities, but also to the Governments and Parliaments of the states concerned, i.e. France, Bolivia and Paraguay, and to the Interparliamentary Conference between the European Community and Latin America.

President. — I call Mr Giraud.

Mr Giraud. — (F) Mr President, I fully support the position adopted by Mr Broeks. Public opinion in France has for many years been outraged by this affair which I had the opportunity of discussing with the Bolivian Foreign Minister when Barbie was living in that country.

The French people as a whole would not understand if the vile spectre of a past age, on which we look back with abhorrence, were allowed to go on haunting a democratic Europe and the Europe of international reconciliation which we are striving for.

This is why I feel that in the interests of us all, in the interests of peace and international conciliation, the European Parliament should express its approval, as Mr Broeks has just requested, of the petition presented in France by our colleague Mr Barel, about whom I will merely say that Mr Barbie was responsible for the execution of his son.

(Applause from the Socialist Group)

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

Mr Bourges. — (F) Mr President, my Group will give its support to the motion for a resolution for the reasons described by Mr Broeks and those which Mr Giraud has just put forward as a citizen of France.

President. — I call Mrs Goutmann to speak on behalf of the Communist and Allies Group.

Mrs Goutmann. — (F) Mr President, ladies and gentlemen, we welcome the motion for a resolu-

Goutmann

tion on the extradition of the war criminal Klaus Barbie tabled by the Legal Affairs Committee following the petition presented by our friend, Mr Virgile Barel. The Council of the European Communities had previously told the Commission that this question was outside its competence.

We do not share this view, and we feel that the Community should support the request for extradition and thereby reaffirm its concern for the democratic rights which the international community professes to adhere to, particularly as the French Ambassador to Bolivia told Mr Virgile Barel a number of days before the meeting of the Supreme Court of La Paz that public support for the petition for the extradition of Klaus Barbie on the part of a Community institution would exercise a strong influence on Bolivia and Paraguay, and facilitate the surrender of this war criminal to French justice.

We are therefore glad that the motion for a resolution has been made the subject of urgent procedure, and we concur entirely with its insistence that the Council and the Commission should immediately take the necessary steps, in whatever way they can, to facilitate the surrender of Klaus Barbie to the French authorities. We feel that the Council of Ministers of Foreign Affairs of the Member States of the Community could take up this matter immediately in the context of political cooperation, and we give the text of the resolution our wholehearted support.

(Applause from the extreme left)

President. — I call Mr Durieux to speak on behalf of the Liberal and Allies Group.

Mr Durieux. — *(F)* Mr President, on behalf of my Group I should like to support what has been said by all the previous speakers. We give our full support to the text of the motion for a resolution which we have before us.

President. — Does anyone else wish to speak?

I put the motion, for a resolution to the vote.

The resolution is adopted.¹

5. *Annual Report on the Economic Situation in the Community.*

President. — The next item on the agenda is the report by Mr Bousch on behalf of the Com-

mittee on Economic and Monetary Affairs on the proposal by the Commission of the European Communities to the Council on the annual report on the economic situation in the Community (Doc. 286/74).

I call the rapporteur, who has asked to present his report.

Mr Bousch, rapporteur. — *(F)* Mr President, ladies and gentlemen, economic factors at the world level are playing an ever-increasing rôle in the economic development of the Community. The slowing down of world economic expansion last autumn because of difficulties in supply of certain basic products resulted in a real drop in the gross national product in the USA over the first half of 1974, while in other countries, such as Japan, the increase in production was slight, after an initial regression. Finally, in other countries the slowing down was less acute but recovery in certain sectors has only been moderate.

The serious rise in oil prices has only led to increased inflation at the world level and a serious deterioration in the balances of payments of oil-importing countries. At the same time, there has been a sharp increase in the incomes of the oil-producing countries. The sharp rise in raw materials prices has slowed down because of the drop in demand. This has also happened in the agricultural sector as a result of an increase in supply.

Export prices for manufactured goods from our industrialized countries have shown a marked increase, with the result that there has been a considerable expansion in world trade in absolute terms. However, this has in fact been much less significant in real terms.

In the international context, the economic activity of the Community has remained at a relatively high level, but the problems relating to the balance of payments and price increases have become more disturbing. The latter have resulted in a drop in the volume of exports to third countries, despite considerable increases in nominal value.

Intra-Community trade, particularly with the new Member States, has increased substantially. Nevertheless, only some of the countries, such as the Federal Republic of Germany, have profited from this expansion, sometimes at the expense of others, such as Italy, France, the United Kingdom and Denmark.

There have been signs of a drop in internal demand and industrial production is showing a general tendency to stagnate. Certain sectors, such as building, the motor industry and textiles

¹ OJ No C 140 of 13 November 1974.

Bousch

are facing real difficulties, while others such as the steel industry, the electronics industry and some sectors of the chemical industry have enjoyed a considerable expansion.

Growth in agricultural production has continued, and some products have shown major surpluses; the meat surplus has been the cause of serious difficulties within the Community.

Employment has remained at a relatively high level although there are certain sectors in which unemployment has increased in most of our Member States. On the other hand, price increases have accelerated more or less everywhere. They have reached record levels of 10 to 20% in most of the Member States with the exception of Germany where they have been kept down to around 7%.

Most Member States have suffered major balance of payments deficits, with the exception of the Federal Republic in which there has been a considerable surplus. The increase in the rate of inflation has led many Member States to introduce restrictive monetary policies. Interest rates have reached record levels, but without interest on savings being sufficient to compensate for the fall in the value of money. Most Member States have introduced restrictive, albeit still inadequate, budgetary policies with a view to curbing external imbalances. Restrictions have also been imposed on the immigration of workers from third countries, and on commercial policy with a view to reducing imports, particularly of petroleum products. These latter measures, however, have often been of a national character and to some extent have conflicted with Community policy.

May I conclude my brief account of the situation by pointing out that coordination of economic policy has so far been inadequate. As regards the prospects for 1975, we may hope for a slight recovery in world economic activity, particularly in the U.S.A. and Japan, but it is clear that apart from the oil-producing countries, which will be able to increase their purchases considerably, the developing countries will have difficulty in maintaining their volume of trade.

Provided an adequate economic policy is applied in all the countries of our Community, we may hope that the effects of the present disequilibrium will diminish and that there will be a progressive improvement in the conditions necessary for normal economic growth in the Member States. Exports to third countries should increase, while internal demand should gain in dynamism. The gross national product may be expected to increase in terms of volume, thus reflecting considerably higher productivity.

However, the rate of inflation remains alarming, particularly in view of the structural and sectoral difficulties which a number of our Member States are facing. We feel—and the Committee on Economic and Monetary Affairs has stressed this point—that efforts to combat rising prices and parallel efforts aimed at preventing a serious economic recession, should be the priority objectives of the Community's economic policy for 1975.

Despite the uncertainty which is inevitable when making economic forecasts under the present conditions, we approve the analysis made by the European Commission and the outlook contained in the interesting document which has been submitted to us. The two objectives I have named combating the rise in prices and the avoidance of a serious economic recession should be regarded as priority issues.

This is why the Committee on Economic and Monetary Affairs has instructed me to express our wish that those Member States with a comparatively high rate of inflation and a negative balance of payments will concentrate their efforts on slowing down the rise in prices and correcting their balance of payments so as to establish conditions for joint Community action.

As regards countries with a relatively moderate rate of inflation and a balance of payments either in equilibrium or showing a surplus, they should, we feel, follow a policy of careful and selective expansion. The Committee on Economic and Monetary Affairs deplores the fact that most Member States have not complied with the directives adopted by the Council regarding the reduction of the rate of increase in the money supply.

In its resolution of 5 December 1972 on measures to be taken against inflation, the Council said that Member States should gradually align the rate of increase in the monetary supply with that of the gross national product by volume, supplemented by a normative rate of increase for prices fixed in the context of the objectives of the general economic policy, taking into account the structural development of the relationship between money supply and the national product. Our Committee thus urges the Council to make greater efforts to ensure that its decisions are implemented.

We regret that Community coordination procedures have not yet brought about a greater degree of convergence of Member States' economic policies. Our Committee therefore urgently appeals to Member States to desist from taking any action which could jeopardize the free movement of goods within the Community or obstruct trade with third countries.

Bousch

As far as surpluses of tax revenue are concerned, the Committee reminds Member States that the European Commission has recently recommended that surpluses of tax revenue resulting from increased prices should be frozen

As for capital accumulated by certain raw materials producing countries, we feel that means of recycling this capital should be developed and diversified.

Finally, the Committee on Economic and Monetary Affairs urges that the scheme to set up machinery for issuing Community loans on the international capital markets should be implemented. It emerged from a debate which the Committee held on this subject that the granting of such loans would imply for the majority of the recipients acceptance of the economic policy conditions laid down by the appropriate Community institutions.

During the debate we also discussed the question of index-linked loans, since we feel that these represent the only method of protecting savers against depreciation of their capital holdings, and even of reducing the amount of non-profitable investment. Nevertheless, for the time being, the Committee has not included this idea in its motion for a resolution. It will, however, take up this idea, and the question of the machinery for Community loans, at a later date.

In addition, the Committee urges that any Community monetary subsidies to assist Member States in deficit should be granted within the framework of Community procedures, since it considers that bilateral measures should in general be prohibited even if they must be temporarily accepted in certain circumstances.

The Committee also stresses the need for supervision of operations on the Euro-currencies market, with a view to ensuring greater transparency of capital movements, at the same time safeguarding the useful role which such a market can play particularly in the recycling of capital.

Finally, the Committee advocates a gradual harmonization of provisions relating to capital movements to or from third countries, and requests the elimination of obstacles to the free movement of capital within the Community.

Ladies and gentlemen, having made these points, the Committee on Economic and Monetary Affairs requests your approval of the European Commission's report, which has been presented as usual, at the beginning of autumn.

Analysis of this report has led to certain recommendations which I have expressed on behalf of the Committee on Economic and Monetary

Affairs, and which should be approved by the Council and transmitted by the Ministers to their respective governments.

(Applause)

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

Mr Artzinger. — *(D)* Mr President, on behalf of the Christian-Democratic Group, I should first of all like to express my sincere thanks to the rapporteur, Mr Bousch. It was no easy job to extract from the Commission's annual report on the economic situation in the Community those points of sufficient interest to the Committee to be highlighted in the motion for a resolution. We are grateful to him for having done this. The Committee adopted the motion for a resolution unanimously with two abstentions. My Group will vote in favour of it.

The motion does not, however, include everything which the Committee might have said about this report. In the preamble, we have pointed out that we had already touched upon important points in earlier resolutions—institutional questions, wider competency for the Commission and so on. The fact these pleas are not repeated in this motion does not mean we have given up. However, we do not want to imitate a Tibetan prayer-wheel and submit the same request in every motion presented to this House. We insist and hope that the future will produce something in this respect. Perhaps we can bring this point up again in Thursday's debate.

Let me say a few words about three of the points in the motion for a resolution. Paragraph 1 describes the unreliability, in the present situation, of any forecast of economic developments. This does not mean that we do not, in principle, share the Commission's muted optimism about economic developments in 1975, but we wished to stress the fact that in the present circumstances there may be rapid—and perhaps dramatic—changes in the economic situation, so that any forecast must be treated with caution.

Paragraph 2 refers to the top priority accorded by the Commission to the fight against inflation. We share this view. In addition, however, we also wanted to point out that in our efforts to improve stability, care must be taken to ensure that the economy does not go into a recession. The Commission has particularly stressed this aspect on page 19 of the German version of the proposal. We are therefore not at odds, but in agreement, with the Commission. All we wanted was to give this idea more publicity,

Artzinger

As already mentioned by Mr Bousch, paragraph 3 recommends that countries with a small balance of payments deficit and a small rise in prices should follow a policy of careful and selective expansion. This is not a signal to 'step on the gas again' as the Americans say, but a call for selective encouragement particularly of investment.

This motion for a resolution is based on the Commission's annual report, about which I should like to make two remarks. The social and political consequences of inflation are illustrated very clearly on page 19 of the German version. We are grateful for this. Stability really isn't just a 'whim' of sociologists and economists, but a question of extreme urgency for political development as well.

On page 17, it is said that the new burdens resulting from the increase in the price of petroleum products will have an adverse effect on living standards. We consider this statement to be correct, and we are glad that attention has again been called to it. It is not the first time that the Commission has drawn attention to the non-monetary consequences of the higher petroleum prices, but we have the impression that these are not yet common knowledge. The spokesmen of the oil-producing countries make no bones about this effect of the increased oil prices.

It is thus all the more surprising that the representatives of 126 countries at the conference of the International Monetary Fund in Washington spoke about hardly anything else but recycling the petro-dollars.

It is clear that the gaps in the balances of payments must first be plugged, and that is much more urgent in the case of the developing countries than for the industrialized nations. If the developing countries have to tighten their belts at all, they are faced with famine. Since there cannot be a split oil price—i.e. one price for the industrialized nations and another for the developing countries—we are reflecting the interests of the developing countries, in particular, when we say that the oil price must be lowered. At its present level, this dictated price is ruinous—particularly for the developing countries, but not for them alone. The oil price is not an aspect of inflation which we might be able to combat, but an inflationary factor for which we have no remedy.

No-one imagines that results can be obtained from the oil-producing countries other than by negotiation—confrontation is no alternative. We must nevertheless continue to make unequivocal demands for a reduction in the price of oil. This is not a call for more forceful behaviour—this

would achieve nothing. It is merely the realization of an economic *impasse*, the ruthless exploitation of which could have fatal results. No country can amass debts indefinitely—there comes a day when it has to protect itself against further outflows of foreign exchange. The obvious methods of achieving this are by trade and exchange control restrictions. We are familiar with these methods as the start of a major crisis—and this is something not even the oil-producing countries can want. A constructive dialogue of the kind aimed at by the Community is thus in their interest as well.

This dialogue cannot, however, be expected to be easy or to give quick results. Bridging loans will thus be necessary in order to gain time. That is the only point of recycling—at least as long as one assumes that the borrowed money will be paid back some day. Advantage must be taken of the time gained at such great cost. New sources of energy must be found and the old ones utilized to better effect through a large-scale programme of research and a genuine mobilization of brainpower. We must achieve stability in order to give the cooperation with the OPEC countries a chance, and to give the poorer countries of the third world a chance to survive. The oil producers will become richer and we will become poorer—let there be no doubt about that. The constructive dialogue with the oil-producing countries must nevertheless take place, in order to ensure that the redistribution displays some semblance of order. These oil-producing countries do not form a monolithic bloc, but have very different interests.

Europe must display solidarity in the face of this situation. Any attempt to save only one's own skin is doomed to failure. I should like to thank Mr Haferkamp for something which he said in Berlin a few days ago—I quote the press reports: 'If Europe does not rise to the occasion, tomorrow it will exist as an entity only in the history books'.

(Applause)

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

Mr Lange. — (D) Mr President, ladies and gentlemen. I am tempted to take up Mr Haferkamp's remark, as quoted by Mr Artzinger. I need not repeat it—but I wholly endorse it. The confusion into which the European countries—the Member States of the Community in particular, but also the other Western industrialized nations—were thrown at the end of last year by the increases in raw material prices has not yet been overcome. This is in spite of the fact—and it is only reasonable to admit this—that some

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hard thinking is being done both in the Member States and in some other industrialized nations outside the Community—I refer particularly to the United States of America.

We have, however, not yet evolved beyond the stage of vain attempts by each individual Member State to save its own skin by its own efforts. The situation facing us makes it almost impossible to assess the economic development over the coming period—say, the next fifteen months, i.e. the rest of this year and the whole of 1975. What the rapporteur said on behalf of the Committee on Economic and Monetary Affairs—that there can be no absolute certainty, in fact no certainty at all, in any assessment of future developments—must therefore be stressed. This means that one can only accept certain hypotheses as given, in order to draw certain conclusions from them.

One of these hypotheses is that the thinking mentioned above will be translated into an active political resolve to tackle this state of affairs jointly, and not as individual states with nationalistic measures which might even conflict with the spirit and letter of the Treaties. It seems to me that some countries are in fact about to attempt to curb inflation with very strict measures, while at the same time they must try—and are indeed doing so—not to endanger social security. No matter how paradoxical these two objectives may appear to some—on the one hand, a reduction of inflation aimed at achieving some degree of price stability at a level from which prices would then rise more slowly than has been the case over the last two or three years, and on the other hand social security, i.e. security of employment, security of livelihood for our citizens—these must nevertheless—and I should like to stress this as strongly as possible on behalf of my Group—remain the unqualified objectives of all anti-inflation measures. It must be emphasized—and I have said this on other occasions, not just today—that if the social basis is endangered, no-one can tell what effect this will have on the political thinking of the peoples of Europe. In this respect, we have had some very unpleasant experiences in the past—experiences which I will not describe in detail again here. We here—and this includes the Group on behalf of which I have the honour to speak—must call upon the Community institutions to do everything possible to reduce the drop in purchasing power, while at the same time maintaining the social security which is also the basis for any further measures.

Against this background we support each of the measures recommended to the individual Member States by the Commission in its annual report on the economic situation. The Committee on Economic and Monetary Affairs and the

Commission have spoken of selective measures to suit the different situations within the individual Member States. This means that we cannot apply uniform procedures.

One thing, however, must be made quite clear—and this brings me back to my initial theme. If awareness is to be translated into political resolve, this resolve must be such that each individual Member State makes suitable efforts on its own, thereby simultaneously creating a basis for Community aid to that country. What is unacceptable in the long term is for one Member State to help the other—i.e. for this help to be arranged on a bilateral basis. This really is a field for Community action. Previous bilateral measures must be included in and incorporated into Community measures. As on previous occasions, the Member States must then naturally be asked to reduce the monetary or quasi-monetary supply according to the real increase in the gross—or perhaps the net—national product. More could be said about this.

The important thing, however, is that the present supply of money and credit—particularly of quasi-monetary credit—should be reduced, since this has resulted in excess purchasing power which has not been caused by external factors only. In this context, it is also appreciated that developments such as price increases yield additional tax income. This tax income is of course not necessarily converted into government purchasing power, but only—in the medium and long term—into purchasing power. The intention is to avoid damage to particular sectors of employment and the economy. The same problems thus confront all the Member States, and we therefore feel that an instrument must be created to make such Community action possible.

Although we do have a European fund for monetary cooperation, it unfortunately cannot function because the Member States have so far refused to make it workable. I won't go into the reasons for this and I do not wish to apportion the blame—it is simply a statement of fact. This means that we now have to take special measures simply to achieve the aim of a Community policy—a policy which naturally presupposes that those to be helped will accept certain terms and conditions attached to the Community aid.

Perhaps the state into which we have been thrown by the raw material producing and exporting countries is a good thing. It is quite a salutary jolt, since each country is now forced to do something itself in order to obtain the support of the others. If each of us now does his bit, we shall then have the right to tell those who have initiated what may be the greatest

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process of redistribution of income in history that, in the final analysis, this kind of redistribution will lead to widespread poverty in the world, and that they too will then have nothing with which they can subsequently speculate. If the industrialized countries are unable to buy the raw materials, the raw material producing countries will be left sitting on their oil and their other raw materials.

This must be clearly understood, quite apart from the other effects—to which Mr Artzinger drew our attention—on the developing countries. These other effects are even more disastrous, but the very continuation of this policy is in any case going to be disastrous in itself.

This means that we must start negotiations with these raw material producing and exporting countries in order to bring them—let's put it this way—to economic reason. The historical development of every national economy shows that the kind of international cartel represented particularly by the oil-exporting countries spells ruin to an economy, and hence also to international trade and international relations. I assume it will be possible—and even these countries appear to me to have some awareness of the situation—to reach suitable agreements. One thing is of course essential: if the redistribution is in fact to continue as at present, we must also try to ensure that this money which is being taken from us and from the developing countries—and even indeed from the 'fourth world'—is again put to use not only in the industrialized nations but also, of course, in the 'fourth world'. All this is contained in the motion for a resolution submitted by the Committee on Economic and Monetary Affairs, and I am interpreting it in a way which I feel can be accepted by the other Groups here as well. I need not go into detail about recycling, the Community loan and suchlike. I simply want to draw attention to some of the problems which have also been suitably dealt with in the Commission's annual report on the economic situation, and which the rapporteur of the Committee on Economic and Monetary Affairs and Mr Artzinger have taken up as well. In the final analysis, ladies and gentlemen, it is essential that this awareness should be present not only in the European Parliament and the Commission—we remain two different institutions—but also in the Council, the other institution which will have to take action. The question still remains, however, to what extent the Council is actually capable, as the representative of the Member States, of being bound by what it decides upon in its capacity as a Community institution.

I therefore still hesitate to give a positive answer to this question, since we have had too many

disappointing experiences with non-adherence to Council decisions. However, perhaps a new spirit will become noticeable in the Community under the lash of the raw material exporting countries. I would welcome this, and I feel that we must all welcome it, even though it is unfortunate that it is only under pressure of circumstances, under pressure from outside, that we are prepared to do things which are certainly of benefit to ourselves and which, essentially, involve the survival of Europe—not only the survival of Europe, but indeed more than that. Since I do not wish to become dramatic I shall leave it at that, as otherwise I should have to pronounce an emotion-charged word without emotion, and that is something I do not wish to do.

I simply wish to draw attention quite rationally to these matters. The Council must realize that we expect something from it in this respect, and that we will no longer be satisfied with declarations—even declarations by individual Members of the Council—on a reduction of the supply of money and on suitable measures to reduce lending and price increases, to combat inflation and so on. There really is more than this at stake here. As we say in German, we mustn't just round our lips—we must whistle as well. To put it another way: there has been enough talking—what we want now is action. Only then will we succeed in overcoming these difficulties. In this context, I should like to recommend to the Commission that they should also make another attempt to put some life into the European fund for monetary cooperation. We shall be discussing this question this afternoon and again in the course of the week in connection with another subject—the Community loan. This does appear to be an instrument which could really help us to overcome some of the difficulties which have now arisen and which should be tackled in a different way. That is what is involved. Hence my exhortation to the Commission.

Mr President, the Socialist Group gives its full support to the motion for a resolution submitted by the Committee on Economic and Monetary Affairs—I assume that is clear from what I have said—and this applies also to the preamble, since this is what makes the whole thing a political question. There is, however, no need for this to be constantly repeated in detail. The call to the Commission should be sufficient to make it plain to the Council, on behalf of Parliament,—the Commission is after all the negotiating partner of the Council—that we are also interested in the implementation of the resolutions mentioned in the preamble. I feel it would be useful for the Council to adhere to its own decisions. If this does come about, we can hope to make some progress. At the next economic debate in Janu-

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ary or February of next year, we might then find that we have taken a few small steps forward.

(Applause)

President. — I call Mr Hougardy to speak on behalf of the Liberal and Allies Group.

Mr Hougardy. — (F) Mr President, after the excellent speeches which we have just listened to, I shall try to be extremely brief and to refrain from repeating either the sound advice which has been given or the comments which have been made on the present situation. But it must be said that, under the present conditions, the report on the economic situation represents the chief concern of the EEC, as its name implies is essentially an economic Community, and that to speak of political integration could, at this serious time, seem merely an intellectual exercise. I thank Mr Bousch for his motion for a resolution, but I regret that the European Parliament's Committee on Economic and Monetary Affairs has only drawn up a simple resolution without giving the reasons underlying it. I must, however, congratulate Mr Bousch who in his speech just now went some way towards remedying this deficiency.

There can be no doubt that our chief concern in recent months has been the high rates of inflation, which have been seen by some as a direct threat to our democracies. For more than a year now, we have been confronted by threats to employment throughout the Community, illustrated for example by the recent putting of 70 000 workers on part time at the FIAT factories.

In the majority of Member States the ills of inflation and recession, high cost of living and unemployment are multiplying, and the economy has been slowed down and weakened by the energy crisis. This problem has been discussed at length by the previous speakers.

This clearly disastrous situation has suddenly overtaken the European Economic Community in a weak condition: its common policies are either on the verge of collapse or completely non-existent, and governmental crises are virtually everyday occurrences in practically all the Member States. With the economic barometer showing a generally downward trend, we risk paying very dearly for the errors of the past, our hesitations and timidity in the building of Europe.

Far be it from me to address any reproach to the Commission in general and to Mr Haferkamp, whom I have known many years, in particular. I know how constant his efforts towards

the building of this Europe have been, and I should like to take advantage of his presence here today to pay him this tribute, as I am fully aware that this task has often been far from easy.

Our weakness is most pronounced in the energy sector, where we would nevertheless have been able to shake off much of our dependence on the Arab sheikhs if we had managed to make use of the viable instrument offered by Euratom when you, Mr Haferkamp, were Commissioner for energy. Alas, we have let Euratom die before it could bear fruit, and now we are left with a disorganized, and thus dangerous, state of affairs with regard to nuclear power stations—disorganized and dangerous, because there is no real financing plan for them. In June 1973 I took the liberty, in this House, of speaking of a 'scramble for oil'. Today I might also speak for a 'scramble for enriched uranium'. I think we should all be alive to this danger.

The question arises as to how we are to get out of the mess we find ourselves in. To add to the confusion, the last meeting of the International Monetary Fund did not succeed in reaching a single decision. Granted, Europe has not yet suffered any irrevocable damage—and we should be thankful for this—but the succession of difficulties has severely reduced not only the prospects of development, but above all, of solving even the immediate difficulties. The other question we must ask ourselves is how we are to make it clear that it is the European institutions, and they alone, which, whatever people may think, represent the most efficient instrument for overcoming the difficulties with which public opinion is concerned. There is no doubt that the antidote may be found in a resumption of the dialogue on Economic and Monetary Union, the concrete realization of the principles of the European energy strategy and the formulation of an industrial policy on a continental scale. But where are we to find the political will and the Community feeling necessary if these simple words are to be translated into reality? That's the sixty-four dollar question.

We must have solidarity, as jobs are threatened everywhere and inflation is rampant in Italy, Belgium and the Netherlands alike. There is no doubt that the Federal Republic of Germany has hitherto been most successful in resisting inflation, and I hope its success will continue. We must, therefore, overcome our national egotisms, and join together in our search for solutions which will help us surmount our present difficulties.

As regards energy, an emergency scheme has been developed by the Twelve, without the participation of France, and should be adopted by

Hougardy

the governments in this group by the end of October. The idea is to set up an agency to act as a stabilizing force in case of crisis in the energy sector. I wonder whether this agency will not merely duplicate the one envisaged by the new energy policy developed by the Commission. Efficient and sincere international cooperation, initially at the European level, and later at the Atlantic and world level, is essential if we are to get out of the impasse in which the free world finds itself.

One of the concrete solutions proposed by the Commission consists of Community loans which would permit the enormous revenues from oil production to be brought back into circulation. It has often been said that the Community should not be a Community of debts; this is true, but in order to protect employment at this time we are obliged to tread the path of Community loans. On behalf of my Group, I should like to say that we approve in principle this Community initiative, which my colleagues and I have been awaiting with some concern. However, we reserve the right to comment on the basic problem in the course of the present part-session.

Finally, we must stress the active role which the Eurodollar market should play in this process of recycling, and we give the rapporteur our support in his proposal for a more efficient system for supervising operations on this market, which is all too often left to run itself, with chaotic results.

We have heard recently that the Community has just de-frozen 150 million dollars from the item of 500 million dollars intended for use as aid for those countries most affected by the higher prices for petroleum products. This, in a generally negative economic situation, is a courageous gesture which we applaud.

I should also like to take the opportunity of congratulating Mr Haferkamp on the clarity of his views on the statements he made in Berlin recently, of which we have just been reminded.

Some of our colleagues may think that I have painted too dark a picture. You may rest assured that I have no wish at all to play the part of a Cassandra. I hasten to add that the Commission of the European Communities hopes that the gross domestic product of the Community will increase by 3.5% in the coming year. To this end, the Commission has proposed a more stringent budgetary policy, more careful management of local authorities, measures to control demand within limits compatible with the growth of production capacity, and encouragement of savings, particularly by means of index-linking. This objective strikes me as both modest and constructive, and as such represents a chance of success, provided the means are well chosen.

It is to be hoped that the self-discipline necessary to make these objectives a reality will be forthcoming at the national level, i.e. at the level of the various governments within the Community, for we are still only at the stage of hopes, and it must be admitted that national governments all too often fail to resist the claims which demagogues make on them.

Therefore, Mr President, ladies and gentlemen, we must now show courage, and I think it is up to the Community to set an example.

(Applause)

President. — I call Sir Brandon Rhys Williams to speak on behalf of the European Conservative Group.

Sir Brandon Rhys Williams. — I congratulate our rapporteur on his interesting report, which deals in a general sense with all the major preoccupations of our committee, and of the European Economic Community, in our present dangerous financial position. I should like also to congratulate our Chairman on his forthright call for the strengthening of our Community institutions. I have wearied Parliament so often with my own entreaties that those responsible in the Commission and the Council should hasten to strengthen our institutions. I was delighted once again to have the support of Mr Lange.

We are all becoming daily more aware of the menace of inflation to our way of life and we have to recognize that it is a long-term problem which has been with us, though not in its present acute form, ever since the initiation of the Community. Some countries have suffered more than others, but inflation has been one of our lasting preoccupations, and I am afraid that it will continue to be. It arises probably from social changes and from the fact that our political and industrial forces are out of balance. New relationships are needed within our nations, and between nations in general, if we are to restore confidence in the continuing value of our paper currencies.

I am certainly not one to underestimate our tremendous problems in dealing with inflation or the resolution we must show in coping with it. But the immediate problem, the threat to all our nations, which may be only weeks away, arises from our balance of payments difficulties, particularly in consequence of the rise in the price of oil at the end of last year. Every day that passes makes it more obvious that the problem has not yet been solved, and it is becoming more pressing and dangerous.

In considering the balance of payments problems of Member States of the Community, it

Rhys Williams

is most important to separate them into two kinds. There are the balance of payment problems of a general nature which arise perhaps from a temporary or more deep-seated propensity to import and a weakness of export. Certain countries began the crisis year in a somewhat disadvantageous balance of payments position. However, I think that if it were not for the oil import price situation, we should all feel that the general balance of payments problems of Community Members were manageable within a reasonable time. But the balance of payments deficits arising from the increases in the import prices of essential commodities, particularly oil, must be recognized as having a special character, because they are giving rise to accumulations of funds which cannot be immediately absorbed into current trade.

This enormous accumulation of funds, particularly in the hands of certain Middle East countries with small populations but exports of immense value, cannot be spent. No matter how good our salesmen are or how vigorous our export drives, nothing will turn the surpluses of these oil-exporting countries into expanded trade on current account in the immediately foreseeable future. Therefore, these funds are sure to accumulate, and the favourable balance of payments of certain Middle East exporting countries will have to be countered somewhere by deficits in the balance of payments of oil-importing countries.

The oil surpluses are a source of instability in the capital markets because money spent on current consumption of fuel and fuel by-products is, in effect, being turned into savings by being accumulated in the hands of oil-exporting States. These sudden accumulations of savings are a source of instability in our capital markets, because they have to be invested somewhere. They cannot be invested on the moon, and so they come back into the American, Japanese, European or other capital markets, seeking profitable and secure investment.

The problem of dealing with the natural desire of the owners of these new funds to find safe homes for their investment might be countered by resolute institutional action. Much time was given to this at the meetings of the International Monetary Fund and the World Bank in Washington at the end of September and the beginning of this month, which meetings I had the good fortune to attend.

But apart from the problems of stability in the capital markets, we have to come back to the virtually impossible problem of the balance of payments surplus on current account of the oil-exporting countries. The collective surplus of the oil-exporting countries vis-à-vis the rest of

the world will not be significantly reduced by measures of monetary contraction alone in the oil-consuming countries, nor in the short term by energy-economizing measures of any tolerable kind.

We have to recognize that this collective surplus of the exporting countries will not be eliminated even by resort to direct import restrictions by the countries with the most alarming deficits. Although member countries of the Community—or others which are in heavy deficit—now might be able to bring their accounts into balance by sufficiently drastic action overall, nevertheless, while the oil exporters are running a surplus, somebody has to have a deficit. The acute danger which faces us is that by taking national measures to restore our balance of payments equilibrium we shall simply be passing our oil deficit from one country to another. One can, perhaps, pick an example within the Community of a country which, in spite of the increases in price of imports, is managing to maintain an overall surplus. However, I do not think any country has an overall surplus vis-à-vis the Middle Eastern oil exporters.

Therefore, if some members of the European Community are still able to balance their payments, one might say that they are doing so by drawing funds from other countries. These other countries may be members of the Community or other countries with whom they are running a surplus, and so in a three-cornered trade they are able to maintain their national position. Yet at the end of the day the surplus of the balance of payments of the oil-exporting countries remains. No action that can be taken by the rest of the world will eliminate that surplus overnight or even perhaps within a few years.

There has been talk of forcing a reduction in the price of oil by the exporting cartel. Although that may succeed, and I hope that it may, it will not solve the problem. We have to solve it ourselves. The most urgent need at this time is to protect the Community against the risk of damaging our still high level of intra-Community trade in a vain effort to balance our national payments nation by nation, in order to eliminate our oil deficits by passing them on to our friends. Such a beggar-my-neighbour policy would bring us all down into slump and possibly even economic collapse of the kind we suffered in the twenties and thirties. We therefore need to separate our internal trade as a Community from our collective external balance. In other words, we must 'internalize' our Community payments system on current account, so that we can maintain a high level

Rhys Williams

of exchange of goods and services among ourselves, while at the same time striving to reduce the Community's overall deficit with the oil-exporting countries.

If this is a fruitful endeavour—and I am sure that soon we shall be unanimous in recognizing the need for it—then one can only regret the demise of the European Payments Union which was set up more than twenty years ago in order to achieve precisely the effect which we need to achieve now, namely, to maximize intra-Community trade within the context of a rigid and dangerous world balance of payments situation.

A question might arise at this point: should we as a Community in this emergency look wholly to the International Monetary Fund to solve our problems? Should we hope that somehow in Washington solutions will be found? I went to Washington in high hopes that this gathering of all the influential and powerful monetary and financial minds of the Western world would result in some consensus as to the way in which our problems should be tackled. However, as the week wore on, I think everybody there became aware that no consensus was emerging. Although useful initiatives were taken in Washington to study the problem of re-cycling petro-dollars and, possibly, to build on the initiatives of Mr Witteveen in the last few months, nevertheless not enough will come from the IMF to cope with the problem, and what does come will not come soon enough. The Community has therefore a responsibility to act on its own behalf.

I give a warm welcome to the initiative for a new system of Community loans, which, I understand, we are to debate in more detail on Friday. The rapporteur has dealt with this initiative in a general sense in the report. No doubt we can analyse the details more fully later this week.

I welcome this initiative, partly because it will serve to rectify the balance of payments problems of member countries in the short term and to stabilize our capital markets but particularly because it will inevitably result in a strengthening of our institutions. At last they are to have a real function. The Commission will no doubt act either through the European Fund for Monetary Co-operation or the European Investment Bank. I presume that the Commission itself will not seek to intervene directly in these highly technical matters but will employ an agent to do so. Whether it will be the European Fund or the European Bank is obviously a matter for debate, but whichever it is the institutions of the Community will have begun

to arrive in a serious sense. They will be acting on the Community's behalf to deal with a real and immediate emergency.

In recent years we have acted rather like the Foolish Virgins—emergency might well lie ahead, but they made no provision for it. In our Community, while we have been talking, the world has been moving on. Now we find ourselves in a situation in which we can only wish that we had made more progress while the going was good.

The question is whether we can make provision to keep our lamps alight within the Community while there is still time. I believe that we can, if we act together and act with resolution.

But the message is now increasingly clear for the Community countries: we have no time left for debate and for irresolution and conflicts among ourselves. We must act quickly. We must think clearly and we must counter these world economic trends by helping ourselves by resolute action forthwith.

(Applause)

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

Mr Cousté. — *(F)* Mr President, I should first of all like to thank the rapporteur on behalf of my Group, firstly because of the excellence both of his statement on the annual report on the economic situation in the European Community and of the motion for a resolution which has been submitted to us, and also because we like to hear his voice. We regret for a number of reasons that this is the last time he will submit an annual report on the economic situation in the Community. We should therefore like to assure him both of our affection and of our hope that he will soon return to this House which he has served so well by his speeches and his actions.

In view of the fact that our colleagues Mr Artzinger, Mr Lange, Mr Hougardy and Sir Brandon Rhys Williams have already covered the most important points arising from this motion, I should like to consider this matter in a broader context.

I, for my part, would like to state my view that although the European Community is grappling with difficult problems, it is not in a state of crisis. I feel that human needs remain considerable, whether they are individual or collective, or whether they relate to the quality of life, or indeed whether they are the needs of the developing countries, and for this reason I do not think that the economic instrument represented by production of goods or services

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will suddenly grind to a halt everywhere and create a state of crisis. I do not think this for two basic reasons: firstly, I observe that, in spite of everything, real progress is being made in Europe in the fields of economic cooperation and understanding of the current economic situation, and that the United States is becoming increasingly aware of its responsibility in the world as a whole.

I should first like to speak about this impression, which my colleagues and I gained during our recent visit to the United States when we visited President Ford, and saw that he was resolved, as the person responsible for the American economy, to adopt measures to improve the domestic situation in America. These measures—and we now know what they are—were not to be of an inward-looking nature, but intended to make a real contribution to the re-establishment of the major world economic equilibria, and to further the fight against domestic inflation.

Admittedly, the decisions taken by the United States are by no means perfect, but it is clear to us that this great economic and political union, this great common market, nevertheless realizes its responsibility to the world as a whole and that, consequently, its policies cannot be inward-looking or isolationist. Everyone in this House, and no doubt outside it too, understands the significance of this dominant economy in the free world in which we live.

But it is mainly on our own efforts that I should like to base my optimism, since I feel that in spite of all our faults and all the criticisms which our various institutions incessantly level at each other, our situation is infinitely better than it was in 1929, as we have discovered part—true, a still inadequate part, but nevertheless a significant one—of the value of convergence of economic policies of the Member States of the Community. In the world in which we live, economic know-how is increasingly widespread, human beings are increasingly well-informed, and it is obvious that a policy of isolationism has become an indefensible absurdity.

Everyone is fully aware of the interdependence and common interests of producers and consumers and, in addition, of the necessity of satisfying the growing of humanity.

We must therefore subject the current situation to a constant and objective assessment. There is no use in regretting what has not been done unless we intend to do more in the future. The most important thing, as Mr Bousch very clearly pointed out, is to act in a way which will help create a new sense of solidarity among the nations of Europe. As Mr Lange said, the idea of

a monetary cooperation fund must be implemented and not remain on the drawing board. Each Member State must also accept a certain amount of discipline in monetary matters. There is no way of getting out of our difficulties without making national efforts dovetailing with those made by the other members of the Community.

Finally, over and above problems of inflation, we must consider the need to recycle the capital at present held by those who, by means of their policy of raising oil prices, have gained control of large amounts of money.

In my view, the most remarkable aspect is that these new investors have no confidence in our economic system. If they did have confidence in it, they would not put considerable sums in 7-day renewable deposits—yes, I said seven days—in the United States or Britain.

This behaviour on the part of people with considerable sums at their disposal bears witness, therefore, to a distrust which we must eliminate one way or another.

In order to do so, should we resort to issuing Community loans, to which we rightly refer in paragraph 9 of the motion for a resolution and which will form the subject of a debate? I don't know. To be more precise, I think that it would only be possible to resort to these measures if the convergence of the economic policies of the various Member States gives us reason to believe that we are capable of exercising the self-discipline required to restore confidence. After all, it makes no difference whether one is a holder of petro-dollars or German marks, nobody lends his money without being sure of getting it back with interest.

I feel that these common-sense principles should encourage the Commission to propose machinery of a kind which would reassure those likely to lend money—and I know that this is the Commission's intention. I don't think it is possible to inspire confidence merely by offering tempting interest rates. That is not the basic problem in the long term.

The basic problem is the image of a coherent Europe, a Europe whose investments in the field of energy enable it to demonstrate that if it were suddenly hit by major and fundamental difficulties, it would be capable once more of summoning the necessary inspiration and vigour, and of exercising the self-discipline required to re-establish confidence in our economic activities.

Ladies and gentlemen, I am speaking in this way because I never lose sight of the fact that when we are considering the economic situation we are thinking not only of satisfying man's needs,

Cousté

but also of their standard of living, their living conditions—in a word their happiness—and the social level of our Community. Economic life cannot be divorced from daily life. Consequently, I shall conclude my remarks by making an appeal for joint efforts in the monetary field, which affects every citizen of our Member States every day.

Why, for example, are we facing our present difficulties with respect to the common agricultural policy? There are many reasons: the chief of these is the disparity in the behaviour of the various monetary regions of the European Economic Community.

Tomorrow we are going to hold a debate on the European Union. We will be considering the possibility of achieving this by 1980! But nevertheless we must also endeavour to live as well as possible now, in the coming weeks and months. Our main concern, therefore, should be the building of the Economic and Monetary Union and, with a view to this—and I do not hesitate to say it—we will not only have to exercise discipline in the strictly monetary field, but there will also have to be harmonization of budgetary policies, regardless of what problems may arise. It is impossible to think of building up the European economy without working towards convergence of budgetary policies in the various Member States, when one realizes the influence which the national budget of each country exerts on national activities as a whole.

The struggle against inflation and poverty, the struggle for an improvement in the quality of life is an all-embracing struggle which demands the utilization of all the means at our disposal, including our imagination and our capacity for innovation. I for my part derive a feeling of confidence from the behaviour of both the United States and of our Community, which we criticize a great deal without realizing sufficiently the daily progress which is being made in the convergence of policies—though there are admittedly still many gaps to be filled! Our present situation is extremely different from the pre-war situation, and if we continue in our resolve to act in accordance with the terms of the motion before us, i.e., in an effective manner, we have no reason to despair: if we all make a concerted effort we will be able to overcome the difficulties facing us.

This is why I should like to conclude my remarks by expressing my faith in the future, on the basis of the confidence which we should have in ourselves.

(Applause)

President. — I call Mr Leonardi to speak on behalf of the Communist and Allies Group.

Mr Leonardi. — *(I)* Mr President, I too should like to thank the rapporteur, Mr Bousch, for the work he has done. And now I shall immediately go on to my first remark. For some time now, the Commission has been producing documents which, although fairly interesting, have tended to move further and further away from reality and to make proposals which the governments, after accepting them, are unable or unwilling to implement.

When we are discussing this annual report, I feel we must bear this feature in mind, since it is one which clearly distinguishes the present stage of Community activity from the preceding one. My Group feels that there is no point in trying to remedy this situation by increasing the output of analyses and documents such as these annual reports which, although they may prove useful, will nevertheless, I feel, not have much effect on the life of our countries. The document in question aims to establish guidelines to which each Member States should adhere in its own economic policy for the coming year, in order to achieve a high degree of convergence. This is thus not a study document, but rather a political one which must be forwarded to the national governments so that they can take it into account in discussing their budget forecasts.

In the light of my experience, I shall try to see to what extent this really happens in the parliament of my country. I must, however, point out in this respect that our opinion of the annual report is unfavourable, for the simple reason that the fundamental criterion for the presentation of the national statistics is wrong, being based on elements and forecasts which are clearly and undoubtedly national and which even the document itself condemns as being increasingly unreliable. And this is the basis for recommendations aimed at achieving greater convergence and at reversing an existing trend!

We feel that, in this situation, convergence can be achieved only by an upward adjustment to the level of the strongest country. This, however, would end up by aggravating the differences and postpone even further the declared objective. At some stage, the differences between the Community countries may become so great that they will make it possible for one group to impose its will on the other group. We shall then have a convergence based on power and on objectives which can obviously no longer take the adjective 'Community', since they will not have been set by the individual countries acting as independent nations.

I feel that this is precisely what is happening in practice—in spite of all the good intentions. Even proposals which may appear correct from the economic point of view tend to give this result. A typical example is the proposal that, in order

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to establish some degree of internal equilibrium, the countries with a considerable balance of payments deficit should try to curb domestic demand in order to release resources for exports, while countries which have a large surplus on the balance of payments should do the opposite. We know that the Community countries which at present represent the two extremes are Italy and the Federal Republic of Germany. This economic proposal, contained in paragraph 3 of Mr Bousch's motion for a resolution, would produce convergence—i.e. greater internal equilibrium—if this really was the main problem facing the countries involved. The fact is, however, that their problems and difficulties are due mainly to structural factors deriving from the type of development we have had over the last few years—e.g. the growing imbalance in the distribution of incomes and wealth. It also presupposes that a curb on demand—for instance for cars in Italy—would make goods available for which there is a real demand and which could thus be exported to the Federal Republic of Germany.

In practice, the opposite may prove true; increased efforts by Italy to limit individual consumption of goods and services which can be produced within the country and to carry out a programme of structural reform would result in a higher demand for capital goods, which would inevitably increase imports from West Germany.

The same can be said of the proposals concerning monetary policy, which state that interest rates should be relatively higher in those Member States which have a considerable balance of payments deficit and which require a large amount of external financing. As if the interest rate—which is certainly used as an instrument of economic policy—could have any real effect on the movement of capital in the grave crisis which we find ourselves—a crisis in which confidence and production capacity are the basic factors influencing the differences between countries and hence their chance, if any, of attracting capital.

The fact is that actions intended to achieve short-term economic effects cannot be—and must not be presented as being—in isolation from a longer-term projection of the basic date of the situation which they aim to change—i.e. they must also take account of the necessary structural changes. An economic programme aimed only at correcting deviations from a state of equilibrium may perhaps be valid if this state is accepted as being satisfactory. This, however, is not the case with the present situation—this is not only our opinion, but also emerges clearly from the report itself. In this report, the situation is described in Chapter 1 as being one of grave crisis; nor do the proposals appear to

be aimed at a return to the known, satisfactory situation, since the last chapter specifically stresses the need for a special effort to change the structure of the economy—without of course stating with what methods and in whose interests this should be done.

In the present situation, any economic policy concerned with inflation but consistent with the fundamental decision to carry out structural reform, must above all, distinguish clearly between the basic components of overall demand, and offer a selective programme protecting particularly the lower income brackets and the workers' interests by directly encouraging savings, with suitable proposals for guarantees being made by the Commission. At the same time, certain types of demand should be curbed in the immediate future, and certain other types favoured over a longer period, in order to make it possible to implement the very programme of structural reform we desire. This programme would obviously be impossible without adequate reserves—reserves which are generally lacking throughout the Community, but particularly in some of its Member States.

As regards the Community loans which are mentioned in paragraph 9 of the motion for a resolution and which are intended as instruments of Community aid to the weaker countries, before approaching the foreign money markets, domestic resources should be called on, so that these will be used both as a means of creating reserves, and of channelling demand in such a way that it is reduced in some sectors and encouraged in others.

Let me repeat in this House what we have already said in our own country in similar debates—that we reject economic policies which contain no long-term proposals—proposals which must obviously include structural aspects. In situations such as this, any intervention—even of an immediate nature—is defined by the underlying fundamental choices, the primary aim of which nowadays must be to protect employment—which is seriously endangered in some Member States—and to protect the living standards of the working classes, who are being increasingly affected by the constant rise in the cost of living.

Economic policies in themselves are simply attempts to re-establish previous situations. We reject this approach and also stress the uselessness of the attempt itself, since it is impossible to re-establish situations which have been found wanting in the system of international relations within which our countries must operate, and since we are every day moving further and more irrevocably away from the past.

Leonardi

In this context, one need only compare the situation last year, marked by problems in the convertibility of the dollar, with the one this year, which is marked by huge and growing balance of payments deficits, particularly in some of the Community countries—deficits which have to be settled in dollars.

To this must be added the changes in internal relations between the Member States, deriving from the existence of the Community itself; no economic policy makes sense if it does not take adequate account of the basic phenomena around which it moves and on which it must be based—and in our case these must obviously include the salient aspects of Community relations and of the associated common policies, both existing and envisaged as essential elements of the planned and necessary structural reform.

Not only does the annual report not move in this direction as regards the proposed guidelines, it also fails to do so as regards the information given, which completely ignores the data on intra-Community trade, on intra-Community money movements, on current and capital accounts of the balance of payments of the Community as a whole vis-à-vis other countries—as well as of the individual Community countries—and other similar data of use to the Community as an economic entity.

Finally, it is difficult to see the point in the Community producing an annual report on economic policy when it is incapable of proposing anything more than the Member States are already trying to do individually or bilaterally.

These remarks of ours on the annual report also apply of course to the content of the motion for a resolution which, essentially, approves the report itself, even if it does try, in some respects, to improve matters—e.g. with the proposals for the floating of a Community loan and for supervision of the Eurodollar market. It nevertheless remains within a context which, since it aims to re-establish previous situations, can do nothing but ensure a repetition of the failures we have already experienced.

President. — I call Lord O'Hagan.

Lord O'Hagan. — I am delighted that we are having this debate about the economic situation in the Community, but I am a little doubtful as to whether Mr Bousch's excellent motion will carry much weight beyond the walls of this building.

There is, as we are always saying in this chamber, a lack of political will and drive in the Council, and without that will and without

that political drive, however excellent Mr Bousch's report and however excellent the analysis of the Commission, their views will remain elegant aspirations on paper, and on paper alone.

Why can the Community not move forward in this area as it does in so many? It is partly because the Council spends too much time looking back rather than forward, and partly because there are too many Rip Van Winkles.

In all our countries there are those who feel that the Community is responsible for everything that goes wrong—if only the Common Market would disappear, food prices would go down, there would always be good weather on the cricket pitch, and Britain's balance of payments would be in healthy surplus. That is a point of view that is increasingly attractive, because it offers a refuge from looking at problems in a realistic way. I am sure that everybody in this chamber would want to examine the state of the Community's economy and the state of his own national economy in a rather more far-reaching manner.

I am sure that we can all agree that inflation is sapping the strength both of our individual countries and the Community as an entity of its own. I was most struck by one sentence in the Commission's report, where in its conclusions it said:

'There must therefore be no let-up in the struggle to overcome inflation throughout the Community, which should be carried out so as not to cause unnecessarily an increase in unemployment, but it must not be forgotten that the maintenance of inflationary trends endangers the level of employment and long-term growth.'

These problems can be tackled in a modern economic context only by looking at them in relation to all the other political problems that face our countries and the Community, and international and supranational economic problems can be properly tackled only internationally and supranationally.

Those who want to pull up the drawbridge and isolate Britain or their own countries from Europe and the world forget that all the modern economic diseases could easily penetrate the antique defences of a siege economy and that such a short-sighted position would, in fact, bring more harm than long-term good to their countries.

I welcome the spirit of Mr Bousch's report and the analysis presented by the Commission. What we must say in this Parliament and what these reports show is that Community solidarity offers

Lord O'Hagan

a genuine and real chance of progress towards overcoming the economic problems from which all our countries suffer and which none of us can tackle on his own.

IN THE CHAIR: MR BORDU

Vice-President

President. — I call Mr Schwörer.

Mr Schwörer. — (*D*) Mr President, ladies and gentlemen. One thing, it seems to me, has become clear during the period covered by the report—that we must get away from an economic policy which uses tight money and expensive money as the only remedies for inflation.

This policy is certainly easy to implement, since it is carried out by institutions which are more or less independent of the political authorities and therefore find it easier to introduce unpopular measures. Nevertheless, I feel this policy involves serious dangers. Economic control through the central banks is of necessity very unselective; sectors of the economy with completely different situations are treated alike and the result is that the effect is too great in some cases and too small in others.

What I feel is particularly dangerous, however, is the fact that this jeopardizes essential economic structures; small and medium-sized business are known to suffer more severely under this economic policy than large concerns. This is borne out by the large number of failures in this very sector. A third, particularly ominous feature of this economic policy is that it affects principally the willingness to invest. At a time when the living standards in European countries depend chiefly on their industrial strength, I feel this could deal a mortal blow to the future development of Europe. Europe is poor in raw materials, and without increased capital investment it will rapidly lose its position in the world. In all Community countries—and this is stated in the report as well—there is a disturbing decline in investment. The results of this are a stagnation in growth—particularly in productivity—a drop in tax revenue, and balance of payments deficits due to a decline in exports.

The question is therefore how capital investment can be restimulated. In my opinion, there will be an automatic increase in investment if we succeed in removing monetary policy from its pedestal as the only means of directing the economy. Reducing the cost of outside capital—particularly long-term financing—will cause capital investment to increase again. In my view, however, this must be accompanied by limitation of costs in the economy. It must be possible to

earn profits again. Investment is, after all, impossible without profits, and security of jobs is impossible without this investment.

It is interesting that, in the Federal Republic, it was the trade unions who pointed out in their latest concerted action that businesses would have to make higher profits again if they were to be able to invest.

Particular attention must be paid here to labour costs, and I am glad that the Commission has referred to this under III Paragraph 8. I quote: 'It is, in these circumstances, in the interest of the social partners to cooperate in the control of inflationary tendencies and to repair the damage which has been caused to economies, in the form particularly of growing distortions in the distribution of income, investment delays and deterioration in competitive positions. It is urgent that all should become aware of the disastrous consequences of inflation and, in particular, of its cost in social terms.' This remark is necessary, and I take it as an indication that the Commission is also convinced that a general agreement between the two sides of industry is needed if stability is to be regained. Let nobody imagine this is wishful thinking! In today's French newspapers we read that employers and trade unions have actually reached agreement on an important measure of social policy. I therefore feel that we should work out a common strategy here—although this must not be based on disadvantages for the one side and advantages for the other.

Such plans already exist, but I cannot illustrate each one individually because of lack of time. The feature common to these plans for the social contract is that future wage increases will be based on productivity rises. To these increases will be added a compensatory amount for inflation—this being done on a medium-term basis. It should be laid down that if these agreements are based on figures which subsequently prove to be unattainable—i.e., if the forecasts turn out to be wrong—the employees should receive supplementary increases. Similarly, it should also be possible to terminate contracts at short notice if economic factors arise which are different from those obtaining when the contract was signed. Public authorities should be involved in this equalization, in order to ensure that the equalization payments do not affect costs, and the best way to achieve this would be by reducing income tax.

In the last few days, an interesting problem has arisen which was discussed today in an important German economic journal—the extent to which inflation and price increases will differ in the future, and the extent to which they will have to be compensated for in wage agreements.

Schwörer

I feel that one should not simply take the cost-of-living index as the only basis for wage increases. The new factor in our situation—the dramatic increase in the price of oil and other raw materials—must also be taken into account in these calculations, since—as the German economic journal points out—‘purchasing power would be refunded for something it is impossible to buy, since it has been ceded to other economies’. The journal goes on to say that if the full rate of inflation were equalized, this would automatically pave the way for further inflation. Full equalization would also run counter to efforts to limit the increase in prices of raw materials by making sparing use of them. I should just like to draw Mr Haferkamp’s attention to this idea. Perhaps we could have further discussions on this subject in the Committee on Economic and Monetary Affairs in the next few months.

One last point. In addition to all this, the Commission should consider to what extent tax incentives for capital investment could be introduced in the various countries. The reference to careful expansion in our motion for a resolution points in this direction. The Member States should incorporate into their economic policies the concept of using tax measures to encourage new investment.

Mr Haferkamp, the problems of oil and raw materials, petro-dollars and recycling do not obviate the need for a European Stability Law. I feel that such a law is in fact more necessary now than before, if we are to be able to join in solving our economic problems, which have now become even more difficult. The introduction of a European Stability Law would give a new impetus to Europe as an economic entity.

(Applause)

President. — I call Mr Cifarelli.

Mr Cifarelli. — *(I)* Mr President, I shall limit myself to making a few general remarks which I feel are essential if we really want to be a political assembly of all Europeans.

Mr President, a regular report has now become the occasion for a profound political debate. I therefore hope that the representative of the Commission will give us the elements necessary for our deliberations. This crisis is not simply cyclical—it is a completely exceptional situation, not only for the nine Member States of the Community, but also for all the industrialized and advanced countries of the free world. This is why, in this political debate, we must start from a basic fact—that even the science of economics is powerless in the face of the economic situation,

inflation and recession; the economists do not in fact know how to apply the results of their studies.

The preceding speaker brought up the problems of how to prevent unemployment, shut-downs and social hardship when every policy aimed at investment results in even greater pressure on the balance of payments.

The balance of payments is the essential factor. Whether we are speaking of industrial policy, agricultural policy or the individual policies of the Member States, the essential point to bear in mind is that we are faced with a situation which it is impossible to control or resist. Hence the need—and I hope the representative of the Commission will emphasize this—for European cooperation. There are no magic solutions; you can take any social system, provided that it is compatible with the freedom of the individual, freedom of the peoples, with democracy; the fact remains, however, that when a situation arises in which the essential raw materials—particularly fuels—become a burden in a way which depends not on the laws of supply and demand, but on political visions, political situations, pressure and blockades, any effort to change the situation by social means is doomed to failure—in other words, it must take account of realities which it is unable to control. The balance of payments situation, which is already alarming in France, Italy and the United Kingdom—and tomorrow this may also be the case even in West Germany—shows us that European cooperation is indispensable. The days are past when each of our countries could try to obtain special terms—in a precipitate, even ludicrous manner in view of the disproportionate nature of the results—by offering aircraft in return for oil, or industrial plants in return for raw materials. All this has stopped because it lacks weight—there must be firm European cooperation, firm and sincere collaboration—on an equal basis—with the United States, and a clear understanding with the countries of the other bloc—in other words, a chance for the industrialized countries to resist this unwarranted pressure and this quite unacceptable blackmail.

None of us here—and this goes for me too—is thinking of outmoded solutions; none of us believes in what journalists have sometimes written about a return to gunboat diplomacy. The world has changed, thank the Lord; we must nevertheless call a spade a spade and admit that we are faced not with a market problem—shortfalls in the supply or demand of raw materials, increasing production costs, fluctuations in market prices—but with a concerted political resolve to exert pressure on—and let us be frank—to blackmail the industrialized countries. It is

Cifarelli

clear that the answer to blackmail is not capitulation, but an intelligent policy, which may involve offering genuine and sincere cooperation, and at the same time a joint policy which is not prepared to put up with divisions or antagonisms between Member States—and least of all with moral cowardice.

Mr President, at another epoch in European history, the existence of a continental blockade led—at least in France and Italy—to the more widespread cultivation of sugar beet and to an increase in sugar production; the effect was thus not only sweet on the palate—it also increased production and hence benefited the economy. We know of no substance, however, which will sugar the bitter pill of the present situation.

I referred to what was called the 'continental blockade'. The present blockage can be described as a blockade by the oil-producing countries. The important thing is not to skate round the problems but to draw the correct consequences from them.

One further point, Mr President. Up till now, we have avoided the terrible consequences of the 1929-30 crisis when each country tried to pass the buck to the other via repeated devaluations. The result was the downfall of all. More recently—although I hope that this period has now definitely ended—there have been attempts to obtain unilateral, selfish and competitive agreements. As I have just said, however, I hope that these agreements have now been invalidated by their proven impracticability.

There is constant talk in this House of European cooperation in terms of recycling petro-dollars and of European loans. We mustn't lose any more time. I direct this remark not only to the Commission but also to ourselves, as members of national parliaments. We must realize that we are at a turning point in our civilization. While respecting—as we must—the justified demands of the countries of what is now known as the 'fourth world'—i.e. the raw materials producing countries—either we succeed in presenting a united front in the defence of our legitimate interests or we shall proceed rapidly towards the downfall of Europe and hence of our very civilization.

There is no doubt that the standard of living, the volume of consumption, the percentage growth rates and the plans made in the certainty that production would increase year by year are now jeopardized—at least as far as our countries are concerned. The only way to avoid ruin, however, is through cooperation—selfishness and cunning are no longer of any use. Mr President, I should not like future historians to record that, just as the Dark Ages were brought

about by the political collapse of the Mediterranean region when the Arab invasions broke the last links between the Eastern Roman Empire and our countries which were emerging from what had been the Western Roman Empire, the start of the present dark ages—without Christianity—had been brought about by the attacks of the Arab countries against the entire development of our society. I therefore repeat what I said above: let us respect these countries and admit the possibility of the emergence of new forces, in order to demonstrate that the free and democratic Europe is open to all. Submitting to blackmail is, however, a very different matter, and behaving like absolute idiots is equally so.

(Applause)

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, ladies and gentlemen. Allow me first of all to thank the rapporteur and to express my pleasure at the fact that the motion for a resolution and his report illustrate the agreement between our opinions—the opinions of the rapporteur, of the Committee and of the Commission—on the annual report on the economic situation in the Community.

I should also like to thank Parliament for this morning's debate. This has not been simply a debate on the economic details of a report, but one which I feel to be particularly important and necessary at this time. The economic situation is certainly difficult and it poses a large number of problems, but it is essential that—as happened this morning—our attention should go beyond the economic factors, to the possible social and political consequences of this situation not only for the individual Member States, not only for the Community, but also for the whole world.

The international aspects of this problem have been mentioned here. The emergence of a raw materials cartel and the resultant rocketing of prices are not just a matter of a few bans on Sunday driving or some restrictions in energy consumption. They mark the end of an era in which we had become accustomed to being liberal in our use of these materials and had adapted our consumption and other behaviour accordingly, and which is now giving way to another era, in which the main feature is the redistribution of goods and wealth among the different categories of countries in the world. There is no doubt that this will involve shifts from the industrialized nations to the raw materials producing countries. It was also pointed

Haferkamp

out, quite rightly, that the developing countries—which belong to neither party—may be particularly threatened.

I should like to stress something that was said here—we must not imagine that confrontation will be of any help to us. In the interests of the entire international community, the only possible solution is cooperation between all those involved—the industrialized nations, the raw materials producing countries and the developing countries. In this context, I also feel it is important for us to develop the various aspects of our Community policy accordingly.

As far as the Community is concerned, there are immediate difficulties resulting from the increased strain in the various economies. It is obvious that, with inflation ranging from 7 to 20%, many things will not be achieved within the deadlines we had planned. There is no point in having discussions and in presenting theoretical documents and timetables for the immediate introduction of the full 'snake', as long as there are such disparities between the rates of inflation. There is no point in drawing up timetables if we have not reduced these differences, if we have not meanwhile harmonized the economic and structural situations in the various countries of the Community. This can only be done if economic policy in the Community is based on a common strategy and, while taking account of the different situation in each country, is aimed at achieving the same objectives. This will not be simple. It will pose a number of problems in all Member States—more in some, less in others.

I should like to repeat a point which was made here. It is not simply a monetary problem that is involved. It is unfortunate that, in economic matters, monetary questions are often the subject of grandiose studies, headlines and intensive activity.

Important as these matters may be, it is frequently forgotten that there are economic realities behind them. I am fully aware of the problem of the petro-dollars which accumulate in vast pools of liquidity in certain places, are not available to us in the international movement of money and which, if put to the wrong use, could cause us extreme monetary difficulties. This, however, should not cause us to forget that what is actually happening is that we have to pay more for the oil, in services and goods, than before. This must be made quite clear, since that is where the real consequences arise.

It has already been said here that the additional goods and services with which we are forced to part, compared with last year or two years ago, cannot be consumed again here. Those times

are past! We must expect them to amount to about 2% of the gross national product of the Community in the near future. These goods and services are being made available to others, and they are thus not at our disposal for the further development of consumption. We must state this unpalatable truth, this hard fact quite clearly, since consequences must be drawn from it at all levels of the population and society.

The problem is further aggravated by the fact that we have to invest more, e.g. for more rapid progress in energy matters neglected up till now, that we have to invest more in order to finance the imminent structural changes affecting a number of sectors which will require new workplaces etc. These resources too cannot be consumed as in the past. These are the facts—and this leads on to the questions about social and political consequences.

I said before that the Member States are in different positions here. Some of them may cope with these problems more easily than others. Some of them will now have to admit that they have been living beyond their means for the last few years. Even before the oil crisis, some of them had balance of payments deficits and large deficits in their national budgets. I mention this because we expressed not only opinions on all these questions during the last few years, but also made quantitative proposals which were approved by the Council of Ministers, but not implemented by the national governments. That must be stated here, although I have no wish to rake up the past. If things do not change, however, it will not be possible to cope with these problems either.

We are aware of these problems facing the governments, but I am convinced that the people of our Community expect us to tell them the truth—even if it is unpleasant, and that they expect this to be accompanied by a policy which shows that we can overcome these difficulties.

I feel it can—and must—be made clear that sacrifices will be needed, but care must be taken to ensure that they are just—otherwise our peoples will not accept them. They expect action and not diagnoses of the difficulties—as, for instance, at the monetary conference in Washington, where all the difficulties were recognized but hardly anything was done to deal with them. In this action, the important thing for us in the Community is, in my view, that there should be no 'going it alone' by individual countries. If we swim separately, we shall sink separately, individually and one after the other. Our only chance is to maintain our solidarity in the Community, and for this Community to cooperate with other countries.

Haferkamp

In this connection, let me express my thanks for the way in which our American friends informed us of their programme to counteract inflation and to achieve moderate growth, which they discussed with us and which they want to implement together with us. You already know the general lines of this programme. We were informed of the details of the programme by Mr Eberle, the special envoy who visited us on behalf of President Ford, and we also had contacts before that, during the preparatory stage of this programme. It was a major fear that a country of such importance for international development as the United States might implement a strongly deflationary policy in the face of inflationary tendencies. This fear was widely felt in Community economic circles. The programme, however, is well-balanced and deliberately contains measures which, although directed against the inflationary tendencies, will nevertheless enable satisfactory growth to be achieved through selective and extremely detailed provisions.

I think this is extremely important in view of what we have to do here. Important inasmuch as it explicitly stresses international cooperation with the Community. I feel it is important to mention this in this context.

I spoke of solidarity within the Community, and it is essential to lay down some principles in this respect—principles which Mr Lange has already touched upon. Solidarity in a Community can be expected only if each country makes an effort to overcome its own difficulties. Community aid can and should be granted only under economic conditions to which the country receiving the aid must agree to adhere. The country must make an effort and must accept conditions which are in the interest of the general economic development of the Community and of stability. Adherence to these conditions must be supervised by the Community institutions.

This is nothing new. This concept of economic conditions is contained in the report on the further development of the economic and monetary union, in our proposals about the grouping of reserves and the increase in the short-term currency aid, and in our ideas about the Community loan. I regret to have to report, however, that in the last one and a half years there have been long discussions about technical questions, about a start to grouping currency reserves and about the gold price. There have been discussions on quotas, on liquidity expansion and on all manner of things. What has unfortunately not been discussed in the Council and its Committees—namely, the question of the necessary economic conditions and of help in adapting to

a Community policy—is, however, of much greater importance in getting a Community policy moving than countries discussions between economists and monetary experts. Which has priority—the monetary or the economic aspect? We must—and we can—apply this lever. I feel it is necessary to discuss these questions—both here and in the Council—and the Council should then reach a decision on them.

Let me reply to something which Mr Hougardy said regarding the energy policy. He drew attention to the difficulties in obtaining supplies of enriched uranium. This is one of the omissions of the Council of Ministers and the national governments. You may remember that the Commission put forward proposals on this question as far back as 1969. How many times have we discussed and criticized this situation! No progress has been made, however. In our overall energy policy—and Mr Hougardy was so kind as to mention that I was once responsible for it—we can see that if only a fraction of the proposals approved by this House had been accepted by the Council, the energy situation in Europe would look very different today!

I say this not because I want to rake up the past, but it is important to bear this in mind, so that the consequences are drawn from these omissions and the omissions not repeated. We in Europe cannot afford to repeat these missed opportunities for joint decisions and action. If we do so, we shall be left behind by developments. In view of the enormous difficulties, we must now cooperate and reach decisions quickly. Ladies and gentlemen, in accordance with Community procedure, the annual report on the economic situation now goes to the national parliaments along with the resolution and your report. This is one of the few matters in which a debate here in this House can be continued officially in the national parliaments. I feel the purpose of the debate on this subject in the national parliaments should be to support and promote the policy of Community solidarity. This is in the interest not only of the Community but also—quite conspicuously and obviously—in the interests of each individual Member State.

Ladies and gentlemen, I should like to thank you for the suggestions I received from you this morning. Take this European spirit with you into the national parliaments when you are discussing these questions and solving your economic, social and political problems! If we manage to do this, we shall be advancing Europe a great deal further and contributing towards a solution of these difficulties.

(Applause)

President. — I thank Mr Haferkamp.

I call Mr Bousch.

Mr Bousch, rapporteur. — (F) Mr President, ladies and gentlemen. I should like to thank briefly those colleagues who took part in the debate and kept it at an extremely high level, as Mr Haferkamp has just reminded us.

I should like to say to Mr Artzinger that though he may tend towards a moderate degree of optimism he himself points out, rightly in my view, that the excessive rise in oil prices will certainly affect the standard of living enjoyed by the citizens of Europe, and that Europeans will all have to work together in facing the situation and negotiating with the oil-producing countries, if we are to obtain any reductions in prices. My thanks are due to Mr Lange, who observed that progress has been made towards the coordination of European economic policy, but who thinks for many reasons that we have not yet overcome our difficulties and that no individual country can hope to overcome these difficulties alone.

He pointed out the need to adopt very concrete objectives for the increased tax revenue which is accompanying the present inflation, and he insisted on the need to activate the Monetary Cooperation Fund with a view to improving the distribution of wealth throughout the world. I share his conviction that the time has come to act, and no-one in this House will disagree with us on that point.

Sir Brandon Rhys Williams reminded us on behalf of the Conservative Group that we must work together with faith and conviction. I share this sentiment and I thank him, but I also hope that when we come to discussing the Articles in a few minutes he, too, will share our feelings on the need for cooperation between the Members of this House, so that the resolution adopted will not be profoundly altered by amendments which do not differ greatly in tenor, but whose nature and form would call into question the decisions reached by our Committee in the course of many difficult discussions.

I also thank Mr Hougardy, who deplored the absence of reasons in the motion, and who thanked me for partly remedying this deficiency in my statement. Mr Hougardy, for about a year and a half now there has been a tradition whereby the reasons underlying a motion are no longer explained in written form, in view of the need to keep as close as possible to the actual economic events, and to avoid writing extremely circumstantial reports which arrive too late to be of any use. We must remain at the centre of the action, so that the resolution

must be seen as a concrete expression of the wishes of this Parliament, the rapporteur's job being to analyse the situation, and of course to take account of observations made during the debate in committee.

Mr Hougardy said that we must overcome national egotisms. This is a constant cry of Members of this Parliament, but one which is unfortunately frequently forgotten as soon as we leave this House, and which is not very popular within the national parliaments.

Mr Cousté addressed a number of kind words to me, and I thank him for them. Active involvement with European problems is not always electorally very productive at the local level. Having said this, I would add that I share his justified optimism, since it is unthinkable that the industrialized countries, provided they unite and cooperate with each other, should be incapable of overcoming the present difficulties. He is right in saying that Europe must prove that it is now able to cope with the problems arising from energy supply difficulties and to exercise the necessary self-discipline.

As you say, Mr Cousté, the Economic and Monetary Union, of which we do not hear so much nowadays, is the road we must take if we are to arrive at a European Union.

I am also grateful for the contributions made by Mr Leonardi, who reminded us of the current structural difficulties, and Lord O'Hagan, who also approved the motion with a number of reservations.

Mr Schwörer expressed a certain anxiety concerning small and medium-sized undertakings which are trapped between credit restrictions on the one hand and the cost of borrowing on the other hand, and who, therefore, are no longer able to expand. In a more general context, these measures tend to reduce productive investments. I also thank Mr Schwörer for the reference he made to the need for the participation of both labour and management, and for quoting the example of a joint agreement reached in France on employment problems and compensation for workers who lose their jobs as a result of structural changes.

Mr Cifarelli said that the report encouraged serious reflection. A genuine political debate has, in fact, got under way here this morning. He is right and I thank him.

Mr Haferkamp summed up this discussion by reminding us of a fundamental truth which we should constantly bear in mind; namely, that the extra which we have to pay in the form of goods and services for our energy is no longer available for our own use. He is right, this is a hard

Bousch

fact, some people possibly find it difficult to admit, but we must ensure that all Europeans understand this fact, that they admit it and that they draw the necessary conclusions.

As for Amendment No 2 tabled by Mr Pêtre to the effect that the words 'and workers' should be inserted after the word 'goods', I should like to say to Mr Pêtre that his ideas coincide with our own; that is implicit in the text of the motion, and therefore his wish has in fact already been granted. Consequently, I should be very grateful if Mr Pêtre could withdraw his amendment. His idea is contained in the resolution, but I would not like to insist on the partial and specific measures taken by some Member States in certain recent cases which cannot be maintained in the future. For the rest, no one will disagree with Mr Pêtre.

On the other hand, as regards the amendments tabled by Sir Brandon Rhys Williams on behalf of the Conservative Group, requesting the deletion of paragraphs 8 and 9 in which the Committee on Economic and Monetary Affairs refers to the development and diversification of means of recycling capital accumulated by certain raw materials producing countries, and which support the Commission's scheme for setting up machinery for issuing Community loans on the international capital markets, on the understanding that the granting of the loans would imply for the recipients acceptance of the economic policy conditions laid down by the appropriate Community institutions, I should like to tell him that I do not feel we can accept the deletion of these two paragraphs, for two reasons. The first is that in the course of two meetings, the Committee on Economic and Monetary Affairs decided to approve a resolution in which each term had been thoroughly weighed up and discussed before being approved by a large majority. We heard everyone who had any remarks to make, and those of us who were in Rome still remember the strong views which Mr Starke expressed on this matter. We eventually agreed on this text and I do not think I am authorized to alter it.

I should like to point out to Sir Brandon that even if the Commission ought to have taken new initiatives to combat the instability on the capital markets and the balance of payments difficulties, we must not begin by opposing those initiatives which have already been proposed. If we want to support the actions of the Commission, we must first of all approve the proposals already made if we regard them as reasonable.

This is why I ask Sir Brandon Rhys Williams not to insist, after he has presented his amendment,

and not to modify the text of this resolution, in which every term has a very specific meaning. This text is the result of a great deal of work on the part of the Committee on Economic and Monetary Affairs, which was carried out with the help of our colleagues and the Chairman, and in the presence of representatives of the Commission of the European Communities.

(Applause)

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — I should like to take the opportunity of moving formally my amendments, Mr President, if I may do so, although our rapporteur has dealt at some length with the points I have sought to raise. He has not, however, had the opportunity of hearing the reasons why I feel that his texts would be improved by these amendments. I do not want to speak at length and interfere with the luncheon arrangements of honourable colleagues but, having tabled the amendments, I think that I should have the opportunity of explaining briefly what I have sought to do.

I feel that paragraph 8 of the rapporteur's text is imprecise in that it does not actually define the two serious problems—that is, the instability in capital markets and the balance of payments problems, which are separate problems. It is worth spelling this out. We should not simply assume that our readers have understood this dual problem.

Secondly, I thought it important to emphasize the role of the European institutions in tackling the problem. Simply to say that means should be developed and diversified without saying by whom is too imprecise.

If I have a criticism of my colleague's report—which I do not wish to develop at length—it is that it tends to be rather imprecise. It does not spur one to action as I think it should have done.

As regards paragraph 9 of the rapporteur's text, I have tabled amendments Nos 7(b) and 7(c) because it seems to me that there are two aspects to this matter. One is the idea that the Community should act jointly in raising loans from among the funds which are beginning to float about in this very unstable way. The second is that these funds should be put to use for the service of individual members with balance of payments problems.

There are two aspects to this, and I feel that it would have been better to have specified the link between, on the one hand, raising money as a Community and, secondly, putting it to use as individual members of the Community.

Rhys Williams

I accept, of course, the necessity for the recipients to comply with certain economic policy conditions. In phrasing Amendment 7(c), which emphasises this point, I have, of course, had the advantage of drawing on the actual words which appear in the proposal for a regulation of the Council concerning Community loans, which is before us and which we are to discuss on Friday.

I hope, therefore, that on reconsideration the rapporteur may realise that I am trying not to change the drift of his argument but simply to strengthen what he says.

I believe, though I was unfortunately not able to be present in Rome because of our election, that when the final text was settled, it was simply from a verbal amendment, so that it was never before the Committee in this form. The rapporteur must not take it amiss if I try to rephrase what he has put before us. This is not an attempt to gild the lily, but to take advantage of the fact that we have before us the specific recommendation drafted by the Commission and it is important that we should go along with the Commission as closely as possible by actually adopting its phrases. That is why I have tabled these amendments, and I hope that in the light of that explanation the rapporteur will be willing to accept them.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, ladies and gentlemen. I am sorry to have to contradict Sir Brandon. In principle, there would be no objection to the text, except that yesterday, in a discussion about the Community loans, the European Conservative Group demanded that paragraphs 8 and 9 should be deleted from the motion; today we have heard why. However, since we have been talking for more than four months now about means—including Community loans—of helping to overcome the balance of payments difficulties in some Member States, I feel this concept must be retained. The fact is, Sir Brandon, that it is not mentioned in the amended text which you propose. This would appear to indicate that you want something completely different, not to mention what is concealed by the expression 'new initiatives by the institutions of the Community'. Basically, this can mean only one thing—delaying tactics. We must act fast now as a Community, however, and it is clear for whom this is intended. It concerns the Community and the competent Community institutions, which we need not name again. In this respect, the rapporteur has my full support, and I would ask you, Sir Brandon since you were unable to follow the discussion in commit-

tee—nobody blames you for that—not to insist on introducing amendments which might raise doubts as to the value of the concepts expressed in paragraphs 8 and 9. There was never the slightest difference of opinion in the Committee discussions on the concept of Community loans or on the need for them. The discussion on paragraph 9 centred only on a few other formulations which I shall not consider in detail here.

Ladies and gentlemen, I should therefore be grateful if—assuming Sir Brandon does not withdraw his amendment—you would reject it in order to retain the sense of what we wanted.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — I hasten to correct an impression that my Chairman seems to have that the reason for these amendments is that we are in some way hostile to the rapporteur's original paragraphs 8 and 9. Our intention is the reverse. It is because we want action to be more specific, more immediate and more positive. We are also trying to align the texts of the motion more closely with the text from the Commission that is now before us. That is why I have adopted its phrases in Amendments 7 (b) and 7 (c).

If the impression has been given that for some reason we are trying to hold back on the issue of Community loans, I should like that impression to be entirely eradicated. If it will help matters and bring a satisfactory conclusion to our debate, I shall be happy to withdraw the amendments, although it would be a pity to lose the opportunity to be more specific, more positive and more immediate. That is our intention. Any misunderstanding may be some fault of mine, or conceivably there may be some misinterpretation arising from the translation. I do not want the Chairman to get the impression that these are intended as wrecking amendments. On the contrary, they are intended to be more positive, and that is the spirit in which I have moved them.

However, if the rapporteur still resists them, and I see from his gestures that he does not wish to accede to them, I shall ask the permission of my colleagues to withdraw the amendments.

President. — I call Mr Lange.

Mr Lange. — (D) Mr President, I am grateful to Sir Brandon Rhys Williams for this interpretation, but my gratitude is accompanied by a request for him to withdraw his amendment, as we shall be getting his report on an efficient

Lange

capital market in any case. I feel this report will have space for all the things he is now trying to rush through here. I think detailed discussions will be necessary on this matter. Sir Brandon, you will have an opportunity then, in your report, of proposing anything you feel necessary. I should therefore be grateful if we could now agree to withdraw the amendment, so that the report can be passed in its original form.

President. — I call Mr Pêtre.

Mr Pêtre. — (*F*) Mr President, may I have your permission to reply to Mr Bousch concerning the amendment tabled by me. All our colleagues are, I think, convinced that we must pay attention to the social aspects of the economic and monetary policy. This is, in fact, obvious since the Treaties of Paris and Rome refer to free movement of capital, goods and workers. We members of the Christian-Democratic Group are astonished—we even thought this must have been an oversight—that the protection of workers should be omitted when planning measures aimed at protecting the movement of capital and goods. It must be admitted that, in the nine countries of the Community, foreign workers are always the first to be dismissed when unemployment comes as a result of economic crisis.

Mr Bousch, I am glad that you said that free movement of workers was implicit in your motion for a resolution. But if you re-read the twelve paragraphs of the motion for a resolution, you will see that there is not a single mention of protection of workers. May I, therefore, request that you reconsider your answer?

The Christian-Democratic Group strongly urges you to include in paragraph 6 this idea which, as you repeated a few moments ago, you share. Our amendment merely asks that the paragraph should read as follows:

'reiterate its appeal to Member States to avoid taking any action which may jeopardize the free movement of goods *and workers* within the Community or obstruct trade with third countries'.

President. — I call Mr Bousch.

Mr Bousch. — (*F*) Mr President, I should like to assure Mr Pêtre of how much I share his concern; there is no need for me to remind him of this as we worked together for many years before he left us for more important duties in the Committee on Social Affairs and Employment. But, Mr Pêtre, I should like to say that,

when we speak about obstructing trade with third countries, we are thinking above all about obstructions resulting from imports from third countries, carried out under abnormal conditions. This is quite a different problem from that of workers, which I did not want to bring up within the present resolution. This is why I should like Mr Pêtre to withdraw his amendment: men should not be put on the same footing as goods which, in this case, are the cause of the obstructions which this paragraph is aimed at combating.

President. — I call Mr Pêtre.

Mr Pêtre. — (*F*) I thank Mr Bousch for his answer, but I shall maintain my amendment.

President. — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

On paragraphs 1 to 5 I have no amendments nor speakers listed.

I put these texts to the vote.

Paragraphs 1 to 5 are adopted.

On paragraph 6 I have Amendment No 2 tabled by Mr Prêtre on behalf of the Christian-Democratic Group and worded as follows:

'Paragraph 6 to read as follows:

'6. reiterates its appeal to Member States to avoid taking any action which may jeopardize the free movement of goods *and workers* within the Community or obstruct trade with third countries;'

I put Amendment No 2 to the vote.

Amendment No 2 is adopted.

I put paragraph 6 so amended to the vote.

Paragraph 6 is adopted.

I remind the house that Sir Brandon Rhys Williams has just withdrawn his Amendment No 1 which was worded as follows:

'Delete paragraphs 8 and 9.

After paragraph 7, insert the following three new paragraphs:

7a. considers that new initiatives are needed by the Institutions of the Community to overcome the instability in the capital markets and the balance of payments difficulties of Member States resulting from the rises in the prices of imported raw materials and the consequent accumulation of funds which cannot immediately be absorbed in current trade;

President

7b. welcomes the proposal that the Community should undertake a series of operations to raise funds wherewith to assist Member States which need to redress their balances of payments;

7c. endorses the recommendation that a Member State making use of such Community funds should be required to adopt economic policy measures designed to bring its balance of payments position into equilibrium;'

On paragraphs 7 to 13 I have no amendments or speakers listed.

I put these texts to the vote.

Paragraphs 7 to 13 are adopted.

I put to the vote the motion for a resolution as a whole incorporating the amendment which has been adopted.

The resolution as a whole is adopted.¹

6. Membership of Committees

President. — I have received a request from the Christian-Democratic Group that Mr Boano should be appointed a member of the delegation to the Joint Parliamentary Committee of the EEC-Greece Association, to replace Mr Vandewiele, and that Mr Vandewiele should be appointed as member of the delegation to the Joint Parliamentary Committee of the EEC-Turkey Association, to replace Mr Boano.

Are there any objections?

These appointments are ratified.

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

The House will rise.

(The sitting was suspended at 1.10 p.m. and resumed at 3.00 p.m.)

IN THE CHAIR: MR COUSTÉ

Vice-President

President. — The sitting is resumed.

7. Commission communication on problems of the pulp, paper and paperboard industry

President. — The next item on the agenda is the discussion of the first report drawn up by

Mr Nørgaard on behalf of the Committee on Economic and Monetary Affairs on the communication from the Commission of the European Communities to the Council (Doc. 48/74) on the problems of the pulp, paper and paperboard industry.

I call Mr Nørgaard who has asked to present his report.

Mr Nørgaard, rapporteur. — (DK) Mr President, I am pleased to be able to submit a first report drawn up on behalf of the Committee on Economic and Monetary Affairs, which has adopted it unanimously, and to tell you that the Socialist Group is also in full agreement with its contents and with the comments which I shall now be making on behalf of the Committee.

The Commission has produced a communication on the situation in the paper industry. It contains an analysis which in our opinion provides a sound basis for assessing the current state of paper production in the Community.

According to the communication from the Commission the general situation in the paper industry is that we find ourselves in a period of rising demand for paper, while we are at the same time faced with a worldwide shortage of timber, which will get worse in the 1980's. In addition, the countries supplying wood pulp are increasingly keen to process their raw materials themselves. In other words the position of the Community's paper industry is deteriorating from year to year. Its basic characteristic is a large number of small firms producing in an uneconomic manner. The supply of raw materials, particularly wood pulp, is very inadequate in comparison with production and requirements, and the firms dependent on raw materials are unsuitably organized and too small. There is no proper collaboration between the various links in the production chain. Unless some kind of industrial policy is pursued in this sector the situation will probably become even more serious, with a risk that supplies will be so restricted that the processing industry will be unable to survive, and that costs—and thus paper prices—will be so high that a section of the industry and the enterprises based on it will have to retrench or close down completely.

Against this background the Committee on Economic and Monetary Affairs is of the opinion that a mere definition of the situation, which is practically all the Commission has provided, is not enough. We feel that it is not enough simply to offer a communication on the paper situation. The Committee on Economic and Monetary Affairs considers that the Commission should have gone further and formulated concrete proposals for action.

¹ OJ No C 140 of 13 November 1974.

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We call upon the Commission, since the need is for the formulation of a proposal for an industrial policy within the paper sector, to lay stress on safeguarding our future supplies of raw materials. This can be done in two ways within the Community itself. Firstly, wood pulp production can be stepped up—and here a proposal for the expansion of timber production does indeed exist in the form of the Forestry Directive. However, the Committee on Economic and Monetary Affairs considers that the long-term aim of increasing timber production is not enough in itself. We must also look for alternative raw materials, including straw and other basic products, and the Committee also believes that we and our research teams should concentrate on finding suitable methods for recycling paper.

We consider it neither desirable nor feasible to aim at becoming self-sufficient in this sector, and we must assume that the Community will continue to be dependent on foreign suppliers.

Now the Community has special agreements with the EFTA countries, including Sweden, Norway and Finland, which are major producers of wood pulp and the principal suppliers of this product to the Community. We therefore recommend that when renewing these agreements with these countries the Community should endeavour to obtain the same facilities as these countries' own paper industries have. In other words, when we extend the agreements with these countries we must ensure that the contracts include promises from Sweden, Norway and Finland to put the Community's paper processing industry on an equal footing with their own industries, for there is a growing trend among the raw materials producing countries to supply their own processing industries, i.e. to keep their raw materials for processing in their own countries.

Since, regardless of our efforts within the Community, we cannot expect to achieve a higher degree of self-sufficiency but can only hope to maintain the present level of supplies, it is extremely important—and this has also been stressed by the Committee on External Economic Relations—to have included in the agreements with those countries with which we have such supply contracts a clause to the effect that the Community will be granted the same favourable conditions as are enjoyed by domestic producers in those countries.

It is also possible, and may be necessary, to include similar stipulations in future agreements with countries outside EFTA, for example Canada. Meanwhile there is another problem which is aggravating the paper supply situation in the Community, namely the problem of

measures to combat pollution. In this Parliament, and in the committees dealing with these questions, we are faced with the situation that the Commission has so far not formulated a proposal for pollution control measures as part of its industrial environmental policy. This led to a discussion in the Committee on Economic and Monetary Affairs as to whether we should postpone our report on the paper industry, or whether we should produce a report in which we drew the Commission's attention to its failure to supply any proposals for combating pollution, and to the fact that we must therefore reserve the right to return to this question.

We chose to submit this report and afterwards decided to produce a new report as soon as we had been informed of the Commission's proposals on pollution. But there is a clear connection between the structural proposal which the Commission should be advised to formulate, and the proposal we still await concerning pollution control measures.

The fact of the matter is that paper mills are among the factories producing the heaviest pollution, especially of water, so it is essential that the Community's policy with regard to the paper industry should decide whether the 'polluter pays' principle is applied up to the hilt, or whether the Commission has proposals to introduce exceptions to this rule, e.g. in the paper-manufacturing sector. Without knowing the Commission's proposals—which incidentally we would ask the Commission to produce as rapidly as possible—it is the general view in the Committee on Economic and Monetary Affairs that the most suitable course would be not to grant the paper industry special exemptions from the 'polluter pays' principle, but with this as the backcloth to produce proposals for special measures to ensure a structural reorganization of the Community paper industry.

When we realize that our paper mills, even before they are exceptionally required to pay extra for pollution control measures, are not usually able to compete with the large Norwegian, Swedish, Finnish or Canadian concerns, and when we realize that anti-pollution proposals can lead to further costs, it is imperative to encourage the paper industry to alter its structure towards larger and more rationally managed units.

This applies to all parts of the production process, as it must also be recognized that the way in which raw materials are procured is far too inefficient, and based on too small units which have no cooperative, collective or other form of joint venture for organizing these supplies. In our opinion, therefore, all sectors of the industry,

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right down to the supply of raw materials, even where this involves recycling used raw materials or finished products, must apply economies of scale; this is particularly true of paper manufacture itself, which must be effected in larger units.

Throughout the nine countries of the Community at the present time the paper industry is being subsidized either openly or 'under the counter'. We do not know the extent of this aid. We have noted that the Commission is aware that various types of aid are being given, and this is indeed mentioned in the Commission's communication. But as with other Community sectors, there should be harmonization of the normal support regulations, and we therefore recommend, as we shall also do tomorrow when we shall be discussing competition policy, that the Commission should make greater efforts to obtain information from the Member States about the aid measures currently in force, and have it published. We do not believe there is any sense in keeping national aid measures secret.

As a Member of the Danish Parliament I remember that we had great difficulty in obtaining data about national aid measures which had been introduced in the horticultural industry, for it was maintained that the Commission was bound to secrecy on these matters. I find it quite absurd that there should be a secrecy obligation in respect of surveys of nationally administered aid measures. These should take place openly, and we consider that certain rules should be introduced to determine how far one can go in this respect. We call on the Commission to prepare in the shortest possible time a directive to serve as a framework for structural reform measures.

As I said, we wish to see the Commission work out these rules in the form of a structural directive. We are well aware that at the present time it is the Commission's prerogative to look after these matters. Nonetheless, I feel that it is very important that the Council, which is responsible for what happens in the various Member States, should realize that this is one sector in which a tight rein should be kept on the various Member States, for I am convinced that unless they are told this now we run the risk of the same thing happening in this sector as happened in the horticultural sector. Paper prices can soar just as rapidly as oil prices have done, thus obviously paving the way to national aid measures.

We consider that there are solid reasons for the Community to introduce joint research programmes, since there are a whole series of unresearched sectors in this branch of industry.

Research is needed into more suitable methods of acquiring the necessary raw materials, primarily by the traditional methods based on forestry. Given the small forest stands in the Community, it is important to start research into methods of producing wood pulp more efficiently and using different machinery than that employed in countries with much larger stands and more intensive exploitation.

We would also like an investigation into what methods of cooperation and distribution would enable forestry, the traditional source of raw materials, to ensure a continuous supply to the paper industry. But in addition, we want to see more intensive research on alternative raw materials and the recycling of paper, since we believe that if efforts are made in this field considerable economic gains can be made. It will be possible to save millions of units of account daily if we can discover methods of production, distribution and re-use which are better suited to our requirements than those currently applied.

We in the Committee on Economic and Monetary Affairs also consider that it would be desirable to create more stable market conditions both for recycled paper and for alternative raw materials. The fact is that in these two sectors prices fluctuate so much that it is not possible to adapt the replacement production suitably, e.g. with straw as a replacement product or with the recycling of used paper, since production virtually comes to a standstill when prices fall below a certain level; when the prices climb above a certain threshold production starts up again.

In conclusion, I would just like to state that I have observed that the amendment which we agreed on in Rome to the text in this report dealing with the opinions from the various other committees, in which the President is also involved, has not been made. I regret this and would ask that this text be corrected to bring it into line with what was agreed among the various committees in Rome. I hope the officials concerned will do this as quickly as possible, so that we shall not have to discuss this kind of technical detail today.

I hope that the House will accept the unanimous opinion of the Committee on Economic and Monetary Affairs, and I would ask you to give your approval to the principles formulated here.

(Applause)

President. — I call Mr Helveg Petersen.

Mr Helveg Petersen, *draftsman of the opinion of the Committee on Public Health and the*

Helveg Petersen

Environment. — (DK) Mr President, on behalf of the Committee on Public Health and the Environment I should like to make a few comments on the opinion we have drafted. The Committee on Public Health and the Environment is strongly in favour of any measures aimed at afforestation of farmland and uncultivated land, and we wish to emphasize here the environmental considerations which make this desirable.

We suggest that effort should be made to limit the risk of forest fires, in which far too much valuable property is lost. Research must be carried out into ways of reducing risks and this work will serve as a basis for effective planning.

As Mr Nørgaard pointed out, the pollution caused by the paper manufacturing industry is of alarming dimensions. Some 20% of the pollution of our waters can be traced to the paper mills, and I share Mr Nørgaard's dismay that the Commission has not yet issued a directive on what should be done in this sector. The Committee on Public Health and the Environment, too, urges rapid action here.

Our Committee, however, also wishes to stress that it is not only the manufacture of paper which causes pollution. The dyes contained in waste paper are also responsible for considerable pollution, and the Committee believes that this problem should be given special attention.

We believe that there must be restrictions on the use of coloured paper containing toxic substances which are difficult to break down.

Mr President, the principle that 'the polluter pays' referred to by Mr Nørgaard is indeed generally accepted nowadays. But I would point out that the Committee on Public Health and the Environment agrees with the Commission that exceptions to this principle may be permitted, even though we recognize the risks involved. Our reason for considering, on balance, that exceptions are necessary is simply that the cost of pollution control measures is so enormously high. If we insist that the 'polluter pays' principle should be upheld at all costs we can be certain that many small and medium-sized mills will have to close down. We should not forget that only 30% of paper mills have an annual capacity in excess of 100 000 tonnes and that moreover many of them are unfavourably located and without modern equipment.

As Mr Nørgaard also pointed out, there is very little integration between the paper production sector and the semi-manufactures sector. This does not mean that we do not share the view put forward by Mr Nørgaard and so warmly supported by the Committee on Economic and Monetary Affairs that there should be rationa-

lization of production. We are all in favour of a structural reorganization and modernization of the industry.

We also fully support the idea that the Commission should try to coordinate research programmes on methods of using new types of timber, production processes as such, and the recycling of waste paper. We consider that this last point must be given a high priority in the research programmes. We agree that the important thing is to achieve cooperation among the research institutions across the national frontiers.

Mr President, I have one final comment—and in this I am also speaking on behalf of the Liberal and Allies Group—and this concerns the duty of the Member States to cooperate on saving paper and cutting down consumption. There are ways and means. When we see the stream of papers and documents which are dispatched in our countries—and the public authorities have a heavy responsibility in this respect—we have to admit that this is a sector in which we could perhaps take an interest. I also believe that we should take a closer look at the Community institutions where there is certainly no lack of paper and documents, and perhaps we should make a determined effort to cut down on the amount of paper consumed in the Community institutions. Even if this does not seem very much when compared with the overall consumption it would set a good example.

I am convinced, Mr President, that in the near future we shall be increasingly confronted in our various countries with the problems arising from the high prices of paper. This is true for newspapers and periodicals alike, which form part of our information policy. In the final analysis, our whole cultural development will be affected. There will certainly be plenty of problems for us to deal with in the period.

(Applause)

President. — Since I am in the Chair I cannot take part in the debate, and I would thus ask you to refer to the written opinion which I drafted on behalf of the Committee on External Economic Relations.

I call Mr Normanton on behalf of the European Conservative Group.

Mr Normanton. — On behalf of the European Conservative Group, I extend to Mr Nørgaard a general and sincere welcome for the proposals contained in his report. We feel that it spells out a realistic approach to the many and developing problems which face this particular section of industry, i.e., paper and board manufacture. We feel that the proposals for

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restructuring, particularly those contained in Article 16 on page 13, are highly realistic and attainable.

Secondly, Mr Nørgaard has in his report dealt with a number of the problems facing the paper and board-making industry arising out of the growing shortage of raw material. There can be no doubt that as a consuming area of the world we must recognize that there will be a continuous and increasing shortage of timber as a source of pulp in the form in which we in the West have been accustomed to dealing with it.

In this connection, I should like to suggest to the Commission that they should consider having discussions with Canada in particular as to ways in which chips and sawdust might be the subject of a long-term agreement between the producers of this material—sawdust and chips, which is currently going to waste because of the estimated high cost of transporting it—and interests in Europe, which, I am convinced, would be happy to work with the Community to see whether plants could be established here in Europe for processing it into pulp and, therefore, into usable paper of various qualities appropriate to this source of supply, a source which, as I have said, is currently not being used and, indeed, in the world generally is being wasted.

My third point relates to straw. Mr Nørgaard has mentioned this as being undervalued by the Commission—and quite rightly when many of us look across the agricultural areas in our respective countries and see the way in which the use of highly-mechanized harvesting equipment produces a massive quantity of this straw, which currently is disposed of only by being burned on site. It does not do any good to the ground on which it is burned. It is a destruction of a potentially worthwhile raw material which should and, I believe, could be used to greater advantage in paper and board manufacturing.

I think we should be ill advised to ignore the extent to which chemically-formulated materials are being and will continue to be used in the production of packaging materials in general and in other products of the paper and board manufacturing industry. In this connection we should certainly not ignore the fact that a considerable part of the textile industry still draws its basic raw material from the same sources as the paper and board manufacturing industry. I am referring to those synthetic fibres which are formulated chemically.

Fourthly, I must make a brief comment on the subject of pollution. There are two areas in which Parliament and the Commission should

be constantly on the alert. Parliament has constantly borne in mind and accepted in principle the idea that the polluter must pay. This is the basis upon which future industry should be established. It would be totally unrealistic and indeed impossible for the existing paper and board production plants, from their own resources, to bring themselves up to the necessarily high standards of non-pollution that form the basis of the European Community's principle that the polluter should pay.

In this connection, therefore, I earnestly hope that the Commission will take all reasonable steps to give such assistance as it finds possible to stimulate the diminution of pollution in the process of paper-making. Perhaps a period of five or even ten years, will be required before the existing manufacturing plants have attained that high standard.

But when I refer to pollution I am not thinking only of the processing and manufacturing of paper and paper board. We should be very ill advised to overlook the extent to which pollution occurs in the salvage and destruction of paper products. Greater attention should be given to the many difficulties that arise in disposing of these products if we are to eliminate harmful effects on the environment.

A moment ago I mentioned the increase that I am sure we shall see developing in chemically-formulated products in the field of paper and packaging. An inter-connected problem with these products is mentioned in the Commission's proposals and we should certainly give due regard to it.

There are two points that I should like briefly to make. One is the great dilemma facing a free society. As politicians, we are acutely aware of the great difficulties facing newspaper publishers and printers throughout the European Community, a difficulty that arises from the phenomenally high cost of newsprint, their basic raw material. I am not suggesting, and I would be the last to do so, that the Community or the national governments should enter into arrangements to insulate newspapers from the rising costs of these materials, but we should be ill-advised to ignore the threat to the freedom of the society in which we believe, posed by the growing financial strains upon the newspaper industry.

Finally, it is not inappropriate to refer to the growing profligacy, throughout the world in general and perhaps in Europe in particular, with which we consume and waste the products of the paper and board-making industry. This is in no way different from the way in which we in the West waste other basic raw materials

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that are increasingly in short supply. I refer particularly to oil and other fuels which we take for granted as being expendable.

I earnestly suggest that the Commission should consider ways in which the high cost of this profligacy in the use of paper products could be brought to the attention of the consumer. If we continue the current waste, we shall create a still greater problem for the future. We are building up an increasingly difficult supply position, and so long as the paper and board industry depends on the natural products grown in our forests and fields, that supply position is bound one day to catch up with industrial society.

In these terms I strongly commend to Parliament Mr Nørgaard's report.

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

Mr Liogier. — (*F*) Mr President, fellow Members, we consider that this communication by the Commission of the European Communities to the Council on the problems of the pulp, paper and paperboard industry provides an excellent analysis of the present situation. However, given the difficult situation prevailing in this sector, we find it regrettable that the proposals presented are not more precise. The Commission has simply listed the problems, without really getting to the root of them, and this has led to a certain uneasiness in the Committee on Economic and Monetary Affairs, which is often faced with problems of a purely technical nature. It would perhaps have been more useful, given the current worldwide shortage of raw materials, and of pulp, paper and board in particular, to put forward proposals which were more directly constructive.

At the present time, the difficulties we feared have indeed materialized. Without going into details we many say that there is a shortage of timber and a shortage of pulp, resulting in a considerable and corresponding increase in the prices of these products: 100% in the case of timber and 50% in the case of pulp.

As a result, the papermaking capacity of the large producer countries is expanding so that both Scandinavia and North America could have excellent prospects for competing in Europe which is still their principal market. In the light of this situation, it would appear desirable for Community measures to concentrate on specific items, which were in fact listed in the communication, such as the development of forestry resources, nuisance control, protection of the environment, recycling of waste paper, research and the restructuring of commercial policy.

Generally speaking, the Community's concern should be to replace the protection of pulp and paper with a policy capable of standing up to competition in the future. There are two great problems here, which are in fact related. They are the question of supplies and the structural reorganization of our undertakings.

As regards the first point, the Community is far from meeting all its supply requirements from its own sources. However, with imports of raw materials representing a heavy deficit item in our balances of payments at the present time, we should consider giving priority to developing our national resources. Thus, for example, France has for more than fifteen years upheld the idea of a pulp and paper industry based on its own national forests. The view of my country is that our timber resources permit the creation of a true national forest, the source of a raw material which renews itself and makes a considerable contribution to the general quality of life. This forest would help the pulp industry to expand, which would make the papermaking industry less dependent on its foreign suppliers who are at the same time its competitors in paper and paperboard.

The developments observed in France show that this view is tenable since the pulp industry which, in my country, produces 2 million tonnes, is the leading pulp industry in the Common Market and supplies some 60% of the paper industry's needs. Our neighbours in Europe are unfortunately less well-off here and have to draw more extensively on imports to cover their own consumption.

In this context we welcomed the Commission's draft directive designed to encourage silviculture. We did not think, however, that the Commission draft went far enough as regards expanding the Community's forests. In effect, it seemed to us that the underlying idea of the Commission draft was an afforestation policy designed above all to restructure agriculture. This, in our view, should not be the main objective, and it was for this reason that we abstained when the directive was put to the vote. The Commission's forestry objectives were thus a long-term answer, much too far ahead, to the present-day problems of the pulp, paper and paperboard industry. Besides, the aim was not to tailor financial resources to the requirements of the pulp industry alone.

Other means of supply must be sought, notably via the recycling of waste paper. This, admittedly, causes a fair amount of pollution, and technical improvements will have to be made.

Nevertheless, it is an important method which meets a large proportion of needs, in Great Britain for example, although it can only be used for certain types of paper.

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Apart from this, alternative raw materials should be sought under a research programme which we urge the Commission to begin immediately, both for consumption and production. Broom fibre, which is found throughout the Community and costs virtually nothing, might be one alternative raw material. It has already been used to good effect in times of difficulty, and we are surprised that research on it has not been taken further.

Whatever the case, we shall not be able to do without the non-Community countries. It will, however, be necessary to make a new and far more satisfactory distribution of work here. Thus, the association agreements with the Scandinavian members of EFTA and future trade agreements, particularly with Canada, should insist on strict adherence to the rules on competition. Thus the production methods used by undertakings in these countries would have to include the anti-pollution systems which we ourselves shall certainly include in our own manufacturing processes.

The pulp industry is indeed a source of water pollution. Obviously large concerns, particularly those in Scandinavia, are better equipped to include expenditure on extensive pollution control system in their prime costs.

Up till now, a number of European countries have been tempted to help their industries, often infringing the Treaty in doing so. Aid of this kind is naturally discriminatory, and must be replaced by a dynamic credit policy pursued by the Community institutions themselves.

The credit programme envisaged would take the form of interest credits under Article 92 of the Treaty and a programme of loans forming part of a dynamic regional policy.

Certainly a fair number of undertakings might suffer if policies of national aid were abandoned, particularly those which would not appear to be viable in the long term. These undertakings are also particularly affected by the current economic climate, because they are unable to keep their prices down. This is a structural question which the Commission should resolve by encouraging Member States to develop a policy of selective credits.

Measures should be introduced quickly to prevent Member States from being inundated by requests for aid of all kinds which would, in the final analysis, be quite simply lifebelts and not aids to reorganization. The example of agriculture should serve to remind us of the evils of poor estimates and the failure to take prompt decisions.

But I should also, in conclusion, like to mention another question which you may perhaps con-

sider marginal but which is nevertheless of some importance. This is the extravagant waste of paper in every field, particularly that of communication in its various written forms, which must include huge and monstrous reports, monstrous because they are vastly overgrown and far too voluminous. In an effort to say everything, expressing every nuance, every opinion, rightly and sometimes wrongly, people get bogged down in their own verbosity and the only way to get to the heart of the matter is by ignoring the frills. It is the very opposite of the spirit of conciseness. We are reminded of Shakespeare's words in 'Macbeth': 'Full of sound and fury, signifying nothing'.

Ladies and gentlemen, I am sure you will at some time have been present when a businessman's mail was being opened and you yourself sort out your own parliamentary mail every day, including that which comes from the European Parliament, which is up there with the best of them, at least as far as quantity is concerned.

Let us be frank: most of it will be consigned to the waste paper basket which gets bigger and bigger all the time, and it is all the more understandable that a whole army of trained and competent secretaries is necessary to separate the wheat from the chaff just as a whole band of people was necessary earlier to prepare the texts presented.

If the current paper crisis did induce us to make a necessary reduction in what we put on paper, there would be more than just a negative side to this. But I very much fear that here, as elsewhere, a positive result will only be achieved by the imposition of constraint and the introduction of strict directives or regulations which are certainly necessary but which, we hope, will at least be as clear as they are concise.

Constraint, in effect, should not only be imposed in our verbal utterances during plenary sittings, which are ruthlessly cut short by the President's gavel, thus preventing the luckless speaker who has overstepped his speaking time by a few seconds stating his conclusion, which may sometimes be interesting...

President. — I call Mr Spinelli.

Mr Spinelli, Member of the Commission of the European Communities. — (I) Mr President, I should like first of all to thank Mr Nørgaard, Mr Petersen and yourself on behalf of the Commission for your contributions on the subject under discussion. The Commission quite deliberately did not choose to open this debate with a series of proposals but simply with a communication designed to define the field we are

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dealing with, clearing away problems which are not really problems, in other words establishing what possibilities for action are open to us. This is in fact a preliminary debate which will allow the Commission, once the material has been examined by Parliament and the Council, to put forward suitable proposals, in the knowledge that there is at least partial agreement on the features of the problem. It was thus inevitable that a whole series of subjects should first be put forward, some of which may be dropped as we go along and perhaps replaced by others.

As regards the paper industry, which all of you recognize as a crisis-bound industry, there have been—and still are—quite a few misunderstandings. The main point emerging from today's debate has been the need to realize that in our wasteful society—a society which in the past has squandered disgraceful amounts of paper—this product plays an important part.

If we consider all the fancy packaging which involves huge wastage of paper, all the blank pages in books, the ease with which we make a note on a piece of paper and then throw it away; if we consider the excessive number of newspapers we are now accustomed to, obviously we must realize that we are in a situation in which the first error to be rectified is precisely this excessive use and waste of paper.

Over-consumption of this kind, let us have no illusions about it, can be gradually and effectively restricted in one way and one way only, by providing for a future increase in the cost of paper. This will in fact force a growing number of marginal sectors to economize on their use of paper. This is one, but not the only element to be taken into consideration. The problem of the paper manufacturing industry, dealt with by all of the speakers and also by the rapporteur, in turn raises the question of supplies in answer to what the Commission has said, together with the authors of the report and other opinions—namely that it is necessary to increase the amount of woodland area in the Community, thus increasing its available timber stands, and to make better use of recycled waste paper.

Each of these measures will require different action: in the first case, reforestation or aid to increase timber production, in the second case, the collection and recycling of waste paper.

Naturally, neither the individual Member States nor the Commission can take on the task of collecting waste paper. All we can do is point out to local authorities and producers that this is a sector which could be developed to ensure better use of this product. For the rest, there will be a spontaneous and relatively smooth expansion of this sector as soon as the value of

paper rises. But even if we consider the possibility of providing for a level of internal Community supplies higher than the present level, the fact remains that a considerable and near enough constant proportion of supplies to the papermaking industry will continue to come from outside the Community.

For precisely this reason the Community has taken a whole series of protective measures with the Associated States and the EFTA countries and has decided, as regards the paper sector, that customs barriers will be reduced and abolished over a period of eleven rather than five years, i.e., more than twice as long as that planned for the other industrial sectors.

It is also clear that in our contacts with Canada and other countries we shall try as far as possible to see that these markets are kept open. The industry could also be encouraged to acquire forest outside the Community in order to acquire ownership of the raw material, but as in the case of other industries, we must expect in this sector too that if the use of paper and its production increase, producers of the raw material will tend more and more to produce paper pulp and at least the commonest grades of paper close to the place where the raw material is produced.

This is a process which is under way for all the principal raw materials, and it would be strange if the same thing did not apply to paper. We must thus accept that it may be more convenient in future to import considerable quantities of paper produced outside the Community, instead of producing it within the Community itself. This will certainly involve foreign exchange difficulties, but then any imports create foreign exchange difficulties. These have simply to be balanced by exports in other sectors. In fact, if a remedy were to be sought by reducing imports of this kind, we should end up with a self-sufficient economy, which would in essence mean a poor economy.

I do not think this means that the papermaking industry is doomed to disappear from the Community, because there will always be grades of paper which it is more convenient to go on producing directly. Apart from the question of supplies, and in addition to this, there is also the question of research. Various speakers have urged the Community to undertake research to improve paper production. The motion for a resolution also mentions the possibility of setting up a fund for research in this sector. I certainly agree that if the Community were to carry out basic research on paper it would be only fair to have a fund to subsidize this research. However, if we consider the priorities existing in the field of research and the fact that only some of these priorities are important to all the Com-

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munity countries, I do not think it would be very realistic to ask the Community to undertake the bulk of research in this field.

It would be very easy for me to say that I agree and that we shall be putting forward a proposal on this subject. However, you will understand that a proposal of this kind, given the effort it takes for the Community to impose its will and its own capacity for action in a number of important sectors, would have virtually no chance of being taken into consideration. This does not mean that there are no problems regarding research. They are, however, largely problems which can be tackled by the industries themselves and possibly by their professional organizations, in cases where the individual industries are too small to tackle them themselves. All industries face this problem, and it could thus be strange if the papermaking industry were unable to solve it.

As regards the problem of pollution, I note that all the speakers are largely in agreement with the 'polluter pays' principle. Our reason for not yet having put forward this proposal is this. Having decided on the exact formulation of the principle which, technically speaking, caused no difficulties, we were faced with the general problem—which does not apply only to paper—of deciding on the scope of the principle, i.e., the question of exceptions. The Commission is preparing a guideline on the limits within which exceptions to the 'polluter pays' principle should and can be accepted.

This guideline will also be laid before Parliament. It seemed expedient to open a general debate on the criteria to be used as the basis for possible exceptions or limits, rather than to present a particular argument for this or that industry when neither the Commission as proposer, nor you who are required to discuss it, nor the Council which has to approve it knows where the rule ends and the exceptions begin, with the consequent risk of depriving the stated principle of all meaning. This is the practical reason for the delay in submitting this regulation.

Today's speakers, the report and the motion for a resolution all quite rightly deal with the problem of the attitude to be adopted on the aids given or to be given to the paper industry, and the need for these to be subject to certain common regulations and not simply be national aids which vary among themselves or are directly conflicting. I also accept that the Commission should develop and update its forecasts so that we can have an exact evaluation of the situation.

We now come to the crucial problem of the need for and effective scope of a policy for the structural reorganization of this industry. A policy of this kind must not confine itself to pinpointing the defects and hoping that they will be eliminated, but must work towards greater concentration and greater efficiency by laying down, for example, that the industry will receive certain aids at some periods but not at others and, more generally, by preparing a body of concrete and active measures which will enable the industry to readapt.

The difficulties currently being experienced in this sector are general in character, whereas in the past such difficulties appeared in a sporadic and casual fashion. It is likely that in the near future an ever-increasing number of companies will be overwhelmed by economic difficulties which will certainly have serious consequences for employment.

The situation is also marked by recurring changes in price ratios between one industry and the next, and between one product and the next.

As far as costs are concerned, in fact, a number of industries have to take account of a system of prices which is different from that applying in the past. This obviously leads to considerable problems of reorganization, sometimes requiring expansion, but even more often cutting back of production. It also appears that in an increasing number of industries the competitive position of the non-Community industries is improving, and this will prompt a division, a work distribution which is different from that of the past.

The crisis surrounding the paper industry is just one case among many. I now, in my capacity as Member of the Commission with responsibility for industrial policy, intend to put proposals to the Commission (if the Commission agrees, I shall put them to Parliament) regarding the expediency of not confining ourselves to one particular sector, but of giving the Community the power to set a number of large-scale objectives for the reorganization of its industries, and to the same end, the budgetary and reporting powers which will allow the Community to work out general guidelines which are not restricted to the paper industry, the shipbuilding industry or any other industry. Without this kind of guideline it would be very hard to imagine any kind of overview of the industrial field. This approach should make it possible to decide which sectors—probably the majority—should be left open to free competition, which should be given suitable forms of temporary assistance and which will have to be wound up, reduced or reorganized. Only a general view of the situation will enable us to say whether

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the paper industry, with its particular place in the whole, does or does not deserve some kind of protection, some kind of aid.

We must resolve to follow the programme we have referred to, otherwise there is no point in talking about industrial policy. Only with this kind of overall view will we be in a position to make any assessments.

It is also necessary—and this is another point I would underline—that the Community should have a minimum of machinery with which to meet the aims I have indicated. The only power it has so far is to decide whether or not national aid can be given. However, the character of this aid is very limited. It is necessary, then, that the Community should have the power to propose aid on a much larger scale, so that it can really be aid and not just subsidies. It is necessary, furthermore, that the Community should have a minimum of centralized power in certain sectors, so that it can grant aid, in conjunction with national aids or on its own initiative. What we would be doing, in effect, would amount to a common research policy of the kind you asked for in connection with the research fund. To sum up, then, the Community should be able—which it currently is not—to take action and adjust national aid, in accordance with a set policy and in pursuit of precise objectives. The Community should be able to take suitable measures to mobilize existing financial resources with a view precisely to following a definite policy. Thus it should be able to create new institutions or strengthen existing ones, such as the EIB.

Once we have the powers I have outlined and can consider the objectives I have described, we can seriously decide whether the paper-making industry needs to be given some kind of help or whether it should look after itself (though not isolated and cut off from the rest).

Unless we have this possibility there is nothing else we can do but note that things are going well in some areas and badly in others, and that there is little prospect of our doing anything about it.

Our analysis of conditions in the paper industry, whether based on our communication or your suggested changes, ladies and gentlemen, shows how necessary it is to consider this industry as part of an overall approach. When we began to discuss this industry, it almost looked as if it would be possible to discuss the situation relating to it in isolation, but the entire debate has shown that the problem cannot just be lifted out of the wider context. Whereas it may once have seemed to be an abstract discussion (the question as to whether or not any planning existed), the question appears today as a reality

which can only be dealt with in the context of a certain general vision which aims to achieve fixed objectives—a stronger, better and more competitive industry for our countries.

I thus think this debate has been extremely useful. It will help us not only to work out exactly the proposals we shall make for the paper sector, but also to clarify general thinking on industrial policy.

(Applause)

IN THE CHAIR: MR HANSEN*Vice-President*

President. — Thank you, Mr Spinelli.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

8. Regulation amending the Staff Regulations of Officials of the Communities

President. — The next item is a debate on the report drawn up by Miss Flesch on behalf of the Committee on Budgets, on the proposal from the Commission of the European Communities to the Council for a regulation amending the Staff Regulations of Officials and the Conditions of Employment of other Servants of the European Communities (Doc. 253/74 rev.).

I call Miss Flesch, who has asked to present her report.

Miss Flesch, rapporteur. — (F) Mr President, ladies and gentlemen, we are now called on to debate the proposal by the Committee on Budgets for a regulation amending the Staff Regulations of Officials and the Conditions of Employment of other Servants of the Community.

The Staff Regulations have been in force now for some 12 years. They have proved to be valuable, flexible and satisfactory on numerous counts. However, experience has shown that a number of points needed amendment. This is the aim of the Commission's proposal, which is designed essentially to adapt the text of the Staff Regulations to take account of experience gained in the last ten or twelve years.

Emphasis should be laid on the importance for our institutions of the European civil service, of

¹ OJ No C 140 of 13 November 1974.

Flesch

the quality of this civil service. We expect the staff of the institutions to have qualifications which, to take foreign languages alone, are superior to those demanded of national civil servants. By the very nature of our institutions, we have to have an extremely well qualified civil service. There is thus no question of these amendments being in any way a threat to the Staff Regulations which have proved their worth for ten or twelve years, or a challenge to the established rights of officials. On the contrary, the objective is to improve a number of provisions which have not in past years given complete satisfaction. Mr President, ladies and gentlemen, I should also like to stress the specific nature of these Staff Regulations which apply to all officials of all the institutions, except those of the European Investment Bank, which explains one or two features of these Staff Regulations which may appear at first rather strange.

Nevertheless—and I should like to make this clear—whatever the appointing authority in any one institution, the last word on the Staff Regulations, and particularly on questions of remuneration, lies with the Council. Historically this is important. If we remember the growth of the European civil service and the events of recent years, if we think, for example, of the strikes which have been held on occasion, we must also remember that officials are obliged to negotiate with a boss, the Council, who is sometimes very remote, and who has often contrived to turn a deaf ear for a very long time to this or that claim.

Mr President, ladies and gentlemen, I should like at this point to stress how necessary I think it is that the agreements which have finally, after long negotiation, been concluded between the staff and the Council should be implemented and that the consultation and cooperation procedure between the Council and the staff should be improved. In fact, the position of the staff here is different from that of private employees and civil servants in the Member States, and the fact that theirs is a special case is due to the structure of our institutions.

We could consider the various amendments before us using one of two methods. The first method would be to consider each of the proposed amendments in detail. I do not think, Mr President, that this method would be a good idea—it would take us a long, long way from the essentials. Some of these points of detail are so involved that it would take hours to discuss them in full, which would be detrimental to the kind of debate we are supposed to have in this House. For this reason I think it would be better to confine ourselves in this introduction

to a number of general considerations. We shall have time later, when we are discussing a particular amendment, to examine in greater detail any particular provision on which there were specific objections or differences of opinion, but all in all we should stick to general remarks for the moment.

The Commission's proposal is not for a major reform, a basic review, but aims simply to make improvements both in the social and in the operating context and, as I have previously said, in the light of experience gained since 1962.

I should like to point out also that a large number of improvements to the status of female officials are included. Whilst there is no denying that progress has been made, I should nevertheless like to stress that not enough has perhaps yet been done towards achieving complete equality in the remuneration paid to male and female workers. I would suggest that the Commission goes into this problem more deeply and subsequently revises those provisions of the Staff Regulations which are not yet satisfactory from this point of view. May I say straight away that the Commission's proposals as a whole were generally speaking approved by the Committee on Budgets. The Committee has amended a number of texts, and these amendments are also the result of reflexion based on experience of the provisions now in force and the way in which they are implemented. The Committee has sought to supplement these 'social' changes by suggesting amendments on contributions to the pension scheme for officials taking leave on personal grounds, better ways of making use of the provisions on half-time work, the retention of certain 'secretarial' allowances given to officials of Category C when these officials advance to Category B, and finally, the reimbursement of first-class travel expenses for all categories of staff.

The improvements proposed also cover the daily subsistence allowance paid to officials on mission. It is suggested that this be linked to the weighting which is currently applied to remuneration in the Member State in which the mission took place. This question has been under consideration by the Bureau of Parliament for quite some time. These allowances are now out of step with the real cost of living in a number of Member States and indeed in the majority of them, and we thought it would be expedient to take advantage of this change in order to find a system whereby account could be taken of the real rise in the cost of missions.

On a completely different subject we would suggest, Mr President, that the list of successful candidates in a competition should be drawn up in order of merit.

Flesch

The Committee on Budgets would even like to see candidates selected in the order in which they appear in this list of suitable candidates. This procedure would be nothing new but would be absolutely in line with the jurisprudence of the Court as we know it.

We have not endorsed the Commission's proposal to raise the authorized total of overtime hours which may be worked, for reasons of a social nature and despite the fact that it is sometimes necessary to exceed this total.

We were obliged here to judge between two conflicting considerations: on the one hand the requirements of the job and, on the other hand social considerations which we considered to be the more important.

A very important question was asked during our discussions in the Committee on Budgets regarding possible financial losses sustained by officials who lived outside the usual places where the institutions have their seats, as a result of changes in the exchange rates fixed by the Staff Regulations. You are more than familiar, fellow Members, with this problem. I do not propose to go into it at this point because an amendment on the subject has been proposed which will give us an opportunity to go into details.

The Committee on Budgets also gave a lot of time to debating the Commission's proposal regarding recognition of the right to strike and the drafting of provisions governing the exercise of this right. This question is obviously a very important one and opinions on it may differ. However, the solution put forward, which recognizes the right to strike but at the same time leaves it up to the institutions and Parliament to decide on how it is to be exercised, should, it seems to me, be satisfactory. It will—and we thought this important—permit account to be taken of the responsibilities and working conditions peculiar to each institution. In effect the Committee on Budgets, whilst agreeing that in principle the right to strike must be sanctioned, wished to stress that the institutions—and Parliament in particular—bear a special responsibility towards those they represent, and that whilst there may be wholehearted approval of the right to strike, this must not impair the functioning of an institution and prevent its members from carrying out their duties.

I should like to make it clear, for fear of being misunderstood, that we are in no way trying to restrict the right to strike but on the contrary to arrive at methods and solutions, in agreement with the staff, which will allow the European Parliament to operate under the same conditions as any other national parliament. Parliament, which will in future be sharing respons-

ibility for the budget with the Council, must have a definite say in decisions regarding the revision of remuneration and, more generally, the financial terms given to staff. Any de facto situation which did not move swiftly in this direction would be inconceivable, not only for obvious social and political reasons, but also in the light of the new budgetary responsibilities which the Treaty confers upon Parliament from 1975 onwards. Before concluding, I should like to mention the opinion of the Legal Affairs Committee which we received after adoption of my report in the form now before you. The Committee considers that it might be a good idea to add one or two paragraphs to the motion for a resolution, in which we would call on the Commission of the European Communities to take action to ensure that in future, urgent proposals—such as increased weightings—should be put forward separately so that the relevant Parliamentary committees could devote the necessary attention to other proposed amendments, particularly those that alter the legal status of officials of the Communities without, however, in any way detracting from the possible urgency of a particular, more specific proposal.

The Legal Affairs Committee also suggests that the Commission review the pension scheme in its entirety in order to adapt it gradually to the schemes applied in the Member States. Personally, I agree with the substance of the Committee's opinion. I merely wonder whether a formal amendment should be tabled on the conclusions of the Committee's opinion or whether, since these have been stated here, we can simply ask the Commission to take note of them. I also put this point to the members of the Legal Affairs Committee who took part in its discussions and to its Chairman.

As my general conclusion, I should like to say how very much the Committee on Budgets and myself are aware of and concerned with improving the charter of the European civil service—which is what the Staff Regulations are—because we are convinced that the development of the Communities means that the institutions must be served by an independent body of civil servants, with a status which keeps pace with that applying in the Member States and which provides it with the necessary guarantees for carrying out its duties.

As regards the amendments tabled both by the Committee on Budgets following our last meeting in Luxembourg, where we were not able to examine this proposal, and by a number of our colleagues, I think it is a better idea to examine them in detail not during my introduction, but during the main debate.

(Applause)

IN THE CHAIR: MR COUSTÉ

Vice-President

President. — I call Mr Spénale.

Mr Spénale, *chairman of the Committee on Budgets.* — (F) Mr President, I should just like to stress that the staff of our Community is eager to have its Staff Regulations amended and a number of questions settled as a result.

For this reason our rapporteur Miss Flesch, who as Mayor of the City of Luxembourg and member of her Group, is a very busy person indeed, very nobly gave up part of her holiday in order to work on this subject, in which she was assisted by the Committee secretariat.

Amendments were put forward at the last minute, and despite the best of intentions we lost time. The Committee on Budgets, meeting in Rome, considered these amendments and arrived at conclusions which I consider reasonable and balanced. Today, new amendments are being tabled. I am the more sorry for being one of the signatories. I should be glad if we were not obliged to refer them to the Committee on Budgets because we ought to avoid putting off discussion of this text again.

I should just like to comment briefly on these latest amendments. The question facing us is fairly straightforward. When officials of the Communities are assigned to the political groups, they are seconded 'in the interests of the service' and for this reason they cannot be replaced in the European Parliament's directory. As a result, senior posts are sometimes unoccupied for a number of years and the operation of the administrative departments suffers as a result.

The purpose of the amendments tabled is to stipulate that, since these secondments are granted as leave on personal grounds and at the request of the person concerned, the Secretariat may fill the administrative post in order not to disrupt the work of the departments.

A measure of this kind is all the more necessary now that the number of groups, duties and working languages has increased. The number of officials attached to the political groups has risen considerably. As a result, the gaps in the European Parliament's directory are more numerous than before and the inconveniences much greater.

These amendments thus do not entail any great difficulties and I hope that this House will presently adopt them without referring them to the Committee on Budgets. In conclusion, I should like once more to express our particular

thanks to Miss Flesch for the excellent work she has done under particularly difficult conditions.

(Applause)

President. — I call Mr Schuijt.

Mr Schuijt, *draftsman of the opinion of the Legal Affairs Committee.* — (NL) Mr President, I should like to make just one comment on the events surrounding the drafting of this important report. At the plenary sitting of 28 June 1974 this proposal for amendment of the Staff Regulations was referred to the Legal Affairs Committee for its opinion.

However, the first meeting of the Legal Affairs Committee after that date was set for 3 and 4 July 1974, so that it was not possible to appoint the rapporteur and possibly discuss this proposal before the date of the first meeting following the parliamentary recess, which was held on 12 and 13 September 1974 in Brussels.

Nevertheless, the Legal Affairs Committee was told that the responsible Committee on Budgets would discuss and possibly approve Miss Flesch's report on 12 September 1974 and that Parliament would have to debate it in the week of 23 to 26 September 1974.

The Council had informed the European Parliament that the proposed amendment to the Staff Regulations ought ideally to be brought into force as soon as possible.

You will appreciate that, given these circumstances, the Legal Affairs Committee was able to have only a short discussion of the proposal in question.

At its recent meeting of 12 September it asked the Chairman, at the end of the discussion, to express the opinion in the form of a letter to the Chairman of the Committee responsible. This letter was appended to the report.

In order to avoid similar situations in future the Legal Affairs Committee thinks it would be a good idea if proposed amendments of an urgent nature were from now on sent to Parliament separately from proposals carrying no fixed deadline.

In view of the fragmentary nature of the proposals for amendments to the pension scheme tabled so far, the Legal Affairs Committee's opinion also points out the need for a general review of the pension scheme, in order to permit subsequent adaptation to the schemes applied in the various Member States and in order to avoid having always to accept a lowest common denominator.

Schuijt

After the Flesch report was referred back, the Committee discussed the amendments submitted during the plenary sitting at its meetings of 4 October 1974 in Rome and 9 October in Brussels.

On behalf of the Legal Affairs Committee I wanted simply to draw special attention to two requests expressed in the opinion appended to the Flesch report, which I have already touched on. I should like to ask the Commission of the European Communities to take due note of these.

I shall inform you of the position of the Legal Affairs Committee regarding the amendments at the time you consider most appropriate.

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

Mr Hansen. — (*F*) Mr President, ladies and gentlemen, first of all, on behalf of the Socialist Group and speaking for myself also, I should like to say that we are pleased that this report on a third series of amendments to the Staff Regulations of Officials of the Community is being discussed today. The amendments proposed by the Commission constitute improvements and important additions, particularly as regards social matters. Hence the favourable opinion of the Committee on Budgets.

I should like to congratulate our rapporteur, Miss Flesch, and thank her for the remarkable and thorough work she has done. As a result of her work these proposals have been further streamlined and a number of important provisions strengthened thanks to the changes adopted by the Committee on Budgets.

Mr President, we should also point out that the proposed amendments were all debated by the Staff Regulations Committee together with the staff representatives. With one or two exceptions, they were very widely approved by all the unions and professional organizations.

Speaking as a member of Parliament of a Member State which acts as host to a number of Community institutions, I, and the Socialist Group with me, welcome the improvement in the provisions concerning working conditions and the provisions of a social nature.

Indeed, although the Community must learn from the process of strengthening the civil service as followed in a number of Member States, it is even more important that the Community, and particularly the European Parliament, should be a pace-setter in such a process. This is particularly true of the amendments proposed which, first of all, improve the status of female

officials by giving them equal status with their male colleagues and bring their working conditions into line with those of other officials. Secondly, the amendments also bring improvements for officials' families, particularly in matters concerning birth grants and schooling facilities for their children.

I shall not go back over all the 'social' amendments which have been excellently presented by our rapporteur and which, of course, we fully approve.

As regards those points on which there have been differences of opinion between the institutions and the staff representatives, it is my sincere hope, as a member of the Socialist Group, that it will be possible to reach an understanding and dialogue whereby these problems can be overcome in the common interest. I refer here to adherence to lists of candidates suitable for appointment. The order in which these lists are drawn up should be given very careful attention by the various institutions. Furthermore, thanks to the incorporation in the Staff Regulations of the recognition of the right to strike, we hope, when discussions on the exercise of this right are started between each institution and the staff, that it will be possible to lay the foundations for a true consultation and cooperation structure. For only a permanent system of consultation and cooperation, far-reaching and sincere, will make it possible under agreements concluded within each institution, to settle possible conflicts by honest negotiation.

Finally, improvements to the status of our local staff have been proposed. These seem considerable, but they must be expanded further. Following enlargement of the Community, the proportion of local staff has increased a lot, particularly at the Parliament. It is imperative that we should not have two categories of staff doing the same job but receiving different benefits. The situation could be improved by creating permanent posts for a large number of these staff, and we shall request this in due course.

In conclusion I should like to thank the Committee once again for its excellent proposals and I thank the rapporteur, Miss Flesch, for her excellent work.

Further improvements are both desirable and possible. Certainly, given the gradual improvement in the status of workers generally and of officials of our Member States in particular, we shall be prompted to streamline the Staff Regulations and, at the same time remaining in the vanguard of social progress, to create a true European civil service.

Hansen

We are on the right track and for this reason the Socialist Group will vote in favour of Miss Flesch's report and the amendments adopted by our Committee on Budgets.

(Applause)

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

Mr Terrenoire. — (F) Mr President, ladies and gentlemen, the amendments proposed by the Commission and improved by Miss Flesch's excellent report are valuable in that they add to a number of provisions of the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities by making social improvements and improvements to working conditions.

On one particular important point, my Group is also happy to have proposed and voted in favour of the amendments to Articles 63 and 64 of the Staff Regulations. As a result and subject to their adoption by this House, it will thus be possible to remedy an undeniably unfair situation born of our current monetary difficulties, as regards the remuneration of officials working in Brussels and Luxembourg compared with that of officials working in other capital cities. Nevertheless, these amendments quite rightly provide for a system of surveillance by the appointing authority.

Remuneration is in fact calculated on the basis of the exchange rates obtaining on 1 January 1965. As regards the question of the right to strike, it goes without saying that my Group entirely accepts the moral and legal justification for this. There is only one small problem which concerns the officials of our institution. In a democracy, or more precisely in the democracies in which we live, Parliament—and by the same token the European Parliament too—stands surety for the proper functioning of democracy. And it would be particularly harmful, serious and disquieting if the work of an institution such as ours, or in fact any of the national parliaments, could be disrupted as a result of a material problem in a specific and short-lived pay dispute.

We thus trust in the wisdom and understanding of officials of the Parliament not to disrupt the operation of an institution such as ours, even if their action seems justified, because this institution, as I have said, acts as a guarantor of freedom and democracy.

Having said this, I shall take the opportunity, at the same time expressing once again my satisfaction with the report presented today, of

suggesting that we might perhaps introduce the system of 'questeurs' into our Assembly.

In the French National Assembly of which you and I, Mr President, have the honour to be Members, this system already exists. These 'questeurs' are the elected representatives of Parliament within the administration. They are able to exercise day-to-day surveillance of how it works. Of course, we put our trust in Parliament here for the smooth running of our administration, and we are all very satisfied with it. Nevertheless, a system of 'questeurs', i.e. of parliamentarians who check that the administration is working properly, might perhaps make it possible to avoid some of the difficulties which could lead to strikes.

I wished to take this opportunity of raising this question in passing, and above all I should like to repeat, in conclusion, that my Group warmly welcomes the Commission's proposals and particularly Miss Flesch's report, to which we have contributed by our amendments.

President. — I call Mr Spinelli.

Mr Spinelli, Member of the Commission of the European Communities. — (I) Mr President, on behalf of the Commission of the European Communities and in particular on behalf of my colleague Mr Borschette, who is responsible for staff problems but is unfortunately prevented by other duties from speaking today in person, I should like first of all to express warm thanks to the Committee on Budgets, its chairman, Mr Spénale, and its rapporteur Miss Flesch, for the excellent work they have done on the report on the proposal for amendment of the Staff Regulations of Officials of the European Communities.

The Commission attaches great importance to these Staff Regulations and, because it realized their imperfections, was more than willing to undertake the work of revision and correction presented here. We are glad that there has yet again been broad agreement between Parliament and the Commission on the ideas underlying this revision. This agreement between our two institutions will not only be cause for great satisfaction to the Commission, but will also be a valuable aid in the negotiations which will have to take place with the Council of Ministers. I should like, for the moment, to deal simply with the amendments made to the Commission's proposal and touch briefly on those with which the Commission disagrees or which it would like to re-examine. Some of them we can accept without further ado.

I should like to say that as regards the amendments to Articles 4, 40 and 55a of the Staff

Spinelli

Regulations, we shall check to see whether the current text does not already take sufficient account of the considerations for which the amendments have been suggested. If we find that it does not, we shall incorporate Parliament's proposals, with which we are in agreement.

Particularly, as regards the present formulation of Article 4 on the exercise of the right to strike, the Committee on Budgets wants to see this right exercised with due respect for the individual needs and responsibilities of each institution. This is fair enough. I should like to assure my fellow Members that the objective of this amendment is precisely the same as that desired by my own institution. There will thus be no problem in having the final version approved by the Commission.

The Committee on Budgets suggests an amendment to Article 30 of the Staff Regulations, whereby the list of suitable candidates selected from a competition should be drawn up by the selection board 'in order of merit'. Whilst the idea underlying this amendment cannot but appear laudable, it should be pointed out that at the practical level the question appears far more complex. Although it must be said, in fact, that at least as far as the Commission departments are concerned, competition selection boards already follow the desired procedure wherever possible, it must also be said that, from the point of view of the specialist professional qualifications they are designed to attract, competitions often draw such a variety of candidates that it is not possible in reality to classify them strictly by order of merit, since different qualities carry different weight depending on the job to be done.

The Committee on Budgets does not seem willing to approve the Commission proposal in respect of Article 10 of the proposal for a regulation (Article 56 of the Staff Regulations) which concerns the raising of the maximum total number of overtime hours from 150 to 175, and exceptionally to 200 hours, in any period of 6 months.

A propos of this, I feel obliged to point out to this House that in the Commission certainly, and in all probability in other institutions as well (perhaps in the Parliamentary), a number of departments would be unable to function smoothly if they were obliged to observe the present limit on overtime hours. I should thus like to ask Parliament to bear this in mind.

In four separate but related amendments the Committee on Budgets proposes changes to the system of payment of officials and other Community servants. In substance, the amendments make it possible to pay the official's salary,

which is expressed in Belgian francs, not only in this currency, but also in that of the country in which he performs his duties.

These proposals are prompted by recent monetary fluctuations and by their repercussions on exchange rates between the Belgian franc and other European currencies.

The Commission considers that the amendments tabled are based on a profound misunderstanding. We must realize that the system provided for in the Staff Regulations introduces in effect a guarantee for the official against the risk of monetary fluctuations and at the same time, by means of the weighting, provides officials of the same grade in all the Community centres with the same purchasing power.

It would seem impossible to take action on one of these two matters without jeopardizing the whole system. The weighting makes up for the rise in domestic prices in each of the countries to which it is applied. If these prices reflect fluctuations in exchange rates, the relative weighting makes due allowance for these.

The Commission thus regrets that it cannot accept these amendments.

The Committee on Budgets also suggested, in Article 35 of the proposal for a regulation (Article 12 (1) of Annex VII to the Staff Regulations) that mission expenses for all categories of officials (i.e. categories C and D also) should be reimbursed on the basis of the first-class rail fare.

I can say that the Commission is not opposed to the principle which inspired this amendment. But it did not consider it could propose a change of this kind, since it had to establish priorities among the impressive list of possible social improvements.

In Article 36 of the proposal (Article 13 of Annex VII to the Staff Regulations) the Committee on Budgets proposes that account should be taken in reimbursing missions expenses of the weighting applied in the country in which the mission took place.

This idea which was examined by the Commission certainly offers a number of advantages. It nevertheless raises a number of problems too. Firstly not all places to which missions are undertaken have a weighting applied to them, and secondly, the weighting used for salary payments and based on the cost of living does not altogether correspond to the items of expenditure incurred during missions (i.e. costs of board and lodging).

Spinelli

I shall nevertheless make it my business to ask the Commission to consider the possibility of supporting the proposed amendment.

As for the two recommendations by the Legal Affairs Committee, the Commission has taken note of them with interest and will give them the attention they merit.

This is all I have to say, Mr President, and the essence of my remarks is that there is no conflict between the points of view expressed by the writers of the report and their opinions and those of the Commission. At most, there are a few differences of opinion on minor points concerning revision of the Staff Regulations.

Mr President, I should thus like in conclusion to repeat the thanks of the Commission for the extremely valuable assistance which this Parliament, like the Committee on Budgets itself, will certainly continue to give the Commission in the work of revising the Staff Regulations.

(Applause)

President. — Does anyone else wish to speak?

The general debate is closed.

We shall now consider the proposal for a regulation setting aside consideration of the motion for a resolution as such until after the proposal for a regulation has been considered.

Before Article 1 I have Amendment No 12 tabled by Mr De Keersmaecker inserting a new Article A and worded as follows:

"The first paragraph of Article 4 is amended to read as follows:

"No appointment or promotion outside the career brackets shall be made... (rest unchanged)."

I call Mr De Keersmaecker to move this amendment.

Mr De Keersmaecker. — *(NL)* Mr President, the idea behind this amendment is very simple. There is a contradiction between this Article and Annex I, in which the career brackets are divided up according to the various grades. Vacant posts only in fact occur in the event of promotions outside the career brackets. In the event of promotion within the career bracket, for example from A5 to A4, no vacancy is involved.

This never in fact occurs, and this is why I am suggesting this amendment to the text. It amounts simply to bringing the text into line with the actual practice.

President. — What is the rapporteur's position?

Miss Flesch. — *(F)* Mr President, the Committee on Budgets considered this amendment of Mr De Keersmaecker's at its meeting in Rome and decided to accept it.

I therefore approve the amendment.

President. — I call Mr Schuijt.

Mr Schuijt. — *(NL)* Mr President, as I have just stated, the Legal Affairs Committee has considered this amendment and drafted an opinion on it, which the House might be interested to hear.

The Legal Affairs Committee is inclined favourably towards this amendment, but does not wish to commit itself fully to it.

President. — I put Amendment No 12 to the vote.

Amendment No 12 is adopted.

Still before Article 1 I had Amendments Nos 13 and 14 tabled by Mr De Keersmaecker inserting two new Articles B and C and worded as follows:

— Amendment No 13:

'Article B

The second indent of paragraph 1(a) of Article 9 is amended to read as follows:

"— one or more Joint Committees, as appropriate for the number of officials at the places of employment; if necessary a subdivision into sections will be made according to the fields of interest."

— Amendment No 14:

'Article C

The fourth indent of paragraph 1(a) of Article 9 is amended to read as follows:

"— a Reports Committee" (the words if required are deleted).'

The author has informed me, however, that he wishes to withdraw these amendments.

On Article 4 of the proposal for a regulation I have Amendment No 1 tabled by Mr Krall on behalf of the Liberal and Allies Group. This amendment refers to paragraph 1 of the new Article 4 of the Staff Regulations and is worded as follows:

'1. Officials shall have the right to strike subject to the following provisions. The exercise of this right should not result in any lasting impairment of the public functioning of a Community institution.'

The author of the amendment is absent. But perhaps we could hear the rapporteur's position on this amendment.

President

I call Miss Flesch.

Miss Flesch, rapporteur. — (F) Mr President, this amendment too was debated at the meeting of the Committee on Budgets in Rome.

If I may speak on his behalf, when he tabled this amendment Mr Krall was concerned, as I have explained, to...

Mr Scott-Hopkins. — Point of order, Mr President!

President. — Miss Flesch, excuse me for interrupting you, but I must call Mr Scott-Hopkins for a procedural motion.

Mr Scott-Hopkins. — Mr President, I apologize to Miss Flesch, but the amendment has not been moved. Therefore, with the greatest respect to Miss Flesch, I should have thought that there was no point in the House's considering it. Our colleague is not here to move it. I therefore propose that we move on to the next amendment.

President. — I call Mr Spénale.

Mr Spénale. — (F) Mr President, I should like to protest against what has just happened.

Members of this House may very well wish to support and vote for an amendment without necessarily having wished to table it themselves.

However, according to the rule referred to by the author of the procedural motion, it only needs the author of the amendment to be absent — perhaps as the result of an accident — when he should be moving his amendment, for the House, which might have supported it unanimously, to be prevented from having its point of view accepted!

This rule is really too strict. If the Rules of Procedure cannot provide us with a way out I ask that they be amended. If the House is convinced about something it must be allowed to express itself.

President. — To clarify matters, please allow me to remind you of certain provisions of the Rules of Procedure.

The text relating to the application of Article 29(2) of the Rules of Procedure states that in the absence of its author an amendment shall be disregarded 'unless another Representative moves it or takes it over in his own name'. This is what I thought Miss Flesch was intending to do.

After this reminder of the Rules of Procedure, I put the question to you formally: does another Representative intend to support or take over Amendment No 1 tabled by Mr Krall?

This amendment is accordingly disregarded.

On paragraph 4 I have Amendment No 2 tabled by Mr Krall on behalf of the Liberal and Allies Group and worded as follows:

'4. Those involved in a strike shall decide by democratic procedure on when the stoppage will begin and end. There shall be a period of notice before the strike begins.'

In Mr Krall's absence, does anyone intend to move or take over this amendment?

This amendment is accordingly disregarded.

On Article 4, paragraph 5 of the new Article 25 b I have Amendment No 4 tabled by Mr Hansen and worded as follows:

'5. Where an official is absent from work by reason of a strike the institution may decide on a proportionate reduction of his remuneration other than family allowances.'

I call Mr Hansen to move this amendment.

Mr Hansen. — (F) As I explained my position on this question in detail some moments ago, Mr President, I leave the floor to Miss Flesch.

President. — What is the rapporteur's position?

Miss Flesch, rapporteur. — (F) I am somewhat embarrassed at being so kindly asked to take the floor by Mr Hansen on Amendment No 4, since this amendment was rejected by the Committee on Budgets and I therefore cannot support it.

What it amounts to basically is a reversal of the provisions of paragraph 5 of Article 4 as proposed by the Commission.

The Committee on Budgets considered this amendment and the majority of its members were of the opinion that the right to strike is an extremely important right which must be used in serious situations, but which also implies certain consequences for those who make use of it, in this case the loss of remuneration. Besides, it would seem scarcely conceivable for payment to be made for work not done. This is why the Committee decided, after some discussion, to reject Mr Hansen's amendment and stick to the text of the Commission of the European Communities which allows the institution, in certain specific cases and if dictated by circumstances, to waive its right to reduce remuneration.

President. — I call Mr Schuijt.

Mr Schuijt. — (NL) Mr President, the Legal Affairs Committee discussed this amendment at great length and came to the conclusion that it should have been brought into line with Article 60 of the Staff Regulations. The amendment was therefore rejected. The Committee instructed its rapporteur, however, to urge the Commission of the European Communities to consider bringing about this adaptation to Article 60 of the Staff Regulations.

President. — I call Mr Spénale.

Mr Spénale. — (F) Mr President, as I recall it the author withdrew his amendment at the Rome meeting of the Committee on Budgets. Could it be that this amendment is before us today by mistake?

President. -- Mr Hansen, are you maintaining your amendment?

Mr Hansen. — (F) No, Mr President.

President. — Amendment No 4 is accordingly withdrawn.

After Article 7 of the proposal for a regulation I have Amendment No 21 tabled by the chairmen of the various political groups, on behalf of their respective groups, inserting a new Article 7a worded as follows:

'Paragraph 1 of Article 37 to read as follows:

"1. An official on secondment is one who, by decision of the appointing authority:

- (a) has been directed in the interests of the service to serve temporarily in a post outside his institution;
- (b) has been directed, in the interests of the service, or at his own request, to assist temporarily a person holding an office provided for in the Treaties establishing the Communities or the Treaty establishing a Single Council and a Single Commission of the Communities, or with an elected President of one of the institutions or organs of the Communities or the elected chairmen of one of the political groups in the European Parliament;
- (c) has at his own request been placed at the disposal of another of the institutions of the European Communities."

I call Mr Spénale, chairman of the Socialist Group, to move this amendment.

Mr Spénale. — (F) I already presented this amendment a short while ago. The basic idea is to enable our administrative services to replace, in the Parliament directory, officials

seconded in the majority of cases to political groups and thus not impede the operation of these services, since these secondments are becoming more and more numerous and for longer and longer periods. It is a facility we wish to give to our Secretariat. In the interests of the proper functioning of the administrative services I hope that the House will adopt this amendment.

President. — What is the rapporteur's position?

Miss Flesch, rapporteur. — (F) Mr President, I should like to say that Amendments Nos 21, 22, 23, 24 and 25 seem on the whole similar to me. The essential amendment is Amendment No 21, Amendments No 22 to 25 being merely the transposition of this amendment into other articles of the regulations. I think, therefore, that they can be dealt with together.

These amendments were tabled by the chairmen of the political groups after our meeting in Rome and could therefore not be considered by the Committee.

Mr President, ladies and gentlemen, I confess I am in something of a quandary. It would obviously be hardly fitting for me to oppose an amendment tabled by the chairmen of the political groups of our Parliament. On the other hand, I must say I am not entirely happy about the possible effects of this amendment, in particular on the other institutions.

I am aware of the problem mentioned by Mr Spénale, and I know that this is something which has been preoccupying our administrative services and our Bureau for some considerable time. I realize what problems it causes and I think it would be useful and expedient to find a solution.

Having said this much, I must confess that I have not had time to go closely into the possible effects of this amendment on the other institutions. This is why I should like to draw the attention of the House to this concern of mine; with this reservation I accept the amendment as proposed.

President. — I call Mr Spinelli.

Mr Spinelli, Member of the Commission of the European Communities. — (I) Mr President, as regards this amendment I should like to say that I am in full agreement with Miss Flesch. The fact that it is supported by the chairmen of all the groups is proof of its importance. However, I am not in a position to state here and now whether or not the Commission will be able to accept it.

President. — I call Mr Schuijt.

Mr Schuijt. — (NL) Mr President, I think that if we Members of the European Parliament are going to get upset when the Council messes about with urgent procedures of this type, we should set a proper example ourselves.

The last four or five amendments have been tabled in the last 24 hours. The Legal Affairs Committee has not been able to consider them. A few moments ago I described how difficult it was for the Legal Affairs Committee to draft an opinion properly.

In view of the importance of all these matters I should appreciate it if, in future, the Legal Affairs Committee were also consulted in the consideration of amendments.

President. — Does anyone else wish to speak?

I put Amendment No 21 to the vote.

The amendment is adopted.

The rapporteur, Miss Flesch, pointed out that the adoption of Amendment No 21 implied the adoption of Amendments Nos 22, 23, 24 and 25.

Amendment No 22, tabled by the chairmen of the political groups, inserts, after Article 7, a new Article 7b worded as follows:

'The second subparagraph of paragraph 2 of Article 37 to read as follows:

"Subject to the provisions of the third paragraph of Article 77 concerning pensions, however, the provisions which apply to the official during the secondment referred to *under* (b) in the first paragraph... (rest unchanged)."

Does anyone wish to speak?

I put Amendment No 22 to the vote.

The amendment is adopted.

I have Amendment No 23, tabled by the chairmen of the political groups, inserting a new Article 7c after Article 7 and worded as follows:

'Paragraphs (d) and (e) of Article 38 to read as follows:

"(d) an official on secondment pursuant to (*four words deleted*) Article 37(a) shall continue... (rest unchanged).

(e) an official on secondment pursuant to (*four words deleted*) Article 37(a) shall continue... (rest unchanged)."

Does anyone wish to speak?

I put Amendment No 23 to the vote.

The amendment is adopted.

I have Amendment No 24, tabled by the chairmen of the political groups, inserting a new Article 7d after Article 7 and worded as follows:

'Paragraph (d) of Article 39 to read as follows:

"(d) during the period of secondment, and subject to the provisions of the second subparagraph of Article 37(2), pension contributions ... (rest unchanged)."

Does anyone wish to speak?

I put Amendment No 24 to the vote.

The amendment is adopted.

I have Amendment No 25, tabled by the chairmen of the political groups, inserting a new Article 7e after Article 7 and worded as follows:

'After paragraph (d) of Article 39, insert the following new paragraph:

"(da) an official on secondment shall retain his right to advancement and his eligibility for promotion."

Does anyone wish to speak?

I put Amendment No 25 to the vote.

The amendment is adopted.

On Article 8 I had Amendment No 15 tabled by Mr De Keersmaecker, inserting a new Article 8a and worded as follows:

'Article 43 is amended to read as follows:

"The ability, efficiency and conduct in the service of each official, with the exception of those in Grades A1 and A2, shall be the subject of a periodical report made at least once every two years as provided by each institution in accordance with Article 110.

The report shall be communicated to the official. He shall be entitled to make any comments thereon which he considers relevant.

The official may appeal to the superior of the person responsible for the report. If there is no superior or following the new report drawn up on the basis of his appeal, the official may appeal to the Joint Committee."

The author has informed me, however, that he wishes to withdraw his amendment.

After Article 13 I have two amendments, each inserting a new Article 13a. These are Amendment No 9 tabled by Mr Bersani, Mr Boano, Mr

President

Cointat, Mr Della Briotta, Mr Terrenoire and Mr Yeats, and Amendment No 17 tabled by the Committee on Budgets and worded as follows:

Amendment No 9

'Article 63 of the Staff Regulations is to be amended as follows:

"An official's remuneration shall be expressed in Belgian francs.

It shall be paid in the currency of the country in which the official performs his duties. *The appointing authority may, at the official's request, decide that it shall be paid in Belgian francs.*

Remuneration paid in a currency other than Belgian francs shall be calculated on the basis of the par values accepted by the International Monetary Fund, which were in force on 1 January 1965.'

Amendment No 17

Article 63 of the Staff Regulations is to be amended as follows:

'An official's remuneration shall be expressed in Belgian francs.

It shall be paid in the currency of the country in which the official performs his duties. *The appointing authority may decide that it shall be paid in Belgian francs.*

Remuneration paid in a currency other than Belgian francs shall be calculated on the basis of the par values accepted by the International Monetary Fund, which were in force on 1 January 1965.'

As these two amendments are mutually exclusive, they may be the subject of a joint debate.

I call Mr Boano to move Amendment No 9.

Mr Boano. — (I) Mr President, to illustrate this amendment I should like to refer to the comment made by Mr Spinelli, Chairman of the Committee on Budgets. These comments have been repeated by Mr Hansen and Mr Terrenoire, and I thank them.

Their arguments all started from a universally accepted principle, i.e. that officials of an institution, when carrying out the same duties, ought to receive the same real salary. This was not so difficult to achieve at the time the basic terms of the Staff Regulations were drawn up, when the currencies of the Community Member States were linked on the basis of close and constant exchange rates. Nevertheless it has become impossible to achieve this now that through no fault of the Community officials the relative values of the Community currencies have been upset by the latest fluctuations. Efforts have been made to restore the balance by means of the system of weightings, but if we take the

comparative table we can see that the indices are virtually equal or nevertheless extremely close, whether these weightings refer to currencies such as the German Mark, which have been revalued by 20%, or to currencies such as the Italian lira, which have been devalued by 20%. This diversity shows the total inadequacy of the weightings, not as a system, but in quantitative terms. This is due not so much and not only to the fact that the weightings essentially reflect changes in the cost of living because, if this were so, this would be a positive and concrete basis for assessment. It is due to the fact that the weightings reflect rather the official indices of changes in the cost of living, official indices which do not entirely reflect the rises in prices which have been recorded in all our capital cities and which have brought prices there above the levels elsewhere in Europe. Who is to prove, for example, that prices, rents or the cost of living are lower in Rome, Paris and London than in Brussels or Luxembourg? It is enough to visit these cities, ladies and gentlemen, to see that in some respects prices in these capital cities are indeed higher and that if this were not the case, in our country we should not be wrestling with gigantic wage claims aiming at increases of 20 to 25%. These are the reasons for the substantial inadequacy of the weighting indices, not as a system, but quantitatively speaking, because they do not take account of the vast imbalance caused by the margin between the real and official exchange rates, particularly in the case of the weaker currencies.

We do not propose to discuss here whether officials of the Community are paid a fair salary. We would just like to stress—and we are certain that this amendment will remedy the situation—that they receive widely differing salaries depending on where they are based. What is this difference?

When we first sat in this Parliament the Italian lira—I am taking the lira against the most stable currency, the Belgian franc—stood at 0.08 against the Belgian franc; today it is quoted at 0.05. The difference is as big as that!

I should like the Commission to give us the list of weightings here and show us whether and to what extent these are able to meet the existing difference between 0.05 and 0.08, the figure I have quoted.

These, Mr President, are the reasons for our amendment, which is prompted by considerations of equity and justice, and of obedience to the fundamental principle whereby officials of one and the same institution should be paid within a single frame of reference. I should also like to add that the amendment itself is extremely prudent and cautious.

Boano

It does not introduce an automatic procedure, whereby the employee, on request, must immediately be granted the option of drawing his salary in the currency which is most stable at the time, i.e. the Belgian franc; on the contrary it leaves this choice to the discretion of the institution employing the person. Formally speaking, our amendment is nothing more than an invitation to the institutions to examine the situation and decide, as it were, on their own initiative.

We have all recognized, and primarily the Commission has recognized, that the problem exists. I hope—now that we have pointed to a possible solution—that Parliament, by accepting this amendment will make it possible for the question to be solved.

President. — I call Miss Flesch to move Amendment No 17.

Miss Flesch, rapporteur. — (F) Mr President, ladies and gentlemen, it is well known that there are difficulties in respect of officials of the Communities serving in locations other than those in which the institutions are based, but views differ as to the way in which this problem should be solved.

One of the methods proposed is the one which Mr Boano has just described to us, and which is also contained in the amendment tabled by the Committee on Budgets, which differs only slightly from that tabled by Mr Boano.

The second method consists of applying the system of weightings. Be that as it may, the Committee on Budgets has finally decided to adopt Amendment No 17, which is now before you.

The second point of divergence is the question of whether one should reconsider what has come to be known as the 'system' of Article 63, since this could lead to further modifications which we might not find desirable.

After its final consideration of the amendment tabled by Mr Boano, the Committee on Budgets has proposed a slightly different wording omitting the phrase '*at the official's request*'. The purpose of the Committee on Budgets in doing this was to indicate that a system of this kind should not become a means of speculation, whereby the officials in question could choose between various possibilities within the system. The Committee on Budgets was therefore concerned that this facility should be available, but that it should not be too flexible, in order to avoid abuses.

I seem to remember that at the meeting of the Committee on Budgets, Mr Boano, who tabled Amendment No 9, said that he could give his support to Amendment No 17, in the form in which it has now been tabled by the Committee on Budgets. We could therefore kill two birds with one stone by restricting our consideration to Amendment No 17, which has been approved by the Committee on Budgets, albeit, I must remind you, not unanimously.

President. — I call Mr Aigner.

Mr Aigner. — (D) Mr President, we have discussed the request contained in the various amendments not only once, but three or four times, and, in my opinion, Mr Spénale, in such detail that anything that was not clear to those who were not present from the outset should by now have become apparent. The fact of the matter is, Mr President, that we have developed the most just system of remuneration in the world—at least in my opinion—and an intrinsic part of this system is that the employee receives a special amount, in addition to his normal salary, to compensate for the differences in purchasing power in his place of residence. Mr President, it is simply not permissible suddenly to equate the question of exchange rates with that of purchasing power. They are two completely different problems. The one has nothing whatsoever to do with the other. What we were anxious about, Mr President, was the fact that alongside all the criticisms which are levelled at our personnel in any case, envy—to put it bluntly—is now being systematically organized in certain quarters, i.e. by the national bureaucracies. It would be a very dangerous thing if we were now, in addition to the just system of weightings, suddenly to introduce further procedures involving different currencies, as this would be completely alien to the existing system of remuneration. I should be very grateful to Mr Spinelli if he would give me an answer on this point, since the Commission has done everything in its power in the past to avoid—this can hardly be called discrimination—the possibility of money-grabbing under the present system. That is the problem. Of course it is easy for someone to say, 'If I can be paid in Belgian francs while I am living in Italy, I would get such and such amount more.' But that is not just compensation, it is money-grabbing.

In saying this, Mr Boano, I am by no means ignorant of the fact—and I should like to stress this point—that we can of course improve this system of purchasing power weightings, if the existing system turns out to be too cumbersome and slow. We have in fact, Mr Spénale, also discussed the question of savings in our debate.

Aigner

For this reason we have proposed that the Commission should provide for a swifter system of application in this field, where there is a genuine requirement, so that in cases where real inequalities in purchasing power, not in exchange rates, occur, the system can be accordingly improved and adjusted. The Commission expressly assured us that it would do this.

I should, however, Mr President, like to sound a genuine warning against introducing an element of foreign exchange speculation into our system, which is in fact the fairest in the world, since this would not only give rise to an enormous amount of criticism in the world outside, but would also call our system itself into question. I also think that it is in the long-term interests of our European officials that we should not take this dangerous path.

President. — I call Mr Schuijt

Mr Schuijt. — (NL) Mr President, the Legal Affairs Committee has not discussed this amendment or Amendments Nos 7 to 11, since it regards the Committee on Budgets as the only committee competent to issue an opinion on these matters.

Amendment No 17 was tabled long after the Legal Affairs Committee had completed its discussions.

President. — I call Mr Spénale.

Mr Spénale. — (F) In my capacity as Chairman of the Committee on Budgets, I should like briefly to support the rapporteur in her excellent defence of the amendment.

I simply wish to alter Amendment No 9 by deleting the words: 'at the official's request' in the second sentence of the penultimate paragraph. In this way we can avoid the possibility of officials working in the same place being paid in different currencies. It is also the appointing authority which takes the decision. Under these circumstances, we hope that the appointing authorities—not that we are accusing them of any ill intent—will not introduce in their decisions any element of monetary speculation, be it advantageous or disadvantageous to the officials.

In deleting the four words I mentioned, I believe the Committee on Budgets was intending to eliminate a double risk: firstly, the risk of speculation which would tempt people to receive their remuneration in another currency, and secondly, the danger of two types of payment existing in the same place.

I thus think that, without taking any risks, we could eliminate the malaise which is occasionally felt in certain locations in which the officials of our Community work.

There are two solutions: the first consists of very frequent and very swift adjustment of the weightings, but this is very difficult. The second is the one which we propose.

As the rapporteur said, we are reluctant to alter Article 63 of the Staff Regulations, as it contains elements which we would like to see continue. We would hope that no one will take the opportunity of introducing another amendment in order to alter this Article further.

With this proviso, I think we could reasonably recommend to this House that they accept the amendment as approved by the Committee on Budgets, which, in addition, also satisfies those persons who tabled Amendment No 9.

President. — I call Mr Spinelli.

Mr Spinelli, *Member of the Commission of the European Communities.* — (I) Mr President, first of all I should like to say that as regards the question of remuneration, we are discussing a problem which in my opinion does not exist.

Mr. Boano asked me for figures, which I shall now give him.

On 1 January 1965, 100 lire were equivalent to 8 Belgian francs; today they are worth only 5.6, a difference of 30%.

The weighting on 1 January 1974 was 126%. Our current proposal raises it to 131%, an increase of 30% and we are getting ready, given that frequent updatings are necessary, to propose a maximum of 141%.

This means that account is taken, and widely taken, of devaluation. Thus, the reason which prevents the Commission from accepting the amendment—even in this modified form—is that any extension of the debate on Article 63 of the Staff Regulations might lead to the complete destruction of the Community system of remuneration. As regards talking of correctness in relation to our officials' salaries, it is clear that officials are fully satisfied with the system of weightings worked out together with the Staff Committee.

President. — Mr Boano, do you wish to maintain your amendment?

Mr Boano. — (F) No Mr President, I shall withdraw it and support Amendment No 17.

President. — I call Miss Flesch for an explanation of vote.

Miss Flesch. — (*F*) In the debate just now, I moved the amendment tabled by the Committee on Budgets in my capacity as rapporteur.

I should, however, like to point out that in my personal capacity I agree with the opinions expressed by Mr Aigner and Mr Spinelli. I shall therefore vote against the amendment.

President. — I call Mr Spénale for an explanation of vote.

Mr Spénale — (*F*) Mr President, I, for my part, will vote in favour of the amendment, not only because it was tabled by the Committee on Budgets, on which I serve, but also because having heard the interesting points Mr Spinelli has made, I continue in my belief that there is no risk involved in voting for this amendment.

This does not in fact destroy the system of weightings. At more or less regular intervals the Commission readjusts the weightings for officials' salaries, to take account of the variations in cost of living in the various places concerned. If these weightings are fixed satisfactorily, the officials will not make any request to benefit from the possibilities offered by this amendment and the appointing authority will not need to have recourse to it. It will only provide a safeguard in cases where the system which the Commission adheres to proves to be unsatisfactory. The amendment would only be invoked in cases in which the appointing authority deemed this advisable. Under these conditions, the coexistence of two safeguards does not appear to me to present any cause for anxiety. May I then once more recommend this amendment to which I personally will give my vote.

President. — I call Mr Aigner for an explanation of vote.

Mr Aigner. — (*D*) Mr President, I have already spoken on the amendment tabled by Mr Boano. I should now like, however, to make some very brief remarks on the amendment tabled by the Committee on Budgets. I think the rapporteur and my old friend, Mr Spénale—I am sorry that I must disagree with them, this is very seldom the case—will be aware of the fact that on two or three occasions we have rejected amendments with a majority. At the last sitting, in Rome,—here it was quite understandable that the Italian members had the upper hand, since the other members had to leave early because of national commitments—there was suddenly an Italian quorum, which led to this decision

contrary to the policy which had previously been pursued by the Committee on Budgets. Mr President, I agree with Mr Spénale when he says that the problem is in itself by no means acute, when one considers the actual figures quoted by Mr Spinelli. He says, however, that one could nevertheless introduce the other system as an additional safeguard. But, Mr President, we have always in the past taken great pains to avoid intrinsically alien elements being forced into a system of remuneration such as this, in which every last detail has been thoroughly worked out, when such new elements would most certainly be more grist to the mill at least—I must be careful how I put this—for many opponents of the Community in this debate. If, therefore, it is not a social problem at the moment—and the figures have proved this, Mr Boano—then let us leave it as that and join the Commission in examining the continuous functioning of these weightings within the system which we have after all accepted. I am ready and willing to do that. One cannot just take various elements out of various systems and lump them all together in the hope of creating a new system of remuneration. That just doesn't work. We know, Mr President—the Commission was quite clear on this point—the new difficulties which a new procedure might very well cause in the administrative field alone. Therefore, if there is no intrinsic need, I don't see why we should introduce additional complications to the system.

President. — I call Mr Terrenoire for an explanation of vote.

Mr Terrenoire. — (*F*) Mr President, the Members of my Group will vote in favour of the amendment under discussion.

They feel that it would be arbitrary and unjust if the officials of our institutions were to suffer a reduction in their remuneration and their purchasing power as a result of monetary fluctuations.

I might add that Mr Aigner has made at least one error: when the vote was taken in Rome, the quorum was reached and a German member of our Committee on Budgets, who was neither Mr Aigner nor Mr Gerlach, voted in the same way as my Group and other Members.

President. — Mr Boano, did you wish to give an explanation of vote?

Mr Boano. — (*I*) Mr President, I should just like Commissioner Spinelli to explain one point. He has said that the Italian lira has been devalued by 30% against the Belgian franc. Thus the weighting for Italy, originally 100, is now 131,

Boano

which has restored the balance. This presupposes that no weighting has been applied to the Belgian franc, for if it had been, the disparity would reappear. Thus, in order for this reasoning to be valid, the Belgian franc must have remained at 100. If, however, this has been given a 'weighting' virtually identical to that given to the Italian lira, the argument is clearly no longer valid.

President. — We shall now vote on Amendment No 17 ...

Mr Spénale. — (F) Not without noting the eloquent silence of the Commission!

President. — Mr Spénale, I cannot call anyone who does not ask to speak. I call Miss Flesch.

Miss Flesch, rapporteur. — (F) Mr President, I should like to speak on a point of order.

You are about to put Amendment No 17 to the vote. But the fate of Amendments No 18 and No 19 relating to other articles will depend on the vote which is taken on Amendment No 17. Would it not be a good idea to vote on them all at the same time?

President. — Does anyone else wish to speak?

I put Amendment No 17 to the vote.

Amendment No 17 is adopted.

On Article 13 have Amendment No 10 tabled by Mr Bersani, Mr Boano, Mr Cointat, Mr Della Briotta, Mr Terrenoire, and Mr Yeats, inserting a new Article 13b worded as follows:

'Article 13b

Add the following paragraph to Article 64:

"When an official has been given permission, pursuant to Article 63, paragraph 2, to receive his remuneration not in the currency of the country in which he performs his duties but in Belgian francs, the lowest weighting of the countries involved shall apply."

Mr Bersani, in the light of the vote which has just taken place, may I ask you whether you are maintaining your amendment?

Mr Bersani. — (I) Mr President, in view of the vote we have just had I think I can withdraw my amendment.

President. — I call Mr Spénale.

Mr Spénale. — (F) Mr President, I am tempted to take over this amendment since, in view of what we have just voted, if the salary is not

paid in the currency of the country, the weighting which will apply will be the lowest. Had we rejected the previous amendment, the problem would not have arisen. Now it has to be solved.

President. — The chairman of the Committee on Budgets has accordingly taken over the amendment withdrawn by Mr Bersani. What is the rapporteur's position?

Miss Flesch, rapporteur. — (F) Mr President, as Mr Spénale has just said, this situation is the result of the vote which has just been taken. We should like to say this: this amendment would no longer have been necessary if we had rejected Amendment No 17.

What is the idea behind Amendment No 10, which, I should add, was approved by the Committee on Budgets?

When the Committee on Budgets adopted Amendment No 7 we deleted the words: *at the official's request* because we wanted to introduce an element of stability into the system and we do not want to give the impression that we are giving officials the opportunity of speculating. The aim of the amendment under consideration is the same; it too introduces a safeguard into the system we have just set up by voting Amendment No 17. We agree that in cases where use is made of the facility offered by Amendment No 17, the lowest weighting of the countries involved shall apply. The Committee on Budgets therefore approved this amendment and I too am ready to take it over.

President. — I call Mr Aigner.

Mr Aigner. — (D) Mr President, the position is quite clear. You can't take the best points from two systems and then add them together to make a third system. This would be the case if this amendment were withdrawn. But from the point of view of our Italian colleagues Mr Bersani acted quite rightly in withdrawing his amendment.

President. — I call Mr Spénale.

Mr Spénale. — (F) I should just like to say that the amendment was not tabled by Mr Bersani but by the Committee on Budgets. True, in the version submitted to us the authors mentioned are Mr Bersani, Mr Boano, Mr Cointat, Mr Della Briotta, Mr Terrenoire and Mr Yeats, but in Rome the amendment was taken over by the Committee on Budgets.

President. — We note accordingly that Amendment No 10, tabled by the authors whose names

President

Mr Spénale has just repeated, has been taken over by the Committee on Budgets.

Does anyone else wish to speak?

I put Amendment No 10 to the vote.

Amendment No 10 is adopted.

I call Mr Broeks for a procedural motion.

Mr. Broeks. — (NL) Mr President, this is the first time I have heard it said in this Parliament that if a committee delivers an opinion this means that an amendment has been taken over by this committee. You yourself gave your consent to this. Yet I can find nothing in the Rules of Procedure to this effect.

There is nothing to this effect in them.

If this is your decision as President it would be advisable for Parliament to examine this in greater detail. You have made an innovation which must be incorporated into the Rules of Procedure.

President. — I call Mr Scott-Hopkins for the same procedural motion.

Mr Scott-Hopkins. — Mr President, I entirely agree with what Mr Broeks has said. A most astonishing procedure has been adopted by the illustrious leader of the Socialist Party, Mr Spénale. My hearing was not wrong when I heard the author of this amendment withdraw it. I then interjected—I grant you, from a sedentary position—that it had been withdrawn. There is nothing in the Rules of Procedure that allows another amendment to be put down orally by the leader of the Socialist Group during the time when we are dealing with amendments.

In my view, Mr President, this is an extremely strange innovation which you have incorporated into our procedures. I would beg to follow what Mr Broeks has said that this is something that should be looked at by the relevant committee. Until that has been done, I suggest that we do not carry on any further with this type of procedure and that it should not happen again, because I maintain the view that once an amendment has been withdrawn it cannot then be resubmitted orally by somebody else, no matter how illustrious that honourable gentleman may be, from a different committee, from a different part of the House, under a different name.

President. — Let us be quite clear on this. There has been no new interpretation of or innovation in the Rules of Procedure.

A few moments ago I read out the provisions of Article 29 and the text relating to its application, regarding the moving or taking over of an amendment, by any other representative, which in the absence of its author would be disregarded.

All I have done is to apply this article. I am quite prepared to raise the matter with the Bureau, but the interpretation I have given of Article 29 is perfectly correct.

I call Miss Flesch for a procedural motion.

Miss Flesch. — Mr President, I wish to make it absolutely clear that I had supported and taken over this amendment in accordance with our Rules of Procedure as you have read them. I thought that I had made this clear in my first statement.

President. — I call Mr Spénale.

Mr Spénale. — (F) The point we are debating—and I am sorry it is taking up so much time—is not an insignificant one.

Mr President, I do not think your interpretation of Article 29 is correct. Article 29 states 'if the author of an amendment is absent...' but he was not absent. This rule therefore does not apply here. That is obvious.

One might ask another question. When an amendment is tabled by five Members, can it be withdrawn by just one of them? This is a question which has not been settled. As the vote has already been taken, I am not going to re-open debate on it. There is a third question, and this is the level at which I acted and not, Mr Scott-Hopkins, as the illustrious leader of the Socialist Group, but simply as the Chairman of the Committee on Budgets, which had an interest in the matter.

The Committee on Budgets has adopted and taken over this amendment.

Where, then, is the problem? Is this House going to be governed by technical questions, such as secretarial and typing problems, or by essential questions?

Can the Committee on Budgets, after adopting an amendment, simply remain silent, because one of the members who tabled the amendment before the Committee considered it, says that he wishes after all to withdraw it? I do not think so, because when a Committee has considered an amendment and taken it over, the fact of replacing the names of Mr Bersani and others on the document with 'Committee on Budgets' does not prevent this amendment from belong-

Spénale

ing to the Committee on Budgets. It is the Committee's amendment, because it has adopted it; its duty is therefore to defend it.

This is what I am doing now, to make sure that a vote taken by a committee should not simply be wiped out and to allow the House to take over an amendment if it wants to, as the vote has shown in this case.

The position is quite simply that a secretarial job has not been done, and we ought to make up our minds whether we want to be ruled by technicalities or by ideas, by form or by content. We have sought logically and loyally to give preference to content and to our political resolve.

Mr President, I think you were quite right in taking the attitude that you did. It is perhaps a good opportunity to point out that it may be necessary to look more closely at the wording of the Rules of Procedure for future cases of this type, but I think that the vote taken was clear, the meaning of the question was obvious and the House expressed itself unambiguously.

(Applause)

President. — I call Mr Broeks.

Mr Broeks. — *(NL)* Mr President, I still stick to my original view on this problem. I do not agree with the Chairman of the Committee on Budgets. Although this Committee may deliver an opinion on a specific matter, an amendment on the same matter does not automatically become an amendment of the Committee on Budgets, but remains the proposal of those who tabled it. This is even more obvious if two committees deliver an opinion on the same question. In this case, for example, the Legal Affairs Committee might also have delivered an opinion.

After your observations, Mr President, I asked precisely how matters now stood. Is it true that if a committee gives a decision regarding an amendment this is then an opinion or has the committee then taken over the amendment?

The Chairman of the Committee on Budgets is of the opinion that it has been taken over. The Chairman of the Legal Affairs Committee explained that his committee had not been able to discuss the amendment and had thus not been able to take it over, but might well have rejected it. We are therefore in a doubly difficult position.

I would therefore ask you again to examine more closely this interpretation by the Chairman of the Committee on Budgets—not the

Chairman of the Socialist Group. There is certainly nothing about this in the Rules of Procedure.

You have taken a decision, Mr President, and we must, of course, accept it, but we should very much like the matter to be looked into again more closely.

President. — I call Mr Aigner.

Mr Aigner. — *(D)* Mr President, debates about rules of procedure are dreadful affairs. They should be avoided if at all possible. Sometimes this is not possible. But we do not really need to have a debate on rules of procedure. Firstly because the vote has already been taken. You can try and attack it after the event, but the result of the vote is clear.

Secondly, Mr President, I am convinced that even though Mr Bersani withdrew Amendment No 10, Mr Boano certainly did not withdraw the amendment too: he is after all a co-signatory of this amendment. I think that the Members who voted against this amendment can have no idea what it means, because it is not possible to vote for Amendment No 17 and then to vote against Amendment No 10. Otherwise you are allowing an official to take advantage of the most favourable currency situation and to claim the best weighting at the same time. This would represent an accumulation which none of the proposers wants. I know how difficult staff problems are, and that not all Members do. Anyone who has already voted for Amendment No 17 cannot reject this amendment.

President. — I call Mr Gerlach.

Mr Gerlach. — *(D)* Mr President, if I may put it this way, Mr Broeks is right and the Chairman of the Committee on Budgets is 'righter', because after the vote in the Committee on Budgets this wording was unfortunately not incorporated into the report of the rapporteur. There would then have been no need for this to be specified in a special amendment: it would have been incorporated into the report and placed in context. This purely technical question was therefore correctly put by the Chairman of the Committee on Budgets.

President. — I shall inform the appropriate persons of the questions raised, so that improvements might be made to the Rules of Procedure, which like all rules of procedure are not perfect.

The debate on this procedural motion being now closed, we shall continue with the voting.

President

On Article 33 I have Amendment No 11 tabled by Mr Brugger and Mr Premoli, completing paragraph 2 of this Article as follows:

"... or in wagons-lit."

I call Mr Brugger to move this amendment.

Mr Brugger. — (D) Mr President, the idea of this amendment is to equate the reimbursement of the cost of air travel and the reimbursement of the cost of a wagon-lit and vice versa. I think this was an involuntary omission in the original text.

President. — What is the rapporteur's position?

Miss Flesch. — (F) The Committee on Budgets was in full agreement with the substance of the amendment as proposed. It only wondered whether the proposed wording was correct and whether it did not leave any questions begging. With this reservation I should like to express my agreement with this amendment in its present wording.

President. — I call Mr Gerlach.

Mr Gerlach. — (D) Mr President, this amendment was rejected by the Committee on Budgets, the reason being that one does not normally take a wagon-lit for short distances. It would therefore be necessary to add 'on production of evidence'. This is absolutely essential, as otherwise the door is wide open to abuse. The text should therefore read:

'... to reimbursement of the cost of travelling by air in the class immediately below luxury class or in wagon-lit on production of evidence' It would then be correct.

President. — I call Mr Brugger.

Mr Brugger. — (D) I agree to this addition.

President. — Amendment No 11 has accordingly been further amended by Mr Gerlach who suggests that the words 'on production of evidence' should be added at the end of this amendment.

Does anyone else wish to speak?

I put Amendment No 11 further amended to the vote.

The amendment is adopted.

On Article 37 I have Amendments No 7 tabled by Mr Bersani and others and No 18 tabled by

the Committee on Budgets, which both propose the insertion of Article 37a after Article 37 and are worded as follows:

Amendment No 7:

'Article 17(1) of Annex VII is amended to read as follows:

"Payments shall be made to each official either in the currency of the country where he carries out his duties or in Belgian francs on a decision by the appointing authority and at the request of the person concerned."

Amendment No 18:

'Article 17(1) of Annex VII is amended to read as follows:

"Payments shall be made to each official either in the currency of the country where he carries out his duties or in Belgian francs on a decision by the appointing authority."

As a logical consequence of Amendment No 17, Amendment No 18 may be considered adopted. As a result, Amendment No 7 is no longer necessary.

On Article 38 I have two identical amendments, No 8 tabled by Mr Bersani and others, and No 19 tabled by the Committee on Budgets, worded as follows:

'Article 38 should read as follows:

Article 17(4) of Annex VII is amended to read as follows:

"Transfers provided for in paragraphs 2 and 3 shall be made on the basis of the par values referred to in the last paragraph of Article 63 of the Staff Regulations.

The amounts transferred shall be multiplied by a coefficient representing the difference between the weighting for the country in whose currency the transfer is made and the weighting applicable to the official's remuneration."

I call Mr Boano to move Amendment No 8.

Mr Boano. — (I) Mr President, this is a logical consequence of the amendment which we approved at the beginning.

President. — What is the rapporteur's position?

Miss Flesch, rapporteur. — (F) I agree, Mr President.

President. — As a logical consequence of Amendment No 17, Amendment No 19 tabled by the Committee on Budgets is accordingly considered adopted. As a result, Amendment No 8 is no longer necessary.

President

On Article 45 I have Amendment No 5, tabled by Mr Hansen and worded as follows:

'Article 45 to read as follows:

The second paragraph of Article 4 is replaced by the following:

"In places of employment outside the Community countries staff engaged for C or D level duties may be treated as local staff where it would not be warranted in the interests of the service to assign those duties to an official or to a servant of one of the other kinds specified in Article 1."

I call Mr Hansen to move this amendment.

Mr Hansen. — (*F*) Mr President, in view of the vote taken on this amendment by the Committee, I wish to withdraw it.

President. — Amendment No 5 is accordingly withdrawn.

On Article 51 I have Amendments No 6, tabled by Mr Hansen, and No 20, tabled by the Committee on Budgets and worded as follows:

'Amendment No 6:

Article 51 to read as follows:

Article 80 is amended to read as follows:

"The institution shall determine the social security arrangements applicable to the servant in conformity with the legislation and practice current in the place where he is to perform his duties."

Amendment No 20:

'Article 51 to read as follows:

Article 80 is amended to read as follows:

"The institution shall determine the social security arrangements applicable to the servant in conformity with local legislation and practice."

I call Mr Hansen to move his amendment.

Mr Hansen. — (*F*) The aim of my proposed amendment of this Article is to avoid misinterpretations and misunderstandings which have occurred in the past, by insisting that each institution should comply with the legislation of the country of its seat as regards social security arrangements applicable to local staff.

In the past the coexistence of several different systems in the same institution in a single country has caused certain inequalities and injustices. The Committee on Budgets accepted my proposal and I should like to maintain my amendment, Mr President.

President. — What is the rapporteur's position?

Miss Flesch, rapporteur. — (*F*) Mr President, Amendment No 6 was discussed at the meeting of the Committee on Budgets in Rome. Though in agreement with Mr Hansen's idea, the Committee expressed the fear that the wording of the text as proposed by Mr Hansen might be somewhat restrictive and, ultimately, not only not favourable, but actually unfavourable to the staff concerned by this amendment.

The Committee on Budgets therefore adopted the substance of Mr Hansen's amendment, but gave it a somewhat different wording, which may be found in Amendment No 20.

In my capacity as rapporteur I therefore obviously support Amendment No 20 by the Committee on Budgets.

President. — I call Mr Schuijt.

Mr Schuijt. — (*NL*) Mr President, the Legal Affairs Committee takes exactly the same attitude as the Committee on Budgets. We approved the substance of the amendment as such, but found the wording unfortunate. I have been instructed to draw the attention of the European Commission to the fact that in any case the text must be worded in such a way as to prevent any discrimination between the staff members.

President. — I call Mr Gerlach.

Mr Gerlach. — (*D*) I can't help asking what the difference is? In the German text the difference lies in the separation of the word 'Sicherheit'. It reads 'Sicher', followed by a hyphen and on the next line we have 'heit'. Apart from this I can't see any difference. The text is literally the same. I should like someone to tell me what the difference is.

President. — I call Mr Hansen.

Mr Hansen. — (*F*) Mr President, to put an end to the debate, I shall withdraw my amendment and accept the text proposed by the Committee on Budgets.

President. — Amendment No 6 is accordingly withdrawn. I call Miss Flesch.

Miss Flesch, rapporteur. — (*F*) In answer to Mr Gerlach's question as to what the difference is between Amendment No 6 and Amendment No 20, I should like to point out that Amendment No 6 is worded as follows: 'l'institution fixe, conformément à la législation et aux usages locaux, le régime de sécurité sociale applicable à l'agent.'

Flesch

Now in the Committee on Budgets we thought that Community legislation might be ahead of local legislation and practice on certain points and therefore, since we are not in favour of having a wide variety of social security systems in operation, we ought to tend towards harmonization with a levelling towards the top.

This is why we selected the following wording: 'L'institution fixe, conformément à la législation locale, et *en s'inspirant* des usages locaux, le régime de sécurité sociale applicable à l'agent.' The words "*et en s'inspirant*" were added to make it possible to go beyond local practice if in keeping with Community legislation.

President. — I call Mr Gerlach.

Mr Gerlach. — (D) I ought to point out to the rapporteur that there is no such addition in the German text; the German text is therefore incorrect.

President. — I call Mr Thomsen.

Mr Knud Thomsen. — (DK) Mr President, I should like to say that this addition, which I would willingly accept, is also missing in the Danish Translation.

President. — There would appear to be some inconsistency between the texts. I shall ask the Secretariat to put this right.

Does anyone else wish to speak?

I put Amendment No 20 to the vote, subject to the linguistic correction requested.

Amendment No 20 is adopted.

We shall now consider the motion for a resolution, which had been set aside.

On this motion for a resolution I had Amendment No 16 tabled by Mr De Keersmaeker, worded as follows:

'After paragraph 1 of the motion for a resolution insert the following new paragraph 1a:

"1a. Invite the Commission to undertake a study, in the light of the experience gained with regard to procedures of promotion and appointment in application of Article 29 of the Staff Regulations, with a view to proposing possible amendments and modifications to the Council."

The author has informed me, however, that the wishes to withdraw his amendment.

Thank you, Mr Spinelli.

Does anyone wish to speak?

I put the motion for a resolution as a whole to the vote incorporating the amendments which have been adopted.

The resolution as a whole is adopted.¹

(Applause)

9. Agenda for the next sitting

President. — The next sitting will be held tomorrow, Wednesday 16 October 1974, with the following agenda :

10 a.m., 3 p.m. and possibly, 9 p.m.:

- Question Time;
- Submission of the draft budget for 1975 and initial discussion;
- Oral Question by Mr Jahn and others to the Council and to the Commission on the development programme for the areas adjoining the border between the United Kingdom and Ireland;
- Oral Question by Mr Amendola and Mr Ansart to the Council on the extension of the EEC headquarters in Brussels;
- Oral Question by Mr Herbert to the Commission on regional policy and cross-border cooperation.

At 3 p.m. the political debate will begin on the report by the President of the Conference of Ministers of Foreign Affairs on political cooperation, on the statements by the President-in-Office of the Council and the President of the Commission on the political situation, and on the interim report by Mr Alfred Bertrand on the European Union.

The chairmen of the political groups, the rapporteur and the Chairman of the Political Affairs Committee are still completing arrangements for this debate; you will be informed of these arrangements as soon as possible.

- Oral Question by Mr Corona to the Commission on Portugal's connections with the Community;
- Oral Question by Mr Bordu and Mr Sandri to the Commission on the congratulations extended by the President of the Commission to the military junta in Chile;
- Oral Question by Mr Jahn and others to the Commission on relations between the Community and the Arab States.

The sitting is closed.

(The sitting was closed at 6.45 p.m.)

¹ OJ No C 140 of 13 November 1974.

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IN THE CHAIR: MR BERKHOUWER

President

(The sitting was opened at 10.10 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 of proceedings are approved.

2. *Documents received*

President. — I have received a report drawn up by Mr H. Seefeld, on behalf of the Committee on Regional Policy and Transport, on sea transport problems in the Community (Doc. 305/74).

3. *Order of business*

President. — In accordance with the decision taken by Parliament on 14 October 1974, and pursuant to Rule 28 of the Rules of Procedure, I have convened the Chairmen of the political groups, Mr Bertrand, rapporteur, and Mr Giraud, Chairman of the Political Affairs Committee, in order to elaborate proposals for the agenda for today's sitting and to allocate speaking-time for the political debate scheduled to be held this afternoon.

On the basis of the decisions reached by this meeting, I propose that the House adopt the following agenda:

10.00 a.m.:

— Question Time;

— Presentation of the draft budget of the Communities for 1975 and first debate;

— Joint debate on the oral questions put by Mr Jahn and others to the Council and the Commission on regional problems between

President

the United Kingdom and Ireland and consideration of the oral question without debate put by Mr Herbert to the Commission on regional policy;

- Oral question with debate put by Mr Amendola and Mr Ansart to the Council on the EEC headquarters in Brussels.

These oral questions could only be considered during the morning sitting if the debate on the draft budget ended before 12.30 p.m.

3.00 p.m.:

- General debate on the report by the President of the Conference of Foreign Ministers on political cooperation, the statements by the President-in-Office of the Council and the President of the Commission on the political situation and the interim report by Mr Bertrand on European Union.

The sitting would be suspended at 7 p.m. and resumed at 9 p.m., since Mr Sauvagnargues is anxious to hold the reception he has organized. Thereafter the President-in-Office of the Council would once more be at our disposal. The sitting would have to be resumed punctually at 9 p.m., in order that we may exploit to the full the presence of the President-in-Office of the Council, who has to leave for Paris at the latest between 10.30 and 11 p.m., since he has to begin another journey early tomorrow morning.

The political debate would thus consist primarily of the statements from the Council and the Commission, the speeches of Mr Bertrand and Mr Giraud and the reactions of Members. The Council's and, so far as necessary, the Commission's replies would be given between 3 and 7 p.m. and between 9 and, at the latest, 11 p.m.

In these circumstances, I would appeal once more to all Members of the House to keep to the speaking-times which we have agreed upon.

Speaking-time for this debate has been allocated as follows:

Mr Bertrand, rapporteur: 20 minutes

Mr Giraud, chairman of the Political Affairs Committee: 15 minutes

Speakers for and members of the Christian-Democratic Group: 45 minutes

Speakers for and members of the Socialist Group: 45 minutes

Speakers for and members of the Liberal and Allies Group: 25 minutes

Speakers for and members of the European Conservative Group: 20 minutes

Speakers for and members of the Group of European Progressive Democrats: 15 minutes

Speakers for and members of the Communist and Allies Group: 15 minutes

Non-attached members: 10 minutes.

After the general debate would come the following items:

- Oral question by Mr Corona to the Commission on Portugal's connections with the Community;
- Oral question by Mr Bordu and Mr Sandri to the Commission on the congratulations extended by the President of the Commission to the military junta in Chile;
- Oral question by Mr Jahn and others to the Commission on relations between the Community and the Arab States.

These items would be dealt with tonight in so far as discussion of the other items and the vote on the Bertrand motion allowed. If the hour was too late for a proper debate, these items would be postponed.

Such is the agenda for today's sitting as worked out after protracted and laborious consultations with the group chairmen.

I call Mr Kirk.

Mr Kirk. — The proposal you have made, Mr President, is rather different from the conclusions of yesterday afternoon's meeting. In one sense it is very welcome that the President-in-Office can stay until 11 o'clock, which was one of our worries, but I thought that one firm decision we took yesterday afternoon was to postpone the vote on Mr Bertrand's report until tomorrow morning at 10.30. It appears on the agenda for tonight, and you also announced it for tonight. To vote in the middle of the night, when there will be a number of amendments, would not be terribly wise.

President. — It is correct that the vote on the motion for a resolution contained in Mr Bertrand's interim report is to take place at the beginning of tomorrow morning's sitting which is set for 10.30 a.m.

I ask Members to take good note of this fact.

I call Mr Patijn to speak on a point of order.

Mr Patijn. — (NL) Mr President, the arrangements you have just outlined mean that the discussion with Mr Sauvagnargues will amount to this: he will address us for three-quarters of an hour, we shall then have an opportunity

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to say something after which we are to go and have a drink with him before continuing our debate; but Mr Sauvagnargues will not then be able to answer our observations.

It is therefore abundantly clear that Mr Sauvagnargues will not be able to give us an answer later because he has to leave.

I find it extremely regrettable that two hours are to be set aside for a reception after which there will not be a second opportunity for the Council to answer what we have said. In other words, we are to be left with a monologue. I suppose, however, that we must bow to the inevitable facts.

President. — The important thing is that we should first of all allocate speaking-time and that we should keep to these limits. It is perfectly clear that no one is obliged to use up the whole of his speaking-time. This I say with all emphasis.

If we can resist the temptation to spread ourselves, we can be assured of a second opportunity for establishing proper contact with the Council.

As regards the meeting with Mr Sauvagnargues, this will not take too long, so that we can resume proceedings punctually at 9 p.m. and hear the replies from the Council and Commission.

I call Lord O'Hagan.

Lord O'Hagan. — My point of view has been expressed by Mr Patijn.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, after what Mr Patijn has said I would ask you to take a close look again at the speaking-time arrangements. You have appealed to the Parliament to be brief and you have also asked the political groups to be brief. Mr President, I represent a group with close on fifty members, and you are suggesting that in a debate of such outstanding political importance the group chairman should merely say: you, you and you. You cannot all speak because we have to be brief! No, Mr President! One thing must be quite clear, and I am not speaking now with diplomatic politeness but with parliamentary frankness: in the situation now facing the Community, should a debate in Parliament take priority or a reception?

(Isolated applause)

President. — At yesterday's meeting, a plan was worked out in accordance with Rule 28 of the

Rules of Procedure. Mr Fellermaier was present, and represented his group.

The plan I have just read out was adopted under the auspices of the group chairmen, and I presume that the House in plenary sitting will not now wish to depart from it.

After the meeting of group chairmen was over, I immediately got in touch with the Council, and this led to the desirable result that the Council will also be present this evening in accordance with the wish expressed yesterday.

I call Mr Broeksz.

Mr Broeksz. — (NL) I am in complete agreement with you, Mr President, when you say that Mr Sauvagnargues will still be able to answer our observations if we are brief. But I hope you will not mind my saying that, in the light of our previous experience with Mr Sauvagnargues, we are not too optimistic about the clarity of his reply.

It also seems to me that Parliament would very much like a second opportunity for a discussion with him. That will not be possible if Mr Sauvagnargues is so keen to have a drink with us. It seems he attaches more importance to the reception than to a debate with us.

Would it not be possible for us to ask Mr Sauvagnargues to give us an opportunity to discuss with him the reply he has given to us on the first occasion? What we would like is to discuss his first reply.

However, it appears that will not be possible, which means that the Secretary of State will have to reply, and he obviously cannot say anything different than his Minister.

President. — The German proverb 'In der Beschränkung zeigt sich der Meister' can be applied in two senses here.

In the first place, we should do well to get on with the agenda and waste no more time on debating the order of business.

Secondly, I would remind you that we said yesterday that we should do everything possible to have Mr Sauvagnargues here with us tonight so that he can react to whatever observations we make. This we have achieved...

Mr Broeksz. — (NL) Surely it is quite normal for a Parliamentary debate to take place in two stages?...

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, this argument has arisen because yesterday, when you were in the chair, an agreement was reached among the groups to the effect that everything must be done to ensure a second round of discussion after the replies by the President of the Council and the President of the Commission if we are to have a real parliamentary debate. What is the value of answers by the President of the Council to questions put by spokesmen for the groups if the House does not then have an opportunity for a second round of parliamentary discussion with the President of the Council or Commission? Mr Broeks felt particularly strongly that this point should be made.

On all the other matters—limitation of speaking-time, Rule 28—there is a broad measure of agreement. But on behalf of my entire group—and I indicated this to you yesterday, Mr President—I must say that after our first experience with the President of the Council in the summer, we want an opportunity for the Parliament, if it so desires, to continue the debate in a second round, with the Council and Commission. That is why I said that the allocation of speaking-time should take priority in this case over a reception.

That is the situation, Mr President, which we wish to discuss a second time. I should be pleased to hear you say that it may be possible to agree on this point with the Council. I have the greatest respect for the President-in-Office of the Council, who is with us now in this chamber, but let me say that we want to have a second round of discussion with Mr Sauvagnargues.

President. — Everything is possible if we are only resolved to keep things short. From 3 to 7 p.m., we shall hold our political debate. The Council is prepared to begin a second stage after that. It will depend on us whether the Council will be able to react to whatever we have to say after the Council has given its reply.

I call Mr Kirk.

Mr Kirk. — I shall be very brief.

The Socialist Group asked for Rule 28 to be applied; it has been applied. The Socialist Group asked Mr Sauvagnargues to stay on late; he is staying on late.

I wish the Socialist Group would stop wasting time and let us get on with our business.

(Applause from the centre and the right)

President. — I put to the vote the draft agenda in the form in which I read it out.

Are there any objections?

The agenda is adopted.

I ask you to note that the time-limit for entering names on the list of speakers for the political debate is set for 12 noon.

4. *Change in the agenda*

President. — The authors of the Oral Question, with debate, put by Mr Jahn and others to the Commission on cooperation agreements with the Soviet Union (Doc. 211/74) have requested that this question be deferred to the November part-session.

Are there any objections?

That is agreed.

5. *Question Time*

President. — The next item on the agenda is Question Time. The texts of these questions have been distributed as Doc. 296/74.

We begin with the questions to the Council of the European Communities.

Question No 1, by Mr Noè, on the choice of a single seat for the European Institutions, has, at its author's request been deferred to a later part-session.

We come to Question No 2, by Mr Normanton, concerning Rules of Origin. This question is worded as follows:

'In view of the great importance which the textile and clothing industries of the Community attach to the maintenance of Rules of Origin based on process under the existing Yaoundé Treaty, would the Council please explain what decisions were taken in this context at the Ministerial Meeting in Kingston, Jamaica, in July?'

I call Mr Destremau to answer this question.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) Mr President, my dear colleagues, the ministerial conference of the Community with the African, Caribbean and Pacific countries (ACP) was held in Kingston on 25 and 26 July this year, and concerned itself particularly with the problem of the Rules of Origin. The conference came to some conclusions, which have become the basis for negotiations currently going on in a sub-committee of the Plenary Committee of Ambassadors and Plenipotentiaries in Brussels, which will lead to the establishment of rules to be applied in the framework of the future Community-ACP convention.

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What were the conclusions reached by the Kingston conference? The Community acknowledged that the Rules of Origin could become a source of difficulty for the free access of ACP products to its markets. It was therefore agreed to search for a solution which would overcome the difficulties. As you know the general principle determining origin is that of change of tariff headings. Exceptions to this general principle have now been envisaged because cases may arise where the Community needs to protect itself. Such exceptions would result in access for ACP products to the Community market being more difficult. The conference agreed that they would be reviewed, and I am so far unable to predict the outcome of this exercise. At all events, it was envisaged at Kingston that if a product, though it had been processed to some extent, had not changed its tariff heading, the origin could be determined by reference to the rate of the value added in the exporting country. On this assumption, the ACP countries have proposed a maximum rate of 25 per cent. It is nevertheless obvious that the rate cannot be fixed in the abstract and that repercussions on the industrial sector potentially affected must be borne in mind.

These, in a nutshell, in so far as it is possible to summarize a matter as complex as that of origin, are the conclusions reached by the Kingston conference which are the basis, as I have already told you, of negotiations now in progress.

President. — I call Mr Normanton.

Mr Normanton. — I thank the President-in-Office of the Council of Ministers for his reply, and reaffirm the deep anxiety felt by the textile and garment-making industries in the Community at the certain consequences of adopting new criteria of origin, criteria which may be appropriate for non-textile products but which are, and have universally been, recognized as totally inappropriate in this connection.

Would the President therefore assure this House that, before any firm decision is taken, the Council will require the Commission to study the full implications of such new methods of determining origin in close consultation with Comitextil to ensure that this does not create a precedent for similar concessions to the Mediterranean and former EFTA countries and that the method finally adopted is easy to compute, simple to police and more equitable, since there are more than sustainable suspicions that those who want to substitute value for process as the criterion of origin do so because they see the scope for indulging in uncheckable evasion and sharp practices?

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) Thank you, Mr Normanton, for your supplementary question, which gives me the opportunity to give some further details on a matter which, I must say, raises rather complicated problems.

I must tell you that as late as last night we were most carefully working on our answer, trying to make it clear. In other words, the draft prepared by the experts has been carefully reviewed by the old parliamentarian that I am.

In answer to your second question, I will say that the Council is very conscious of the anxieties that you have expressed.

To the statement I have just made I should add that, at the negotiations now in progress, the ACP have just submitted a proposal for simplifying the system of Rules of Origin.

The Council, which, as I have already said, has been informed of this proposal, will be discussing it later.

President. — I call Mr Gerlach.

Mr Gerlach. — (D) I simply wish to ask whether, in view of the difficulties facing the textile industry throughout the Common Market, this reply should concern not only the negotiations with the Caribbean countries but also the position in regard to all third countries.

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) I would say to Mr Gerlach that the Council is well aware of the difficulties experienced by the textile industry, whether in the ACP or in third countries.

President. — The next Question is No 3, by Mr Blumenfeld and worded as follows:

Subject: Persons escaping from the GDR and their helpers

Can the Council confirm that during the CSCE negotiations in Geneva on the free movement of persons, information, etc., in Europe, strong emphasis was placed on the constant molestation, arrests and convictions of persons seeking to leave the GDR and their helpers?

I call Mr Destremau to answer this question.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) What Mr Blumenfeld is rightly concerned about is the

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problem of the free movement of persons, and hence of the observance of human rights.

This problem is at the hub of discussions at the Conference on Security and Cooperation in Europe. It is at the moment impossible to obtain agreement on this subject, and this is the principal reason why the Conference is not producing results. If the Geneva talks continue, I think I can say, on behalf of the Council, that we are extremely firm on this point and that in my opinion it would be virtually impossible to reach a result unless we obtain guarantees on the free movement of persons.

President. — I call Mr Blumenfeld.

Mr Blumenfeld. — (D) Have I understood the President of the Council and his answer correctly—I put this question again to obtain confirmation—to mean that the Council of the Community and the nine governments attach the greatest possible importance to this question and will not be prepared to accept anything other than specific practical results?

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) I think that Mr Blumenfeld is referring to a number of violations that seem to occur in East Germany. Obviously, these problems are discussed at the Conference, but at this conference the Nine very often take up a common position.

You will forgive me for not saying more on this, because the problem does not altogether lie within the competence of the Council, but to the extent that political concertation progresses, it goes without saying that it should occur in all circumstances.

President. — I call Sir Douglas Dodds-Parker.

Sir Douglas Dodds-Parker. — I thank the Minister for his reply. Will he continue to stress to all concerned that this is a prime example of the need and the opportunity for collective Community action?

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) My answer to Sir Douglas is that I take careful note of the repeated expression of concern by the Members of this Parliament regarding the free movement of persons and any steps the Council may envisage within the framework of political cooperation with a view to preventing

all infringements against persons, which, in our firm commitment to the observance of human rights, we consider reprehensible.

President. — I call Mr Jahn.

Mr Jahn. — (D) Mr President, have I understood you correctly to say that the negotiations in Geneva could not and should not be completed before the rules on the freedom of movement of persons and information covered by the third package have been recognized? The reason we went to Geneva was surely to put the demand that the whole matter should be treated as one indivisible package.

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) Mr Jahn will forgive me for not engaging in a debate on the Conference on Security and Cooperation in Europe. I have just told you that in Helsinki and Geneva the Nine have on every occasion acted together in an effort to establish common policies, but it is not possible to say whether or not, depending on a particular condition being fulfilled, the Conference will bring results. That is up to the Member States.

President. — I call Mr Normanton.

Mr Normanton. — Does not the President-in-Office of the Council of Ministers consider it appropriate that in every case when the Community enters into negotiations on trade matters, as a prerequisite of such negotiations the maintenance of freedom of conscience and freedom of movement within the confines of the State with which those negotiations are taking place should be of paramount importance?

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) I shall certainly inform the Council of the points put forward by Mr Normanton. But I am unable to give any undertaking on the extent to which the degree of personal freedom is likely to affect the progress of trade negotiations.

President. — The next Question is No 4, by Sir Douglas Dodds-Parker and worded as follows:

Subject: Agricultural prices

What progress has been made since the Council meeting of 20 September 1974 in reaching agreement on the proposals for an increase in agricultural prices?

I call Mr Destremau to answer this question.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) Following the meeting of 20 September 1974, at which agreement in principle was reached on a set of measures to deal with the present situation in agriculture, the Council met again on 2 October 1974 and confirmed the agreement in principle of 20 September, notably enacting Regulation No 2496/74, which provides for a 5 per cent across-the-board price rise in the agricultural sector for the 1974-75 marketing year. This increase came into force on 7 October 1974.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Will the Minister accept that there is still distress in the livestock sector, particularly the beef sector, in the United Kingdom and throughout the Community? What steps does the Council intend to take to ensure that the livestock producer, the beef producer, receives a fair return on his hard work and skill while the consumer benefits from the general lowering of prices throughout the Community?

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) While the whole complex of agricultural questions has come to the fore of the Council's concerns, it goes without saying that beef production, and indeed that of pork, requires even closer study.

A number of temporary measures have been adopted, but these certainly are not fully satisfactory. The Council will have to re-examine the beef and pig-meat problem at the nearest opportunity and with utmost care.

President. — I call Mr Vetrone.

Mr Vetrone. — (I) Mr President, I should simply like you to confirm whether the 5 per cent increase for 1974 has been decided by the Council in anticipation of the increases fixed for 1975.

President. — I call Mr Destremau.

Mr Destremau, President-in-Office of the Council of the European Communities. — (F) I can confirm that the 5 per cent rise has been decided, but it is very difficult in this area to make any long-term plans. The situation is extremely fluid. This is why I am unable to say that the figure agreed now commits us definitely for the next marketing year.

President. — We proceed to the questions addressed to the Commission of the European Communities.

The first is Question No 5, by Mr Patijn and worded as follows:

Subject: Invitation from the Secretary-General of COMECON to the President of the Commission.

What was the nature of the invitation from the Secretary-General of COMECON, Mr Fadeyev, to the President of the Commission and what ways the Commission's reply?

I call Sir Christopher Soames to answer this question.

Sir Christopher Soames, Vice-President of the European Communities. — The President of the Commission has received an invitation from Mr Fadeyev to discuss ways in which relations could be established between COMECON and the Community. The Commission is considering the reply which it expects to send shortly to Mr Fadeyev. Its character will, of course, be positive.

President. — I call Mr Patijn.

Mr Patijn. — (NL) May I ask the Vice-President of the Commission of the European Communities what Mr Ortoli will be able to offer on behalf of the Community now that a number of bilateral trade agreements between Community Member States and Eastern-bloc countries are drawing to an end?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — It is important that we should not confuse these two issues. The trade agreements to which the honourable gentleman refers between individual countries of the Community and individual countries of Eastern Europe all come to an end at the end of 1974. We decided in the Council of Ministers yesterday that we would be sending to those governments information about the outline of the sort of agreement that the Community as such would envisage making with those countries which wished to make an agreement with us to take the place of the bilateral agreements. This will be a question between the Community, on the one hand, and individual countries of Eastern Europe on the other.

The COMECON question does not, of course, go to the heart of the question of trade, because these are matters in which the responsibility is vested in the governments of Eastern Europe. The discussions between COMECON and the Commission will be on those matters on which

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both organizations share a responsibility and have common responsibilities.

At the beginning of these talks we shall indeed be considering—this will be the first thing, as we see it, which it will be necessary to decide with COMECON—what the areas are in which both the Community and COMECON share responsibilities and which will therefore be proper subjects for discussion.

President. — I call Mr Jahn.

Mr Jahn. — (D) Sir Christopher, I am most grateful to you for making the clear distinction here between bilateral and multilateral (i.e., COMECON). My question is this: does the Commission believe, as we decided in the Political Affairs Committee when we adopted the resolution on EEC-COMECON relations, that talks and negotiations should be continued both with the Soviet Union, as the COMECON leader, and also bilaterally, and that relations should be maintained on the same plane?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — Yes, Sir. We have, of course, borne in mind what was decided in the Committee. I must repeat that there are two distinct questions here. One is a question of trade agreements between the Community and individual countries, including Soviet Russia, and the other is talks between COMECON and the Community.

President. — I call Mr Cousté.

Mr Cousté. — (F) Mr President, I heard Sir Christopher's reply, but I do not find it satisfactory. I am putting to him a question of principle. Is he aware of the fundamental difference, the asymmetry, between the Community and COMECON?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — I thought I had explained—indeed, it was my intention to explain—that, agreeing with the honourable gentleman, there is a considerable difference in the areas of responsibility of the Community on the one hand and COMECON on the other hand. As we see it, the areas we shall be discussing will be those areas, at present limited, in which both COMECON and the Community have shared responsibilities; there are some. This does not, however, extend to trade agreements, and it is for this reason that we are showing to governments of Eastern Europe an

outline of what the Community is prepared to offer as a trade agreement. The two matters are quite separate.

President. — I call Mr Van der Hek.

Mr Van der Hek. — (NL) Can Sir Christopher Soames indicate to us the areas in which he thinks cooperation would be possible between COMECON and the Community?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — I think it would be wrong for me today to prejudge the areas in which we shall be having discussions. The first stage will, I think, be talks about talks: we have to decide what are the areas which we shall be taking up together; that will be the first phase. Perhaps it would be better to wait until we have gone further before I give a definitive reply. There are, however, some areas. If the honourable gentleman would like me to give an example, one is the environment, in which both sides have a certain responsibility.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Will Sir Christopher confirm that COMECON has absolutely no jurisdiction in arranging trade agreements between its member countries and outside third countries and that, therefore, as he has said, it is pollution and various other environmental matters and those political matters with which COMECON is really concerned?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — Yes. I confirm, as the honourable gentleman requests, that COMECON does not have responsibilities for matters of trade in the way that the Community has.

President. — The next Question is No 6, by Lord Bessborough and worded as follows:

Subject: Commission's economic statistics.

On 1 October 1974 the latest available issue of the Commission's 'Monthly Graphs and Notes on the Economic Situation in the Community' was that of July 1974, whereas the latest issue of the OECD's 'Main Economic Indicators' was that of September 1974. What information is 'Graphs and Notes' intended to provide which is not available in 'Main Economic Indicators'?

I call Mr Haferkamp to answer this question.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, the two Commission publications to

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which the Honourable Member has referred—namely, 'OECD main economic indicators' and 'Monthly graphs and notes on the economic situation in the Community'—are not comparable. The main economic indicators contain a compilation of statistical data presented in the shape of graphs and series of indexes. The publication contains no comments, while the 'Monthly graphs and notes' are intended to provide observations and views on essential aspects of the immediate economic situation in the Community: each of these observations is accompanied by a series of statistical presentations. Of course, we are trying to avoid duplication. We regularly coordinate our work with that of the OECD and other international bodies. For some time we have been holding discussions under a multi-year programme, drawn up by us, which is also intended to avoid duplication of effort. The purpose of this programme is to harmonize statistical data and statistics themselves in the interests of comparability both among national statistical offices within the Community and between our own Community statistics and statistics of world economic interest.

As to the sequence in time of the publications, there are certain differences and delays caused, for example, by translation work, holidays and so on. But I do not think this is the main problem. What is important is that we should try to avoid duplication in our cooperation and to arrive at harmonization and statements which are comparable.

President. — I call Lord Bessborough.

Lord Bessborough. — I thank the Commissioner for that reply and for his assurances, which go a little way to satisfy me. Whilst I do not necessarily subscribe to the view of *The Economist* that the EEC service is most incompetent and out of date, why, none the less, does not the Commission produce its economic statistics ahead of the OECD, bearing in mind that the OECD is dealing with twenty countries rather than only nine?

Also, in addition to duplication between Community and OECD statistics, why is there duplication within the Community? For example, 'Graphs and Notes' is produced by the Directorate-General for Economic Affairs, and the Statistical Office of the Communities produces another monthly publication, while on 1 October this year the Spokesman's Group of the Commission produced a third set of national statistics for the Nine. Is not this proliferation gone mad?

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) I have already said that we are trying to avoid duplication. The various statistics which we publish in the Community have a number of different purposes. They may, for example, be coupled with the monthly reports on the economic situation, which are in turn connected to the Community's quarterly reports. The annual report which we discussed in this chamber yesterday is once again of a different nature. The statistics relate to some extent to coordinating measures which are not necessarily identical with measures taken by other international bodies.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Does not the Commissioner agree that the statistical departments of the Commission are woefully inadequate? They always have been. Their figures are late. On the agricultural side they are always behind the times. They do not give information when it should be produced. Is it not time there was a complete review of the whole statistical set-up within the Commission?

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) On this point I would say that, on the initiative of the Commissioner responsible, the Commission began this work last year after the enlargement of the Community, firstly with a view to ensuring comparability of statistics and making sure that they are meaningful for all the countries in the Community, and secondly in order to ensure that the statistics are made available as quickly as possible in the Community itself. This work is, of course, extremely complex, and it could not be completed in the time that has elapsed from about the middle of last year. One important factor in this connexion was that we had to find qualified staff from the nine Member States to do this work.

President. — The next Question is No 7, by Lord O'Hagan and worded as follows:

Subject: Relations of the EEC with Australasia and South-East Asia.

What plans has the Commission to improve relations with Australasia and South-East Asia?

I call Sir Christopher Soames to answer this question.

Sir Christopher Soames. — I have just returned from a trip to Australia and New Zealand and four of the South-East Asian countries. I am

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glad to report to the House that it was possible during my visits to agree on a number of modest but, I think, important steps towards strengthening the relations between the Commission and the Community as such on the one hand and all these countries individually on the other hand.

We agreed in Canberra and also in Wellington to institute regular talks between the Commission and each of these two governments. At these meetings, to be held either at senior official or at ministerial level, we shall discuss a wide range of subjects on which we have common interests and common preoccupations. Our dialogue with these two countries will thus take a form analogous to the regular meetings we already have with the United States, Canada and Japan.

Where South-East Asia is concerned, the House knows that we have been working hard to build up our relationship with the Association of South-East Asian Nations, known as ASEAN, for several years now. This was in fact my third meeting with them at ministerial level. We have now agreed that we should take these talks a step further by setting up a joint study-group to meet regularly and to see how our relations can be further developed and how the Community can shape and apply its policies to help the countries of ASEAN.

On the whole, I found in South-East Asia a real appreciation of the fact that the Community was effectively implementing the joint declaration annexed to the Treaty of Accession, which undertook to maintain and strengthen the trading links between the Member States of the enlarged Community and the Commonwealth and other countries in South-East Asia. By tailoring our generalized preference scheme in 1974 and our proposals for the generalized preference scheme of 1975, we have gone a considerable way towards dealing with the problems that arose for these countries from enlargement, and, perhaps more important, towards developing an entirely new relationship between them and the enlarged Community. Of course they would like us to do more, and to do so quickly, but I think it is appreciated that we have set out on the right road.

President. — I call Lord O'Hagan.

Lord O'Hagan. — Did the Commissioner get the impression that the Australian and New Zealand Governments were keen that the United Kingdom should leave the EEC and that they would then supply Britain again with cheap food?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — In answer to the first point, I can assure Lord O'Hagan that no Minister either in Australia or in New Zealand ever mentioned to me any hope on their part that the present situation would be altered or that Britain would leave the Community. They took, as it were, an agnostic view in thinking that this was a matter for the Community and for the United Kingdom, and not for themselves. There was certainly no expression, hinted or otherwise, either direct or indirect, of any wish on their part for Britain to leave the Community.

As to providing cheap food again, they do not see themselves as having any longer a sacred duty to provide cheap food for the United Kingdom. The proof here is the fact that the figure at which they offered sugar was considerably higher than that at which sugar will be obtainable within the Community. Also, the New Zealand Government are—quite rightly in my view—seeking an increase in price for the butter which they are already sending under Protocol 18 to the United Kingdom.

President. — I call Sir Douglas Dodds-Parker.

Sir Douglas Dodds-Parker. — I thank the Commissioner for the action that has been taken under the Joint Declaration of Intent and in the application of generalized preferences to South-East Asia.

Can the Commissioner give any indication of the particular areas in which they want development and expansion of trade on these lines in the future?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — Yes, indeed. The generalized preference scheme is, of course, our main instrument in implementing the Declaration of Intent, but it is by no means the only one.

We have told them that we are prepared to spend some money and to do what we can to help the creation of regional groupings, including ASEAN, and, indeed, they look to us, who have been through the experiences that we have been through, to assist them in creating a regional grouping and to give them counsel and advice.

We have also told them that we are prepared to spend some money to market their goods in the Community. Many of these countries

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have tended to beam their exports to one or other country of the Community. Now, of course, the whole Community is open to them, a Community of 250 million people. This presents considerable marketing difficulties for them, and we are prepared to give them help in order to ensure that they can get over these marketing problems.

These are two areas where I found the countries of South-East Asia were very grateful and believed that they could benefit.

The House might like to know that I very much got the feeling from ASEAN that, whereas there has been a considerable increase of American investment and Japanese investment and this has been very welcome in these countries, nevertheless they hope to see in the Community a third option open to them from which investment can come and where they can look for all sorts of help in all manner of ways. They realize this could no longer come from individual Member States, but the Community itself is big enough and man enough to be a third option for them. In view of their long history and the ties and associations with Europe in many of these countries, this is something that is very welcome to them.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — Would the Commissioner pursue the question of cheap food a little further and confirm, following his visit to Australasia and South-East Asia, that there is no possibility of cheap food being available either for the United Kingdom or, indeed, for the Community in the present circumstances? Could he say a little about whether he entered into any talks with the Australians, for instance, regarding whatever help they may need now because of the perilous economic situation which has developed there over the last two or three months?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — In answer to the first part of the question, in view of the experiences we shared in the Ministry of Agriculture in the United Kingdom in years gone by, I think the honourable gentleman will agree with me that it is dangerous in this area to start forecasting what prices will be. All I would say is: if you see where the cheap food is, then do let us know.

Would the honourable gentleman remind me of the second part of the question?

Mr Scott-Hopkins. — Concerning the perilous economic situation which has developed in Australia over the last two or three months, I asked whether the Commissioner had entered into any negotiations with the Australians.

Sir Christopher Soames. — No, we have not entered into any negotiations and nothing of that character is envisaged. However, as I said, we agreed to set up arrangements to have talks regularly at ministerial or senior official level between the Australian Government and the Commission in order that we may keep in touch with each other and gradually develop over a period of time that greater degree of intimacy in the relationship between Australia and the Community, as opposed to relations between Australia and any particular countries within the Community.

President. — Does anyone else wish to speak?

I thank Mr Destremau, Sir Christopher Soames and Mr Haferkamp.

Question Time is closed.

6. Draft budget of the Communities for 1975

President. — The next item on the agenda is the presentation of, and first debate on, the draft general budget of the European Communities for the financial year 1975 (Doc. 288/74 and Doc. 288/74-Annex).

I call Mr Poncelet, whom I heartily welcome in our midst as President-in-Office of the Council of the European Communities.

Mr Poncelet, President-in-Office of the Council of the European Communities. — (F) Mr President, ladies and gentleman, I am greatly honoured to be taking part in your debate today and to have the privilege of presenting to you for the first time our Community's budget.

It gives me particular pleasure to greet here all the parliamentarians of the Nine Community countries with whom today I shall embark, on behalf of the Council of Ministers of the Community, on a dialogue which I hope will be most fruitful. I am convinced that the proper functioning of our institutions and the standard of our work depend, and will continue to depend, largely on the discussions, debates and confrontations — friendly without doubt — which we shall be undertaking in the weeks to come. In this spirit I personally am ready to welcome and examine most attentively any comments and suggestions that I am sure you will be making in the course of our work

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together. I look forward to our debates which I trust we shall be able to bring to positive conclusions for the good of Europe.

Compared with previous years, the budget I have the honour to present to you contains some new elements. I should like to spend a little time on these, before going on to outline the draft budget itself.

To begin with, the provisions of Article 203 of the Treaty establishing the European Economic Community will for the first time come into effect. As I have already indicated to your delegation on 23 September last, the Council intends to apply this procedure in the spirit of a wide ranging dialogue with the Assembly. We are, no doubt, all aware that this procedure is certain to be shortly amended and that another dialogue is going on on this subject between the Council and the Assembly. Within the framework of the texts as they stand however, it would seem possible to complete an important first stage. That is our wish.

If that is to happen, agreement is needed between the Council and the Assembly on some points which may prove to be crucial. I refer to the division of expenditure into the so-called obligatory expenditure and the other sort, and this, in turn, involves the question of the maximum rate of increase applicable to these other forms of expenditure which in the Community language we call non-obligatory expenditure.

Before presenting to you the Council's views on these two points I should like to emphasize — and I do insist on this — that they remain in the context of the dialogue with the Assembly and that the Council remains sensitive to the Assembly's attitude on the subject. The Council, however, did not feel that any useful purpose would be served by theorizing and its aim has been primarily to provide a practical and convenient basis for our work on the budget.

I come now to the classification of appropriations into obligatory and non-obligatory expenditure, a subject which is, as you know, delicate both from the theoretical and legal point of view, but also in practice of fundamental importance for both our institutions. May I, therefore, discuss this subject a little longer than the others. The Council is grateful to the Commission for having annexed to the preliminary draft budget a statement of expenditure divided into the two categories. We have also noted that the Commission, by letter of 2 May 1974, had informed the institutions that their own expenditure appeared to the Commission to be of the non-obligatory type.

Subject to my statement on expenditure for which no regulation had yet been enacted by the Council, the latter has based itself on the classification of expenditure submitted by the Commission. In doing this the Council feels it is falling in with your thinking on the matter, since only that expenditure is classified as obligatory for which, by reason of the texts, no budgetary authority, whether Council or Assembly, may freely establish appropriations.

I would think that this concept is very close to that adopted by your Assembly when last year it approved the Commission's proposal for the gradual extension of the categories of non-obligatory expenditure to all expenditure which does not automatically result from earlier long-term decisions.

On the other hand, it follows from the logic of such an exercise that the Council cannot at this point classify future expenditure for which regulations have not yet been enacted. In fact, it is difficult to see on what such a classification could be based, given that the expenditure is not regulated by any text.

In any case, as far as the Council is concerned, its refusal to classify these expenditures is linked to its refusal to allocate appropriations for such activities. It is, admittedly, a thoroughly conservative approach: the Council believes that, when the time comes, agreement on the classification of new expenditure should be reached on the basis of texts which will have been by then adopted. This will in no way encroach on the powers of the budgetary authority in respect of this expenditure at the proper time. In dealing with this question, the Council took account of the considerations put forward by your delegation. It was particularly conscious of the fact that it is not its sole prerogative to determine this classification and that the Assembly, for its part, will also have to base itself on this classification during the budgetary procedure when it comes to identifying the amendments and proposed modifications on which it will have to pronounce.

I want to talk now, more briefly, about the maximum rate. This rate restricts the permissible increase from year to year of the overall volume of the non-obligatory expenditure. You know that the Commission, in accordance with the Treaty, has stated that the rate this year will be 14.6 %.

There was no decision for the Council to take on this point. It confined itself, therefore to stating that it would be able to observe this limit, since the rate of increase for non-obligatory expenditure, as calculated from the

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draft budget, would be 12.43%. The Council thus considered that, in implementation of the Treaty, the Assembly would have an additional margin of freedom to exercise its right of amendment.

Besides, the Treaty, I should like to remind you, provides for a special procedure for the case when, in exceptional circumstances, one of the institutions comes to believe that the progress of the Community demands that the rate initially fixed should be exceeded.

So much, Ladies and Gentlemen, for the procedural questions, which I hope your Assembly will tackle, as the Council has done, in an open spirit of inter-institutional dialogue.

I come now to another series of preliminary considerations, those that the Council had in mind when it took its decisions on the various appropriations proposed in the preliminary draft budget drawn up by the Commission.

I must, first of all, make the general point that the Council has made available to the institutions such resources as seemed to it necessary and sufficient to enable them properly to complete their respective tasks in 1974.

Nevertheless, the Council was guided by the following two concerns, which each of you must also, I am sure, have at heart; obviously, their effect is to restrict increases in the total budgetary appropriations. The Council, in fact, wished to contribute, at Community level, to the economy effort which should characterize all public budgets: the Council considers that various aspects of the Community budget offer possibilities of economies comparable to those which must be made by most, if not by all, the Member States.

The Council was aware that the preliminary draft prepared by the Commission had, of course, largely taken account of this consideration; it was also appreciative of the fact that most of the savings proposed on the operating costs had been accepted by that institution. In this connection, I should like to ask you not to get the size of these savings out of proportion. It has, in fact, been said, indeed written, that the Council, in its austerity effort, had cancelled the appropriations requested for the Regional Fund.

Obviously, the austerity effort had in no way influenced this decision, and the undertaking to grant immediately, through a supplementary budget, the necessary appropriations, will in due course furnish formal evidence of the fact.

As a general rule, the Council has not adopted certain appropriations arising from the Commis-

sion's proposals which do reflect the foreseeable development of Community activities, but in which, as far as can be seen, the work begun by the respective bodies has not sufficiently progressed.

It was in this spirit that the Council refrained from prejudging the budget of the European Development Fund or the endowment of the future Regional Fund. In following once more, this year, such a line of conduct, the Council realizes that certain developments in the course of the financial year may make it necessary to resort to supplementary budgets.

I know that our dialogue on this point will continue in our various debates. I simply would ask your Assembly to bear in mind that the Council, in acting thus, has tried to adopt a realistic and commonsense attitude and that no dogma or theory on the nature and role of the Community budget should be seen in this.

It simply seems, at the present stage of our Community's development, that this practice offers, at least for the moment, greater security than a procedure consisting, as proposed by the Commission, in opening in advance major expenditure chapters without having ascertained the validity of the decisions. This would result in any unused appropriations lying fallow, and certainly the populations of our countries would not take it as evidence of improved management.

I come now to the substance of the draft budget. I would remind you, first of all, that, in its drafting, account has been taken of the amending letter sent by the Council to your Assembly in implementation of the decisions taken by the Council at its meeting of 2 October. This amending letter concerned modifications to be made to the expenditure forecasts for EAGGF—guarantee and guidance sections—and to forecasts on agricultural levies; the figures I am about to quote allow of course for the amending letter. The total appropriations in the draft budget amount to 5 775 000 000 u.a. They represent a 13.7% increase on the appropriations authorized for the preceding financial year.

Once again, a considerable part of the appropriations shown in this draft budget is earmarked for expenditure in the agricultural sector, estimated at over 4 300 000 u.a. Out of this sum, over 3 980 000 000 u.a. are earmarked for the guarantee section, 325 000 000 for the guidance section, and 2 000 000 for operating costs.

The other appropriations in the 1975 draft budget, amounting to over 1 475 000 000, are divided as follows:

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- 338 000 000 for the social sector, of which 320 000 000 for the reshaped Social Fund, representing a 20% increase; 124 000 000 for the research, technology, industry and energy sector, of which 94 000 000 for research and investment expenditure,
- 229 000 000 for the cooperation and development sector, of which 226 000 000, that is, I emphasize, nearly the whole, for food aid,
- 384 000 000 for administrative expenditure and operational costs,
- finally, 386 000 000 for repayment of costs incurred in collecting own resources.

Now I should like to draw your attention to the revenue forecast, in the light of the expenditure that I have just described.

Total own revenue is estimated at about 4 000 000 000 u.a. It covers 70% of the total expenditure, a proportion never reached before. Last year, for instance, it was only of the order of 60%. On the subject of revenue, it should be emphasized that the 1975 budget will be the first to be governed by Article 4 of the decision of 21 April 1970. This article provides that, as from 1 January 1975, the Communities' budget is to be financed entirely from own resources.

Admittedly, and it is a matter for regret, it has not yet been possible to introduce a common VAT assessment basis and thus to obtain resources deriving from this tax, but, nevertheless, a new stage has been reached. The transitional contributions allocated on the basis of gross national products represent a step forward at all events, since they endorse the autonomous nature of the Communities' financing making it no longer dependent on previously-agreed political decisions, but on real economic quantities instead.

Let me now analyse quickly the expenditure:

As regards the European Agricultural Guidance and Guarantee Fund EAGGF, it should first be emphasized that the Council has approved all the appropriations requested by the Commission for the guarantee section, that is, 3 980 475 000 u.a.; this figure takes into account the increase proposed by your committee and accepted by the Council in its amending letter to the draft budget.

On the other hand, the Council did not feel it should enter in Chapter 98 the estimated appropriation of 200 000 000 u.a. proposed by the Commission to allow for the possible financial consequences of any future price review for the agricultural marketing year 1975/1976.

However, the Council made a point of signifying its agreement on the following considerations:

- agricultural expenditure varies considerably, depending on the economic situation, and therefore should be capable of modification in the course of the year;
- the appropriations envisaged under Titles 6 and 7 of the draft budget for 1975 take no account of the possible financial consequences of the forthcoming annual decision on price adjustments;
- if necessary, therefore, the financial consequences of any such price adjustments should be dealt with by means of a supplementary budget.

In addition, the Council gave its approval to the inclusion in the draft budget of 325 000 000 n.a. under the EAGGF guidance section heading. This figure corresponds to the ceiling fixed by the Council on 28 December 1972.

I come now to the proposed appropriations in the social sector, and I should like to speak first about the Social Fund. To begin with, I must point out that the Council established the Social Fund appropriations in full agreement with the Commission, after an extensive discussion. This appropriation amounts to 334 000 000 u.a. in the draft budget, of which 320 000 000 are earmarked for the reshaped Social Fund and 13 000 000 for the old fund.

You will see, then, that the appropriations allocated to the old fund have been decreased since, in 1974, they were still at 60 000 000. That is natural enough. These appropriations will, in fact, disappear altogether in 1977. In contrast, appropriations earmarked for the new Social Fund have been increased by 20% compared with those for 1974, and I would stress this increase most particularly.

The Council has earmarked 110 000 000 u.a. for expenditure under Article 4, 210 000 000 u.a. for expenditure under Article 5, and 900 000 u.a. for pilot schemes and preparatory studies.

I should also like to stress that, at the meeting at which it established the draft budget, the Council also adopted a report and a transfer of appropriation as a result of which the appropriation under Article 5 in the 1974 budget has been increased by over 40 000 000 u.a.

In addition to these appropriations for the financial year 1975 the Council has authorized the Commission to undertake commitments for the two following financial years, that is, 135 000 000 u.a. for 1976 and 65 000 000 u.a. for 1977.

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While, in the 1974 budget, the Social Fund accounted for all expenditure in the social sector, this is no longer the case for 1975. The Council has, in fact, opened a number of headings in the draft budget for activities proposed by the Commission to deal with the priorities established by the Council within the framework of the Social Action Programme when it adopted its resolution of 21 January 1974.

These are for the establishment of the European Vocational Training Centre, for the organization of a programme of research on labour market trends, for measures for organizing and humanizing work, and for the establishment of a European Trade Union Institute.

Since the Council still has to work out the details for these activities, it has allocated an overall estimate appropriation of 1 000 000 u.a. under Chapter 98. As the need arises, this appropriation will enable an immediate start to be made on these various activities once the Council has made the relevant decision.

I would also add that the Council has opened a token heading in the draft budget for a contribution to pilot projects on better housing for handicapped workers.

On the other hand the Council did not include in the budget certain actions suggested by the Commission because in the proposed Social Action Programme these had not been given priority.

I know that the problem of the Regional Development Fund is of great importance for us all. As I have already told you the Council did not wish to prejudge the amount of the appropriation for the future Regional Fund. This is why, since decisions on regional policy still remain to be made, the Council included token entries in Chapters 55 and 56 of the draft budget. But of course, once the decisions are taken, the Council will immediately act on them and, naturally, take account of their budgetary implications.

You will have noticed that in the research, technology, industrial and energy sector appropriations for research and investment have the lion's share.

This remains, as ever, a technical problem. To put it simply, the Council has granted appropriations which, on the admission of the Commission itself, will enable the research centres to operate in 1975 in accordance with the activity programmes established for them. The appropriations are greater than what it would have been normally possible to allocate to the centres in the overall budget established for 1973.

The Council therefore intends to revise this overall budget, modifying the programme decisions. For purely legal reasons, some appropriations remain blocked until these adjustments are made.

As regards other operating costs in this sector, I would mention that the Council has allocated 25 million u.a. for Community projects in the hydrocarbons prospecting sector, and 900 000 u.a. for the action programme in science and technology policy. The Council did not wish, however, to take any decision on the distribution of this appropriation until specific decisions had been taken.

On the other hand, the Council has made only a token entry for Community contracts for industrial innovation and development, since no decision has yet been taken on the matter.

The same was done as regards the cost of activities in education, since a detailed programme in the educational field has not yet been drawn up. It should be remembered that the Committee on Education set up on 6 June 1974 has a year in which to submit a report on proposed actions. At this stage, therefore, it is impossible to estimate even approximately any financial implications of this programme.

Expenditure in the cooperation and development sector shown in the draft budget does not account for the whole of the Community effort in this field. I have already indicated that nearly the whole of this expenditure is for food aid, which amounts to 226 million u.a.

This appropriation, which the Council considered with very particular interest—since it is there that Europe will demonstrate its truly human face—is divided as follows: 25 million u.a. earmarked for continuation of food-aid programmes initiated before 1975; 200 million u.a. for 1975, pending the adoption of a programme for that year to enable food aid to continue.

Finally, 1 million u.a., to which unused appropriations from 1974 will be added, will be used to cover any special expenditure arising from exceptional transport difficulties or emergency situations.

In telling you that the Council had not wished to prejudge certain activities, I was of course, referring particularly to the financing of the European Development Fund which is about to enter on a period of new and considerable expansion. You know that in its preliminary draft budget the Commission has proposed, in Chapters 90 and 91 and Item 4211, appropriations for the functioning in 1975 of the Associations with African, Caribbean and Pacific countries and with those of the Maghreb, as well as

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for certain actions in favour of countries in overseas territories.

In its budgetary debate the Council did not feel in a position to discuss these proposals or to include the corresponding entries in the draft budget. It was, of course, reluctant at that stage to prejudge decisions on the financial arrangements in the association agreements being negotiated, on which it will have to pronounce at a later date.

The Council considers that, when the time comes, it will be necessary, in conjunction with the other institutions, to act on the decisions which will be taken on this subject, including, if warranted by the decisions, any budgetary consequences.

Concerning now the specific acts of technical cooperation with developing countries the Council has signified its agreement to a steep increase in appropriations requested by the Commission for actions in favour of the nationals of non-associated overseas countries and for aid in the running of training institutions for nationals of developing countries.

As regards measures to encourage the sales promotion of exports from non-associated developing countries to Community markets, measures to encourage regional or sub-regional integration between developing countries, the training of young executives for development aid and the organization of seminars on development aid, the Council has allocated a round sum of 1 million u.a. for these various activities. However, by agreement with the Commission, this sum can only be utilized after agreement between the Council and the Commission on the method of implementing the relevant measures.

Finally, the Council has made a token entry in Article 940 for international UN emergency action in favour of developing countries most affected by world price movements, pending budgetary measures resulting from expected decisions on this subject. You know that at a recent meeting 150 million dollars were already set aside for this purpose for 1975.

Mr President, I come now to administrative and operating expenditure which, as I have already indicated at the beginning of my statement, amounts to 384 million u.a. The expenditure of the Assembly and of the Court of Justice calls, in your opinion at least, for no particular comment. On the other hand I would like to say a word about the forecast Council expenditure. You have, no doubt, noticed that this forecast represents an increase of 26.08% compared with 1974. But I should point out that this forecast includes the cost of proposed measures to set

up in the Council and its subsidiary bodies a complete translating and interpreting service which is estimated at 4 500 000 u.a. Apart from this exceptional expenditure, the increase in the Council estimates for 1975 comes to 12.8%.

As for the Commission's operating expenses, these are increased by 21.43% compared with 1974. In the matter of staffing, the Council has allowed the Commission 371 additional permanent posts, as against the 426 requested, comprising 273 in the linguistic services, 60 in the teleprinter service, 20 in the auditing and budget services, 17 for the Office of Publications and 1 for the Press and Information Office in Athens.

The Council did examine most carefully the Commission's other staff requirements, for 48 posts in the Computer Centre and 2 additional posts in the Press and Information Office in Athens. While recognizing that needs exist in this area, and that they should be met, the Council did not approve these requests because it is of the opinion that the Commission should use its vacant posts for this purpose.

I would, in fact, like to draw your attention to the fact that as of 1 August 1974, 436 posts still remained vacant, that is more than the 405 posts granted to the Commission in the 1974 budget. While readily agreeing that a certain margin is in order, to ensure the proper functioning of the Commission, the Council did feel that, given such a large number of vacant posts, it could ask the Commission to meet its staff requirements partially from its current establishment potential.

I shall not dwell further on the Commission's other operating costs, but would rather concentrate on the main features of the draft budget.

I would simply like to point out that in nearly all cases agreement has been reached between the Council and Commission on the entries which it contains. They certainly show large increases but we should not forget that supply prices, like officials' salaries, are directly affected by the current inflation.

Mr President, Ladies and Gentlemen I hope that my statement has given you an adequate survey of the considerations by which the Council was guided in establishing the draft budget.

Its aim has been to provide the institutions, and particularly the Commission, with sufficient resources to enable them to fulfill their tasks in the coming year, while coping with a difficult inflationary situation which demands of the Community, as of the Member States, much discipline and mature reflection in deciding each item of expenditure, no matter how small. I trust that your Assembly will follow us along this path of reason.

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It goes without saying that I shall be happy to offer, within the limits of my possibilities, any additional information or explanation that you may wish to have.

I shall be with you again in November, to take part, first, in the work of the Committee on Budgets and thereafter, in the Assembly's debate on the draft budget. It will be a pleasure for me to attend these in the capacity of President of the Council.

Ladies and Gentlemen, I have now finished this budget speech. I would ask your indulgence for its somewhat arid and technical nature but it is important that your Assembly should be fully informed of the expenditure and revenue forecast by the Council.

(*Applause*)

IN THE CHAIR: LORD BESSBOROUGH

Vice-President

President. — Thank you, Mr Poncelet.

I call Mr Aigner.

Mr Aigner, rapporteur. — (*D*) Mr President, I should like to begin by expressing my cordial thanks to the President-in-Office of the Council, not only for his clear statements and readiness to cooperate further, but also and above all for the willingness to cooperate which he has already shown in our various discussions as Members of this Parliament with the Council. We have the impression, Mr President, that the Council is perhaps for the first time really showing a willingness to recognize the Parliament, as provided in the Treaty of Luxembourg, as an equal partner in the budgetary procedure and therefore also as a budgetary authority. I wish to thank you, Mr President, warmly and sincerely for your willingness to cooperate.

(*Applause*)

In addition, I believe that all our discussions with the Council, including the discussion last Monday, have shown that, even though the institutional development of our Community is proceeding in small stages, a certain basic pattern of a constitutional structure is gradually emerging, as reflected in the budgetary procedure.

We do not want either a Parliament with absolute sovereignty or a Council of Ministers with absolute sovereignty; what we want is a federative constitution for this Community in which, if I may put it like this, the identity of the national States will not be submerged

by the identity of the Community while, at the same time, the identity of the national states must, of course, not be allowed to prevent the emergence of a Community identity. Mr President, I am particularly pleased to note that this basic 'philosophy' was apparent in the introductory speech to this debate and has been so in all our consultations up to now.

Mr President, my initial reaction to the draft budget submitted to us today by the Council is less favourable. As I said during our last discussion, I see it as a totally soporific budget for the Community. It reflects, I believe, the difficulties—of which I am well aware—experienced by the Member States in finding the way to new activities for the Community. These difficulties must be recognized. But it will, or at any rate may, be fatal to the Community if it is brought to a standstill simply because there are still problems within the Member States. A Community which is standing still is bound to break up, and that is particularly true of this Community in a situation in which we are all now faced with problems which must be solved. I hope you will then bear with us if we now develop different ideas concerning the operative budget resources of this Community. I hope that when we reach the conclusion of these budgetary discussions, we shall at least find some kind of a common denominator.

Mr President, I think I need only quote three figures to illustrate the whole dilemma of this draft budget published by the Council. In 1974, we had a budget of 4 900 million u.a.; for 1975, the Commission submitted a preliminary draft for 6 800 million u.a. I would, however, point out that the administrative expenditure has remained practically constant and the increases are due almost exclusively to new operational funds. And this is where the Council has made its cuts and deletions: instead of a budget for 6 800 million, the Council has now submitted to us a budget for 5 500 million u.a.—in other words, more than Communities' operational funds. You know the attitude of this house, Mr President, in regard to economy in the budget and the need for cutting expenses to the minimum; so far the Committee on Budgets of this Parliament has adopted a line of thrift equal to that of any other budgetary committee.

I mean by this that the principle of economy is followed by us with at least the same degree of severity and stringency as in the national parliaments or in the Council's Budget Committee. But, Mr President, what is involved here is not a question of economy but rather of curtailing the Community's development. It is not true to say that at a time when the Member States are being compelled by their financial

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position to make deletions from their public budgets, the Community should do the same because of the conjunctural situation.

When I consider the national budgets, I see, despite the short-term economic needs, a margin of manoeuvre which far exceeds the growth rates of the national product. If we had the political courage to make the transition from national to Community action, it would even be possible to save money here. The Community is, after all, not an end in itself; the purpose of the Community is to organize the activities of Europe in the most rational manner possible. But if—for example, in the research sector—nine Member States pursue national programmes which are often parallel—and one country often does not know what is going on in the others—it would be better and more appropriate to our present economic situation for the Community to grow and for national activities to be gradually transferred to the European level. That would be the right policy in the present economic situation.

Now, Mr President, when I consider the difficulties reflected in the Council's discussions and above all in press reports, I realize that one problem—which we must not try to hide even though it is a tough problem—is becoming increasingly important—namely, the question of the distribution of burdens in the Community. That is, of course, understandable when, for example, European expenditure must today be financed to the tune of more than 50% by only two countries, France and the Federal Republic: if in addition a third country wishes to transfer a part of its own responsibilities to the two others, public opinion in the Member States concerned will find it difficult not to protest. Anyone who fails to understand the breaking point of public opinion is bound to face difficulties. In the long run, the people cannot be asked to make above-average sacrifices if they themselves are not participating fully in the process of integration and if the difficult process of integration is not at the same time backed by the vision of a Europe for which the peoples would really be prepared to make sacrifices. We have passed thousands of regulations which were necessary, but in so doing we have clouded the vision of Europe. If the people no longer see the image of a united continent, their ability to carry the load will be diminished.

But, Mr President, I wish to stress here that we in all the Member States have approved the principle of Community financing. We have found a scale based on the Community's own resources, on duties and the agricultural levy. This is obviously necessary, because once there are no internal duties and no more national

duties, but only Community duties, there will also be no more national revenue from these sources and only Community revenue.

No one would argue on that score. Now you also know that as from 1 January 1975 the Community is also to be financed by a proportion of value-added tax revenue. It is the fault of the national governments in the Member States that the Community has not yet managed to adopt the sixth directive. The Commission has done its duty. The Parliament has done its duty. The Sixth Directive has been submitted to the Council. It should now take a decision. And if it decides, we shall then also have the final component of Community financing.

Even the present transitional financing arrangements based on gross domestic product remain an absolute form of Community financing. Therefore a State can no longer legitimately complain that the burden it has to bear is greater than that borne by the others. It seems self-evident that the Federal Republic must pay more than Luxembourg. What we need, therefore, is a scale which distributes the burden equitably.

For this purpose, we have the value-added tax or the gross domestic product and the other common revenue sources. We should also have the courage to say to our people that the profit gained from the Community is greater than the loss which would have to be borne by each Member State if the Community no longer functioned.

There are so many problems—as you can see from your newspapers every day—which can no longer be solved at national level. We need the European Community. These problems can only be solved within a stronger European Community. But the financial consequences must then also be borne.

I come now to my main point, which is to clarify the procedure and define the Parliament's freedom of action under the newly-functioning Article 203 of the Treaty. The principal decision—I am most grateful that the President has also recognized this—is a clear distinction between obligatory and non-obligatory expenditure. The definition of these forms of expenditure also limits the range of the Parliament's rights in respect of the budget. On Monday we discussed this matter in detail with the Council. I must say I am really grateful that there is a willingness here to define these concepts not only in theoretical terms—and this is very difficult—but also pragmatically in full agreement between the Council and Parliament. Perhaps the definition will have to change from year to year. But the willingness to define the limits jointly with this Parliament is a good thing in itself, for which I am most grateful.

Aigner

For the benefit of my colleagues who are perhaps not very familiar with this difficult subject, I shall illustrate by a practical example how the Council, with this budget, has directly limited the Parliament's freedom of action, defined in terms of obligatory and non-obligatory expenditure, in a manner which to my mind is unacceptable. Consideration of the Commission's preliminary draft shows that in 1974 we had non-obligatory expenditure of some 650 million u.a. The Commission's preliminary draft for 1975 contains non-obligatory expenditure of some 1 600 million u.a. This means that according to the draft, if all the operational funds had been included in the Council's draft as well, a new maximum rate of 140 per cent would have had to be agreed jointly with the Council.

Since the Treaty of Luxembourg enables the Parliament—regardless of the situation—to lay claim to at least half this rate of increase in resources, this would have meant that our Parliament would have had its own budgetary framework of some 500 million u.a. In other words, our Parliament would have had the latitude to dispose of 500 million u.a. Within the limits of that total, this Parliament would have had absolute sovereignty *vis-à-vis* the Council.

What, then, did the Council do? The Council has now deleted all the operational funds from the budget and says that we are not yet ready to take decisions, so that the inclusion of all these funds will be postponed to supplementary budgets.

Mr President, to my mind it is totally inadmissible that those governments which have directed the sharpest attacks on the Community, especially in the area of financial policy—because the policy of supplementary budgets is gradually becoming intolerable not only to the governments but also to the national parliaments—should now be themselves fully committed to a policy of supplementary budgets. It is surely clear that a wave of resentment against the Community's financial policy will gradually build up if, at the end of a budgetary year, additional budgetary demands amounting to a thousand million or so are put to a national parliament. That point needs to be made perfectly clear.

Mr President, in its draft—if I am correctly summarizing the situation—the Council has announced at least eight supplementary budgets. It wishes to finance eight political decisions by supplementary budgets. Of course the appropriations could be combined in three of four such budgets, but the policy of supplementary budgets still remains. This is totally unacceptable and not only brings the national governments and parliaments into difficulties but also

ourselves. What will our freedom of action actually amount to if it is to be exercised in eight supplementary budgets? Can we—I am putting this question directly to the President of the Council—if a supplementary budget of 500 million u.a. for regional policy is submitted, exercise our freedom of action in respect of the new rate of increase of 50 per cent within this supplementary budget, or is our action calculated for the budget as a whole?

All these questions remain to be solved. No one has provided an answer as yet. But they have a real bearing on the Parliament's budgetary rights. It is therefore understandable that we should wish to pursue a different policy from the Council in the matter of the operational funds.

I personally realize that it is very difficult to take political decisions in the matter of regional policy or development policy already at this stage. But, Mr President, it is a fact that in all Member States funds are simply entered in the budget when fundamental political decisions have to be taken. It would be desirable for the Council and Parliament to be able to block these funds jointly; we could then embark without too great danger to the two Institutions on the necessary dialogue on legislative powers which we both want, as was confirmed on Monday by the Council President.

It seems in principle inevitable that we shall now be presented with supplementary budgets; but it would be dangerous for the policy of supplementary budgets to become an established part of our political development.

I should like now to say a few words about some individual budget headings. First on the subject of personnel: here I am grateful to the Commission for having at last listened to our repeated suggestions and drawn the appropriate conclusions. What we were asking it to do was to make a careful study of its own personnel requirements and increase staff mobility in order to rationalize the situation in regard to its own work force, which, as we all know, is not cheap. We cannot yet assess the results of the work done by the Screening Group set up for this purpose by the Commission; isolated differences have certainly arisen between the staff representatives and this Group. But I have the impression that the Commission is really trying—to some extent under the pressure of public opinion and political attacks on the Commission bureaucracy—to show that it is doing all in its power to rid those attacks of any foundation.

At the beginning of this debate, I should therefore like to say a few words about the Community's bureaucratic apparatus.

Aigner

Mr President, if nine national economies which have lived a separate existence for decades or even centuries have to be integrated and brought together, a whole army of experts will be necessary; it is easy to realize why some observers may be horrified to see that the Community has 9 000—or altogether 14 000—officials. But Mr President, when we consider the specialization of their tasks it is apparent that this bureaucratic apparatus is quite necessary, even if we do not like it, to achieve the aims of our policy.

Within this body of officials there are certainly some who are frustrated, although that may be something of an exaggeration. I am thinking of the Research Centre in Ispra or the Directorate-General for Competition. Ladies and gentlemen, would not some of us be equally frustrated if we had been working for years on end and presented hundreds of draft regulations to the Council which the Council then simply shelved? These people have worked and see no recognition of their efforts. In Ispra it is the Community's own policy which has failed and not the scientists and technicians. That must be clearly recognized. And if now there are symptoms of frustration, with their negative consequences, those who attack the whole apparatus should first beat their own breasts and ask to what extent we are ourselves responsible for the failures which have occurred.

Mr President, I am afraid—and this is my last comment on this matter—that behind all this there is in reality an attempt to question the institution as such and to return to international cooperation. That would be tantamount to the death of any Community. We need institutions, and if we accept that need we must also accept the need for a body of officials.

One final word on the operational funds in this budget. I understand, Mr President, why you have first emphasized from your own angle the increases in resources. But I shall now reverse your approach and emphasize instead the deletions as compared with the preliminary draft. You have, for example—I am speaking now in round terms—deleted some 205 million u.a. in the agricultural sector and 78 million u.a. in the social sector, and have shown a token entry of 650 million u.a. for regional policy—in other words, practically deleted this heading too. For research you have deleted 33 million u.a. and for cooperation with the developing countries 330 million u.a.

Mr President, the Community must be able to define its tasks if it is to recover its credibility, and one of its tasks is development policy. The Community can only exist if it accepts a vast commitment to which no other community is

equal. We believe that the European Community has the vital rôle of establishing a new co-operation between the third world and the industrial countries. The credibility of our Community is now being endangered because you do not even wish to enter the funds to cover the decisions taken in your own name by the Commission and reached in the negotiations with the third world.

If you postpone action on regional policy, Mr President—I know how difficult this problem is, the debate in my own country makes that abundantly clear—every one of us knows that we shall not arrive at cooperation in an economic and monetary union; we cannot solve these problems which are of concern to all of us if we do not demand a little more solidarity from our people in this sphere—even if considerable sacrifices may be necessary.

We must see not only the disadvantages of the Community but also its benefits to each one of us.

In short, the Council should have the courage to say that we should willingly have strengthened this or that form of action but that action was vetoed by this or that country. Public opinion would then become fully acquainted with the facts and would see who is blocking the Community's political development.

I have made a timid attempt at an *ad hoc* reply to the excellent address by the President of the Council. But, Mr President, I have also announced our intention to engage in tough discussions with you in the next weeks over the political profile of this budget.

(Applause)

President. — I call Mr Spénale.

Mr Spénale, Chairman of the Committee on Budgets. — (F) Mr President, I shall do my best to follow your recommendation, because we still have before us tonight a long debate on equally important problems.

First of all, I should like to thank and congratulate the rapporteur for his very sober analysis, which he was able to prepare in a very short time and of which he has already given us a foretaste.

I should also like to thank the President-in-Office of the Council for his extremely clear statement today, and particularly for the recent contacts we have been able to have with him in a spirit of frankness and affability.

While, unlike Mr Aigner, we do not think that we are being treated as people with equal rights,

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because equal rights imply equal powers, we will say that we have been treated with equal consideration.

I do not think that we can today enter upon a discussion of details. I should like to deal mainly with questions of principle arising from this budget, which, theoretically, is the first to be entirely financed from the Communities' own resources. I should like to believe that it will in fact be so; but I fear that, if it is, it will be so only thanks to a legal fiction, as some of the rapporteur's remarks, especially on supplementary budgets, lead us to suspect.

The points in the first 'own-resources' budget that I should like to consider here concern questions of principle, and especially Parliament's budgetary powers. On the question of obligatory and non-obligatory expenditure, we agreed that, by relying on everybody's good faith, we could try to draw up the classifications empirically for the 1975 budget, and this is the method which has been chosen.

The Commission, in a very constructive effort, has submitted proposals for classification into obligatory and non-obligatory expenditure. The Council has accepted them in principle. One could therefore almost say that the matter has been settled satisfactorily. The Council has, however, struck out from what had been basically non-obligatory expenditure—i.e., expenditure over which Parliament has greater powers, and even the last word—a little over 1 000 million units of account in the appropriations, refusing to include them at this stage and putting them into a 'non-classified' category.

I must tell you now, Mr President of the Council, that we find this procedure disquieting. You have told us that these appropriations would be allocated once you had a decision on the supplementary budgets. But once such a decision is made, and given that we tend to define such expenditure as not resulting from earlier decisions of a recurring nature, would this still be optional expenditure? Can you promise us today that before such a decision is taken we shall have the opportunity of debating this expenditure under the procedure applicable to non-obligatory expenditure?

I have a few words to say on the 14.6% increase in non-obligatory expenditure. Personally, I believe that this rate of increase can only be applied to the old non-obligatory expenditure. There is, in fact, provision for a coefficient of increase determined by the rise of the cost of living, of national budgets, etc. In other words, our administrative and non-obligatory expenditure, as we might say, indexed, and the purpose of the coefficient is to prevent budgetary

resources from becoming 'lost' from one financial year to the next.

But if this coefficient is applied, the 14.6% rate in this case, to the new expenditure, I fear it will be very difficult to make decisions on new expenditure.

As regards supplementary budgets, I, too, would like to protest against the principle of the thing. Just think of it—we have already been told that there would be seven or eight supplementary budgets! Since the procedure for the examination of a supplementary budget is as lengthy as that for an ordinary budget, all our time will be taken up in discussion of one or another of these budgets, which will convince public opinion that we are forever voting ourselves new expenditure. The excellent official that you seconded the other day to the Committee on Budgets assured us that we were mistaken, and that there would not be eight supplementary budgets because these budgets would, be, somehow or other, grouped.

I don't agree! It can only be one thing or the other. If there are to be political decisions of an extremely varied nature—the research budget, negotiations on the EDF, the regional budget, etc.—then it will not be the same authority that is involved in each case, and we shall have to have several different supplementary budgets.

Otherwise, so as to have only one supplementary budget, you will have to wait until the very last decision is taken before you draw up your budget. But since this last decision will not even be taken in 1975, the resources of which you have been talking will not be available!

There is, finally, a third possibility, consisting in grouping several supplementary budgets before the decisions are taken, which implies that the budgetary entries will only be of an indicative nature. If that is the only right method for supplementary budgets, then why not use it at once, from the moment of the submission of the draft budget?

What is the greatest disadvantage of these supplementary budgets? Let us take an example. You have struck out 200 million u.a. requested by the Commission for its reassessment of agricultural expenditure. Let us assume—and I believe it is the case—that the Commission is right, and that these appropriations are necessary. What is the Council then going to do? Since, in the course of a financial year, the rate of VAT cannot be changed, and hence the only possibility of some elasticity in the Communities' budgetary receipts is excluded, you assume, contrary to the financial regulation, that the Member States will advance the money needed at any time you ask. How are those receipts to

Spénale

be classified? If they will not be, strictly speaking, the Member States' financial contributions, they, at any rate, will see them as such. For if there is no VAT rate which will enable this expenditure to be covered, these advances, pending their reimbursement by the Community, will constitute the financial contribution of the Member States.

In that case, how can you be sure that next year, if you find you need these 200 million, you are not going to meet with the reactions you met this year when you had to revise agricultural prices? Why shouldn't particular Member States then refuse to finance such expenditure, since they will have the impression that they are being asked to bear the cost themselves?

The great virtue of the 'own-resources' system is that it substitutes receipts from the European tax-payers for the contributions from the states and thus enables the Community to collect directly from these European tax-payers resources which properly belong to it and which the states have no right to consider as coming from *them*. These resources are based on each inhabitant's capacity to contribute. They eliminate the notion of 'fair return', which has caused us so much trouble with its implication that one only pays in proportion to what one receives, which is contrary to the Community spirit and has led to the biggest dramas in past years.

I would therefore ask you to reflect before reviving that formula. We shall have time to confront our views on this subject, and I hope that we shall do so.

Now I want to come to the loan. We do not want the Community to get into debt...

I am therefore astonished to find you asking that a loan be launched in the Community so as to lend money to Member States, when your own technical experts tell us that we should not be borrowing for ourselves because that would not be the right way of going about things! For our part, we believe that the problem of the independence of the Exchequer for a Community that has neither Treasury nor Central Bank must be solved by contracting loans—secured, obviously, by Community resources.

But now we are being told that we cannot borrow on our own behalf, that we shall not be lent the money, and we are asked instead to borrow for the Member States, who will lend back to us the very same money when we need it. In a word, we are being asked to perform on behalf of the Member States the identical operation which we are assured we cannot perform for ourselves, so that the Member States using the loans we have obtained for them can lend us the resources we need, having first

explained to us that we are, in fact, not able to do what we are doing for them.

It's marvellous! But I would advise you to beware of your experts, for they have a way of declaring impossible everything that is politically necessary and of calling advisable everything that is contrary to the currently appropriate course of events. How are we to achieve tomorrow a Community-scale parliamentary democracy—and I do not see what other object we could have, since we only admit to membership those countries where a democratic parliamentary system exists—if we fail to establish democratic parliamentarism within our Community?

Having promised to be very brief, I shall not dwell on the expenditure in detail, but will confine myself to a few short comments.

As regards the Regional Fund, it is a frightening thought that last year token entries were made in the budget and that these token entries have been entered once again this year. We have a megaton of literature on regional policy, but we are unable to allocate a single penny for its purposes. In this case, it is the Council's inability to make up its mind that is a matter for serious concern. We hope to examine all these points in detail during our further meetings, to which you have referred, Mr President of the Council, in the Budgets Committee. For your convenience the committee will go to Paris; then we shall meet again here, in the Assembly. I am convinced that we shall encounter on your part once more a willingness for open dialogue and that we shall be able to improve considerably this budgetary tool, which, in its present form, defoliated by the stripping of entries, is, as Mr Aigner has said, an instrument of stagnation. We should therefore restore to it some of its leaves—and a few fruits too!—so that it may once again become acceptable to the eye, and so that public opinion in the European Community may understand why it is that the Community does, after all, need some resources of its own. We expect much of you, Mr President of the Council, and we want to thank you in advance.

(Applause)

President. — I call Mr Kirk to speak on behalf of the European Conservative Group.

Mr Kirk. — I, too, will be as brief as possible. There are only two major points on which I wish to concentrate, and both Mr Aigner and Mr Spénale have referred to them. They are the two points which concern us most.

Before coming to the criticism, however, perhaps I may present the flowers. I think that the budget for this year is presented in, I would

Kirk

not say a more digestible form than before, because it is never very digestible, but in a more understandable form, particularly Volume 7, which I have found extremely useful as a guide to the Council's thinking on what they have done in drawing up the budget.

It is unfortunate, however, that we have a budget which produces both for 1974 and 1975 appropriations as well as the 1973 out-turn and, therefore, we have to find our way through a large number of volumes to discover exactly how expenditure is going over the three years. Perhaps, when preparing the budget in future, both the Commission and the Council can see whether it is not possible to give comparative tables of a rather more concise kind than we have in these seven volumes.

Like both Mr Aigner and Mr Spénale, I consider that there are two major points on which we need to concentrate. The first is the distinction between obligatory and non-obligatory expenditure. Perhaps I may mention in passing that linguistically we are now having a problem in English, because the Commission in their documents in English use the word 'compulsory', in French the word used by the Council has been 'obligatory' and in Article 203 the word is 'necessarily'. All these words mean roughly the same, but it would be a good idea if we could agree which word we are talking about before we talk about it.

I have a feeling that this distinction is now becoming more and more theological and that it is one that we need to re-examine basically to see whether it is right. I would say to Mr Spénale, for instance, and indeed to Mr Poncelet, that I find it difficult to see why research expenditure is non-obligatory when we are obliged to spend a certain amount of money on research. There seems to me to be a problem here which should be cleared up. It would be much simpler if the Council, the Commission and Parliament could get together in a small group and look at this matter again.

One can understand how this situation arose. Originally, I understand, it was a distinction between the administrative and the non-administrative budget, but it appears now to have gone way beyond that and I hope that we can review the matter fairly fully.

In passing also, may I mention at this point that I think Parliament should look at its own procedure, now that the new budgetary procedure is coming into effect. As Mr Spénale knows, I have one or two ideas on the subject of how this might most effectively be done. He and I have jostled about this over the last two years. I believe, for instance, that, at the stage we

have now reached, budgetary sub-committees of the various main committees of Parliament would probably involve more Members in a procedure which is becoming more important. When we look around the chamber this morning, we see that it is the same old gang who, as long as I have been here, have followed under Mr Spénale's guidance the budgetary procedure. The procedure under the 'Communities' own resources' rule now becomes so much more important for Parliament that many more people should be involved in it. Therefore, the first point I should like to make is that we must take a further look both at the distinction between 'obligatory' and 'non-obligatory' and at the way in which we handle this.

My second point—this is where I feel that the Council should come under considerable criticism—is the question of supplementary budgets. It is not good enough to strike out a whole section like the Regional Fund and say that it is all right because when the time comes we shall produce a supplementary budget. We have had how many supplementary budgets this year? I forget the number, but I think we have had seven so far.

Mr Cheysson. — No. We have had one.

Mr Kirk. — I am wrong; we have had one. Thank you, Mr Cheysson. I think we had seven last year. There will, no doubt, be more amendments before the year is out.

I should like to know what is the Council's authority for saying that they will produce a supplementary budget. I have searched Articles 203 and 203A and I can find no reference whatever to supplementary budgets. The only reference is to procedure for the budget as a whole. I cannot find anywhere in the texts of any of the treaties any authority for anyone to produce a supplementary budget at any stage from any one of the three institutions.

Perhaps we might be told what the authority is for supplementary budgets. There is no procedure laid down for dealing with them; there is no procedure laid down for involving Parliament or the Commission in dealing with them, although they are undoubtedly necessary. They happen in all our national parliaments. We all know that one can make miscalculations. Inflation can make nonsense of estimates as to what prices will be 18 months ahead and so on. Nevertheless, someone, somewhere, should spell out under what circumstances a supplementary budget can be brought forward and under what circumstances it should be handled between the institutions. This is a point of cardinal importance.

Kirk

Mr Aigner asked what power Parliament will have over the supplementary budgets. I ask what power the Council has to bring forward a supplementary budget in the first place. What power has Mr Poncelet to promise this morning that he will bring forward a supplementary budget for the Regional Fund, when no authority has been given to him under Article 203 to do so? This matter needs detailed examination. It would be better if, instead of taking out of the draft budget matters that should be put in, the Council and the Commission between them could make a much better estimate of the money they need to spend.

This is only the first part of a discussion that will be going on between the Committee on Budgets and the Council and the Commission and once again in this Parliament over the next month or two. Therefore, I do not intend to go into any detail about the various items of expenditure at this stage. I merely wanted to make those two points and, having made them, once again to thank the Council at least for Volume 7, which is an excellent production and which gives us a much better idea of its thinking than we have had over the past few years.

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

Mr de la Malène. — (F) Mr President, it is difficult to introduce any new elements into this debate, which means that I shall be even more brief than the last speaker.

I should like to start, however, on a comparatively optimistic note. That is not one of my habits, and it does not happen to me often.

I have been a Member of this Parliament since 1958, and in my mind's eye I try to review the budget debates that have taken place over the years. I find, being an optimist, that almost for the first time we are examining a budget which is beginning to look like a budget and which evokes a budgetary debate that is beginning to sound like a budgetary debate.

Fourteen or fifteen years is a long time, you may say? Much has been done, but faster progress could have been made. Perhaps, but it may be that in the life of a Community years count for less than in the life of men.

I should like to take the opportunity of joining the previous speakers in thanking the President-in-Office of the Council of Ministers who was willing to arrange and participate in a dialogue which, we hope, will continue to be increasingly searching.

Like my colleagues, and without trying to be original, I want to say a few words on the procedure, or, if you prefer, 'the doctrine', reserving my comments on the substance for later debates. This word 'doctrine', in fact, has not very much to do with the procedure of classifying expenditure as obligatory or non-obligatory; I refer here to what Mr Kirk has said. From my experience as rapporteur on the Treaty in question for my own Parliament I can testify to this. At that time, non-obligatory expenditure had a somewhat narrower connotation than today. We should quickly find a much wider term for this purpose. It is only right to stress this.

So, we have made progress towards legislative power. In fact, we have won an important victory in the course of a few years. We can congratulate ourselves on what we have all achieved in the way of extending these non-obligatory expenditures. Initially, the concept of this kind of expenditure was much narrower but we are glad of its development and we want it to continue.

As regards supplementary budgets, I fully endorse the comments that have been made. This is not a good procedure. In nearly all our national Parliaments we are familiar with the idea of extraordinary credits, usually introduced at half-yearly intervals, to adjust budgetary revenue and expenditure in the light of incoming receipts and expenditure requirements; but that is not what we are talking about. There is no comparison between the rough draft of a supplementary budget and of extraordinary credit. It is an altogether different notion. I think that in our countries we are not familiar with this idea, and with good reason. I believe that both for reasons of economy and to prevent delays in decision-making it would not be a good thing if this tendency were to develop.

As far as is in our powers, I believe that we must oppose the establishment of this custom of supplementary budgets, whether it is a case of one budget containing eight main headings or whether there should be eight separate supplementary budgets. For this makes little difference to the principle of the thing. The fact is that a budget is an act of deliberate forecasting, the declaration in advance of a policy, of a determination. If the budget is to be reduced to a series of *ad hoc* measures corresponding to decisions taken in the course of the year, then in effect there will be no more budgetary framework. The budgetary framework presupposes, and this is one of the rules that we have all learnt, perspective planning over the span of a whole year, if not, indeed, over four years, when quadriannual budgets are used, but at

de la Malène

all events it is for a certain period of time. If the political determination is to be fragmented over time, much of the importance of the budget is lost, because it is no longer global.

Budgets are annual, but they should also be global. The idea of a supplementary budget is therefore not a good one and it should be resisted.

I should like to say, finally, that I support Mr Spénale in his urgent request concerning the authorization to borrow linked to own resources. The Community must be provided through the loan with more flexible resources and be enabled, in particular, to meet its exchequer needs.

These are the three comments that I wanted to make on obligatory expenditure, on the loan and on supplementary budgets. I realize that they are not very original and I ask your indulgence for that.

President. — I call Mr Fabbrini to speak on behalf of the Communist and Allies Group.

Mr Fabbrini. — (I) Mr President, I shall confine myself to a few brief observations, since, we shall be returning to this matter at the November and December part-sessions.

I would stress at the outset that for the present the main argument revolves around two points which have already been made concerning obligatory expenditure and the reductions made by the Council to the Community's draft budget. On these two questions I wish to make certain remarks which I hope will be closely considered.

The Council, and with it the Commission, has decided that only expenditure resulting from decisions implementing the provisions of the Treaties of Rome shall be considered obligatory. I could accept this argument, since there is a certain logic behind it; but I am quite unable to accept the Council's practical refusal to enter other future expenditure which is foreseeable.

In fact, if we were to accept this position, the budget would finish up by being a mere record of appropriations relating to decisions already taken and adopted by the Council of Ministers. That would reduce the activity of our Assembly to simply determining the accuracy or otherwise of these entries and the final amounts resulting from them.

In my opinion, if a budget is to be a political document it must necessarily reflect a policy by providing the appropriations necessary for it; the national Parliaments in the Member States and the Council of Ministers in the Com-

munity will then be responsible for taking the decisions to give practical effect to the commitments reflected in the appropriations.

Under these conditions, if we are to accept the reasoning outlined here by the President of the Council and the distinction between obligatory and non-obligatory expenditure, and having regard to the effective refusal already expressed by the Council—which has been confirmed as politically necessary—we shall finish up by transforming the budget into a mere accounting record. I believe that an assembly such as ours, which is not a group of accountants but an eminently political body representing the different political forces in the Member States, cannot possibly accept this approach.

Having made that point, I wish to move on to a second concerning the reduction in expenditure. The Commission had provided for an overall increase in expenditure of 37 percent in comparison with the 1974 budget. The Council of Ministers, wishing, it says, to give an example to the Member States, has reduced this increase in expenditure from 37 to about 9.5 per cent. It seems to me, among other things, that this increase is even below the average rate of inflation recorded in the Community as a whole in 1974. The Council goes on to conclude that it is necessary to make savings, and therefore reduces the administrative expenditure and—still adopting the distinctions to which I referred between obligatory and non-obligatory expenditure—deletes or shows only as token entries the appropriations provided for political action by the Community in the future.

In this connection a basic problem arises, as some newspapers have written. If the future policies—which the Commission must also translate into appropriations—are adopted in the near future, the reduction to 9.5 percent of the increase in appropriations as compared with 1974 is purely formal, and I would describe it as a political fiction, an attempt to give public opinion in the Community the impression that the Community bodies, in particular the Council, wish to cut down as far as possible any increase in the budget since last year. This would, of course, have a certain psychological effect which cannot be discounted. But if these policies are subsequently implemented and if in a few month's time the Council of Ministers decides to create the regional development fund (for the time being I am simply making suppositions), if it decides on new social measures and on the granting of the appropriations earmarked for the developing countries as well as other actions for which token appropriations have been shown by the Commission, it would then be pointless to say here that an attempt is being made to hold the

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increase in expenditure to 9.5 percent, because that figure will inevitably increase until it reaches the levels indicated by the Commission as a result of the decisions on these matters which the Council is to take in the next few months. If, on the other hand, those policies (regional policy, the new social measures and so on) are not adopted, then the token entries made in the Council's budget are meaningless, because no progress whatever will be made towards implementation of these policies.

In that case we shall be confronted with a total paralysis of the Community in an area of activity which has been fully discussed by us in this assembly and elsewhere, and which corresponds to the real needs of the Community as a whole.

I wonder also why the Council of Ministers, if it intends to make progress towards the establishment of the regional development fund, new social measures and the other things indicated by the Commission, instead of showing the appropriations as token entries did not enter them under Chapter 98 of the budget.

This would have enabled the necessary funds for these policies to be obtained, and if the political resolve of which I have spoken exists, it would have given the impression that the Council was willing to proceed along these lines. I would put this question of the Council. Entry under Chapter 98 would have been a demonstration of good faith, which is certainly not the case when simple token entries are made in the budget.

I wanted to make these points at the beginning of this debate; I would add briefly that it is true—as the President of the Council said earlier on—that there are certain new elements in comparison with the previous budgets, but these new factors relate above all to the Community procedure for drawing up and establishing the budget and not to the actual substance of the budget. The structure of the 1975 budget is largely the same as in previous years; there are no major changes or politically important additions, because the modest additions proposed by the Commission have been either deleted or shown as token entries. It is therefore clear that, unless substantial changes are made, having regard to the serious problem of the Parliament's budgetary powers—which it has not yet had an opportunity to exercise—and the insufficiently democratic procedure for drawing up the budget, and having regard further to the fact that this budget does not adequately reflect the Community spirit—particularly when the Council shows new appropriations for social policy as a mere token entry—and considering finally that the relationship in

the appropriations for agriculture between the guarantee section and the guidance section has remained much what it was in previous years, if indeed it has not worsened to the detriment of the guidance section—I can say now that if there are no substantial changes our Group will be quite unable to vote in favour of this budget.

Our group, which attaches great importance to the truly social aspect of Community policy and the introduction of a policy to restore economic balance in the Community, our group, which sets great store by action for the benefit of the developing countries, will present, on these three aspects and also on agriculture, amendments which we shall examine in subsequent debates in this House on the Community's budget in the hope that the proposals we submit will meet with the agreement of a majority of Members of this Parliament.

(Applause from the Socialist Group and Communist and Allies Group)

President. — I call Mr Laudrin to speak on behalf of the Committee on Development and Cooperation.

Mr Laudrin. — *(F)* Mr President, on behalf of the Committee on Development and Cooperation, I shall make a few quick points, one of which is formal, and the remainder concerned with basic issues.

The Committee has noted with satisfaction that as had already been remarked, the presentation of the budget is better and much clearer as regards the problems of developing countries. This is progress which must be kept up.

On matters of substance, I want to make three observations. The first on the European Development Fund, the second on food aid, and the third on what is commonly called 'the Cheysson plan'.

On the European Development Fund we have just heard the President-in-Office of the Council state that he was not yet ready to accept budgetization. I am sorry that more account was not taken of the wishes repeatedly expressed for years by our Parliament's relevant Committee. Three or four years ago Mr Westerterp was asking for this budgetization. It was, in fact, submitted by Mr Commissioner Deniau in his 1973 memorandum and by the whole Commission who made a formal proposal to the Council of Ministers. You seem to think that this is not possible yet. I know very well that the Fund has always been financed from national contributions which have risen from 580 million u.a., to 800 million, and finally to 1 000 million u.a.

Landrin

Mr President, we should like to have an authoritative statement from you as to the size of this budget that you intend to determine in your current discussions with countries applying for associated status. I think this is information which will be all the more valuable to us since I believe that agreement has been recently reached between the Council of Ministers and the 'associables'. I should like to know your opinion and your budgetary guidelines on this subject.

On food aid, I am sorry to see, Mr President of the Council, that the Commission's proposals in this area have been ignored. This is a retrograde step and one which we must condemn. At all events, it is something that would seem to require a much more detailed explanation from you. We are going through a period of shortages. We know that in countries like Honduras, Bangladesh or India there is famine and great poverty. And it is at such a time that the Commission's proposals are set aside. On food aid in grain, butter and sugar you have made considerable reductions.

I cannot help asking myself therefore whether on the excuse of economies which, in the prevailing situation are perfectly understandable we are not about to betray our mission on an international scale. We cannot watch the progress of such misery as that which affects today some regions of the world without trying to let the Community intervene more effectively. When I see that for sugar, the Commission proposes 3 800 000 u.a. and you cut this down to 2 300 000 u.a. I think that an explanation is called for, not to mention other changes which we have found somewhat startling.

I come now to the Cheysson plan. You know that this is concerned with United Nations emergency action to help some developing countries which have been particularly badly affected by the price trends of primary commodities.

Mr Cheysson, to his great credit, has been able to submit and have accepted a plan on which I should like to congratulate him, both for the considerable work which he has put in, and for the results that have been achieved—at least the international level—since all his proposals seem to have been accepted. Unfortunately, our Economic Committee on Economic and Monetary Affairs seems to be out of step on this. We have made a contribution of 500 000 dollars to the UN Secretary-General's multi-lateral fund, but the second instalment should have been included in the budget. Yet it simply figures as a token entry.

I would therefore like to know, Mr President of the Council, what you propose to do to give effect to the good intentions we have shown of

coming to the aid of the most disadvantaged countries and those particularly affected by the increase in prices of primary commodities and to give support to Commissioner Cheysson, to whom the credit for undertaking very vigorous action on that score must fall.

These are the problems that I wanted to discuss. As regards the developing countries, I think that all the Members of our Assembly are in favour of maintaining our contribution at a very high level. This is a time when we must demonstrate the true face of Europe and to show that we are among the first nations in the world to come to the aid of human misery.

(Applause)

President. — I call Mr Shaw.

Mr Shaw. — I rise for the first time in this Parliament, and I am grateful to you, Mr President, for calling me. As it is the first time, perhaps I may speak briefly to show my deep interest in this debate and in the budget.

I think that I have arrived at an interesting moment, a moment when we take unto ourselves new powers and, as is always the case with new powers, new responsibilities. It is right that by the length of this debate we show our interest in it and the importance that we attach to it.

I realize that in this year we are taking a much deeper interest in the whole Community budget and, as I have said, we accept the greater responsibilities, too. But if we are to accept those responsibilities, it is right that we should be able to see the picture as widely as possible. For that reason I regret that, whatever difficulties there may be, and undoubtedly there are many, the Council has decided to remove from the preliminary draft budget certain appropriations in connection with matters such as the European Development Fund and the future Regional Fund.

As I see it, our duty from now on will be to show that we have examined the budget in its entirety and that we are doing our best both in committee and in plenary sessions of Parliament to look ahead and assess as accurately as we can the expenditure that will be incurred during the coming year and to show that, having assessed the expenditure, we can look to the income and balance the two.

The essential discipline in this exercise must be that, as far as possible, we balance total expenditure with total income. The danger of supplementary budgets is obvious. If important sections of the next year's expenditure are taken out of context and are examined at a later date and if with that examination we have

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also to look at the raising of the money to meet that expenditure, clearly the raising of the money and the expenditure will become identified. I believe that that is wrong.

Obviously, there will always be certain supplementary expenses that have to be met during the course of the year, but, having said that, I believe that when looking at a major expenditure we have to discipline ourselves by deciding whether there is a limit to the amount of money that we can spend—and, alas, there always is, or always should be, a limit to the amount that we can spend—and so decide among various priorities to be included within the given limit of funds. If we delude ourselves by taking out certain important elements from our discussions, we shall not be comparing the whole of possible expenditure as we should.

Therefore, if we have a supplementary budget on an important sum in the future, I believe that we must compare it not with all the other sums that we are spending during that year but only with the sum that has to be raised—in other words, the income. We must look at the total expenditure on the one hand and also the total income on the other hand. That, I believe, is the right approach to this matter. It is important, therefore, to get as much as possible of the estimated expenditure into the original budget rather than into a later supplementary budget.

Thus, considering the budget, I begin by assuming that the Commission, when making their original proposals, have drawn them up in such a way that they contain the results of serious thought as to the figures they put into their preliminary draft budget—in other words, their judgement as to what the expenditure will be. I believe that the discussion should start from there.

Therefore, if I am right in that, the only justification for excluding appropriations such as the 650 million u.a. for the Regional Fund is to show that, for some reason or other, they are unlikely to be spent in the coming year. In fact, however, no argument whatever has been put forward to show that the Council themselves, who have made the decision, are querying the judgement of the decision. Nowhere do they say that that is not the sum that they expect to be paid or that they think it is much larger. 'No', they say, 'we just have not decided'. It has caused certain disturbance in various countries by creating the belief—erroneously, I believe—that they are against the Regional Fund. If we look at the documents, we see that that clearly is not the case, as indeed they have stated. They say that they do not wish to prejudice the

outcome of the work or the amount to be fixed for the future Regional Fund. The Council say that they are perfectly aware that there may well be a need to resort to a supplementary budget.

I believe that we must bring as much pressure to bear as we can. Perhaps we shall not wholly succeed this year, but I believe that continued pressure eventually—if the cause is right, as I believe it is—brings the desired result. We must, as far as we can, seek to reduce the field in which supplementary budgets are used and we must put ourselves in a position where we can look at the expenditure as a whole that we shall have to meet from income during the coming year. I believe that it is only in that way that Parliament can fulfil its duties.

President. — I call Mr Spénale.

Mr Spénale. — (*F*) Mr President, I do not wish to repeat the arguments we have had in this debate, but I should like to put a question to the Commission and the Council.

The President-in-Office of the Council has told us that there has been very considerable agreement on the part of the Commission as to the cuts in the appropriations. I think that, for the sake of clarity in our further discussions, we must know, if the Commission is willing to tell us, on which particular points it was in agreement with the Council as to the cuts, and on which it was not.

My second question concerns the Commission. Mr President of the Council, we know the constraints under which your Institution has to operate. We know that, once a problem has been examined in that assembly, the President-in-Office of the Council has his hands completely tied, he is completely bound by the decisions taken in the Council. Can you give us an answer today, or when you come before the Committee on Budgets, or in November, when once again you will be with this Assembly? You can give it in writing. There will be nothing to change. Or does this mean that we are really going to have a discussion with you? But in such a debate there ought to be a margin of elasticity, otherwise it is not a debate. And then, your Council, composed as it is of Ministers and Secretaries-of-State for Finance, would have to meet before you came here, to meet and discuss Parliament's comments, to see whether, on the basis of these comments, any points could be found on which the Council would be willing to show some spirit of conciliation.

Otherwise, we shall have the pleasure of seeing you again, but we shall have nothing new to

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learn from you. And, if that is to be the case, we feel that this dialogue, for all your goodwill, will be extremely restricted.

President. — I call Mr Cheysson.

Mr Cheysson, member of the Commission of the European Communities. — (F) Mr President, the Commission will have a number of opportunities for commenting on the budget, both before the Committee on Budgets and before this Assembly, during the budgetary debates. Today, therefore, if you will allow me, I shall confine myself to three general observations.

First, I should like to say how pleased the Commission is to find that, as Mr de la Malène has said, we are embarking on a real budgetary debate. Last year we registered our surprise at the very rapid manner in which the budget was adopted in plenary session. We are happy this year that not only in the Committee of Budgets has the work been done as carefully as ever, but that it has given rise to real debates in this Assembly.

This is in keeping with the wish of parliamentarians and Governments to see an increase in the Parliament's powers. If, this year, the debate is beginning to sound like a real budgetary debate, it is because Parliament's powers are increasing. They are increasing in two ways. First, a real dialogue has been started between the Parliament and the Council of Ministers; the rapporteur, the Chairman of the Committee on Budgets, has stressed this. The Commission, for its part, is very glad of this. There has been a debate within the Council and in the Committee on Budgets, and now it is going on, and will continue, in this House. That represents considerable progress.

Secondly, the 'last-minute expenditure' begins to account for large sums in the 1975 budget. I call this 'last-minute expenditure'—it is yet another new term which would worry Mr Kirk, if he were present—because that seems to me a good description of what is usually called non-obligatory expenditure.

The Commission is happy to see that the line it has been advocating from the start—that is to say, the progressive expansion of 'last-minute expenditure'—has been adopted by the Council, as its President has just testified. But it is because the Commission is happy to see it that it feels bound to repeat here the reservations which it made to the Council of Ministers, at the time the budget was examined, on expenditure which at present is unclassified. For there is no doubt that the non-classification of expenditure effectively reduces the powers of the Parliament, which, when it comes to adopt

the draft budget, will be uncertain, for a number of expenditure items, what it should be pressing for; in particular, Parliament will not know what part of the appropriations is available to it in certain sectors. That is a point that is not easily dismissed.

Mr President, the Commission has been denounced, often in very sharp terms, for having submitted a preliminary draft budget which shows a 37% increase on the previous year.

The rapporteur pointed out, quite rightly, that by far the greater part of the increases proposed by us corresponds to new expenditure in implementation of political decisions taken by the Council of Ministers, those very decisions which give the Community its dynamism and shape its future. How would the Commission look if we had proposed zero appropriations in the face of the political decisions taken by the Council of Ministers? We were only doing our duty in proposing appropriations corresponding to decisions in principle which had already been taken.

Otherwise, we have treated the budget this year with what Mr Aigner has called unprecedented restraint. I want to thank him for saying it in this Assembly. The best proof of this very great restraint is that we have been able to reduce by some 80 million u.a. the proposed operational expenditure—and you know how carefully the Committee on Budgets, the experts, and the Council itself, examine every chapter and every section of our preliminary draft budget. As the President-in-Office of the Council of Ministers has just stated, the Commission has agreed to these cuts.

The remaining difference between the Commission and the Council of Ministers concerns 1 200 million u.a. A total of 100 million u.a. was the subject of decisions which the Commission regrets, and of which we shall have occasion to speak again; it includes for example, a cut of 78 million u.a. on that food expenditure of which Mr Laudrin was speaking. There remains the gap of 1 200 million u.a. between our position and the Council's. This is the sum of expenditure items which the Council has decided to replace by token entries because the political decisions taken by the Council have not yet been followed by implementing decisions. This 1 200 000 000 u.a. is, then, the subject of disagreement between us, but the principal difference concerns the approach. This approach has been condemned by all the speakers in this Parliament. The Commission can therefore do no more than repeat what has already been said. Yes, Mr President, we think that this is a bad way of going about it. We are of the opinion

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that the budget should have its full weight as a forecasting instrument, an instrument binding upon the executive body within strictly defined limits, an instrument for establishing priorities between the various policies, an instrument for gauging the importance of the various policies to the governments, the Council of Ministers and the European Assembly.

Postponement of the allocation of appropriations until further budgetary decisions are taken makes it impossible to establish priorities, impossible to evaluate the various Community policies, impossible to judge, therefore, what the Community means or ought to mean.

I should like to be so bold, Mr President of the Council, as to ask you how much meaning there is in the percentages quoted in the reports when these percentages are going to be changed, changed in very specific ways, in the course of the year as the decisions are implemented, and when it is the Commission that is responsible for the implementation. So the Commission should speak on the implementation. And I must say that this represents a very considerable difficulty. You will forgive me for saying that our Commission is proud to state that we had introduced a new rule that we should not propose supplementary budgets unless exceptional circumstances justified them. We firmly imposed this limitation on ourselves, and now we are made to abandon it, although earlier we were being criticized for doing just the opposite. It seems to me, Mr President, that there is something wrong there.

And I should also like to ask an indiscreet question: I should like to know how, at the level of the national budgets, the procedure adopted by the Community is going to look. It is accepted that additional appropriations will have to be granted to the Community in the course of the year under the supplementary budgets. Now, I want to ask whether there will be provisions in the national budgets for these supplementary national contributions; because, if so, I see no reason why a similar provision should not exist at Community level; and if it is not so, it shows that the governments expect that the additional contributions to be paid in proportionately to the gross national product in the course of the financial year will come from another source, that is, from existing budgetary provisions. It is easy to predict that there will be great difficulties in the implementation of each decision.

Mr President, these are the three main comments that the Commission wished to make on its own behalf, though they have been put forward very ably by all the preceding speakers. We welcome the fact that the budget is coming

into its own in a democratic debate between the Assembly and the Council, and between the Assembly and the Commission that is answerable before it. We believe that the Council's political decisions, whenever they have foreseeable financial implications, should be entered in the forecasts so that an assessment can be made of all the priorities and of Community policies.

In the opinion of the Commission, Mr President, certain decisions taken recently by the Council give cause for concern, and I wish to state the fact here.

President. — Thank you, Mr Cheysson.

I call Mr Poncelet.

Mr Poncelet, President-in-Office of the Council of the European Communities. — (F) Mr President, ladies and gentlemen I should like to begin by thanking all the speakers who have taken part in this budgetary debate and thus demonstrated their interest in the budget.

I should also like to say to all, without exception, how much I appreciate the kind words which they addressed to me, for the benefit of the Council, on the new procedure for budgetary debates.

Mr Aigner, to whose excellent speech I listened with great interest and who gave us such a clear summary of the budget's main points, nevertheless commented on its very modest increase, which, he feared, might imply a degree of stagnation in the Community. By expressing this opinion he touched upon a question which I think has been in the minds of most, if not all, of the speakers—the question of supplementary budgets.

It might as well be admitted that we are dealing here with a very fundamental problem. Our sitting today should be seen as the beginning of a dialogue which is only starting and which undoubtedly should be continued. I should, however, like to add a few words to what already has been said on the subject.

Much has been said of the disadvantages of the practice of introducing supplementary budgets in the course of the financial year. Well, there are ways of avoiding, or at least limiting, the danger to which a number of speakers have pointed: for one thing, there is the possibility, as a start, of grouping these budgets together by agreement between the Commission and the Assembly.

Fears have also been expressed that the financial estimates of the individual countries may be vitiated by the introduction of supplementary budgets at Community level.

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I should like to point out that all the governments are represented in the Council and therefore perfectly able to judge the consequences of this supplementary budget procedure. So far, it has seemed less inconvenient for Member States to have supplementary budgets in the course of the financial year than to earmark large credits at the beginning of the year.

The rapporteur, quoting some figures, spoke of an 'anaesthetic' budget. Certainly, the budget parallels the progress of the Community. That is true! But it would hardly be right to turn our budget into an unduly futuristic instrument, and there are still a number of obstacles to be removed. The rapporteur has referred to them, and I should like to thank him. It should not be right to draw up an unduly futuristic budget at a time when the Europe that we want should also be, and above all, I should say, a realistic Europe.

I have made a note of a question from Mr Aigner on financing from VAT. On this point the rapporteur has told us that he knew the Council had some proposals on file. I should like, in a few words only, because time presses, to reassure him that these proposals are not only on file but on our desks and that despite considerable difficulties we are going on with the work in order to achieve results that we all hope will be positive.

Concluding his excellent speech, the rapporteur said that there would still be battles to be fought to make this budget a real Community budget, and he urged all of us to join battle. May I answer him by saying that I certainly take part in the strife, for it has been said by a writer in my country, a European writer, Victor Hugo, it is by strife that men and women live.

Mr Spénale also thought that the climate of relations between the Council and the Assembly had improved noticeably, but, in passing, he expressed regret that the main part of the Council's efforts has been confined to the due consideration which the Council must give to questions submitted by the Assembly. He felt—and I can see his point to some extent—that this consideration is too limited. I should like to say to him that in many areas, and this may also be true of the subject we are discussing today, the way of going about things can be as important as what is actually achieved.

Mr Spénale spoke at length of the problem of obligatory and non-obligatory expenditure, and mentioned a third category of expenditure, the 'unclassified' expenditure. Mr Cheysson, the excellent President of COREPER, has just now

used yet another term. I must say that the language that is being used on both sides is particularly rich, and we are in no danger of running out of expressions. But this is not a question of linguistic subtleties, this expenditure is not classified because it does not exist, or at least does not yet exist at the moment when we are speaking about it; once decisions have been made, the expenditure will be 'classified' and at the same time included in the budget. I want to reassure Mr Spénale: there is no catch. When the moment comes, there will have to be agreement between Council and the Assembly. Trying to be more specific, Mr Spénale told us that the Commission proposed, for example, an appropriation of 200 million u.a. under agricultural expenditure and that this had not been accepted by the Council. He then tried to imagine what would happen if there was a bad year for farming and by the mechanics of the common policy we were obliged to use those 200 million u.a.; I should like to quote him an example in my turn, and tell him that it may happen in the course of the year that this unclassified 200 million appropriation proves to be unnecessary. If we were to adopt it now, we should be freezing very considerable sums at Community level.

It is true that efforts should be made to find some other ways out. Well, that is a matter for our specialists, to whose competence reference has been made, and whose attention has been drawn to this area in which they will have to exercise their imagination, since, when the time comes, we shall be judging the quality of their work and the proposals that they have to offer to us.

Mr Spénale has spoken of borrowing, regretting the fact that the Community is not able to contract loans in its own right and for itself. This question should be solved as from 1 January 1978. Meanwhile, I can assure the Assembly that the solution proposed by the Commission will be studied under the consultation procedure and I have no doubt that we shall be able to come to an agreement, for that is the wish of both sides, as you will have been able to see from our various statements.

Mr Kirk rose to say that the presentation of the budget this year had been satisfactory. I should like to thank him for what I take to be a compliment to the Council. Mr Kirk also touched on the question of obligatory and non-obligatory budgets. He wondered what the authority for the introduction of a supplementary budget might be. I would suggest to him that there is provision for supplementary budgets in the general financial regulations, and that such budgets are adopted under the same

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procedural rules as those governing the adoption of the general budget.

Mr de la Malène noted a favourable tendency in the budgetary work of the European Parliament, and hoped that we should continue along the road we have now taken. I believe this will be so. Nevertheless, he made the same comments on supplementary budgets as the rapporteur, Mr Aigner and Mr Spénale, and hoped fervently that there would be an end to this type of budgetary procedure. He also hoped that the Community might be able to borrow on its own behalf and for itself. I would refer him to the reply I have just given to Mr Spénale.

Mr Fabbrini had some words of apt, and often sharp, criticism on the distinction made between obligatory and non-obligatory expenditure, and concluded by saying that there was a danger that the budget would become a mere account-book. Evoking arguments which he will forgive me for calling somewhat exaggerated, he deplored what he called the unduly severe reduction of the expenditure proposed by the Commission. I can only hope, for my part, that the coming months will not prove as gloomy as he has predicted.

To take up just one figure mentioned by Mr Fabbrini, I should like to tell him that it is true that the Commission proposed a budgetary increase of 37%. The Council thought it right to approve an increase of the order of 13%. Why?—Simply because the Council was acting from the same concern which I am sure moves you when you examine your respective budgets—the need for a determined fight against inflation. I wonder, therefore, and I should ask you on behalf of the Council, what would be said if, while on the national scale you were very properly endeavouring to keep down expenditure to a level compatible with this struggle, you were to propose, at the European level, a 37% increase: that would really be inflationary.

Mr Laudrin, if I well understood him, was speaking in favour of budgetizing the European Development Fund. There are negotiations in progress with the States directly interested in the Fund. It would be premature, therefore, to say whether the Council is for or against budgetization of the Fund. The question has not yet arisen, and we are waiting for the results of the negotiations.

Mr Laudrin made a long plea—and this should not surprise any of us—for more extensive intervention by Europe to help undernourished populations. I wish to assure him that both I, and the Council on whose behalf I speak, fully appreciate the arguments in support of his thesis.

Like him, I hope fervently that Europe may become a Community whose attractive force will lie in its generosity, in its efforts on behalf of the weakest, of those who suffer, of those who are hungry—and not merely in its aim to establish an economic and social organization functioning for its own benefit alone.

Mr Shaw was lamenting the disappearance, or reduction, of appropriations for certain items of expenditure proposed by the Commission. I would also refer him to my remarks made a moment ago to the questioner who raised this very problem. But I should like to thank him for supporting the Council in his appeal to us all for a thoughtful and rational budgetary policy, always aiming to balance revenue and expenditure. I suspect that there are people who would find it easier to insist on only one of these two aspects—I do not need to tell you which. I share Mr Shaw's point of view and would like to refer to it in answering those of you who asked me about the supplementary budgets. We are not always able to control events which may themselves give rise to expenditure. This is why, in the course of the financial year, we shall always have to have corrections and adjustments.

Mr Cheysson—understandably—has regretted the gap of 1 200 million u.a. between the Commission proposals and those accepted by the Council. He, too, would like to see an improvement in the budgetary procedure. Addressing the President-in-Office of the Council, he put to him an 'indiscreet question' on how national budgets are established. Well, I shall have to answer him discreetly...

These, ladies and gentlemen, are some answers which I wish to make to the comments, mostly very sensible ones, that have been made on the drafting of our budget.

When giving them I was particularly concerned—I do not know whether I have succeeded—to bring home to the Assembly the Council's desire to establish between the Assembly and itself a fruitful dialogue, a more-or-less permanent consultation, to arrive at improvement in our procedures—for all things are perfectible—so that our work may be increasingly productive, and may enable our Community, enable Europe, to progress, to become that Community with its own force of attraction of which I have just been speaking and to remain a powerful centre of influence in the cultural, economic, social and human spheres.

(Applause)

President. — Thank you, Mr Poncelet.

Does anyone else wish to speak? The debate is closed.

7. Time-limit for forwarding Committee opinions on the draft budget and for tabling proposed modifications

President. — As announced at the beginning of this part-session and in accordance with the internal implementing procedure described in the budgetary handbook, I must now fix the time-limit within which the committees concerned are to forward their opinions to the committee responsible, the time-limit for tabling proposed modifications and draft amendments and the time-limit for tabling proposals for total rejection of the budget and proposed modifications to the maximum rate of increase of expenditure. In each case, this time-limit is 25 October 1974 inclusive.

I would take this opportunity to remind Members that proposed modifications and draft amendments concern the draft budget and not the report. Consequently, all proposed modifications and draft amendments, whether tabled before or after the report, will be distributed to all Members of Parliament. Those tabled before the above-mentioned time-limit will be distributed immediately. Those tabled after the time-limit will be distributed at the beginning of the second tabling period running up to the time-limit to be fixed at the beginning of the November part-session. The authors will be informed accordingly.

I would also draw your attention to the fact that, pursuant to Article 3 (3) of the Resolution on the budgetary procedure for the budget of 1975, the text put to the vote will be the text proposed by the Council in the draft budget. This has the following consequences. Proposed modifications and draft amendments will bear the number of the draft budget. Each category will be numbered consecutively, whether tabled before or after the report. No priority will be given to proposed modifications or draft amendments tabled on behalf of the committee responsible. Proposed modifications and draft amendments on which the committee responsible has not delivered a favourable opinion will be called during the vote in plenary session without their authors having to table them again. All proposed modifications and draft amendments will be called and put to the vote in plenary session, unless withdrawn by their authors.

Item-by-item voting will not be allowed for proposed modifications or draft amendments so as to avoid the risk of adopting expenditure and rejecting the corresponding revenue and *vice versa*. For the same reason, no amendments can be allowed to proposed modifications or draft amendments. The desired effect must be sought in the form of another proposed modification or draft amendment.

I hope that that is fully understood by Members. If not, they must study it carefully in the Official Journal.

As it is now very late and in accordance with previous announcements, the oral questions by Mr Jahn, Mr Herbert and Mr Amendola are postponed to this evening's sitting.

We shall now suspend this sitting until 3 p.m. The House will rise.

(The sitting was suspended at 1.50 p.m. and resumed at 3.15 p.m.)

IN THE CHAIR: MR BERKHOUWER

President

President. — The sitting is resumed.

8. Political cooperation — Political situation in the Community — European Union

President. — The next item on the agenda is a joint debate on:

- the report of the Chairman of the Conference of Foreign Ministers on political cooperation;
- the statement of the President-in-Office of the Council of the European Communities and of the President of the Commission of the European Communities on the political situation in the Community; and
- the interim report drawn up by Mr Bertrand, on behalf of the Political Affairs Committee, on European Union (Doc. 300/74).

The speaking-time in this political debate was allocated yesterday pursuant to Rule 28 of the Rules of Procedure. A plan containing all information on the list of speakers and speaking-times may be consulted on the notice-board.

I call Mr Sauvagnargues.

Mr Sauvagnargues, President-in-Office of the Council of the European Communities. — (F) Mr President, ladies and gentlemen, I was originally supposed to make two statements to the Assembly, one on the progress of political cooperation and the other on the situation in the Community. Feeling that the presentation of these two reports one after the other might be a little tedious and would fail to do justice to that unique phenomenon, a developing Europe, I decided last week to make one single statement covering the two separate documents. These have been, or are being, distributed to you.

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I was therefore pleased to hear yesterday evening that you had decided to alter the agenda for today's sitting so that these two items, which in fact belong together, would be dealt with in one single debate.

The texts of the statements I am supposed to make, in my capacity as President, concerning the situation in the Community and political cooperation will be distributed to you if they have not been already. May I now attempt to give you a survey and to offer my comments at the same time?

Naturally, I shall be speaking as President-in-Office of the Council, but I hope my colleagues in the Community will have no objection if I also speak as French Foreign Minister, since obviously some of the observations that I shall be making quite openly to you do not necessarily commit all the other members of the Council.

I said at our previous meeting on 9 July that I did not intend to make a rigorous and arbitrary distinction between our two spheres of activity, Community activities and activities relating to political cooperation.

I shall therefore be dealing with both the Community and political cooperation in my speech, and I shall show that if joint action by the Nine sometimes rests on different legal bases and is carried out according to specific procedures, the links between the two areas are plain and will become even more so as we progress.

These are two closely-linked aspects of the European Union we are in the process of building, and it is useful to take stock of our progress from time to time in order to decide on the most suitable course of action.

May I note in passing that although the procedure prior to my taking up office as President certainly allowed for a statement on political cooperation, no provision was made for a debate in this Assembly; and that I have introduced a new and more flexible procedure in this connection, with the result that we shall be holding a debate today instead of my simply presenting a report.

And so I am going to attempt to outline briefly the satisfactory and unsatisfactory aspects, the causes for concern or optimism, in the present state of European cooperation.

The first unsatisfactory aspect is, of course, the persistence, and indeed in certain areas the exacerbation, of threats to European unity: threats from outside the Community arising from the instability and often dramatic deterior-

ation of the economic environment surrounding the Community, the constant uncertainty as to the volume and prices of primary commodity supplies—and in particular oil, a commodity indispensable to any economic activity—the increasing imbalances in international capital movements, and the inflation which no one has managed to keep in check and which is, in some areas, becoming even more serious.

At a time when all the circumstances are right for a major crisis, the Community still tries to solve the problems by means of isolated measures. The Nine have not yet found and applied methods of overcoming the differences in their respective situations in regard to the crisis, differences which account for the lack of uniformity in national responses to a common challenge which can only really be dealt with if they act together.

Even more serious is the disruption of those parts of the Community patrimony that seemed most secure. Even the agricultural sector, the cornerstone of our Community action, is showing signs of collapse. This has emerged recently as a result of differences in the economies of the Member States, and in particular the gradually widening divergences in production-cost trends. This threat is particularly dangerous because—and this is the second cause for concern—it is building up in an atmosphere in which Europe's capacity to respond to the challenge is open to doubt.

One is led to wonder whether the Europeans can still regain their self-confidence when alarmist sentiments are expressed everywhere in the Community and the slightest difficulty is treated as such a drama that it might seem that the Community was an unstable body liable to collapse at the first crisis.

The lack of confidence in certain quarters of the Community fosters two opposing tendencies: the inclination to withdraw, which I shall not dwell on when elections have just been held in Britain, except to say that I hope the threat to the Community from one of its members wishing to renegotiate the terms will soon be removed by a clear and unequivocal choice; and the tendency—this must be said—to look beyond the Community for alliances that are more attractive or rewarding. These tendencies, if they persist, will inevitably lead to the Community's submersion in a larger grouping, either a consumers' bloc or an area of free trade between industrial countries, and Europe would then quickly lose its identity. I am convinced that this atmosphere of uncertainty and doubt is largely responsible for the timid reactions to major challenges in certain quarters.

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It is true that encouraging progress has been made, for example in economic and monetary union; the Council of Finance Ministers, which now meets once a month, is concentrating more and more on greater harmonization of economic policy and regularly devotes part of its meetings to discussing the situation in the various Member States; in the energy sector too, progress has been made, although, it must be admitted, on a much more modest scale. As you know, on 17 September the Council adopted a resolution expressing the Nine's intention of laying down a number of guidelines for a common energy policy before the end of the year.

Obviously, this expression of a common intent must now be translated into practical terms; this is what we are going to work on in the next few weeks, and as President of the Council I shall treat it as a priority objective.

The fact remains that this progress—and you will have noticed that the progress I have mentioned is still very limited—is far from adequate to the current situation. In the energy sector in particular, Europe needs more than just a few guidelines if, in the future, it is going to face up to further crises like the one it has recently experienced, especially if the Community is to be given the common energy basis without which its patrimony will always be precarious.

The Community must also adopt a common attitude to third countries. There is no point in refusing contact and cooperation with other consumers, but it must at the same time preserve its freedom and identity. It is because it was not prepared for this that the Community cannot now speak with one voice to its partners among the developed countries and that it was unable to be represented a few days ago at the discussions in Washington, to which we were invited, between the five major industrialized countries.

Europe must rally itself to take part in discussions of major problems as one body, as it should. Equally, it must adopt the necessary measures in regard to economic union and qualify itself to be a centre of economic and monetary stability in an unstable world.

On 17 September, France submitted proposals to the Council on the basis of which progress could be made in this direction. These would uphold the possibility of floating Community loans and evolving a unit of account, the reestablishment of an exchange structure linking the currencies of the Nine, and the reinforcement of the European banking system, with particular reference to the Euro-dollar.

This analysis of the Community's shortcomings would be incomplete if I did not mention the

appalling record of guidelines that have never been acted upon, files that have been neglected, common policies that have failed to go beyond the stage of vague ambitions and plans, despite the months and years of preparation.

A notable example is regional policy, which one might assume to have been forgotten. Another is industrial policy, at the very time when the inflation encouraged by the variations in economic structures makes it more important than ever for the Community to have a common industrial foundation. The same applies to taxation, despite the fact that the Nine have entered into limited and specific commitments in this field which they will have difficulty in fulfilling, whether it be the rate or the basis of the VAT.

This record, which I have no satisfaction in presenting to you—perhaps I am even being unduly severe—hardly inspires optimism, to be quite honest. But on the other hand we should not be discouraged by it.

It does in fact have its more hopeful aspects. The crises through which the Community has passed have at least had this advantage: they have provided conclusive proof of the devotion of all its members to the present basis of European unity. This is the main inference to be drawn from the recent agricultural difficulties so eagerly seized upon by the press.

The debate they triggered off has provided an opportunity to answer certain criticisms—now no longer relevant—to the effect that the policy is anti-economic; on the contrary, its advantages to the European consumer are now making themselves felt in a world of shortages. Of course, it would be useful and advisable to make certain changes, and this may be stated more precisely in the review undertaken by the Nine on the basis of the Commission's report; but they will consider it according to existing Community procedures, in full compliance with the principles of the agricultural market, an essential part of the Rome Treaty, and with the intention of re-affirming these principles and not questioning them.

Another encouraging factor is that Europe, although it is slow to organize itself, is gaining more and more adherents and attracting an increasing number of partners. Indeed, at the very moment that it is faced with problems and its internal unity is running into difficulties, it is firmly asserting its authority in the outside world. The Community's importance in the developed countries has increased. Canada in the West and Comecon in the East are proposing to establish relations with Europe.

However one views these developments, it is a sign that Europe's influence in the world is

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growing, and it is above all in the Third World that the Community is fulfilling its commitments and assuming its responsibilities—for example in the African, Caribbean and Pacific (ACP) countries. We all appreciate the symbolic importance of what happened in Kingston last July, although the circumstances were initially extremely difficult. There was a danger that some of the standpoints adopted might encourage the tendency of certain states to question even the Association's fundamental aims; but in fact the reverse happened, and it proved that the forty-four African, Caribbean and Pacific States shared our enthusiasm for a type of association into which we had introduced a completely new element—the stabilization of export revenue. This system, as I pointed out in my address to the United Nations, is an example of the type of association that can be established between industrialized and developing countries.

This is also true of the world's most under-developed countries, which were more seriously affected than anyone else by the oil and energy crisis. The Community was the first to respond to the UN's appeal and commit itself to providing fairly substantial aid—150 million dollars—under the emergency programme. Indeed, conscious of its responsibilities, the Community, when coming forward to speak, has made its true voice heard, first of all on 31 July this year, when it initiated the Euro-Arab dialogue, the principle of which had been put forward in Copenhagen in November 1973, but various difficulties had prevented its implementation. Now it is determined to continue this dialogue, despite any reservations which have been or may be expressed.

European action has also been seen in the past month in the Cyprus crisis: the Nine have adopted a common standpoint and taken joint action in Athens and Ankara.

Of course the usefulness of this action has been comparatively limited; as might have been expected, our views were heard, but not entirely heeded. The fact remains that what we said had a not inconsiderable influence on the final decisions of the governments concerned, as we discovered at the recent meeting of the EEC-Turkey Association.

Thus, Europe was able to make its presence and influence felt in this crisis. It is gratifying to note that today, particularly after this action, Greece is drawing closer to the Community, the dialogue with Turkey is continuing and the EEC and Portugal are developing a mutual interest.

No doubt this is not a reason for concluding on a note of exaggerated optimism. Certainly important progress has been made in political co-operation: for the first time, it has asserted itself and become a reality in international relations. It is only a start and, as the events in Palestine have recently demonstrated, we are clearly a long way from being able to express a common standpoint on the main problems that confront us. But it can now be claimed that there is a serious ambition to see Europe gradually asserting itself and expressing its own views on the international scene.

Mr President, I have reached the end of this brief survey. My aim was to show that in the threatening atmosphere of a world of change and uncertainty, a world which has recently seen a number of fundamental and, no doubt, lasting changes and a re-thinking of values, Europe is seeking a rôle, and in its search it is building itself an identity. The base of the structure is, I have no doubt, unshakeable. Each Member State is well aware that its prosperity, its economy and therefore its future are linked to the Community's. They realize, too, that this Community must be wisely led and that as well as a gradually integrated infrastructure it needs a superstructure with powers of decision and action. Europe will not be built in a day, any more than Rome was. Creative imagination is needed, and unflinching determination. I think the Community has both, and I am sure that none of the governments helping to build Europe will show itself lacking. Europe must respond to the challenge currently facing it from outside, not only by jealously guarding what it has achieved but also by striving for unity in all fields.

It is no doubt impossible—although one might regret this intellectually and emotionally—to effect a sudden change, converting the present diverse Community into a single European State overnight. But politics is the art of the possible, and not something for magicians. There is no magic wand to turn a pumpkin into a coach, as in the fairy story; no Prince Charming to wake the Sleeping Beauty. But it depends on the men responsible for the future of our peoples, and it depends on you, as Members of the European Parliament, to do all in your power to ensure that Europe, which we all know is the true and only answer to the problems facing our countries, surmounts its present difficulties and resumes its rightful place in the world.

(Applause)

President. — I call Mr Ortoli.

Mr Ortolì, *President of the Commission of the European Communities*. — (F) Mr President, for my second appearance before this Assembly, since in September we had a kind of 'prelude', as we called it, to today's political debate, I must ask the House's indulgence. This, I am sure, will be granted, since I shall have to be brief, having already spoken at length, and in detail, on the attitude of the Commission and—may I add—of its President, on the problems facing us today.

Among these problems there are longer-term ones. You will be dealing with them today, tomorrow, and in the coming weeks, in connection with the Bertrand report on European Union. You will forgive me if I do not expand on these today, for it is only right that we should hear what you have to say, since you will be expressing your opinion on the procedure, and perhaps upon the substance, and also because we are doing work on our side. In this connection, I should like to tell you that we have not changed our minds: the Commission has indeed work in hand; it wants to complete it, and to do so in very close association with your Institution. This is what I said in this House a year ago, and I do not wish to change a word of that statement.

(Applause)

There are the long-range problems, and then there are the current events in Europe. And when we speak of Europe today, I must say that I share Mr Sauvagnargues' half-rosy, half-gloomy view of what has been happening in these last weeks.

I want to leave aside for the moment the half-gloomy aspects, because I shall be returning to them at length later.

There is no doubt that two things have happened which can give rise to at least, let us say, the beginnings of a new self-confidence. The first is that work has been restarted on a number of points. I will just mention two, of no small importance.

The first is that, at last, the Ministers of Economic Affairs and Finance are meeting quite regularly to discuss our huge economic and financial problems, and this, when all is said and done, is the main thing.

Are we making the most of this procedure? That is another question. But it is at least indisputable that to have abandoned the peculiar practice whereby, as members of an economic Community faced with stormy prospects, we were unable to meet at the level of those responsible for our economies more than twice or thrice in a year is a positive development, and

I believe we must draw the appropriate conclusions from it. It will be clear to you in a moment that the one conclusion I do not wish to draw from this is that we should end up with a machinery for mere cooperation. But I am happy to see that at last, at Community level, we have made up our minds to discuss the principal problems seriously and regularly.

The second development which I personally consider to be extremely positive has also been mentioned by Mr Sauvagnargues. It is that, laboriously, we have begun to construct a policy towards the third and fourth worlds which is beginning to be a Community policy. It is not without significance that our discussions with the Associated Countries concern not only association, but also new mechanisms calculated to produce fundamental solutions, or contribute to the resolution, of the problems facing those countries.

It is not without significance that the European Economic Community—and it is a matter for pride that the Commission was the one to propose it—was one of those who said: Of course, we all have our problems, but the first thing to remember is that for others the problems are bigger and deeper. And our first reaction should be—and was, in our particular case—to turn to those more afflicted than ourselves and convince them that we care.

Those seem to me very positive developments, but I must say that two things have struck me very forcibly and I want to put them very simply.

The first is that, in connection with all the great hopes on which we are constructing the future of Europe, we have essential and urgent tasks to perform and that each of us individually recognizes them as such. I will not say that this in every case is a specifically European task, but in my view this is the greatest problem—I mean the whole complex of economic, monetary and social questions which Europe and the world are facing today. I would add at once that, even if this is not recognized as such by everyone everywhere, I believe this to be the priority job for Europe today and that therefore we should give more searching consideration to the way in which this kind of problem should be dealt with.

You will recognize in these improvised statements a theme which I developed at length at our last meeting. I believe it is the duty of statesmen to see facts and things as they really are. The facts of the situation today, as Mr Sauvagnargues was saying a little while ago, are the elements of crisis, this immense upheaval, these major problems facing us all indi-

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vidually, and they are things that Europe must not ignore, for Europe can make, and go on making, a contribution to the solution of these problems. That is the first set of facts that politicians should keep in mind when they are arguing about Europe.

The second is that we must have at our disposal mechanisms for taking decisions and acting jointly in the face of these problems. You will forgive me if I do not say anything particularly new on this, but I do believe that one of the lessons drawn by some people from the progress of European construction is that, whatever happens, in the matter of Europe one should not have too many ideas, but one must have tenacity. You will, then, recognize a subject that I have developed before you regularly in each of these debates since the month of May, and that is that our mechanisms today are unsuitable for the purpose, that the size of the problems with which we must cope dictates directly the nature of the machinery which we need. It is not enough to cry that, indeed, we are faced with a near-catastrophe, and in the same breath to state complacently that we have operational problems in the Community. Today, in the autumn of 1974, there is a close inter-relationship between the great challenge before which we are placed and the means that we, as the European Community, can employ to meet it.

It will not surprise you to hear me say, going on from this, that as far as machinery is concerned the answer is not that we have set up a deficient institutional machinery. I believe the opposite is true.

Let me repeat the main elements of an earlier commentary. I believe that one of the things that have greatly weakened Europe, and European action, is the gradual substitution of the cooperation principle for the principle of the Community. I think that unless we become imbued with that idea—and, believe me, I am not trying to defend my own interests—we shall never get to the root of any of the fundamental problems.

I said the other day, if my memory serves me, that common policies have been the heart, the strength and the reality of Europe. Why? Because they were *common* policies, because they led to the recognition that there are a number of problems of common interest to Community countries and that, for their resolution, *common* machinery and *common*, that is to say, binding, policies had to be instituted within a Community framework.

When I say that the Community idea has weakened in relation to the cooperation idea, I am

simply throwing out a statement. Ask yourselves: if the decision had to be made today, would we, in the present state of Europe, introduce a common agricultural policy? I tell you that we would set up a committee to examine how the states conclude their trade agreements, and, no doubt, we should have yet another committee to discuss a number of problems of common interest in agriculture. I am being very blunt because I am convinced that this is one of the central problems as regards the kind of policy we should be pursuing.

My second comment concerns something that has already been discussed by us at length—that is the blocking of the decision-making mechanisms. This is not purely a problem of mechanics or of regulation; it is also a question of a state of mind and though it seems hardly necessary to say it, of the general and detailed organization of our Community, for we must admit that even when decisions are taken the process is slow indeed. And slowness is a very serious thing in a mechanism which, like the European mechanism, is designed to achieve progress. We are often not up to the mark, and this is particularly serious when it is a question of making decisions. This is what I meant by saying that today, if we had to examine the problem of agriculture or the problem of trade policy, we would not be establishing a common policy. We therefore need bold political re-thinking on the whole of the machinery which is responsible for slowness and timidity in decision-making.

I think that solutions can be found, and that we have begun to find them. For instance, there seems to be no doubt that a thorough heart-searching on the problem of the decision-making process itself—that is, on the unanimity rule—is essential; but there are two other equally basic things which we have frequently discussed, and I think I can say that Mr Sauvagnargues is fully in agreement with me on this. First, the Council of Ministers should increasingly become a true governing Council. It should be recognized that it is not a meeting of super-experts to examine long-outstanding dossiers; it is a meeting of ministers representing Europe, with its competences and its institutions, to formulate policies and decide on new measures. This is one basic idea that is beginning to take shape.

The second is the evolution of the President's rôle. I have already said that the Commission can only see advantages in this strengthening of our machinery.

How do we regard the development which has taken place, somewhat differently from what

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was initially envisaged? The Commission has become a body with increasingly clearly-defined functions, even though these functions are limited in relation to the targets laid down.

First, it is our duty to propose—and our strict terms of reference mean that we are an initiating body that should be judged partly on our capacity for initiation.

Secondly, within the overall framework of the Community machinery, we must participate in the preparatory work for decision-making and, if need be, take the responsibility for certain policies.

Thirdly, we should be the guardians of the treaties. Being 'guardians of the treaties' means more than the right and duty of the Commission to bring cases before the Court of Justice. It goes immeasurably further than that. We are guardians of the treaties as regards their structure, their balance, their intentions with regard to European construction, and particularly that peculiar division of competences which is determined not only in specifically legal terms, but also by the institutional balance that our Community was intended to have and which requires the existence of bodies—Assembly and Commission, each in its own function—guaranteeing, for each of the countries, the existence of a true balance between them.

This is why we are required to be independent and are entrusted with certain responsibilities.

My third comment will be brief: none of all this is possible unless there is basic agreement on the objectives we wish to attain. There are people who believe that Europe is capable of providing some of the answers so obviously demanded by the present-day world, our respective countries, the situations which are confronting us and will confront us for a long time to come. If they are right, then we must recognize the political dimension of European reality and institute mechanisms which will ensure our progress. If not, then it's another matter: then, in a sense, it becomes, perhaps, more of an inter-governmental problem.

Today I must tell you that it is my conviction and my hope that this type of debate going on throughout the Community—I have alluded to the burgeoning of ideas, proposals, comments—is in fact concerned with this essential point, both as regards the prospects for our Community and the degree, if I may use the expression, to which it will be a Community, and in terms of its machinery, or, if I may so put it, the rehabilitation of the institutional mechanisms of the Treaty of Rome, though perhaps with some practical adjustment. And I am convinced

that adjusted it must be, for such is life and it is only natural.

These are the thoughts that I wanted to share with you. They are the thoughts of someone who looks forward to a tough and vigorous Europe, as opposed to a Europe that is soft and without ambition. I hope that this is the direction we shall take.

Conditions today favour, I believe, the kind of solution that you and we—for this is the third instalment of our debate—would like to see. The moment has come when we should look more to the Community for solutions to the major problems. There is a tendency now to restore to the Council of Ministers its full responsibilities, and I believe that what Mr Sauvagnargues has said proves that the Council of Ministers does not feel it is straight-jacketed in the mechanics of the thing, but is determined to introduce a political dimension. I also believe that the attitudes of the Heads of State or Government to the question of European construction are an extremely important factor. I will not expand on this point, but it seems to me a natural and welcome fact that, for the leading statesmen of our countries, Europe is a matter of primary concern. You will never see the Commission opposing this trend. We are happy to see the concern for a political resolve finding expression in this way, but, alas, I cannot but repeat what I said at our last meeting: all this is true, provided that the machinery that is introduced will fully respect the competences and responsibilities of the institutions. This is a point that merits a broader discussion, for it is a fundamental one.

While saying this, I recognize that our institutions are already evolving. The development is taking place along two lines: first, there is the return to the original institutional framework, and, secondly, there are the results of the work that has been done. And in this connection I want to repeat my hope that our relations with the Parliament will become closer, that the debates will make their fullest possible contribution and that answers to definite and urgent questions that have already been raised, such as the question of Parliament's budgetary powers, will be rapidly forthcoming.

I have taken so long that I will not resume the second part of my statement, except to say that if we talk of Community institutions, of Community competences, of Community responsibilities, it is, as you realize, because there exist Community problems, problems which arise at the European level.

I mentioned three of them at our last meeting. I spoke of the impact of inflation and of the

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upheaval in the economic and monetary sphere. I said that we should be pursuing policies that were at least compatible, and in part common, based on a solidarity that itself rested on mechanisms which allowed us, as soon as possible, to speak with a single voice to interlocutors whose existence we cannot afford to ignore, for the problems that face us are not only European problems.

Having said that, I told you what I thought was the direction we should take and mentioned existing proposals on a number of points.

I shall say no more about the Community loan and the relevant mechanisms, which will be discussed on other occasions, notably next week in Brussels; but I do feel this is of fundamental importance.

The second point concerns the energy problem. Mr Sauvagnargues mentioned our resolution of 17 September. He did say 'resolution', or if he did not use that word I feel that is what he meant, and I fully share his opinion that, yes, we have a resolution, but after that we have a policy to formulate.

Personally, I am convinced—and we have already made proposals along these lines—that there is a special rôle for Europe here, not only because it is Europe, not only for political reasons, but also because the realities of Europe demand that we ourselves should do part of what is to be done in this domain, for where energy is concerned there is no doubt that there is room for national policies *and* for a Community policy.

And, finally, there is the regional policy. For my part, I attach an enormous importance to it for reasons of fundamental Community equilibrium. I also attach much importance to it because I want us to discuss seriously what we can do to enhance the Community's economic equilibrium. We must not be tempted onto the road that would lead Europe to present an impressive image to the outside world, cloaking an emptiness inside. This temptation Europe must avoid.

We are first and foremost, an economic community, intended to create a better economic and social order for its peoples. That is the indisputable external image, but it is the internal content that is fundamental. Our position on this has not changed. We attach a primary importance to regional policy. We have a large number of proposals. I do not say that they are all perfect. That would not be true. It would be presumptuous. But we have done our job and made a number of proposals which, if they are accepted, will lead to substantial progress in the Community.

We, for our part, are prepared to play our double rôle—that is, as an institution living up to our terms of reference and our dynamic function, and also as a think-tank providing, not perhaps all, but some of the answers to the real problems that we face. The Commission is ready and willing to carry on this work.

In concluding, I think I can say that, if we carry through this debate that is going on at every level throughout Europe, we have a fairly good chance of clearing what I called this 'double hurdle' and, what is more important still, of demonstrating to our people that the European Community is able to face up to the real problems that today assail us with blinding suddenness and unprecedented brutality, replying on mechanisms which, let me stress, must be both dynamic and constraining—and I use the word 'constraining' advisedly. That is the contradiction I made when speaking of a tough and a soft Europe. If we do not have machinery whose use is both obligatory and necessary to progress, we shall be in danger of becoming weak and dispersed.

This is what I wanted to say once again. It is the same theme on which I spoke a few weeks ago. Once more, I do not think that between September and October there have been any reasons for the Commission to change its views. *(Applause)*

President. — I call Mr Bertrand, who has asked to present his interim report on European Union.

Mr Bertrand. — *(NL)* Mr President, it is perhaps an historical accident that I have the opportunity today, as rapporteur for the Political Affairs Committee, to outline a number of ideas contained in a motion for a resolution which Parliament has to debate at this part-session after the President-in-Office of the Council and the President of the Commission of the European Communities have spoken.

I recall certain reactions which I have heard in the last few days to the content of my motion for a resolution. Some of my colleagues consider that the proposals made in the resolution are utopian. After hearing the previous speakers, the utopian aspect of the resolution seems to have disappeared completely. We remain bound by a number of political decisions taken at the Paris Conference, at which the Heads of State or Government invited the Community Institutions to submit a report by the end of 1975 on the desired further development of relations between the Member States into a European Union.

To the best of my knowledge, that decision of the Paris Conference has never been revoked

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and its political validity remains completely unimpaired for the present.

We therefore still have the same task.

The European Parliament believes that its duty is to inform the Heads of State or Government in a report of its ideas on European Union.

The Paris Summit Conference was held on 20 October 1972. In 1973, which was to have been the year of Europe, a number of political events occurred whose effects were so far-reaching that the Institutions of the European Community hesitated to make a start on the compilation of his report. In October 1974, two years after the Paris Summit, none of the Institutions has as yet prepared a report.

I certainly need not remind you of the energy crisis, the balance-of-payments deficit or inflation and all that these developments entail. But the result has been that some people consider it might be better to forget the Paris recommendations and make a new start towards a European solution.

In his address, Mr Ortoli drew forceful attention to the dilemma when he stated that we are now confronted with the question whether Community cooperation is to be continued or preference given to the introduction of other forms of cooperation. Mr Ortoli, who is first and foremost the representative of the European Commission, expressed the following doubts: are we to move towards cooperation or towards a real Community?

These words clearly show that there is at present a problem, of which the President-in-Office of the Council spoke when he said that there are now doubts whether Europe will have sufficient resistance to overcome new problems now arising.

Your rapporteur believes that the doubts stem from the fact that we have not adhered to the political decisions taken in Paris. It was then clearly stated that the deepening of the Community should go ahead in the shape of further development towards economic and monetary union, which should ultimately lead in 1980 to European union. These decisions are now being questioned: it is being suggested that they are no longer relevant in view of the events of the last two years, and because of these doubts and hesitations we are now moving towards a total paralysis of the normal operation of the institutions.

It was quite clear from Mr Ortoli's statements that we are at present in the midst of an institutional crisis. He has already said repeatedly that we must seek a solution through adaptation of the institutions, which are at present no longer

sufficiently equipped to face up to the problems threatening Europe. I am thinking both of the external difficulties to which the President of the Council has referred and of the internal problems highlighted by the President of the Commission.

We therefore consider it urgently necessary for us as Members of the Community institutions to take a special responsibility on our shoulders. This is certainly true of the Parliament, which would appreciate it if the Council and Commission were to draw the clear conclusion of this debate and accept the direction indicated for the future by the Paris Summit Conference. We wish to achieve the further development of Europe with a view to implementing the objectives set for 1980. I know that 1980 may seem too optimistic at present, but the question arises as to the turn events will take if we fix no date at all. Perhaps the union will then be postponed until the year 2000. That is why I wish to stick to the date of 1980, although I know that it is probably not feasible. However, by maintaining 1980 as our target we shall make the necessary efforts to ensure that measures are indeed taken to implement the political resolve expressed by the European leaders in October 1972.

At present we see that certain representatives of economic, social, financial and political circles have doubts whether the projects can be implemented. They even wonder whether what we have already achieved can be maintained.

There is no doubt about the political resolve to implement the other decisions of the Paris Summit. We must try to break out of the present-uncertainty concerning the decisions on the deepening of the Community. The President-in-Office of the Council and Mr Ortoli alluded to the deepening of the Community when they spoke of the problems of regional policy, energy policy and inflation policy, and the economic cooperation necessary to bring about a common economic approach. At a time of great uncertainty it is the task of the European Parliament to take the initiative and point the way. That is why the Political Affairs Committee has submitted a motion for a resolution to Parliament. We wanted to link the consideration of that motion with the political debate on the statements by the President-in-Office of the Council and the President of the European Commission.

The resolution which I am tabling on behalf of the Political Affairs Committee contains three sections between which a clear distinction must be drawn if their significance is not to be misunderstood.

Paragraph 1 of the motion urges that a report should be drawn up, in compliance with the

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request of the Paris Summit Conference, by 30 June 1975 on what we understand by a European Union.

Secondly, we seek an assurance from the Council and Commission that they too will compile a report by this date indicating their own conceptions. I wish in particular to assure Mr Ortoli that it is in no way our intention to seek to compile a report of this kind on our own by 30 June 1975. As soon as the Political Affairs Committee has prepared a draft report, we shall forward it to the Commission and Council with a request for a general report of the institutions, including the opinion of the Court of Justice, to be published if possible by 30 June 1975. If, despite Parliament's good will, it proves impossible to publish a joint report with the Council. Depending on the Parliament's decision, we shall in any case submit our own opinion to Parliament by 30 June 1975 for a general debate. Depending on the Parliament's decision, we shall then try to arrive at a common position in the second half of 1975. If that too proves impossible it will then be clear to public opinion that no agreement can be reached between the institutions on the conditions for a European Union.

I should like to hear the views of the Council and Commission on this point. I realize that the President-in-Office cannot give a commitment today on behalf of the Council, but I do expect him to bring his influence to bear in persuading the Council to compile a joint report by 30 June 1975.

The Council has addressed 35 questions to the governments in order to sound their views on what they themselves decided. This is, of course, a procedure with which we are not familiar at national level. We do not ask a government what it actually wanted to say. The government has to come to the parliament and say what it wants. However, we understand that at the international level, in the unique organizations and institutions of the European Communities, the questionnaire procedure may have to be considered.

The fact that attention has been given to the content of paragraph 16 leads me to hope that the President of the Council will in his reply today be able to signify that the Council also subscribes to our commitment to compile a report on European Union by 30 June 1975.

Why are we pressing this matter? Because we are inclined to the view that this is not the time for a cautious approach if talks are to be got under way. We have not been cautious in our resolution. We have not failed to set the target date. We have also tried to define general policy lines on which the aims of a European Union

would have to be based in order to make a discussion possible.

When we indicate in paragraphs 4 and 5 of the motion how we see the transformation, it must be understood that we are fully conscious of the fact that a transformation of the relations between the Member States, the transition from a Customs Union, *via* an Economic and Monetary Union to a European Union, requires far-reaching consultations, discussion and a broad basis on all the components present in the Community.

It would be inconceivable for the Parliament, Council and Commission to impose the idea of a European Union from above on the European people as a *fait accompli*. The Member States must be involved in the discussion through their governments, parliaments, political parties and economic and social partners in order to make them understand that we must at long last move in this direction.

That is the import of paragraphs 4 and 5 of our resolution. They show the general aims to be met by political union. We have intentionally summarized the aims in very brief and basic terms, because the discussion of the report has not yet begun and all we now wish to do is to set a political course on which we must agree as our point of departure. Later we can develop the ideas in a report on European Union.

What are the aims? The first aim is the strengthening and enlargement of the existing powers and the introduction of new powers which must be given to the future European Union in the monetary, economic, social and cultural areas as well as in the sector of foreign policy, including defence.

Mr Ortoli has just spoken for a quarter of an hour and told us what is essential and necessary from this angle.

A second object is the democratization of the institutions so that they can respect the specific interests of the Member States when exercising the general powers given to them. I wish to set the Member States and governments at rest on this point. The European Parliament has no desire whatever to see the identity of the Member States submerged in the European Community. We are deeply convinced that the European Community will only be powerful, imaginative and representative in a fully-integrated form if the Member States can preserve their own identity, culture and traditional forms and can continue to discharge their responsibilities in the areas left within their sphere of power.

However, those problems which the Member States can no longer solve on their own must be assigned to the European Union.

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Section III of the motion outlines the minimum infrastructure which we believe necessary for the efficient management and control of this European Union.

Section III states that the European Union must from the outset have a European political decision-making centre endowed with the powers referred to above, which will have to be further extended in the future. This institution must eventually develop into a European Government. The question how that European Government is to be formed and what its relationship with the Member States will be does not need to be discussed at this stage. These points must later be examined in detail in the report which is to be compiled. All that is necessary now is to lay down the principle that the political decision-making centre must be the starting point for the achievement of a European Union.

If this political decision-making centre is to have a democratic structure, it must have as its counterpart a European Parliament consisting of two chambers. One chamber must be appointed by direct universal suffrage and have the powers necessary for democratic control of the European Government. The other chamber must consist of representatives of the Member States who defend the interests of their countries and cooperate in the democratic system with the Government and directly elected chamber. There is no need for me to expand on the rôle of the Court of Justice.

Finally, an Economic and Social Committee must be set up.

We are thus confining ourselves to defining a basic political line and general policy principles in order to initiate a dialogue and elicit new proposals and ideas, which must find a broad consensus of opinion.

What we propose is very topical. There is at present a unique phenomenon that deserves our full attention.

All the countries round the Mediterranean are urging the achievement of a united Europe so that they can join us and thus escape the imperialism of the two super powers, which are seeking to exert their economic and financial influence and power in these countries. The countries concerned cannot defend themselves against this trend unless they are able to join a united Europe which will offer them the possibility of escaping from that grip.

The Arab countries are also now seeking closer links with Europe; they, too, wish to escape from the overwhelming influence of the two super-powers.

We also know that Africa is at present moving in the same direction. The agreement with the 44 countries of Africa, the Caribbean and Pacific is sufficient illustration of this. They, too, wish to see a genuinely united Europe, with which they wish to establish closer links. We know likewise that Latin America wants a similar development.

What reply are we to give to the peoples of all these countries who are looking to us for a means of escaping from the influence of the two super-powers?

I wonder whether we can now really say confidently that there is a political will in Europe to make progress towards political union, that a European Government is to be established which will stand by those countries in the further development of world politics and will help them to strengthen their own position.

I found it significant that at the beginning of this month, at a meeting of the International Monetary Fund in Washington where monetary reform was discussed, Africa, the Arab countries South America and the United States spoke with one voice while the nine European Community countries spoke with nine different voices. What is more, they also contradicted each other.

Does anyone really believe that the future of Europe can be assured in this way, a state of equilibrium established in the world and world peace strengthened? That will not be possible unless the European governments realize that their attitude is the cause of this weak position of Europe, because they have not had the courage to implement the decisions taken earlier. This underlines the political importance of the motion for a resolution which I have submitted to Parliament.

I hope that this resolution will be adopted by a large majority and that we shall thus be able to force the Council and Commission to take the same path.

(Applause)

President. — I call Mr Lückner to speak on a point of order.

Mr Lückner. — Mr President, I would ask you to suspend the sitting now for half an-hour to give the groups an opportunity to discuss briefly the answers they wish to give in the debate.

President. — I propose that the House agree to Mr Lückner's request to suspend the proceedings until 5 p.m.

Are there any objections?

The proceedings are suspended until 5 p.m.

President

The House will rise.

(The sitting was suspended at 4.30 p.m. and resumed at 5 p.m.)

IN THE CHAIR: MR BERKHOUWER

President

President. — The sitting is resumed.

I call Mr Kirk to speak on a point of order.

Mr Kirk. — Mr President, my group requires an explanation of the extraordinary events that took place some 35 minutes ago when this Parliament was adjourned without a vote on the motion of my colleague Mr Lücker, who suggested an adjournment for half an hour. The matter was not put to Parliament and there was no vote on whether we should adjourn. Many of us felt that we had already lost quite enough time today on points of order and we had no desire whatever to adjourn, but you adjourned the House without putting the matter to the vote.

Under what rule you did so, I do not know. I cannot find anything in the Rules of Procedure that entitles you to adjourn the House without putting the matter to a vote, and on behalf of my group I should like an explanation of what took place.

President. — I agree with Mr Kirk that we have lost a great deal of time today with discussions on the order of business. Now Mr Kirk is himself in danger of falling a victim to his own remarks.

The fact that this House has certain traditions should appeal to the British Members of this Parliament, since they are the very ones to have a great feeling for tradition.

It is a tradition of this Parliament that whenever a political group requests a brief suspension of proceedings, this request shall be granted. Moreover, pursuant to Rule 8 of the Rules of Procedure, the President presides over the proceedings of Parliament in the manner which he judges to be most expedient.

A further decisive factor in our decision was the fact that the proposal had been made by Mr Lücker and seconded by Mr Fellermaier, so that it had the support of two large political groups. I asked if anyone had any objections to this proposal: no objections were forthcoming. I suspended the proceedings until 5 p.m. precisely; now, through Mr Kirk's intervention, we have lost 7 minutes' time. I will leave the matter at that.

(Protests from the European Conservative Group)

I call Mr Giraudo.

Mr Giraudo, *Chairman of the Political Affairs Committee.* — Mr President, I should like to calm the atmosphere in our Assembly after this small incident and draw attention to the need to make the best possible use of our time.

At first sight, the inclusion in a single debate of the statements by the President of the Council and the President of the Commission, as well as the presentation of Mr Bertrand's report on European Union, may appear illogical, a confusion of different questions, which ought perhaps to be dealt with separately and do not lend themselves to an overall assessment by our Assembly. It is one thing to speak of the state of the Community, faced at present with serious problems and dangers threatening it both from within and from without—of which both Mr Sauvagnargues and Mr Ortoli have spoken—and it is quite another thing to examine, however briefly, the structure of that European Union which is to exist in the future, or at least to consider the form which this Parliament would like it to take.

But behind the appearances, I consider that the Bureau's decision was not only logical but also opportune. It was logical because any judgement, be it positive or negative, on the state of the Community as such is meaningful to the extent that it refers to the conception of what we believe the Community should be. It is opportune because the time which has elapsed and the many vicissitudes we have experienced since that autumn meeting in Paris in 1972 to which Mr Sauvagnargues referred in his speech—and for that we are grateful to him—justify the need to determine the degree of political resolve of the Council and governments, faced with the basic dilemma underlying the Community situation. The dilemma is this: are we to progress towards integration or remain at the state of inter-governmental relations? Are we to extend the powers of the Community or to restrict those which exist already? Are we to work together, lending substance and vigour to European identity, or to fall back on nationalism tempered by a more or less general form of cooperation? Are we to find an appropriate way of including external and defence policy among the powers of the Community or to continue in the absurd tactic of making an artificial distinction between aspects which the reality of everyday existence proves to be organically inseparable? In short, are we to act as a genuine Community and thus make Europe credible, or to forget once and for all the dream and aspiration

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of the old and new organizations of these post-war years? This is a dilemma which must be solved gradually if you like, but as a matter of urgency, as President Ortoli has said and as we in this Parliament believe. Mr Sauvagnargues spoke in a similar vein today and showed himself more positive and optimistic. But according to reports which I read in the newspapers, his statements to the French Assembly last week were different. He said then that there was no dilemma or contradiction between the Common Market and political cooperation; these were two parallel aspects which were moving ahead together and would continue to an undefined point and for an undefined length of time.

We know that Mr Sauvagnargues is a great diplomat with wide experience: he well knows that the world cannot change overnight; he is aware of the susceptibilities and difficulties of the European governments who are obliged to work quickly, above all now, but whose existence is nevertheless short; he knows too that these governments are at grips every day with internal difficulties which cannot all be foreseen and are not always controllable.

We pay tribute to his realism and to the emphasis which he places on the differences between our respective situations. We are aware of the difficulty of achieving unity when problems and interests vary widely, but what we cannot accept is the acquiescence in this state of affairs; what we reject is the failure to progress at the right time in a new and—as Mr Ortoli said—imaginative way towards the necessary and unconditional goal of European integration. Although coherence is not always a virtue in politics and may even sometimes be foolish, in our case a coherent attachment of the governments to the commitments which they themselves have given constitutes the substance of the only policy which time, events and world developments allow for Europe and the countries of Europe.

Mr Bertrand's motion for a resolution is intended above all as a call for this coherence and an appeal for greater realism, necessitated not only by the urgency of the problems of which Mr Ortoli in particular has spoken, but also awaited by other countries and continents, near or far, which expect Europe to contribute to peace and progress in the world. Mr Sauvagnargues has indicated—and we are grateful to him for doing so—certain positive aspects of political cooperation. He has spoken of Geneva, Cyprus, Greece and the discussions opened with the Arab countries. While recognizing these facts, we say that they amount to very little measured against the tasks facing Europe. It has been mentioned that those of us who expected Europe to speak in the United Nations

Assembly with one voice and reflect its own identity were disappointed. The new Member States of the Community were divided in their votes on the Palestine question. I believe it could not be otherwise, because, despite the Davignon procedure and certain minor successes—which I do not consider normal but rather exceptional events—the rule of difficult times and arguments continues to apply; the rule of division within Europe and between the European States will continue to exist until our external relations are based on the acceptance of our shared European existence, an existence which is recognized and fostered day by day in our general interest through a genuinely common action.

I remember the answer given last September in Luxembourg by Mr Ortoli to a question by Mr Spénale on the significance to be attached to Community policy: the aim, it was said, must be to act together in the general interest through joint measures.

I understand that for the governments this aim, put forward today by Mr Bertrand, is a distant and therefore in practice an abstract one. But what may perhaps be more real—and in saying this I am thinking of the man in the street and the general public—and tangible is the policy of living in a political vacuum caused precisely by the absence of Europe. The difficulty of establishing a real presence will be diminished only if we believe genuinely in the potential. That is the problem. The potential Europe would already be a real Europe if political cooperation enjoyed the support of the Community structure, however imperfect and incomplete that structure may be. Concluding his speech, Mr Sauvagnargues said that Europe is seeking its identity and will therefore be built. I would reply that Europe is seeking an identity, that is indeed what is happening, but that identity must be sought where it may exist and indeed already does exist in embryo—namely in the Community.

We hear talk about a political secretariat. Let it be set up! But we say it should be set up in the appropriate institutional context. I read again only this morning in the newspapers that the idea had been mooted of a flying political secretariat. I do not know exactly what form this is to take, but I would ask that government which recently criticized the excessive bureaucracy of the Commission whether logistic problems of some importance would not arise for staff who had to move every six months from one capital to another. We also hear talk of strengthening the Council of Ministers. I would point out that such a strengthening of the Council of Ministers means improving its flexibility and the effectiveness of its decision-making procedures as well as linking with it the activities of the poli-

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tical secretariat to which extensive reference has been made here. An end must be put at long last to that Pirandellian mockery of a Conference of Foreign Ministers which spends so much time interpreting its own identity and deciding whether or not it exists, making such clear distinctions between what it was yesterday and what it will be tomorrow.

With Mr Bertrand's resolution today and Mr Lenihan's resolution on political cooperation which we shall be considering at our next part-session, the European Parliament intends to say to the Council and governments that Europe may be built but may also not be built. What we do not accept, out of ordinary common sense, is the ridiculous situation into which we are liable to lapse without even noticing it. Mr Sauvagnargues said that it is impossible to change lead into gold. I agree, but it is for us to make sure that our people are offered the gold that they want!

My words may seem a little hard, Mr Sauvagnargues, and tinged with bitterness, but they do not imply distrust in your work. If we knock on the door hard enough, it will in the end open. I believe and hope that, partly through your own efforts and those of your country, the door will soon open, enabling Europe to take once again its rightful place in history.

(Applause)

9. Change in the agenda

President. — In view of the late hour, it seems unlikely that we shall be able to deal this evening with the question put by Mr Jahn and others and by Mr Herbert on regional problems, especially as we should have to keep Mr Thomson here until a very late hour in the night. Mr Thomson, however, has not too much time at his disposal before he has to leave.

I therefore propose that consideration of these questions be deferred until the November part-session.

Are there any objections?

That is decided.

10. Political cooperation — Political situation in the Community — European union (continued)

President. — The next item on the agenda is the continuation of the joint debate on:

— the report of the Chairman of the Conference of Foreign Ministers on political cooperation;

— the statement of the President-in-Office of the Council of the European Communities and of the President of the Commission of the European Communities on the political situation in the Community; and

— the interim report drawn up by Mr Bertrand, on behalf of the Political Affairs Committee, on European Union (Doc. 300/74).

I call Mr Patijn to speak on behalf of the Socialist Group.

Mr Patijn. — (NL) Mr President, on behalf of by group I wish to thank Mr Sauvagnargues and Mr Ortoli for their contribution to our debate. However, I do not have much to say about the substance of their observations. Our group wanted initially to bring more speakers into this debate, but, in all honesty, there is not much need for that now. We are in fact very disappointed by the impotence reflected in the words of the representatives of the Institutions who have to take decisions in this difficult situation confronting the Community.

I am afraid that this impotence may last much longer. I shall return to this point in a moment. We seem to have reached a cross-roads in the development of the Community. One road is the broad highway of political cooperation, but the other, the European Community, seems to be a dead end. I do not propose to say much about political cooperation. It is impossible to say a great deal because we know nothing about it. We have returned to an era of chancellery diplomacy in which successes such as the good coordination at the European Security Conference and the Euro-Arab dialogue are cancelled by the uncontrolled confusion of the Nine in all the capitals of the world. In the sphere of political cooperation we have regressed to a point to which we never wanted to return. The Fouchet plans have become the Davignon reality. I should like to hear Mr Sauvagnargues' views on this.

I should much prefer to speak now about the Community itself, which is in a state of general *malaise*. There is no question of a European policy in face of the present social and economic difficulties: at one point 5 per cent is paid out for agriculture, while at another 5 000 million are borrowed outside the framework of the institutions without any general plan underlying the policy.

For 15 years, we believed that a European Union could be built on the foundation of the Customs Union and the agricultural policy. But what is the reality? Now that the energy crisis and the general economic stagnation are making the situation really difficult, the European house

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of cards is collapsing. Structural unemployment is now becoming much too high in Europe. Prosperity is being undermined by the lack of economic instruments for the governments and the Community. Many other social and economic problems in our relations with the developing countries are crying out for a solution. But what is the Europe of the Nine doing? It is doing nothing apart from replacing one shortcoming by another.

We socialists still wish to join other progressive groups in helping to build Europe—but not at any price. The diplomatic Europe of the Ministers of Foreign Affairs based on a social and economic system in which the law of the government reigns is a structure built on sand. If we go on as we are doing now, the industrial Customs Union and the Common Agricultural Policy, those fine achievements, are doomed to disappear.

Let me illustrate this by a few examples: the Customs Union is the basis of the EEC. We are justly proud of it, but when the time comes to draw the necessary consequences from the Customs Union, we are not prepared to do so. Do the Council and Commission really believe that the Customs Union can be preserved if there is no regional policy, if a Monetary Union is not established and if no industrial policy is developed? If the Community fails to show solidarity with the less prosperous areas and with weak branches of industry within its own territory, the closing of frontiers for shorter or longer periods will become the rule rather than the exception; no individual government can maintain that its social and economic structure is being disturbed from outside if the consequences are not borne in part by the countries responsible for the disturbance in the event of a recession. Regional policy, Monetary Union and industrial policy are therefore not mere hobbies of the Commission or of a Member State to which a solution must be found in private discussions between England, the Federal Republic, France, Japan and the United States. They are a vital necessity to the Customs Union which is the foundation of our Community. We are absolutely opposed to such institutional monstrosities as private negotiations of this kind. We want an assurance from the President of the Council that meetings of this kind will no longer take place unless the Nine participate in them as a body.

I shall take agricultural policy as my second example. What has happened to the structural approach in agriculture? Do we really think that an agricultural policy can be pursued with general price-rounds which make the rich farmers richer and provide practically no benefit to the small producer? Here, too, the Community

policy is doomed to failure unless we act in the structural sector. What do the Council and Commission think about this?

I come now to social policy. Here again nothing fundamental has been done. No progress has been made in regard to the wider distribution of power, for instance through co-determination, or in the redistribution of incomes. How can anything be achieved if the parties directly concerned, in this case the trade unions, are not involved? What has happened about the tripartite Summit conference with the two sides of industry? I should like to hear the views of Mr Ortoli and Mr Sauvagnargues on this point.

Finally, energy policy. Up to now, the Community's energy policy has been no more than a summation of national requirements. Why can the Energy Coordinating Group of twelve countries, including the United States, achieve more in one year than the Community in long years of effort? One is tempted to think that it can do so because not all the Member States of the Community belong to this Group. We are also giving little or no attention to the consequences of the energy situation for the developing countries. Here again I should be glad to hear the views of the Council representative. I believe we cannot escape the responsibilities now facing us. Our people today are not calling directly for a European defence policy, for which other organizations are better equipped than us, or for a political union. What they want is a solution to the problems now facing them.

We must return to the sources. A few months ago Mr Ortoli and Mr Scheel, then President of the Council, made a praiseworthy joint effort to draw the attention of the governments of our countries in a short working document to the needs for the year 1974: the decisions which had to be taken were outlined.

We now call on the Commission and Council to draw up an inventory of the present needs of the European Community. Which provisions of the Treaty have been implemented, which have not and why then has nothing been done; which measures, viewing the situation as a whole, are most urgent and which can wait; what instruments and action are necessary for this purpose? We must consider all these matters again before going further. I should like to hear the views of the Council and Commission on this point.

It is no good the Council and Commission now telling us that the Treaties do not provide the necessary powers or that the decision-making machinery functions too badly. That was never taken as an excuse in the past whenever there was a common resolve to achieve anything. I

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cannot see any single Treaty article which provides a basis for the institutional structure of European political cooperation or the substance of such cooperation. The Treaties are dynamic instruments which must be used for whatever we wish to achieve.

If we do not attempt systematically and logically to take up European policy again where we have left it now for several years, we shall be left with nothing but expedient bilateral solutions and the chaos of nationalism.

What we are asking from the Council and Commission is a *retour aux sources*, a return to the starting-points of the Community on the basis of a review of the situation which the Commission and Council must provide for us.

Most of the Socialist parties in Europe have remained loyal to the idea of European integration. I hope they can still do so in the future.

(Applause)

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

Mr Lücker. — (D) Mr President, this afternoon we were treated to a truly remarkable contrast in political broadcasts, with the President of the Council and of the Conference of Foreign Ministers on Channel 1 and the President of the European Commission on Channel 2. I should declare right at the outset, Mr President, in my own name and in that of my political friends, that the programme on Channel 2 claimed our interest and our sympathy far more than the offering of the President of the Council.

My colleague, Mr Patijn, has just spoken of the disenchantment of his friends. I would put it in a slightly different way: I had hoped, Mr President, that today we as the European Parliament—which is, after all, not merely some club but, if we are to judge by democratic standards, the most important of the European institutions, for it is here that the will and the opinion of the people of our Member States find direct expression—would, so to speak, be invited to a 'rendez-vous with history'. That was the elegant phrase used by the French Head of State, who went on to add that every responsible person of our generation would stand condemned if he failed to make that contribution to the unification of Europe which is essential today in the face of the challenges confronting our Community both from within and from without.

I must say that I had welcomed this invitation when I heard Mr Sauvagnargues, as President of the Council of Ministers of the European Community, recently using the same fine phrase before the UN General Assembly, evoking the

'rendez-vous with history' for the construction of Europe. Our hopes today were based on our wish to engage in a politically fruitful and useful debate with the President of the Council, whom we see rarely in this chamber, and with the President of the Commission, with whom we had already had a discussion a few weeks ago in Luxembourg. Today we wanted above all to talk with the President of the Council. What I shall now say to him after the explanations he has given us is not directed against Minister Sauvagnargues personally, and I hope that he will accept that.

We realize full well that he spoke here in a dual presidential capacity. However, as Mr Patijn has already pointed out, we would not wish you, Mr Sauvagnargues, to leave Strasbourg—one of the most beautiful cities of your beautiful country—without letting us hear somewhat more from you than you told us in your initial address. Why don't you unbend and hold a political discussion with us, instead of appearing as a kind of diplomatic notary who treats us to a highly-interesting political analysis?

(Applause)

We should like you, as the senior statesman of Europe, the President of the Council, to give us your political views. Mr Sauvagnargues, your mastery of your wonderful French language is more than adequate to enable you to inspire us with your political ideas on the way out of this situation of lack of trust—not to say distrust—within the European Community.

I emphasize, we wanted to hold this debate today with you, and yet I have the impression as I look around me that there is no great enthusiasm for it. But that enthusiasm could grow in the course of the evening, Mr Sauvagnargue, if you would only meet us halfway and open a real political dialogue.

I recall the words of President Ortoli to the Association of European Journalists in Mainz on the occasion of its annual congress, and I was extremely grateful to him for his passionately committed address in Luxembourg, in which he declared much more plainly than today that this debate could no longer be put off if we are to make political and institutional progress and if the institutions of our Community are to function satisfactorily.

If Mr Ortoli has been somewhat more circumspect in his statements here today than in Luxembourg, that I can understand. He has expressed his belief that the circumstances of today allowed us already to make a more positive reply to the challenges and questions posed here. I imagine that President Ortoli can tell us before the day is out what has happened in the

Lücker

Community since the Luxembourg debate to justify this somewhat more pronounced optimism in his assessment of the Community's position.

Mr Patijn put a series of highly significant political questions. I am in agreement with the majority of them. I shall not repeat them, as they will no doubt come up again during the debate. But on one point in particular Mr Ortoli has my most emphatic support: the central question in this debate must be: how can the functioning of the Community be improved and what are its objectives to be? I do not want to enter into that barren, pointless and totally superfluous debate on whether it is better to begin by introducing Community policies and, once these are defined, to create the appropriate institutions, or *vice versa*. I consider this discussion to be not only superfluous, but completely erroneous. The problem is incorrectly put. These two objectives must be pursued simultaneously. If we are to conduct a common policy, we must create the necessary instruments and institutions for that policy. If we cannot accept that, then we need not bother talking about Community policies. For at most they will serve to pack the filing cupboards or desk drawers of the Council's bureaucratic machine, and work and time are too valuable to waste on that.

Mr Sauvagnargues, you expressed belief that progress would be made along this road. I took good note of that, and was very glad to hear you say plainly at two or three points in your speech that the objectives laid down by the Paris and Copenhagen Summit Conferences were to be implemented, so to speak, automatically and were, of course, not open to question. I heard that clearly; but I believe, nevertheless, that it would be good to hear it said with somewhat greater emphasis, perhaps also with somewhat greater solemnity and above all conviction, not because you have to convince us here in Parliament, but because outside it, throughout our Community, uncertainty and doubt prevail, because even responsible ministers of national governments are heard to say that the recommendations and decisions of the Paris Summit are no longer valid, that they belong to the past and that today we must approach the construction of Europe with totally different ideas. We must beware of such talk, and, as politicians, we must avoid complacency if we are not to stray from the true path.

It is essential—and that is the first point in the Political Affairs Committee's resolution—that that no doubts should be allowed to arise as to these objectives. The uncertainty of which Mr Patijn spoke is reflected in the view passing day, that the European Community, conceived as the core of the European political structure,

is disintegrating. Up to a point this is reflected in the social, economic and financial crises. At the same time, I think it imperative to recognize that no Member State—however powerful it may consider itself to be—is today in a position to solve these problems on its own. I therefore agree with Mr Patijn.

Yesterday or the day before Mr Haferkamp gave us an interesting report on the economic situation of the Community and submitted forecasts of future developments. The statesmen and politicians in all our countries may perhaps have to peer down into the abyss before they recognize with horror that a national solution is no answer at all. Perhaps this recognition will give them the strength to return to the Community and seek solutions to these problems through solidarity and discipline within the Community. I use the word 'discipline' quite deliberately. All the time people talk of Community solidarity, but that also implies Community discipline in the application of rules and agreements, if the common edifice is really to be completed.

In conclusion, I should like to add a second observation. We must realize today that we have arrived at a fork in the road—Mr Patijn spoke of the motorway and the country path; I do not wish to encroach upon his simile and will not pursue it further. I want to say this: we have arrived at a crossroads in our development. Our peoples sense this; hence their disquiet. What our leading statesmen and politicians have to do is not to invite or persuade our peoples to march along the road to Europe. No, the peoples are waiting for our leading statesmen and politicians to strike out at last along the road to a united Europe. That is the psychological situation in which our peoples find themselves.

(Applause)

At this fork in the road—unification of Europe through a policy of progressive integration or the return to nationalism or intergovernmentalism—we can have no doubt that the other road will never lead to a prosperous future for Europe. It would mean a return to the Europe of the nineteenth century, the Europe of Metternich. I do not propose to consider whether we do in fact today have a Metternich who would be able to cope with these problems. If we want to move forward again, then we must realize in a spirit of solidarity that we must travel the road before us together. That, Mr President, is what I wanted to say at the beginning of this debate. I hope that the latter will help in some way to take us along this road, and I wish very much that the President of the Council would be more open with us in his reply, to which we may give our reactions later, so that his political dialogue with us is genuinely conducted in the

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spirit evoked by him at the United Nations. He should invite us to the 'rendez-vous with history' in order to find out what we as responsible politicians—you, Sir, Mr Ortoli and his colleagues, and this Parliament—have to do and what contribution we can make if we are to progress further along the road to European unity.

(Loud applause)

President. — I call Lord Gladwyn to speak on behalf of the Liberal and Allies Group.

Lord Gladwyn. — We have listened with attention and respect to two speeches, which, however I fear have not given us much hope for early progress in the direction of European unity, as has indeed been pointed out by several of my colleagues who preceeded me.

Mr Sauvagnargues—cast, as I understood it, in the very improbable rôle of Metternich by Mr Lücker—gave as a lucid description of the undoubted difficulties facing the Community. He pointed to the necessity of arriving at a common policy for the purpose of overcoming them, but he did not indicate in any way how this common policy was to be achieved. We can only conclude, I am afraid, that the present European apparatus for achieving a common policy is, in some way which we do not fully understand, defective.

Mr Ortoli, for his part, was eloquent on the necessity of making the existing Community organizations work. He pointed out that a solution of the three great problems now facing us—namely, inflation and monetary policy, energy and regional policy—was essential. However, beyond assuring us that the European Ministers of Economics and Finance were now happily meeting regularly, there was equally no indication of how these problems were to be confronted by the existing European machine. The Commission, he said, as well as Parliament, must fulfil their role as 'guarantors' of the Treaty. Well said: but how are we, how is Mr Ortoli, to guarantee a Treaty which is admittedly not being effectively applied to the principal institution concerned, namely, the Council of Ministers? Time passes. Everyone admits that Europe, if it is to become more than a geographical expression, must shortly emerge and somehow speak with one voice. Everybody says that; all the Ministers say it; but nobody in authority says anything significant about *how* this should come about.

It is not only in the three great spheres indicated by Mr Ortoli that progress must be made; it is also—and here possibly I speak for myself and not for the entire Liberal Group, though I think

I speak for most of them—in that of foreign-policy harmonization and the allied question of harmonizing defence.

Mr Giraud, if I heard him correctly, pointed to a report which I believe appeared in yesterday's press that the French Government are contemplating setting up what it calls a 'flying political secretariat'. Maybe that will be a small step forward. Certainly it will be welcome if it is contemplated. But it is very little compared to a new body of some kind, now urgently necessary, which, on the official level to start with, should consider the great problems of foreign common policy in relation to defence.

Mr Patijn said, if I am not wrong, that that was not necessary because the whole question of defence was being considered in other bodies. That, I am afraid, so far as our Europe is concerned, is not really the case. The question of the harmonization of European defence policy cannot be considered in any other body than one constituted by the Europeans themselves within the North Atlantic Alliance, and then cleared, of course, with the Americans. But unless we can start off in that direction, there is no body, contrary to what Mr Patijn said, which can possibly consider this all-important question. As was truly said lately by Professor Alastair Buchan, a great expert, the sad fact is that members of the Community will shortly disarm themselves owing to the clear impossibility of keeping their armaments even moderately up-to-date on a basis of separate or national budgets for research and development. In other words, if we do not look out, we shall quite soon be not only bankrupt but physically helpless.

Meanwhile, we are about to debate our theoretical future on the basis of Mr Bertrand's report, which, as I understand it, I would be out of order in criticizing or commending at the present time. Needless to say, I shall have something to say about his presentation—in many ways excellent—tonight.

At this moment, on the general question which he raises I would say only this. Unfortunately, as we all know, positive enthusiasm for what I might perhaps call the old philosophy regarding European union—what one might call, without disrespect, the old Monnetist theories now over a quarter of a century old—is sadly lacking in all our countries and notably, I am afraid, among the younger generation.

If there were any sign that the Council of Ministers, assisted by an active and independent Commission, was coping effectively with our present problems such as energy, inflation, the regions and so on, and that this Parliament was becoming a great forum in which public opinion could be heard and the actions of Ministers

Lord Gladwyn

possibly influenced, no doubt in that event this pessimistic, indifferent atmosphere would change. But at present the only emotion raised by the Community in the minds of great masses of the public, more especially in the countries that have recently joined it, is one of bored indifference coupled with the conviction on the part of many that its one great achievement has so far been to put up the price of food.

The way to disperse this indifference and to counteract these absurd conclusions—and I think that once the Labour Government in the United Kingdom have arrived at some 'renegotiation', as they call it, of the terms of our accession, these tendencies will be much diminished—is to get the Community to work. The way to get it to work is to induce the Ministers to reform their decision-making procedure and to give Parliament greater powers. That is the essential point.

All the rest for the moment—and I repeat, Mr Bertrand, for the moment—is moonshine.

Certainly neither the Ministers will be induced to take the Parliament seriously, nor public opinion persuaded that it is the only hope of the future, by detailed blueprints for a federal system in accordance with which national governments and parliaments are destined to disappear. Ministers may indeed some two years ago have given legitimate grounds for speculation to this end, but none of the Ministers now directing our affairs—I think that I am right in saying this—was present at the Paris Summit meeting, therefore bearing any particular responsibility for the conclusions there reached, and times, economically speaking, have changed immeasurably for the worse. The Paris timetable has been put into the dustbin and is likely to stay there for some time to come.

All we parliamentarians can now do, therefore, is constantly to urge the Ministers to take certain elementary steps towards greater unity, and in this we may well be assisted rather than impeded by the present economic crisis, which is rapidly threatening to engulf us all. But our intelligent endeavours, my friends, will by no means be assisted if our unscrupulous nationalist opponents—and they exist in all our countries, not only in mine, and very powerful—are able to represent us as starry-eyed idealists engaged in suppressing the whole concept of the nation and bundling the innocent inhabitants of our ancient states into a sort of vast anonymous bureaucracy similar to the United States but without any magnificent Declaration of Independence.

If we, who because of our experience in working together know that this is nonsense, can never-

theless say, with truth, that all we want, and perhaps all that we can immediately do, is to get out a practical system for increasing democratic co-operation, every step in the accomplishment of which will have to be approved by the national parliaments, we are likely to get somewhere; otherwise not.

If this Parliament wants the Ministers to grant it greater powers—and it will not have additional powers unless the Ministers grant them—it will, in other words, as I see it, have to be as modest in its fundamental aims as it will, I hope, be vigorous in its action.

Once it acquires greater powers and finds its feet, it can think more in terms of actual constitution-making, though even then I am myself convinced that it should avoid contemplating some political machine that would closely resemble that of the United States, proceeding on what appears to me to be the false analogy that our ancient European nation-states are in some way the equivalent of the small rebellious English colonies of two hundred years ago.

We can, and no doubt shall, arrive at an actual union, if not by 1980, then some time later. But if we do, it will be by slowly building up on what now exists and by making it work and not by constructing ideal if doubtfully realizable edifices.

(Applause from the Liberal and Allies Group and the European Conservative Group)

President. — I call Mr Kirk to speak on behalf of the European Conservative Group.

Mr Kirk. — * I want to be brief because this is, I think, the fifth debate that we have had on this topic in the course of this year. I make no complaint about that. It shows the importance that we attach to the progress towards European union, which is the goal of all of us in this House and indeed of the vast majority of the governments and peoples of the Community; but it is inevitable when one has so many debates succeeding each other that each debate should tend to become repetitive, and I hope that neither Mr Sauvagnargues nor Mr Ortoli will misunderstand me when I say that what they have said today was not all that different from what they have had to say before.

That does not mean that it was any worse. Indeed, I gained from Mr Ortoli slightly more encouragement than I did from the previous four speeches he made on this subject.

But it does not alter the fact that solving the crisis in which the Community finds itself—

Kirk

even though certain problems have now been regulated in the sense that we now have the certainty of a continuation of governmental policy in eight of our nine countries, I would have thought over the next year or so—lies outside the power, though certainly not outside the competence, of this Parliament.

It is possibly a good thing, therefore, that in placing his report before us—and I pay tribute to him for it; he knows that although I disagreed with one or two of his ideas in committee they were disagreements of form and not of substance—Mr Bertrand has injected one or two new ideas into this debate. But the problem with which we are faced and which we have to accept is that plenty of ideas are floating around but remarkably little action. What we want as members of the European Parliament and as members of our own parliaments supporting progress towards an effective and democratic European Community is something done and rather less talked about. That is the basis of what few ideas I want to put forward today.

The European Conservative Group, over which I have the honour to preside at the moment, yesterday put forward a modest document designed not to draw the great lines, as Mr Bertrand is doing and as Mr Ortoli and Mr Sauvagnargues have done in their speeches, but to concentrate on one or two things that could be done now and in most cases could be done without any amendment to the Treaties and could be done effectively in order to move towards a better European union in both the economic and the political sense. I shall not enlarge on those ideas today. I think that every Member of this Parliament has had a copy of the document. It is there for them to look at if they wish, and we feel that the ideas contained in it are at any rate worth consideration. We do not say that they are the be-all and end-all of the programme that we ought to adopt over the next few months and years; but the philosophy behind the document is worth underlining, because a lot of that philosophy also appears in Mr Bertrand's report. It is basically that we in the European Parliament and in European circles as a whole have talked rather too much about what I might call the Celestial Mountains, which are a very long way off, and ignored the Slough of Despond that lies between them and us.

Last week-end, I looked again at *Pilgrim's Progress*, which is still for most British people one of the seminal documents of our age. One realizes that, however great the ideal may be, it is over small stones on the road that men tend to stumble. While trying to achieve the

ideal of effective political and economic union by 1980, we know that there are many stumbling-blocks along the way, and it is quite right that Mr Sauvagnargues in effect should have reminded us of that this afternoon, although Mr Ortoli took a slightly more optimistic view of the situation.

Nevertheless, while we all agree on what we want eventually to do, we are certainly not agreed on the way in which we may finally achieve it.

It is in that sense that we shall be presenting one or two small amendments to Mr Bertrand's report. I do not think they are amendments of substance. The ultimate aim is the same for all of us, but they are amendments designed to deal with the practical problems that lie along the route towards the goal that we are all trying to achieve. The amendments that we are putting forward will be discussed briefly tomorrow morning when we come to vote on them, and I shall not enlarge on them this afternoon. I understand that other groups will be doing the same.

As regards the other institutions of the Community, there are two major points that one wants to make. The present British Foreign Secretary—the House will understand that I am no strong supporter of the present British Foreign Secretary, or indeed of the present British Government—has consistently, at every meeting of the Council of Ministers since the present British Government took office, asked what seems to me to be a very pertinent question: what do we mean by European unity?

Mr Bertrand in his report and in his resolution has tried to spell out one answer to that question. One can disagree with certain details of it, but the broad spectrum will, I think, be one that most people in this Parliament would accept. What we have never really had, however, has been an effective answer to that question from either the Commission or the Council, and with great respect I do not think that we had it today. Unless we are certain what we mean by it, it is very difficult to decide what precise measures we shall take to achieve it at this particular moment.

I would not claim that the proposals which we have put forward spell out those measures either. Our proposals are designed to consolidate the union, such as it is, that we now possess. But what we have not had from—I hesitate to call them our masters, but nevertheless our partners—the other two institutions in this organization is their vision of what they want to see, perhaps not by 1980—it may be impossible to achieve it by that time—but as the next major step forward.

Kirk

We have had it, of course, from individuals. I see Mr Spinelli on the Commissioners' bench, and we know that from him we have had his vision of what he wants to see. We have had it from individual Ministers from time to time. But we have never had a collective view presented to this Parliament of the ultimate goal for a European political union or a European union, which is the phrase used in the Paris communiqué.

What I think many of us would like to hear tonight, before the President-in-Office of the Council and the President of the Commission leave the Assembly, is some idea, however sketchy it may be, of what they see as the next major step. I am not asking for details—obviously it is too early for that—but we cannot rest content much longer, particularly as I think that this is the fifth time we have debated this matter this year. We cannot remain content very much longer with pious hopes that somehow, somewhere, sometime, something will emerge. We want to get a fairly clear idea now of the thinking of the Council and the Commission on what is likely to emerge sometime—I would not even ask them at what time—somehow and within the Europe of the Nine.

That is the only plea that I think one can make in this debate. It is, as Mr Ortoli rightly pointed out, a repetitive debate. It is a debate which we have had before. It is a debate on which, if I may say so, without sounding conceited, on behalf of my fellow parliamentarians, all the running has been made by the European Parliament and we have the impression of a certain reluctance on the part of other members of the Community.

We know that the Commission are in the process of drawing up a document. We know that the Council have got as far as putting out a questionnaire on this subject. Surely, however, we are now sufficiently far from the Paris Summit Conference, which was nearly two years ago, for the other two institutions to have at least an idea of the direction in which they wish the Community to go. That is the question we are putting to them today, and it is a question to which we hope that we shall have an answer before we adjourn at 11 o'clock or whenever it may be tonight.

(Applause from the Right)

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

Mr Bourges. — *(F)* Mr President, colleagues, Mr Lenihan will explain the views of our Group on the current state of political cooperation and

this evening, when we resume, he will express our views on the report by Mr Bertrand on European Union. I shall therefore confine myself in my speech to pointing out what we think about the political situation in the Community at the present time following the statements which have been made by the President-in-Office of the Council of Ministers and by the President of the Commission.

Unfortunately—and I think everybody will share this opinion—the situation is characterized by a great deal of uncertainty. If we look back on the events of the past month, we see a large area of gloom only occasionally pierced by fleeting rays of light.

The situation is largely the result of external influences much more than the direct result of any deliberate intention, or rather lack of intention, on the part of the institutions or the Member States, even if some of the latter are still a little hesitant—which naturally we regret. My Group appreciates the realism of your analysis, Mr President. At the present time, we must grant absolute priority to economic and monetary problems. If we do not carry out a concerted action, in which all are united in the struggle against inflation, within the framework of economic and monetary union, our Community, far from making progress, will emerge as an assortment of areas of varying development and there will be a severe lack of balance. In this respect, we are encouraged by the Council's decision to examine, on 21 October, the proposal from the Commission concerning the setting up of a Community loan. A few weeks ago, we ourselves supported such a proposal.

What we must do, in fact, is recycle the liquid assets at our disposal distributing them fairly and evenly between the industrialized nations. In the definition of a Community loan, we see a prelude to the pooling of reserves and the creation of a European currency.

Following this, it will be important to come to grips with the problem of Community energy supply. In this respect, too, we welcome the decision of the Council of 17 September aiming to draw up and implement a common energy policy.

In this respect, we must seek three objectives: first, the development of each energy source and consequently, new technology. Finally, we must set in place a regulated energy market for the whole of our Community.

If these are the first requirements—for the main priority remains the economic situation—they must also engage in the task of preserving the achievements of the Community and here I would raise three main points.

Bourges

The first point will be to express our concern to maintain and strengthen the common agricultural policy. I do not think we should consider the agricultural policy separately from the whole package of economic and social objectives of the Community.

The goal of the Community is to enable all resources to be put to the best possible effect and to realize as fully as possible the potentialities of each country in every sector, both on an industrial level and on an agricultural level, and to ensure that this effort provides, for all the citizens of the Community, whatever their job, and whatever region they live in, a higher standard of living.

As to this, we are convinced, for our part, that the common agricultural policy has made a positive contribution to these aspirations. We support not only its continuation but its further development.

Finally, it is correct to say that if the Member States of our Community can today be assured of supplies of agricultural products at prices lower than the world market rates, this is due to the respect shown for a policy which genuinely deserves to be developed because it corresponds to the ideal of solidarity reigning in our Community.

In this respect, the decision to increase agricultural prices by 5% was accepted by us as necessary, but, as you know, Mr President, as inadequate.

I should like to add that it goes without saying that there can be no question in our view of overlooking the advantages to be drawn, for example, in terms of internal industrial trade within the Community. That is to say, in our view, there can be no possible doubts of the efficacy of the common agricultural policy.

The second consideration is regional policy. We are just as much in favour of this factor. I should like to express here our disappointment and our concern at the fact that regional policy has hardly made any progress over the past year. This morning, when we discussed the budget, we had occasion to regret the fact that the Regional Fund was still an abstract concept. It is true that we welcomed the statement by the President-in-Office of the Council who assured us that this Fund would be set up. We hope that it will be set up in the near future.

Finally, and this is perhaps one of the most positive factors one of the rare extremely positive aspects of action undertaken over the past months, we fully support the association policy and aid policy pursued by our Community with countries from the third and fourth worlds, because this corresponds with the ideals of

solidarity between peoples and the brotherhood of man. We are delighted at the progress which has been accomplished in this field, and we hope that, in the very near future, agreements will be concluded which will confirm our expectations.

Ladies and gentlemen, I think that, at the present time, we should not give up the Community ideal. We appreciated the concern of President Ortoli when he said that this Community ideal must remain alive and should certainly not be replaced by the idea or practice of mere cooperation, that it to say, pragmatic joint efforts.

In this respect, we were gratified, Mr President, with the prospect of a future meeting before the end of the year between the Heads of State or Government of the Member States of the Community. I trust that this meeting will fulfil the expectations of our citizens and the wishes of Parliament.

(Applause)

President. — I call Mr Amendola to speak on behalf of the Communist and Allies Group.

Mr Amendola. — *(I)* Mr President, ladies and gentlemen, all the previous speakers, except for the last one, Mr Bourges, have emphasized—or at least so it seems to me—their feelings of disappointment, bitterness and concern at the present state of the Community; similar disappointment has been expressed at the inconsistency of the framework provided by the reports submitted by the President of the Council of Ministers and the President of the Commission. I have used the term ‘reports submitted’, but I should, perhaps, have said the reports which they have been obliged to submit because of their official position although the parties directly concerned would probably have painted a more realistic picture. There is in fact some detachment from the reality in which we live, and that detachment has been reflected in the words of the previous speakers.

Our Community is being rendered increasingly unstable by the extent of the contradiction which beset it. But while I understand and share the feelings expressed in this chamber, I hope I shall be allowed to add that I do not also share the feeling of surprise expressed here, because for some time now we have been accustomed to the repetition of a representation of reality which is falsified for official reasons.

I think Mr Kirk said that this debate is full of repetition: it is in fact an act on the part of the official bodies and an appeal to reality on the part of the Parliament, but then everything goes on as before; and things could not be otherwise

Amendola

without a change in the political substance on which the Community is based. You cannot draw new wine out of old bottles, and this Community as it is now constituted—with the economic and political bases which it has—can only give the results it is giving.

One might, however, ask for the act to be as realistic as possible; that, Mr President of the Council of Ministers is what I would call an intellectual requirement.

I do not endorse the request made apparently by Mr Kirk, who wanted a reply to be given at once this evening on the way in which the Community should be organized. I do not think such a reply can be given by the President of the Council of Ministers or by anyone else at present, in view of the current unstable situation. What we are entitled to ask, however, is for things to be depicted as they are in reality: the balance sheet presented has not been excessively severe and negative; I would say rather, to borrow an adjective used by Mr Ortoli, that it has been rosy and in contradiction to the reality in which we live.

Mention has already been made of a recent episode in the UN: faced with the Palestine problem, the representatives of the Member States of our Community were divided. Can we consider that a fact of external policy? I would say rather that it is a matter of direct concern to the Mediterranean, the Arab countries, peace in the Mediterranean, peace between Israel and the Arab countries, as well as the question of energy. These are all problems of which we as a Community are aware; and while a year ago the Community was able to express a united and independent position in those dramatic days when there was even a possibility of a nuclear war, it is clear that in the meantime the Community has lost ground as far as its ability to express a common policy is concerned. We have also lost ground for economic reasons, since over the past year the economic relationship between the United States and the Community countries has been reversed.

We are aware of the nature of this crisis, and our peoples are aware of it too; and the answer we make to it must not be merely functional or instrumental. The interplay of political objectives and instruments capable of giving precedence to one particular issue or another is no longer sufficient; what is necessary is an overall political effort calling on the peoples to participate with a spirit of responsibility in a united effort, if that effort is seen to be positive in relation to the requirements of our continent.

I could quote many other examples which have also been mentioned by previous speakers: regional policy or agricultural policy, which,

despite the recent praise, is a policy which has divided the Community and still finds it split on the basic issues of structures and prices. There is also financial policy: but I must warn you that it will be difficult to go ahead with the Community loan of which we hear so much, the famous 'recycling' of Arab money, because the Community as such has no policy of its own, no authority and no credit as a Community. The strongest countries enjoy credit—for example Germany, which has the sovereign right to decide whether to grant loans according to its own criteria. But the Community as such has no credit and cannot call for investments to be distributed according to the needs.

Disagreement among representatives of the EEC countries also arose in the International Monetary Fund; and in recent months we have all seen the representatives of our Member States widely divided on matters of foreign policy and economic policy.

Italy is in difficulties. I am Italian and feel a responsibility here, even though I belong to an opposition party; I suffer from our situation, but ours is not the only sick country in Europe.

That needed to be said because Italy is sometimes treated as though it were the only sick country. If you like, it is the most severely affected country, but the whole of Europe is sick, because it is in a head-on confrontation with the economic crisis which at present affects the whole world.

There is no longer any point in engaging in the old academic discussions on whether economic crises will or will not recur or whether neo-capitalism has within it the resources to overcome its own contradictions and avoid new cyclic crises. Today the crisis exists; it is not an invention or a cry of alarm from individual groups, but a reality which springs from the very heart of the contradictions which in the past ten years have beset those countries with a market economy—the capitalist world.

It is significant to recall what Europe might have been but has not in fact become. According to the law of the unequal development of capitalism, the United States' share of the industrial production of the capitalist countries, which amounted to 51 per cent in 1954, fell to 40 per cent in 1974, while the share of the Europe of the Nine rose from 11 to 25 per cent. This proves the capacity which Europe—our part of Europe—has had to change its regions and its position. But this force, which could have provided the basis for a policy, has not in fact been accompanied by any policy. Hence the present crisis, and the way in which our part of the continent is suffering from an economic crisis which is running its course and has passed—I

Amendola

shall be brief and omit the stages—from a period of an American balance-of-payments deficit to the devaluation of the dollar, inflation, a glut of Euro-dollars and the final stage of the energy crisis and the deterioration of relations between the United States and Europe; today we have an overall balance-of-payments deficit and inflationary policies which, taken together, have created the recession now affecting this part of the continent.

In this situation we see again an inability to face the problems. Each country preaches to the others that they should consume less. But the country which consumes less should still continue to import, otherwise the crisis will simply be transferred from one country to another. Every country wants to export, not to import. That is how the crisis travels and becomes general. Today the crisis is leading to political instability: that has already been mentioned in other speeches and on other occasions. All the Community countries are profoundly divided. The latest British elections confirm this: there is a political division which prevents the emergence in any country of a policy enjoying broad support among 60 or 70 per cent of the population; but support of that order is necessary to face the problems which now arise and demand sacrifices. Those sacrifices can only be made if there is political leadership with the moral authority to call for them and guarantee that the sacrifices will help prepare a better Europe. Europe is divided in its own countries, and the present crisis reflects the overall effect of the various divisions.

Under these conditions, we believe that the transformation cannot be brought about quickly: it will be a transformation of the place occupied by this part of Europe in Europe as a whole and in the world, a change in the terms of trade, a change in the style of life, in the expansion of development and exaggerated consumption; a necessary change in the way of life and customs of the people. In this situation we consider European Union necessary. I shall express here a position which might be discussed in all the sectors: we consider that in face of these grave problems there is no solution which could come from an individual country, because no country on its own is able to face the problems raised by multi-national companies, energy and the control of capital; what is needed is an organization to do what the individual countries, in the fullness of their sovereignty—which no one can diminish—are unable to do because there are problems which go beyond their sovereignty.

Political union can exist only if it has a democratic foundation and is itself thoroughly democratic. At present there is a basis contrast: the greater our internal divisions, the greater the

number of petitions from abroad. Countries like Portugal, liberated from fascism, Greece, liberated from fascism, and Spain, struggling for its freedom, appeal to a united and democratic Europe, we are then aware that this unity has a function for democracy and progress, on which is also indicated to us by the third world.

We also envisage the possibility of establishing positive relations with the socialist countries of Europe; contacts and coordination would be possible between COMECON and the EEC, making use of any results achieved at the Conference on Security and Cooperation in Geneva. The possibilities opened to us are great, but they can only be realized if the Community's internal crisis is overcome; and that internal crisis can only be overcome if we move in the direction of what we Communists would call a democratic transformation.

The reference made by the President of the Council to greater cooperation at the Summit and the talk of giving greater powers to the Council of Ministers do not meet with our approval, Mr Giraud. We do not see why greater powers should be given to a body which is not the expression of a Parliament and a democratic community, a body which is by its very nature unstable, which changes its President every six months, which changes according to political relations between the different governments, which reflects that instability. We do not see either why a special secretariat should be provided. What would be the point? The Commission already exists to prepare, inform and encourage.

Progress cannot be made on these lines, it is pointless to speak of a majority or minority in the Council of Ministers: no state would ever accept anything of the kind. Is there any possibility that Germany would have accepted, 8 against 1, an 8 per cent increase in agricultural prices? Each state thus maintains its own sovereignty, and if it has to pay out money it does so as a sovereign act. The rule of majorities and minorities is a democratic rule which can only apply in a democratic organization with the basis and legality of democracy, but not in an organization which represents executive forces which are controlled and changed from time to time, if necessary, by the vote of democratic bodies.

I therefore believe that at this time we can do no more than keep a sense of reality, however dramatic that reality may be, and move forward on the lines of democracy. We do not expect the President-in-Office of the Council of Ministers to indicate a programme to us, which might even be rejected for diplomatic reasons. There is at present a growing integration of democratic forces, of the trade unions and cooperatives.

Amendola

This morning we received a delegation from an Italian region; the need has become apparent for close contacts with the regions, to set up a regional policy on a democratic basis. What is necessary, then, is democratization and a democratic transformation which at present is the only way, I would say the magic wand, to change the lead into gold; and the magic wand can only be the will of the peoples expressed democratically.

(Applause)

President. — I call Mr Brinkhorst, Secretary of State for Foreign Affairs of the Netherlands.

Mr Brinkhorst, member of the Council of the European Communities. — (NL) Mr President, I am most grateful to you for your invitation to the Members of the Council to attend this important debate. I am also grateful to you for inviting me to speak, thus providing an opportunity to widen the dialogue between the Council and the European Parliament, which the Dutch Government warmly welcomes. As you know, we were able to widen this dialogue a few weeks ago when a delegation from the Parliament attended a Council meeting. It is satisfactory that our dialogue is now being continued and that we are not only concerned with questions relating to the strengthening of budgetary powers, but with the present political situation in general. This debate is concerned both with the present and with the future.

If I am not mistaken, dissatisfaction has been expressed in various quarters with the present situation and also doubts about the future of the European Communities. I wish to make it clear that the Dutch Government shares this dissatisfaction; but it must also be understood that we in no way doubt the European Communities' prospects for further development. The attempt to achieve a European Union on the basis of the European Treaties was, and remains, the starting-point of the Dutch Government's European policy. I feel strengthened in this by the motion, adopted last week by a large majority in the Dutch Parliament, calling once again for the implementation of the objectives defined by the Paris Summit Conference. I willingly agree with Lord Gladwyn that the present Members of the Council are not responsible for these aims; they were not Members of the Council at the time; but I must say that I, as a Council Member, recognize these aims and in so doing am supported by a majority in the parliament of my own country. The main points for us are further integration and the fundamental need to democratize the Communities. These wishes of the European Parliament are to our mind completely justified and indeed essential

to the future development of Europe. Parliament is right in not wishing to hear mere statements about verbal Europe, about a vague future in which a discordant note enters from time to time. The starting-point for further developments must lie in our putting our own house in order and giving priority to the internal stabilization and strengthening of the Community. Only on that basis can the external responsibility of the Community and the enlargement of political cooperation, however desirable it may itself be and however important we consider it for Europe to speak with a single voice, assume a solid form. Only on the basis of internal solidarity and true Community loyalty is it possible to build a real Europe. The peoples, of which you are important representatives, are therefore rightly demanding evidence of credibility and a restoration of the Community authority which was lost last year.

The central question is, in fact, whether the Community can solve the problems facing it. Last year, the solidarity necessary for that purpose was unfortunately lacking: what was needed at that time was a common approach to the energy crisis and an alleviation of the economic stresses resulting from that crisis of What, in the Dutch Government's view, is vitally important now is to give priority to the reality of the Community by meeting commitments made in the past. In practical terms, this means cooperation in the fight against inflation and the implementation of a policy which bears witness to the Community's social conscience. Here we shall not be concerned with a limited circle but with the entire population of the Community. The Parliament is right to call for specific statements and practical declarations reflecting the resolve of the Members of the Council. For my part, I can state that the Dutch Government is ready to resume as soon as possible the discussion on regional policy in the Community. It is also willing to make its own practical contribution.

How can the Community's prestige be restored? How can we recover our solidarity? To our mind, the instruments provided by the Treaty must be used in full: new structures will solve nothing unless they are based on fundamental respect for the existing institutions. On this point I wish to say quite clearly that criticism of the political position of the Commission and of the way in which it functions, is, regardless of the quarter from which that criticism comes, not in our view justified: the present and future political rôle of the Commission must not be questioned.

There is talk of preparation for possible new Summit meetings. The Dutch Government is willing to cooperate if it is clear that real progress can be made on a number of the points I

Brinkhorst

have just mentioned. If no progress is made, we shall be left with a verbal Europe; we shall get no further than general expressions of good will.

Some may call this approach maximalist. We believe that it is not maximalism but a sense of reality. The view that anything which has not been already agreed can be left unagreed is to our mind, a minimalist position.

It has been said that we are standing at a crossroads. For us, the choice between inter-dependence or disintegration is not a difficult one. I state categorically that in our view the Community is our only hope and that it alone can satisfy our people's legitimate wishes.

I thank you for giving me this opportunity to address you.

(Loud applause)

President. — Thank you, Mr Brinkhorst.

I call Mr Sauvagnargues.

Mr Sauvagnargues, President-in-Office of the Council. — *(F)* Mr President, I am very pleased to have an opportunity to continue the dialogue with the European Parliament. I must say that I should have taken up this dialogue with more application if, having assumed my duties only a short time ago, I had not been fully occupied by a series of international conferences, certain of which were, in fact, a direct result of my duties as President-in-Office of the Council, and if I had not been obliged, owing to this, to miss a certain number of meetings.

It is most important for me to maintain contact with the Members of this Parliament, because I consider that our growing Europe must be not only a Europe of governments, but a citizens' Europe. And you, honourable Members, are the direct representatives in your governments of popular feeling and I believe—many of you have said as much—that, in the very difficult period we are going through, Europe must increasingly help to resolve the problems which concern the citizens of Europe in their everyday life.

Europe is no longer, and must be no longer, in my view, a diplomatic game, as one speaker said just now, paying a tribute to my diplomatic past to the detriment of my European feelings. I believe that the one is incompatible with the other.

Europe can no longer be merely the Europe of the diplomats. European affairs are now far too serious to be left to specialists alone, because they involve the life, the wellbeing and the very future of everyone of us.

This dialogue is therefore essential.

But first of all, I wish to tell you, gentlemen, that when just now you drew an analogy, to the advantage of Mr Ortoli, which I welcome, I took some of these compliments personally: there is, in fact, no opposition between the two institutions, the Council and the Commission, they are complementary. We are Siamese twins *(laughter)* and between us we constitute the European executive. I therefore welcome the compliments addressed to the President of the Commission.

I should, however, like to point out to you that, unlike the President of the Commission, who enjoys a certain degree of freedom of action, I am speaking in my capacity as President of the Council; I am therefore bound by the instructions of my colleagues.

This also makes my situation different to that of Mr Brinkhorst, who was able to express himself with the freedom which you admired, owing to the fact that he spoke as a representative of the Dutch government.

In order to give myself a similar freedom of action, I shall have to strip off the cloak of President-in-Office of the Council and speak merely—if that is the right qualification—as French Foreign Minister.

I shall therefore speak to you on the very difficult matters you have mentioned concerning the future and, of course, the present. As to the objectives of the Summit conferences in Paris and Copenhagen, there is no point in stressing that the French Government remains deeply attached to those objectives, as indeed I believe its partners do also, with maybe a single exception, that of a government which questions the meaning of certain terms used in 1972. But we hope, of course, to be able to persuade that government of the positive and acceptable nature of those terms.

As regards, then, the objectives of Paris and Copenhagen, there can be no ambiguity, and the tasks set for us must be fulfilled.

Where the Council is concerned, you know that we have not progressed quickly, I must admit that. I might lay the blame for that on my predecessors; when I took matters up, the state of affairs was much the same as now.

I must also point out that, for your part, you have not made excessively rapid progress either, because I note that this report, extremely elaborate and very positive, drawn up by Mr Bertrand, has only just been submitted. Thus, comparatively speaking, the Council is not far behind in its work. In any case, procedure itself makes it very difficult to envisage at the present time a dialogue between the Council as such

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and the Assembly as such, for each institution would hinder the other in its work; it is hard to see just how we could draw up a report together. It seems quite clear to me that the Assembly would have to put its points of view, the Council would put its own, and that, at a given moment, all the documents would be collected, including the reports by the Court of Justice and the Commission, in order to make a synthesis. No doubt, there would then be a procedural problem. How would this be done? This last question has not been considered; the final communiqué of the Paris Summit Conference is not clear on this point, stipulating merely that the institutions shall draw up a report. How is this to be done? That is not very easy: we are hardly going to meet here, the Assembly and the Council, to draw up a report, and so the texts will have to be compared.

I therefore think that the type of discussion that we are having today, although on a purely informal basis, since I am speaking now as French Foreign Minister, can certainly be useful and contribute to a clarification of the ideas of the various parties concerned. Without taking any stand on your report—I am not qualified to do so, Mr Bertrand, it is the Assembly which has to do this—I would say that I find it extremely interesting. However, I personally feel that there is an omission, in that I wonder what is to become of the Commission under this arrangement... (*laughter*). It is clear that we consider, as you do, that it is essential to have a European executive capable of taking decisions. This is absolutely fundamental, and I would say that our own feelings are the same as yours. I shall come back to this in a moment.

At present, the European executive does exist, that cannot be denied; there is such an executive consisting, as I just said, of the Council and the Commission, Mr Amendola, a convinced European federalist (*laughter*), has just told us that we needed a single democratic authority, but he did not explain how exactly he intended to achieve that result. I think that in such a system matters are quite simple, and Mr Amendola added that the Council was paralysed by the unanimity rule. On this point, he is perhaps not absolutely wrong; I personally admit that over-zealous application of the unanimity rule has led to a certain paralysis of the Council's work. This is one of the points which the French government is considering at present.

(*Applause*)

To some extent, I have moved from long-term prospects to prospects for the immediate future, and I am struck by the fact that several speakers emphasized that it was useful to maintain very long-term prospects; at the same time, one

wonders whether it would not be better to deal first of all with the initial obstacles which we are confronted with along the way. I believe that this is what we must do and, listening just now to Lord Gladwyn, I was, I must say, inclined to support this analysis even though I do not consider the European enthusiasm of Mr Lückner or Mr Bertrand unjustified; in my view, both prospects can be reconciled and they should be kept in view with the ultimate objective of a European Union built on solid foundations, which implies the abandonment of a certain sovereignty. I also think that we must make progress along the path of European Union.

Here I shall leave the constitutional problem because, on this point—that is to say, the 1980 deadline, the application of the decisions of the Paris Summit, and everything dealt with in Mr Bertrand's report—I can, for the time being, make no very positive contribution. This is quite simply because the Council has not yet taken a decision, and we are still at the stage of the questionnaire addressed to the various governments.

You are therefore ahead of us. But I think I can tell this Assembly—and here the French Foreign Minister will merge for a few moments with the President-in-Office of the Council—that since I have had the honour of assuming my new duties we have made every effort to come to grips with this matter, that is, to ensure that this transformation in all the relations between the Member States gets under way. To this end, we have taken a number of steps, the importance of which I do not intend to exaggerate, but their importance should not be entirely denied. I am referring to the intervention by the Community in the Cyprus problem, the opening of the Euro-Arab dialogue and I see no reason for not mentioning the Palestinian affair.

I would point out to this Assembly that to be shocked by the fact that all the European countries did not take a stand on such a delicate matter—a fact which I sincerely regret—is rather surprising. A number of difficulties confronted us.

In this matter, the European countries are not all in an absolutely identical situation. This is the problem which arises in connection with all political cooperation. The aim of such cooperation is to encourage the adoption of a uniform position by the nine countries with different situations and which each face particular problems.

These difficulties have prevented us from reaching a common result. But the very fact that it comes as a shock and that we consider, as I myself do, that we have suffered a minor defeat

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is representative in itself of such progress as has been made. Just now Mr Patijn described political cooperation as the traditional sport of stiff-collared diplomats and Mr Amendola, rather curiously, referred to the appeal made to us by Greece and Portugal.

That appeal, gentlemen, was not made without reason. It was made because the Community gave its support from the outset to the new Portuguese government, stating that we were ready to support its courageous effort of decolonization.

As to Greece, the intervention of the Nine was not an isolated occurrence, Mr Amendola and Mr Patijn. It was neither evident nor automatic—no more evident or automatic than the condemnation by the Nine alone of the *coup d'état* carried out by the Greek colonels. For we were alone in this, and faced the great displeasure of our friends and allies on the other side of the Atlantic; just as we were alone in showing our total impartiality sometime later by condemning Turkish military intervention.

Of course, it might be said that these are diplomatic games, but Mr Amendola's reference shows that these games of diplomacy, Mr Patijn, are not altogether arbitrary and not altogether without results.

In European affairs over the past months, we have faced great difficulties within the Community which are largely due, as Mr Bourges quite rightly pointed out, to a factor which, alas, is beyond our control—that is, the energy crisis and the steep rise in oil prices.

We should also realize that one of our efforts towards political cooperation, *viz.* the Euro-Arab dialogue, which we managed to resume despite its suspension for more than eight months because of the American veto, even if it continues—as I hope it will—without dealing with the problem of oil, does offer us an approach which falls neatly into line with the desire of the French Government for cooperation between producers and consumers, a cooperation which, in our view, is alone capable of resolving the burning problem of oil.

But this is not enough. We must at the same time consider strengthening the cohesion of the Community—that is, both internal cohesion and the external affirmation of Community identity.

I must say that this need to achieve some sort of cohesion between two different activities, the activity of political cooperation—which, in the form it has taken, is relatively new—and Community action, is at the bottom of the French Government's ideas as advanced with a view to a European Summit. I think that this Euro-

pean Summit is very likely to meet before the end of the year, if only because, if such a meeting did not take place, this would be interpreted by the world at large as an abandonment of one of the victories of the Copenhagen Summit, *viz.* the very possibility of meetings of Heads of State or Government convened at the initiative of the President of the Council. I must, of course, make it clear that meetings of this sort should in no way act to the detriment of the principles upon which the Community is founded.

It is not a matter of cooperating at intergovernmental level; on the contrary, the aim is to perfect and extend Community activity by strengthening the Community mechanisms and attempting to give new impetus to Community policies which have become bogged down, and to take up new policies. The aim is also to ensure that the current mechanisms function better—that is, to ensure improvement of the decision-making process in the Council, the strengthening of the rôle of the Presidency, and so on, a number of purely practical ideas which may be raised in this context and which I do not want to go into in depth because all these matters are still under consideration and are being discussed by us.

Before reaching the objective of 1980, which, I feel, Mr Bertrand considers rather vague, regardless of institutional forms currently under discussion. I think we must make the necessary adjustments while we are on the move—in other words, simultaneously with the institutional approach which will enable us to take such and such a solution in such and such a time, we must already begin to set up the procedures and structures which will enable Europe to affirm itself as such in its relations with the outside world, not only in its capacity as a European Economic Community, but quite simply, as the European Community.

(Applause)

11. Change in the agenda

President. — Before suspending the proceedings, I would ask the House's attention for the following questions.

The debate on the interim report by Mr Bertrand can be further continued this evening. Further items on the agenda, however, are the Oral Questions, with debate, by Mr Amendola and Mr Ansart on the EEC headquarters in Brussels (Doc. 206/74), by Mr Corona on Portugal's connections with the European Community (Doc. 250/74), by Mr Bordu and Mr Sandri on the congratulations extended by the Presi-

President

dent of the Commission to the military junta in Chile (Doc. 282/74) and by Mr Jahn and others on relations between the Community and the Arab states (Doc. 283/74).

I propose to the House that the consideration of all these questions be deferred to the November part-session.

Are there any objections?

I call Mr Bertrand.

Mr Alfred Bertrand. — (NL) Mr President I disagree. Mr Corona's question was on the agenda of the September part-session in Luxembourg and was then postponed until this part-session. I should be very sorry to see it postponed once again until November. That would give the impression that Parliament is not bothered by the problems in Portugal. I consider it most urgent for Parliament to discuss the problems of Portugal.

President. — Then I propose that the Oral Question relating to Portugal be placed on tomorrow's agenda and that consideration of the other questions be deferred until November.

Are there any objections?

That is agreed.

I shall now suspend the proceedings.

I call Mr Covelli to speak on a point of order.

Mr Covelli. — (I) I wish to point out to the President of this Assembly that it is impossible to continue in this way, disregarding certain rights of Members beginning with my own modest self.

I ask you, Mr President, and the Assembly whether it is correct to suspend a debate in which I was down to speak—as were other colleagues, perhaps more authoritative than I—before giving me an opportunity to say anything.

I stress this point because if the sitting is now interrupted some of the speakers will not be able to obtain a reply to their remarks from the President of the Council and the President of the Commission.

I object to this procedure, and I should like to know whether note will be taken, as I hope it will be, of what Members who speak after the suspension—and they will certainly be as numerous as those who have preceded it—have to say not only about the Bertrand report but also about the declarations by the two Presidents.

I draw the Assembly's attention to the unusual procedure of interrupting the debate when a number of Members still wish to express their opinion. I am one of them, and I wonder whether it is possible to continue in this way.

President. — As a result of Mr Covelli's intervention, I am obliged to put to the vote my proposal to suspend the proceedings.

The proposal to suspend proceedings is adopted.

The House will rise.

(The sitting was suspended at 7.15 p.m. and resumed at 9 p.m.)

IN THE CHAIR: MR BERKHOUWER

President

President. — The sitting is resumed.

12. *Political cooperation - Political situation in the Community - European Union*
(continued)

President. — I remind the House that at the conclusion of the debate on the political situation Mr Sauvagnargues and Mr Ortoli are to answer the questions that have been put. Altogether, this will take some time. The debate on the interim report by Mr Bertrand, including the motion for a resolution contained therein and also the amendments, will begin at approximately 11 p.m., on the understanding that the vote on the amendments and on the motion for a resolution will take place tomorrow. For this reason, amendments must be tabled by 10 p.m. at the very latest.

I appeal to all speakers to keep their interventions as brief as possible, in order that Mr Sauvagnargues and Mr Ortoli shall have fully adequate time to give their answers.

I call Lord O'Hagan. Non-attached Members have a total of 10 minutes' speaking-time.

Lord O'Hagan. — Thank you, Mr President. I am always here in spirit if not in physical reality. I shall be very brief.

I do not wish to enter into any of the wider questions that many of the other much more distinguished and better informed speakers have already tried to cover tonight. I shall leave to them the more fundamental matters, because they have more time and greater experience. I should, however, like to put one thought before those who are present here tonight.

Lord O'Hagan

Many of my colleagues in this Assembly have just been through a testing election in Britain. I, of course, as a non-elected Member of this Parliament, have not. At the moment that election finished in Britain, however, another campaign started—the campaign for the referendum, the campaign to keep Britain in the Community. We should bear in mind that what we are saying here tonight is not only of importance for the construction of Europe in the distant future and in the medium term but will be part and parcel of the detailed argument and discussion that is going on in Britain about whether the United Kingdom should remain a member of the Community.

If there is a certain crisis of identity within the Community concerning what the European Community is now and what it is to become so too simultaneously in my country we are going through a certain crisis of identity. We suffer perhaps from having almost too much history. Having listened to Mr Amendola, I wonder whether we in Britain should remember what happened to the Venetian Republic. We are in danger of being submerged by the weight of our glorious past, which prevents us sometimes from reassessing in realistic terms where Britain fits into the world today and what part we in Britain, as no longer one of the arbiters of the world's future, can seek to play in international affairs.

Therefore I should like to add a different sort of plea to the President-in-Office of the Council and ask him to unroll the map of Europe a little more clearly and firmly and go into a little more detail. Those of us who wish to fight, speak and work to keep Britain in the Community are in some ways fighting against mysteries and phantasms when we are attempting to engage in verbal if not, I hope, physical combat with those who wish to condemn Britain to being the Tristan da Cunha of the North Sea by taking us out of the Community.

While I hope that my small contribution will bring down to earth some of the allegations that are made about the effects of Britain's membership of the Community, in so far as it is alleged to have led to an enormous increase in food prices or to have encouraged, if not be wholly responsible for, the rampant inflation from which we suffer, there is another bogey, another ghost, another phantasm that needs to be laid if we in Britain are to have a chance of winning the referendum, which I very much hope and trust we shall. This relates to the nature of the Community of which we are already a member.

There are many who, perhaps because of their love for Britain's past, have unnecessarily exag-

gerated fears as to what membership of the Community actually implies. It would be a great help to those of us who seek, and seek passionately, to convince all those who will be voting in the referendum that we should stay inside the Community, if we had something clear, concrete and definite on which to rely, when we say what the Community is for and outline some of the directions in which it is going.

There is thus a special British urgency in asking

Mr Sauvagnargues the question: Can he give us some more details about the nature of the Summit to which he has already referred, how it will be prepared, what its objectives will be and whether it will come forward with a statement indicating the sort of directions in which the Community is seeking to go?

Apart from the need for the Community itself—of which, of course, Britain is a member—to know where it is going, we in Britain who wish, to use Mr Gaitskell's words in another context, to fight, fight and fight again to keep Britain inside the Community need to have something concrete to show what the real nature of the Community is, so that when the extravagant and exaggerated claims that are laid at the door of the EEC need to be answered, we can answer them with confidence because we have a recent statement from the President, from the Council, indicating where the Community is going.

Let me, therefore, add this plea, not out of chauvinism, not with the idea that Britain's problems should come first, but in a spirit that says that certainty and a little more definition about the nature of the Community would help those in Britain who wish to keep Britain in the Community, because we should be able to counter some of the unrealistic and fanciful criticisms that are made of the Community.

Having enjoyed your hospitality, Mr Sauvagnargues, may I say how much I admire you for making so many speeches tonight. If the last one can be even more concrete than those you have already made, you will be doing a great service to all of us here.

(Applause)

President. — I call Mr Blumenfeld.

Mr Blumenfeld. — *(D)* Mr President I should like to second Lord O'Hagan by saying that we are all very grateful for the refreshments offered by the President of the Council. I should also like to express our appreciation of the way in which he responded to our wishes in his second statement this evening. His remarks were clearer and he was prepared to engage in that

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political discussion for which we came here today.

Like many of our colleagues, I also greatly welcome the fact that Secretary of State Brinkhorst of the Netherlands Government spoke this evening. I was surprised to learn from the President that he had also invited other governments.

President. — All of them!

Mr Blumenfeld. — (D) Thank you, Mr President. I wonder why so few governments accepted this invitation, and in particular why the Government of the Federal Republic of Germany is not represented. After all, it has several secretaries of state and several ministers. I do feel that it would have been no bad thing if the Federal Government had sent a representative to this highly political debate.

In this context I should like to suggest, Mr President of the Council, that it might be advantageous if major political debates were in future attended by the predecessor of the President-in-Office of the Council to preserve continuity. This would give us the opportunity of hearing some more far-reaching political statements than you as President of the Council are able to make. It would then be possible to conduct open political discussions.

This brings me to the point you mentioned, Mr Sauvagnargues. I am pleased to learn that the French Government is considering its position on majority decisions in the Council. That is an important statement, and we are particularly glad to hear it from the French Government. For we know how many questions have been left in abeyance owing to the Luxembourg decisions taken seven years ago. I only hope—perhaps you will be able to say something on this point—that decisions by Member States' governments on questions so important as that on majority decisions are genuinely inspired by a European attitude and not, perhaps, by the ulterior motive that this might be a way of putting other governments in a minority. That was in the past one of the less fruitful European techniques.

Mr Sauvagnargues, it is no accident that my colleagues have spoken in the first round of this debate of the political disillusionment of this House and its Members and had to report to the public that the work of unifying Europe has come to a halt. It is also no accident that the youth of Europe can no longer conjure up any enthusiasm for Europe. The question that arises is this: why do governments, politicians

and statesmen shy away from the really essential questions?

Now to a question upon which you touched. I well understand that not only in the Council but also for every foreign minister there are difficulties connected with internal policies, coalitions, etc.; but this question must be answered if we are to have a Summit under the presidency of the French Republic. Why is it that so few governments want European unity in the form desired by the peoples of Europe? Do they really want integration? Do they really want political union? Or is it not in reality the case that so much is talked about Europe in order to conceal the absence of any intention to achieve this unity?

Mr Sauvagnargues, I should be very grateful if you could tell us, for example, what are the views of the governments within the Council of Ministers on the long-overdue direct elections to the European Parliament. Why do we not hear from the French Government and from the governments of the other Member States including that of Germany, that they are now fully and wholeheartedly in favour of direct elections? Why cannot the European governments manage to achieve a much more clear cut common front on the question of energy policy?

I understand the arguments of the French Government which have led it to decline participation in the Group of Twelve. It should, however, give a full and frank explanation of its policy, not only to the Press but also to the Members of Parliament and to the public. It is no use talking round it. We need the whole truth if we are really to build Europe together. as you put it earlier on, and it is a matter of great concern to me that no common political attitude on the part of the nine European Member States has emerged on any of the major political questions.

In your brief reviews of the Mediterranean policy, of Cyprus, Greece and Turkey, you spoke Mr Sauvagnargues, of some success, success achieved through the Community's policy with regard to these countries. But apart from the declarations which have followed, apart from the humanitarian objectives and measures which the Commission has to its credit pursued. and apart from a number of proposals submitted by the Commission to the Council, I perceive no European activity, no European action really worthy of the name.

I find it virtually intolerable that, during the vote in the United Nations on the motion to allow the Palestinian Organizations to speak in the UN, the Community fell apart: three govern-

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ments voted in favour, while the rest voted against or abstained.

Whatever the particular reasons underlying this situation, we must face one question: do we realize fully how important and fundamentally political these issues are, and how would we react if in the near future the IRA in Ireland, for example, also demanded a hearing in the United Nations, likewise invoking the right of self-determination and their rights as a regional or more or less supra-regional grouping? I must emphasize that I am not concerned here with the vote of the United Nations, but with the fact that in this question the European Communities—in other words, the Member States or the Council of Ministers—must adopt a *common* position and must not allow disunity to take over. We can surely not accept that anyone invoking the right of self-determination of peoples should attempt to assert it through terrorism. By offering an alibi here—and this is what we have done through our disunity on the UN vote—we have failed to live up to our political responsibilities on this issue.

On behalf of myself and many of my colleagues, I heartily deplore that we as the European Community have played such an unworthy role before the public eye.

A final point. As many of my predecessors have already made clear, Europe cannot in future be taken *à la carte*. On major and important questions of economic, social, finance, monetary and other policies—which have been left in abeyance for months, if not years—we cannot on each occasion indulge in an auction of national demands, each party trying to get the best possible bargain for itself. No, concerted action is essential if the Community is to gain credibility, whether it be in the European-Arab, European-American or European-Soviet dialogue.

The old adage that one should talk softly, distinctly and courteously, whilst nevertheless keeping a stout stick to hand, applies to us too. We deny ourselves this economic and political weapon if in the future we are again and again prepared to go it alone.

(*Applause*)

President. — I call Mr Bersani.

Mr Bersani. — (1) Mr President, I have no intention of monopolizing the remaining speaking-time of the Christian-Democratic Group. I shall speak for the four minutes allotted to me and concentrate on the second part of President Sauvagnargues' statements.

There was indeed a complete difference in tone and above all in content in your second speech, Mr Sauvagnargues. You spoke of a forward movement and expressed the hope to see a new phase in European construction; you also stressed two problems whose political importance is a secret to none of us. It appears that the decision of principle has recently been taken and that in all probability a Summit meeting will be held before the end of this year. Mr Sauvagnargues, you also referred to changing ideas which might gradually come to maturity in time for consideration at the Summit conference; these include the goal of a European Government, which for so many years, together with the ideas of direct elections and normal powers for the European Parliament and increased powers for the Commission, has been one of the central institutional problems which must be solved if genuine improvements are to be possible.

I personally have always thought that there was an objective parallel between the business of solving the problem of the political decision-making centre and completing the democratic process affecting our Parliament, with all its characteristic features and powers. I am disposed to react favourably to declarations of this kind—despite the disappointment caused in the first part of the debate.

Since we seem to be entering a new phase, I wonder whether cooperation between the institutions should not now take a different form, despite the concern expressed at Mr Bertrand's proposal. Wherever possible, we must mobilize the energies and vital forces of our society, of our political and social life, around the Institutions; that is essential to give a deep, and not merely a superficial, political meaning to any turning-point in the process of European unification.

Because I have only one more minute, I would stress the need to maintain the basis of this process as it has developed up to now, the foundation of our structure, however incomplete it may still be, what President Ortoli referred to as the heart of the process of unification—namely, the principles of the Rome Treaty, the fundamental provisions of agricultural policy and the policy of solidarity with the developing countries, gradually extended from 18 to 44 States. Mr Sauvagnargues and Mr Ortoli have underlined the value of such a policy; it is to centre on large homogeneous areas, among which, I hope, will be included at the earliest possible date the entire Mediterranean area and Latin America. These principles and policies remain open to further development and adjustment with their original and new content; and

Bersani

we must make the same effort in other sectors such as social, energy and regional policy if we are to recover the political dynamism essential to European unification.

We must not succumb, Mr President, to the temptation of striking an eternal compromise between integration and cooperation; we must set our sights on integration as called for by the Treaty.

In this respect, I must say, I am less optimistic. There are so many contradictory events. What is necessary now above all is to see the heart of the matter. My country, Italy, is living through a difficult period, but, looking around us, we see many others that are equally affected, and the fact that this state of affairs is so widespread makes it more difficult for each of our countries to find its salvation. The problems which lie at the centre of this great crisis can only be solved by greater solidarity and political unity.

I hope that on these points the President of the Council will be able later to clarify his interesting statements, which have disclosed on a stormy horizon, a few encouraging signs of constructive development.

(*Applause*)

President. — I call Mr Sauvagnargues.

Mr Sauvagnargues, President-in-Office of the Council of the European Communities. — (F) Mr President, I should like to reply quite briefly to Mr Bersani. I do not wish to have a wet-blanket effect on the very cordial remarks he has just made. However, I fear that in his assessment of the improvised statement I made just now in my capacity as French Foreign Minister, Mr Bersani seems to have understood me as announcing a forthcoming 'summit'.

That is not exactly what I said. I said that I had reason to believe that such a meeting was probable. But the decision will be taken by the President of the Republic alone. I would not like to anticipate such a decision.

There is also a second, more important point. At no time did I refer to the formation of a European Government. I am afraid you have misunderstood me. I might add that what I did say was virtually the opposite. I described an evolutionary trend which would leave room for institutional alternatives, and these would have to be maintained and followed up. What I said, in almost these words, was that we are bringing about European union whilst on the move. I also said that at the present time the Euro-

pean executive consisted of the Council and the Commission. I did not mention a government.

President. — Thank you, Mr Sauvagnargues. I call Mr Scholten.

Mr Scholten. — (NL) Mr President, I shall begin by stressing my satisfaction at the presence of Mr Brinkhorst, who has also contributed to this debate. Now that he has made an effort to widen the dialogue between the Council and Parliament in this first debate, I shall raise in our national parliament those matters which I wished to bring to his attention.

May I simply note here that Mr Brinkhorst clearly stated that the Dutch Government supported the Community's energy policy. I find that observation positive.

The President-in-Office of the Council has painted a very accurate picture of the relations between the Council and Commission. He described them as Siamese twins. That is open to two interpretations. Siamese twins usually turn their back on each other; perhaps that will help the dialogue. On the other hand, they have the same bloodstream; that is the positive element in his image. I hope that the common European bloodstream will in fact lead the Commission and Council to pursue the same political goals.

When the sun is shining the problems seem less severe, but at present the sun is not shining in Europe. As far as our financial and economic situation is concerned, we are living through an autumn season. Without wishing to mention all the problems, inflation is of course particularly serious and measures are urgently needed to combat it.

The President-in-Office said that all the contributory factors seemed now to be present for a major crisis. I believe he is right, and I would add that if we do not manage to beat this crisis there are serious dangers to the future of Europe.

But we can only face the crisis if we attack the problems jointly. We Christian-Democrats are ready to cooperate with all who wish to play a constructive part in European unification. We do not confine this readiness to groups which share our political beliefs, as Mr Patijn did earlier on behalf of his group.

The President-in-Office repeatedly drew attention to the fact that he is here in two capacities. At one point I had the clear impression that he was speaking in his capacity as French Minister of Foreign Affairs, i.e., when he refer-

Scholten

red to the meeting of what he called the Finance Ministers of the five most industrialized countries. If Mr Sauvagnargues had then been speaking as President-in-Office of the Council, he should, in my opinion, have made a vigorous protest against this meeting and against the fact that such important financial problems were discussed and decisions taken outside the Community framework. I should have liked to hear him state his opinion in his capacity as President of the Council, after the manner of Mr Lardinois. Addressing a meeting of the European movement last Saturday in the Netherlands, Mr Lardinois, speaking—as I understand—on behalf of the Commission, stated categorically that this was a misguided financial policy and the wrong way to combat inflation. I should particularly welcome a clear statement by the President-in-Office on this point.

Mr Brinkhorst has spoken of efforts in the Netherlands to get regional policy moving again and of the Dutch willingness to make sacrifices for that policy. In my view, regional policy can act as a yardstick of the willingness of the Member States of Europe to move forward together.

What action does the President-in-Office intend to take in order to make a start on regional policy?

(Applause)

President. — I call Mr Burgbacher.

Mr Burgbacher. — *(D)* Mr President, Mr President of the Council, ladies and gentlemen, I shall be as brief as I can. I feel that we have at times been rather too critical of the President of the Council, since his good intentions and good will were clearly recognizable in his every word. Forgive me, Mr Sauvagnargues, if I say that it was also plain that, as President of the Council, you did not dare to make positive statements on institutional progress in the Community because the atmosphere within the Council obviously does not allow you to do so. For us, as the Parliament, that fact is far worse than if your reticence had been personal. You, however, have had to maintain reticence on account of your office. That is the worst of the matter!

You have said that we must build Europe step by step. That is entirely my view. At this point I should say that I endorse every word contained in the Bertrand report. I do believe, however, that it is high time for the Council of Ministers to provide evidence of their credibility and ours. It has been said many times, rightly, that this has been badly dented. The only acceptable

evidence would be for verbal declarations of intent to give way to practical action. And in this connection you have given us hope of reasonable prospects that your government will come round to majority decisions instead of unanimity in the Council. And my appeal, my only appeal at this time to you and the other members of the Council present here today, is that you should carry out this intention—quite apart from the fact that you will only then be acting within the Treaty provisions, for the unanimity clause is not in accordance with the Treaty. The condition of unanimity was forced through by the tactics of one country, a country that is not exactly remote to you, and was never our political intention. How long are we to wait for restoration of the qualified majority vote stipulated in the Treaty? Do you really want to force Parliament to consider ways of compelling the Council of Ministers to act in accordance with the Treaty, perhaps through an appeal to the Court of Justice?

I have been a member of this Parliament from the very beginning. We have done mountains of work. Most of this work has, however, disappeared forever in the Council's filing cabinets. This we regret wholeheartedly. The fact that we are constantly making great speeches, formulating magnificent resolutions, which then vanish into oblivion, is one reason for our lack of credibility among our peoples.

The question of majority decisions is therefore a vital one, and one which will decide whether Parliament remains sterile or assumes the role of a true Parliament—which we certainly are not at present. Hence my appeal to you: live up to the spirit of the founders—De Gasperi, Schuman, Adenauer, Bech, Spaak! They have passed into history. History will judge you by your actions.

(Applause)

President. — I call Mr Lenihan.

Mr Lenihan. — I wish to agree with Mr Burgbacher that one must instil into the Community's institutions at this very critical stage a sense of reality. It is all very well making declarations regarding European solidarity, but what counts with the peoples of the Community to which we belong is what credibility we have, what credibility the institutions of the Community have, and this credibility can be achieved only by effective decision-making as far as people are concerned.

Over the past months various events have demonstrated the inadequacies of the Community's institutions. The absence of a common stand on the energy crisis and the to-ing and

Lenihan

fro-ing on the Common Agricultural Policy have shown up the Community's institutions in a bad light.

The peoples of Europe—the peoples whom we represent—just do not understand how this Community's institutions work. The sooner that every one of us here in the Commission and in the Council of Ministers faces up to this fundamental fact, the better.

While direct elections are certainly desirable—and I am totally in favour of direct elections—and while more power for Parliament is desirable—and I am certainly in favour of that—I do not think that this gets to the root of the problem we face in regard to the people of Europe. Fundamentally, our institutions must command respect if they are to command credibility, and if they are to command respect they must be seen to be effective in decision-making. I also agree with Mr Burgbacher about the Council of Ministers. It is desirable, in fact essential, that there should be a move towards a majority system of decision-making and away from the unanimous decisions that have proved futile and sterile heretofore.

However, in my view there is something more fundamental than that, namely, that as long as the Council of Ministers continues to be a Council of Ministers of Member States—in other words, where national interests predominate—then the Council of Ministers will continue to be a failure as the supreme decision-making organ of this Community.

What do we do in this respect? In my view it is essential that we establish a strong political secretariat. We must create such a political secretariat attached to the Council of Ministers, in order to give greater momentum to political cooperation among Member States, particularly in foreign affairs.

The notion of divorcing foreign and political affairs from economic and social development is totally sterile. They are all part of the same basic package. If we continue to divorce foreign and political affairs from economic and social matters, then we do not achieve the goal of European union.

In his report Mr Bertrand rightly emphasizes the need—and this is a fundamental theme in the report—to create a decision-making centre.

I could also quote Mr Sauvagnargues and Mr Ortoli. Right through their contributions, both emphasized the need to improve the machinery for making decisions work, for removing the obstacles to the decision-making process.

The way to do this is to firm up the Council of Ministers as a decision-making centre by ensuring that a permanent political secretariat is part of the Community's institutions. Such a secretariat would be an organic link between the activities of Member States and the activities of the Community and would not encroach on the Community institutions themselves. Through such a secretariat we could have an institution that would be an embryonic European Government of the future.

This is one practical step that we could take at the present time. We could decide to set up a genuinely functional secretariat attached to the Council of Ministers and a European secretariat rather than, as now, bureaucracies attached to each Member State. I make that point because it is fundamental. It is part of a report that will be coming before Parliament from the Political Affairs Committee.

In this way we should establish and emphasize our credibility among the peoples of Europe, and the Council of Ministers would be seen by them as the head of the decision-making operation, in a position and having the capacity to make decisions and to pursue and enforce them.

(Applause)

President. — I call Sir Derek Walker-Smith.

Sir Derek Walker-Smith. — I am grateful for the opportunity to add a word or two to the very interesting and instructive debate that we have had today. I would not myself wish to repeat the criticisms made earlier of the Minister who is President-in-Office of the Council. I listened with great attention to both his interesting speeches today.

We all of us, in this building and in political life generally, have certain advantages and certain drawbacks in what we do. He has the advantage of speaking from a position of great authority, but with the constraint that he speaks as a representative of a number of other Ministers. The President of the Commission has the advantage that he, too, speaks from a position of great authority, but not with an elected or democratic status as such. We in this Parliament have the advantage that we speak with great freedom, because we speak only for ourselves, but the compensating disadvantage that we speak from a position of very little authority indeed.

I want to make one or two observations, primarily about the very interesting report that Mr Bertrand has produced. Obviously, much time and industry have gone into it as well as very good intentions and great sincerity, and for all

Walker-Smith

those things I have nothing but praise. I have, however, some rather more critical comments to make of some of the actual contents.

It is, of course, very difficult to produce on a prescribed timetable a satisfactory constitutional blueprint for the future, though I think, having listened with attention to Mr Bertrand's exposition, that perhaps he was not so concerned to draw up a blueprint as to give somewhat broader guidelines. That I was glad to hear, because it seems to be difficult, if not impossible, to prescribe a precise blueprint for the future at this period.

We have to judge these matters by the test of practicality, by the test of how far such proposals will find a responsive echo in the hearts and minds of the citizens of the Member States that we here represent. It is always dangerous to try to interpret the hearts and minds of the people we seek to represent, but I think that they would probably want now not so much ambitious constitutional plans for the future as an improvement in the present and practical workings of the Community in the tasks given to it.

It is best to take a functional approach, responding to the needs of the Community as they are identified and solving the problems on a practical or pragmatic basis. I believe that that involves a sort of sector-by-sector approach, the sort of step-by-step approach that is sketched out in the document to which Mr Kirk referred earlier and which was produced by the European Conservative Group yesterday.

This may be less exciting and inspiring than painting with a broader brush more impressionist sketches of the future constitutional arrangements, but I believe that it is the best guarantee of future progress on a solid foundation. After all, the Community, like any other organization and individual, must prove itself by success in its present and practical tasks before its credentials for expansion will be accepted.

There are three propositions which should underlie our approach to these problems when deciding the form and content of the proposed pattern of constitutional arrangements. First, we should recognize that the timetable of the Paris communiqué is not necessarily rigidly binding in all respects, irrespective of the circumstances or the results to be attained. Secondly, the progress of the Community must be related to, and conditioned by, the general will of the citizens of the Member States. Thirdly, future constitutional arrangements must achieve the highest common factor of democratic procedures and respect for legitimate interests of the Member States.

As to the first of those propositions, there is perhaps a tendency to give to the Paris communiqué the authority which is reserved for Holy Writ, and to make it, like the laws of the Medes and the Persians, immutable. That is going too far. The Paris communiqué has no strictly legal or juridical effect. It is not a treaty or a formal agreement among nations. It has not, so far as I know, been formally ratified by the Member States, and certainly in the United Kingdom has not even been debated in the House of Commons.

We are, therefore, in some danger of giving to it a greater and more precise authority than it is entitled to. We are in some danger of coming to regard adherence to the timetable as more important than the nature of the action taken. We are in danger of sacrificing it to the desire to do something by a prescribed date, making that more important than doing the right thing at the right time, even if at a later date.

My second proposition, I hope, needs little commendation to Parliament. The pace of advance in the Community should not be quicker than what is acceptable to the general will of the peoples in the Member States. It is particularly important that this European Parliament, lacking as it does at present the full and broad democratic base which direct election and direct responsibility would give it, should not give the appearance of operating in a secluded or specialized sphere, removed from the wishes and thoughts of the ordinary citizen.

My third proposition is directly in line with paragraph 6 of Mr Bertrand's report, which I commend unreservedly. I am, however, a little concerned as to some of the means which are apparently thought appropriate to give effect to this admirable statement of principle. The phrase 'a political decision-making centre' is not defined in Mr Bertrand's report. As I see it, if it is to combine the characteristics of democratic working and a proper respect for the interests of the Member States, as set out in Mr Bertrand's report, it must be some form—not necessarily precisely the present form—of Council of Ministers. It should not necessarily operate as at present, but it should be a Council of Ministers with improved and effective procedures. There is much room for improving its procedures, and we in this Parliament have given some attention to that matter in the weighty document from the Schuijt working group, to some pages of which I had the honour to make a modest contribution.

Any discussion of political decision-making raises the question of the future of the so-called Luxembourg convention. As we all know, it has

Walker-Smith

no treaty or strict juridical force. It arose out of facts, and presumably out of the necessities of the time, and it is a fact of life of the Community at present. It is part of its present mechanism, and indeed an important part of the Community arrangements which were accepted by the three new applicant States, in respect of two of them—not including my own country—after a referendum which no doubt drew attention to it.

It is desirable to improve the working of the Luxembourg convention...

Lord Gladwyn. — The Luxembourg compromise.

Sir Derek Walker-Smith. — ...Or the Luxembourg compromise, as my noble friend Lord Gladwyn calls it. I used the word 'convention' to show that I do not think that it is a formal, legal agreement. It is certainly desirable to ensure that the Luxembourg convention or compromise—call it what one will—is not used as a blocking device for relatively insignificant matters. But, if it is essential to see that it is not abused, it is equally important to see that there is no premature or total revocation of it. I believe that it should be retained, certainly for the present, but only as an exceptional safeguard for vital interests. It should not be allowed to be used as a routine weapon of obstruction.

If we do these things, if we can achieve a proper balance between Executive and Parliament, if we are careful to preserve the proper rights of national parliaments, there is no need—certainly no present need—for a chamber of States, as suggested in the report, with all the complications involved in its institution and in its operation.

To sum up, I believe that what we now need to do in this Community is to broaden the democratic base and strengthen the operational efficiency of the Community and its present institutions. We need to study and clarify the problems associated with direct elections to this Parliament, itself a clear but as yet unfulfilled commitment of the treaty. We need to hasten the acceptance of the proposals and suggestions for improving the working relations of this Parliament and all other institutions.

All those, I believe, are practical matters which should engage us now and engage us constantly. Mr Lückner referred earlier to Metternich. I think that Metternich on one occasion exhorted his friends with the words, 'Above all, no zeal.'

Lord Gladwyn. — It was Talleyrand.

Sir Derek Walker-Smith. — Lord Gladwyn, with his usual omniscience, corrects me and says that it was not Metternich but another great 19th-century figure who said, 'Surtout pas de zèle.'

Anyway, if it was not Metternich it was Talleyrand, and it might have been either, as I think Lord Gladwyn would concede.

The only reason I refer to it is this. I would not like it to be thought that there is any inconsistency or conflict at this period of the twentieth century between the practicality of approach which I suggest and zeal. In all these things which should engage our attention now there is both scope and opportunity for a full measure of constructive endeavour and reforming zeal which should satisfy even the most ardent spirit.

(Applause)

President. — I call Mr Covelli.

Mr Covelli. — *(I)* I shall speak briefly, Mr President, ladies and gentlemen, to thank the President-in-Office of the Council for having had the kindness to wait until this late hour for the completion of our debate, thus giving me the possibility of making one last contribution to the discussion.

What has struck me is the diplomatic effort made by the President of the Council to prevent the image of the Community from diverging too much from the concept of political cooperation. I must also congratulate Mr Ortolini for having explained that cooperation and the Community are in fact closer than we thought. At this difficult and delicate juncture we should like to know from the President of the Council whether this differentiation is only a diplomatic necessity or rather the beginning of a further degradation of the Community through the many political initiatives which the Member States have taken recently. We should like to hear from the President of the Council whether he can give an undertaking, on behalf of the Community governments, to avoid bilateral negotiations or contacts and to prevent commitments from being entered into through bilateral relations which are liable to damage those Community countries which are not involved in the negotiations; there should also be no further meetings from which other Member States will in turn be excluded. You will surely understand, Mr President of the Council, that, particularly in the delicate situation now confronting Europe, self-interested action by certain Member States may be followed by similar action by others; positions of pride adopted by any one country which is still attracted by the idea of leading or providing a guiding centre for the Community may

Covelli

quite easily elicit similar or contrary reactions if the pride of others is at stake.

I believe, Mr President, that De Gasperi, Schumann and Adenauer would shudder today at the thought of the division which is being introduced between the concept of the Community and that of political cooperation. President Ortoli was right to point out that all this could be eliminated if one day a European Government could be the authentic expression of European unity and of the united European resolve.

I wish to thank the President of the Council once again for having been alone at this moment of such great difficulty for the Community (partly because of events in the United Kingdom) in advocating the need to prevent this Community from living constantly under the menace of a sword of Damocles; I repeat, he has been alone in saying to a great country with a magnificent democratic tradition, namely England, that an organization such as Europe cannot be left or joined depending on the majority resulting from a political election. Others have glossed over this point or perhaps been more diplomatic than the President of the Council; in the presence of authoritative and responsible representatives of the United Kingdom, it is certainly fitting that a call should go out from this chamber, an appeal to the British people to remember that once they have left Europe for reasons of expediency they will not be able to return; Britain is either with Europe or it is not, at a time when Europe is taking up the challenge of the world in every sphere: economic, social and external policy.

I must also pay tribute to Mr Bertrand for the lucidity of his report and the commentary he has made on it; I believe that these two contributions have been the most positive notes in the debate and that if the Assembly unanimously adopts the motion it will have taken a significant step forward in face of the reserve expressed by Mr Ortoli and the President-in-Office of the Council of Ministers of the European Communities, Mr Sauvagnargues.

When Mr Bertrand maintains that the powers of the Community must be increased and the risks and successes shared; when he says that there is an urgent need for democratizing the Community institutions (and I would ask Mr Sauvagnargues to speak on the rôle of the European Parliament, which is duty-bound to assume the authority devolving on it in an authentic European Community); when Mr Bertrand maintains that the powers of the EEC must be widened beyond monetary, economic and social policy to the sphere of external and defence policy, I believe, ladies and gentlemen, that he is touching on the central issues which must guide the work of the Community.

We have heard Mr Amendola, the Chairman of the Communist Group, and we have also heard the Socialist representatives. They are all in favour of Europe. The powers of this Parliament must be increased, but we must also determine what kind of Europe we want. We want a democratic Europe, not a socialist or integralist Europe; we want a Europe which corresponds precisely to the objective interests of its peoples. Mr Bertrand, you have made an important appeal for the political conclusions and resolutions adopted in this chamber to be brought to the attention of the national parliaments: in this connexion I would ask you to support Mr Radoux's amendment to the effect that these resolutions and conclusions should not be transmitted solely to the Council and to the governments of the Member States but also to the presidents or speakers of the national parliaments, who can then bring these documents to the attention of these parliaments and open debates on the matter.

It is no use for us to play one tune here while a different one is played in the national parliaments! Above all, the European Community needs clarity and loyalty.

On the subject of democratization, Mr Bertrand, we would draw your attention to a number of points. There is no doubt that the European Community must be democratized at every level, but we must begin at the level of this Parliament. Can a Parliament which discriminates between its Members, giving full rights to some and not to others, be considered democratic? This is a failing of the European Economic Community; it means that the very Parliament in which we are now assembled cannot be considered democratic.

I would ask for the understanding of the Assembly on these aspects in all its future resolutions, and I thank the President for allowing me a few minutes longer than the time allotted to me.

(Applause)

President. — I call Mr Zeller.

Mr Zeller. — *(F)* Mr Sauvagnargues, in the short time allotted to me, I would simply encourage you to be bold, dynamic and resolute, perhaps also asking you to do everything possible towards the rapid formulation at least of a Community plan to counteract the current process of disintegration.

You have used terms such as 'Community of destiny', 'non-separation of economic and political action', and I think you have reflected the deeper thoughts of the members of this Assembly.

Zeller

I should like to confine myself to fundamental observations, and I am also addressing the Commission. In 1974, with the oil crisis and rising inflation, we no longer see the integration process in the same light as before. After 10 or 15 years of work towards integration, towards the establishment of concrete bonds of solidarity quite inexistent previously, what do we now see? The appearance of growing divergence between the Member States, incapability of resolving the problems arising, considerable differences between rates of inflation, and so on.

I think that the divergence which has appeared after 15 years of the unification process should cause us to consider integration in a different light, rather than stopping in our tracks. Up to now, the construction of Europe has meant doing more or less the same thing throughout Europe as a whole. Today it is a matter of taking different action on the basis of differing situations, which does not mean creating a piecemeal Europe but rather construction on the basis of concrete solidarity, by resolving together a number of precise and serious problems arising in different forms in the various countries. We must face up to this reality. But behind this apparent paradox, we must also overcome the temptation to preach to the less privileged countries. We must show discipline and solidarity.

Mr Sauvagnargues also used an expression which was rather discouraging. He said that politics was the art of the possible. We quite agree, but as representatives of the people we wonder whether the role of politics is not more precisely to expand the field of possibility.

How do we do this? I think there is only one solution and that is to seek amongst our citizens more supporters of the European ideal. You used the concept of a citizens' Europe. If Europe manages to take as its objectives the safeguarding of employment, an efficient fight against pollution, greater social justice, the development of underprivileged regions, the improvement of the standard of living, the acquisition of independence in the energy sector, then I think that it will automatically win popular approval, and the field of possibility will have been widened so that the progress we hoped for may soon become a reality.

(Applause)

President. — I call Mr Aigner.

Mr Aigner. — *(D)* Mr President, please excuse me if in conclusion I cannot resist the temptation of addressing a few words to the President of the Council. We had the honour to attend the reception you gave this evening. When chatting to my colleagues, I found that they were all of

the opinion that what you had to say as the President of the Council was scarcely surprising; but we all sat up and took notice when you suddenly took off your presidential hat and donned your ministerial one. At that moment, Mr President, you became a genuine partner in this House.

I asked to speak, Mr President, since I wanted to draw the conclusions from this experience, which we have already had on a number of occasions. When a President stands before us who represents the lowest common denominator of the Nine, that smallest common denominator loses all substance, so that anyone representing it can no longer be a partner for this Parliament. At the instant, however, when a Foreign Minister stands before us as representative of a nation—that is, a closed political system—Europe listens. On the basis of what has gone before, therefore, I feel I may conclude that Europe can only be constructed from the building blocks of the nations. Europe cannot develop without the elementary national building-blocks.

A second conclusion that may be drawn is that the governments must want Europe because they are simply no longer capable of solving national problems with national means. They must want Europe even if they continue to delude their citizens with national policies which are in reality no longer feasible.

But then we come to the question: If all the governments want Europe and if all the peoples want Europe—on this there is no doubt, as all opinion polls have shown—why then is this blasted Europe so difficult to build?

(Laughter)

The answer is very simple, because the moment the question is put, it is followed by a second question: Yes, but which Europe? What is it to look like? If I were to ask the Communists, for example, who form an integral part of this House, then they would undoubtedly give me a different answer than would we, the Christian Democrats, the Social-Democrats or the Liberals. Perhaps they want a Europe from Vladivostok to Lisbon. But that would no longer be the free Europe which we have in mind.

Or consider defence! Europe will certainly never be one of the world powers. But it must still be strong enough to protect its character, its interests, its freedom, its peace. It therefore needs a defence Community. And yet, if I may be somewhat provocative, I cannot imagine a French Defence Minister handing over his strike force to a colleague, no matter how amiable, such as, for example, Mr Vredeling, who was in our midst for many years. These are realities

Aigner

and they have to be faced. This means that, the moment I ask what appearance reality will impart to Europe, there is no answer—unless it be the smallest common denominator. And this smallest common denominator is no longer Europe.

So I come to the third conclusion. Mr President, Europe is out of our reach unless the peoples take part in this process. This can be brought about in various ways. One thing, though, is certain: a free Europe can allow its peoples participation only through European free elections to a European Parliament.

This European Parliament will be forced to take decisions by a majority vote. In other words, these majority decisions will be built up on the votes of Communist members, the votes even of Fascist members—if I may for once look to the far Right—and the votes of the Centre. Europe is a coat of many colours and will be neither Socialist nor Christian nor Liberal nor Communist. Europe will only be attained when all the integral components of its pluralistic Community take part in this process. This means that the governments, which themselves may be unable to find the correct European formula, must, whether they want to or not, rely on the majorities of: the peoples, and you, Sir, must bring these majorities into a European Parliament.

Mr President, there was once a time when people said to the princes: 'Sire, grant us freedom of thought!' I say to you: Minister, allow the people to elect a European Parliament and you will have your Europe!

(Applause)

President. — I call Mr Bertrand.

Mr Bertrand, rapporteur. — Mr Sauvagnargues has given especial attention to the report drawn up on behalf of the Political Affairs Committee. He began by saying that it was a very interesting document which contained very interesting ideas which we could discuss. I am grateful to him for that observation.

However, Mr Sauvagnargues also said that he could not yet give a positive answer since the Council had not considered the matter. He feels that the Council cannot yet commit itself to examine with the Parliament and Commission whether a joint report can be compiled by 30 June 1975.

That observation is politically less favourable. I had expected the President of the Council to give a more flexible political reply. What would he say if the Political Affairs Committee of the

European Parliament submitted a document in December this year or January next year, a kind of general blue-print of the form a European union might take? I wonder whether the Council, if it received a document of that kind, would not be willing to examine jointly with the Commission and Parliament, on the basis of the first blueprint, whether a joint report could be compiled.

He himself indicated the answer when he stated, in his capacity as President of the Council, that the Paris Summit Conference had decided that the institutions of the Community must prepare a report. Should there then be one report or several? We believe that one of the institutions should submit a proposal after which an attempt should be made to open a discussion between the different institutions with a view to determining whether it will be possible to compile a joint report. Parliament has decided to take the initiative in this. That is its right, and it will publish for the purpose a summary report as a basic document. I should like to hear from Mr Sauvagnargues whether he personally, as the President-in-Office of the Council, and as the French Minister of Foreign Affairs, is willing to put this idea to the Council and to let us know the Council's reply. It would surely be a much better political attitude to enable the Parliament to continue the dialogue with the Council.

Mr President, I now turn to you to urge you to make a special effort. When the President of the Council addresses us here he must—as Mr Aigner rightly said—express the lowest common denominator of the views in the Council. But if all the Members of the Council came here and acted as Mr Brinkhorst has just done, the position would be different. He created a precedent by saying that his government agreed to general elections to the European Parliament, the creation of the European Regional Fund and the rapid implementation of a common energy policy. If all the nine Ministers were to put the views of their Governments here, we should know how things stand and why an agreement cannot be reached in the Council. We could then open a dialogue with the Ministers, who could say here that they did not agree on particular points.

We have heard from Mr Sauvagnargues that his government believes in a return to majority decisions in the Council. We should have been interested to learn the views of the other eight Members of the Council on that matter. Is that really impossible? Mr Sauvagnargues and Mr Brinkhorst have each created a precedent today. Why cannot the British, Germans and Belgians come here and say what they think so that we can open a political dialogue which coincides with the real situation?

Bertrand

It is a pity that Mr Sauvagnargues should have told us that no decision has yet been taken on the Summit Conference while we Members of Parliament know that a decision was taken on Monday to prepare for a Summit Conference, that working parties have already been set up to prepare specific aspects of the Summit meeting.

Why have we not been told this as a Parliament? Why must we learn these facts by roundabout ways? This is what creates such an unpleasant atmosphere. The content of informal discussions always leaks out. As individuals we naturally learn what has taken place in the informal discussions, but officially we are told nothing. We even know that the French Ambassador does not wish to take part in one of the working groups. That is as far as it goes.

We all know this but nothing has been said here, and that is why the atmosphere is disagreeable. It makes it impossible to engage in a serious political debate. I wanted to say this in a friendly spirit so that the fact would be recognized that we as Members of Parliament have much better information through informal channels than is often supposed. It is no use coming to tell us something here which we know from our informal sources to be untrue. I repeat that this only clouds the atmosphere and makes it difficult to hold a serious political debate.

Mr President, I must apologize for making these points so late, but I thought it desirable to emphasize them.

(Applause)

President. — Mr Bertrand has addressed a special word to me as President. I have carried out the Bureau's decisions, which were conveyed to all the governments. I stated this in a reply to Mr Blumenfeld. We agreed to bring all our influence to bear in our national parliaments in order to ensure as large an attendance here as possible. Various people have told me that they regret that members of their national governments are not present. I hope that they will say as much at home and not only here.

I call Mr Sauvagnargues.

Mr Sauvagnargues, President-in-Office of the Council of the European Communities. — *(F)* Mr President, Mr Bertrand's speech leads me—I must confess—to regret to some extent that I acceded very obligingly to Parliament's wish to hold a very free and very frank discussion, because Mr Bertrand felt justified in announcing information on the activities of the governments regarding the constitution of working parties,

and the alleged refusal of the French Ambassador in Brussels to participate in such working parties.

I regret having to tell Mr Bertrand that all this is merely a figment of his imagination.

It is true—I have not tried to deny it—that at the present time we are engaged in inter-governmental discussions which are strictly confidential, and this is our inalienable right. We do not meddle in the affairs of the committees of your Assembly, and when you tell me, Mr Bertrand, that it would be right for the nine Ministers to meet here in order to explain the decisions of the Council, or even to hold their deliberations in your presence, I wonder whether it would be conceivable in your own country for the cabinet to hold its discussions on the benches of the Chamber. Is this what is meant by relations between the institutions? I do not think so. So let us forget what has been said, let us put it down to your European zeal, which is just as strong as mine and merits my respect. But I had to make this quite clear.

I should now like to tell you that the compliments made on my second speech and the implicit criticism of the first lead me to defend the rôle I have played as President of the Council of the European Communities.

Mr Burgbacher said that I was more or less unable to make any positive statements on behalf of the Nine and that the very contrast between the emptiness of my formal speech and what you are good enough to call the relative contents of my improvised statement proves that the Nine are incapable of agreeing on anything.

Gentlemen, I should like to draw your attention to the order paper for this sitting. We are concerned with a discussion of the state of the Community and the situation in political cooperation. Not a word about the report by Mr Bertrand, which I am not obliged to discuss because even if it has been submitted it has not yet been adopted. I should like to say that it was of some interest. But Mr Bertrand's report does not as yet exist for us officially.

Thus, in the statement I made I was only able to deal with matters appearing on the order paper, that is to say, the state of the Community and the current situation in the sphere of political cooperation. There was absolutely no question of mentioning in any way whatever the prospects of the Community, and still less of course, the absolutely confidential meetings which we hold between Ministers.

I must say that I consider the dialogue with Parliament essential. Because of the fusion of

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two items on your order paper, and taking into account your understandable and legitimate wishes, I undertook to enter into a discussion which went well beyond the official limits of this sitting. You will agree, gentlemen, that all these speeches have been extremely interesting in that they all went beyond the limits of the subject—that is to say, they dealt with the future of the Community.

I make no reproach. But do not reproach the President of the Council for having spoken to the subject—that is to say, the state of political cooperation and the present situation in the Community.

I wished to settle this matter and above all defend the institution which I represent here, the Council, because I cannot allow it to be attacked in this way. When I am told that the Council is doing nothing, I protest. When I am also told that the Council should reform its working methods, then I reply: 'Perhaps!'. And perhaps the Assembly should, too.

(Laughter)

I consider it excellent for us to have entered into a political debate. I hope you have learned something. I, for my part, have learned a great deal. Your speeches will give me food for thought in preparation for the 'summit' mentioned just now, on which you will understand my reticence, since it is only embryonic.

Amongst all the speeches I have heard today, and more particularly this evening, there are some extremely full and fundamentally interesting ones. I would mention, for example, the moving speech by Lord O' Hagen, who asked me to make clear for the public the actual rôle of Europe, the Europe we are attempting to construct. I would reply that it must have a conciliatory role, it must represent cooperation between the rich countries and the underprivileged, its language must be the language of security and peace. All this is rather vague, but this is the direction I intend to take. For example, I tried in New York to be realistic about the energy problem, and this was appreciated by several of my colleagues from developing countries and even from producer countries. It was the first time, they said, that their problem had been discussed in a way they considered acceptable. Well, I hope that as regards the major topics which will be in the forefront of world thought in the years to come and which will mould our destiny and our prosperity, Europe will be capable of affirming its cohesion and finding the path that will lead it to solutions which are in the best interests of all concerned.

Mr Blumenfeld asked me a question about direct universal suffrage. I should like to thank him for his friendly remarks. He raised one important question, the energy problem. I do not wish to go into this subject in depth, otherwise we should be here all night. I simply want to say quite briefly that in this sphere we are fully aware of one thing, and that is the solidarity that exists between those consumer countries which are seriously affected by the increase in the price of oil. This solidarity is, of course, principally apparent across the Atlantic—we must admit that—but there is solidarity also with Japan and other consumer countries. This solidarity is probably the best condition for beginning a dialogue, and a dialogue seems to me to be the first necessity because the oil problem will not be solved without an agreement between consumers and producers. Eventually, it will be necessary to meet round a table in order to discuss the objective facts of the problem, and the sooner the better, because we are living under the threat of an increase which might well occur at the beginning of next year and precipitate a catastrophic turn for our economies.

What about the programme of the Twelve? It represents a deterrent, the efficiency of which is questionable. We are not altogether sure. We should like to know whether it will genuinely lead to a dialogue between producers and consumers. In any case, what seems to us to be vital and of paramount importance is that the treaty, which the Twelve are preparing to conclude, should not prevent the emergence of a European energy policy. We have adopted a resolution, but so far it contains no concrete substance. Mr Ortolí and myself are most concerned, and our efforts will be towards the launching of such a Community energy policy. I was asked why I went to Washington.—Quite simply because the French Foreign Minister has no reason to refuse a discussion when he is invited along with those, four, five, six or eight other countries. He had still less reason to refuse in that for the past three months he had been making every effort to persuade his European colleagues of the need to define a common point of view on energy. If that point of view had been defined, I should have gone to Washington in my capacity as President-in-Office of the Council of the European Communities to speak on behalf of Europe as a whole on the energy problem. Since the single voice was not forthcoming, I went to Washington on the same footing as my eight partners to talk to the Americans.

(Applause from the European Progressive Democrats)

Sauvagnargues

There was nothing else to do. And I realize, as you do, that it would be best for us to get out of this situation: where energy is concerned, Europe, which finds itself in a unique position, because we are the only major economic and industrial complex in the world which is so extremely vulnerable, which depends to such an extent on external energy sources—Europe must affirm itself. So here we have a problem which must be resolved with all priority and which I think will have to be solved in cooperation with the USA and Japan, but the solution must initially begin here in Europe. I am deeply convinced of this, and I hope to be able to convince my partners in the Community.

Mr Scholten mentioned the struggle against inflation. This will undoubtedly be one of the major topics we shall have to consider during the possible 'summit'. On this there can be no ambiguity: all the governments have decided to coordinate and harmonize the struggle against inflation, which must primarily be pursued at national level.

As to regional policy, what steps do you intend to take? Don't address me as if I were the grand master of European politics. The President presides, but he is not the be-all and end-all. First of all we must sound the opinion of the other governments. We consider, for our part, that the common policies which are currently making no headway at all, for reasons both external and internal, must be reviewed; in particular, I am thinking of regional policy. However, this is a matter which has not yet been debated in depth either by the Council, or between the Council and Commission.

Mr Lenihan spoke of the political secretariat. This is indeed an interesting idea, but I do not think we could expect the miracles which he suggested it would bring.

Sir Derek Walker-Smith presented a series of very judicious remarks, bearing the mark of subtlety and practicality which is characteristic of our British colleagues. I support a number of his remarks, I agree that it should be pointed out that a relaxation of the unanimity rule does not imply in any way that the Luxembourg compromise would be called into question. After all, this matter is quite clear: on a vital problem, or even a problem of major interest or importance for one country, a majority decision would be quite unrealistic.

You are all politicians; you know, as I do, that it is impossible for example to impose on Italy, Germany or France a decision which might lead to unemployment for a hundred thousand people. This is absolutely clear. When

we are discussing regional policy and Germany does not wish to go beyond a certain figure, if eight of her partners decide that Germany should add a further two thousand million marks on the basis of a majority decision, it is clear that that decision would not be applied. What we have considered, and what must be considered, is the abuse of a rule of this sort, the fact that it can be applied even when that application is uncalled for. What we need is the reasonable application of majority rules. This is in fact, I might add, what is already laid down in the Treaty, which in my view never aimed to impose on Member States decisions which ran contrary to their vital interests.

On the other hand, when Mr Burgbacher recalls our glorious past, which I am familiar with, having myself been a direct colleague of Robert Schuman, I think it is wise to refer to the European enthusiasm reigning in that initial period; but I do not think it would be correct to say that in the past there was more or less a common European policy in every sector: that is untrue.

I was personally associated with European politics during the 12 years following the war. I took part in all the conferences on European affairs, and particularly conferences on the political Community. I can tell you that Robert Schuman never actually advocated the idea of a European policy at that time, and the idea of deciding at the level of the Six on action to be taken in the Middle East would never have occurred to him.

When we are told that numerous political problems are dealt with unilaterally by the Member States, this is nothing new. What is extraordinary is that there are a number of political problems which are not decided unilaterally by the Member States. This is the new aspect. This was never the case before.

In other words, in European affairs, I think that we should show a spirit of realism, as Mr Walker-Smith said, realism not unmingled with zeal and enthusiasm, realism which in no way should exclude the institutional aims covered by Mr Bertrand in his report. None of this is incompatible. However, institutional zeal should not lead us to unrealistic conclusions, and a lack of realism at the current stage in the construction of Europe is one of the dangers which threatens us: it is just as dangerous as a lack of enthusiasm. That is virtually all I wished to say.

Allow me in conclusion to say yet again how useful and instructive this discussion has been for me. I express once again my firm intention

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of continuing this valuable dialogue with the Assembly, with the Commission and its President.

(Applause)

President. — Thank you, Mr Sauvagnargues, I call Mr Ortoli.

Mr Ortoli, President of the Commission of the European Communities. — (F) I do not think that at this time and after all the speeches we have heard, there is any point in my speaking at length, particularly since the majority of the speeches were addressed to Mr Sauvagnargues who has given very full and detailed replies.

There are very few things I wish to say. The first concerns European Union. I should like to be quite frank. I am convinced that we cannot hold a genuine debate on European Union today. Consequently, I shall not go into an analysis of the Commission's view of European Union. I think that many of the ideas put forward are interesting and even important ideas, but we must not deceive ourselves, in the long run the problem is one of content. What is this European Union to embody? As to the degree of competence, these are institutional problems, but also problems of condition and direction which we cannot go into at great length particularly since we have yet to hear what Parliament has to say on the draft report submitted to it. My second remark will be just as brief. There has been talk of the optimism I have shown, and also the disappointment felt by our audience today. As to this, I am personally disappointed that Mr Sauvagnargues or myself should be accused of optimism, because I think that we are now at a time when we need to advance, we need to set ourselves to the task. It seems to me that there are a number of opportunities to make progress and I have no right, for my part, in my present capacity, to avoid doing everything possible to make a contribution to this end. I am still more disappointed when for example, I hear Mr Patijn explain to us that there are many things to be done; you drew up quite a list, Mr Patijn, a list of points which I am ready to deal with and on which I, for my part, demand that decisions should be taken on the basis of proposals. I am convinced that if at the present time the resolve which I have mentioned is not forthcoming in connection with certain major points, some magnificent speeches have been made nevertheless—19 in all, and Mr Sauvagnargues and myself have made 5, but the outcome is not really very impressive. I should like to say to a number of you that amongst the problems

raised there are some very serious matters to be considered. It is not because certain parties have failed to delineate a regional policy or an energy policy or a loans policy that these problems have not been raised. I should like to stress here very clearly the discipline and solidarity which has been called for. I have not repeated what has been said here before. I refer you back to my speeches and our proposals. We lost no time in saying that if this solidarity could not be organized then it would be to everybody's cost, I mean not only Europe but also each of our Member States. We have made proposals for such organization, so decisions must be taken, but let us not continually reiterate the problem. At the present time what can be positively done, this, in my view, is the main question. As to the regional policy, which has been dealt with at length, you say that you do not believe that the customs union could survive without a regional policy. Here and elsewhere, it is quite clear that we have never differed from this view. I would add that we are quite ready, and we have already got work under way in order to try and formulate objectives before the end of the year. Let there be no confusion; as Mr Sauvagnargues said, we cannot simultaneously hold a debate on the situation in the Community, a debate on the future of the Community, and a debate on all the Community policies. As I see it, this is impossible.

I should like to make one point in conclusion. I am convinced that as I said just now we have to resolve a series of problems for the future. We shall come back to this; I am prepared to talk about this and I made this most clear. Our report is under way and has still to be studied by the Commission. We have begun to draw up documents and, for my part, I have a certain number of ideas on this, I hope you will believe me, but first of all I am waiting for effective decisions on the problems, the major problems facing us today, and for that we depend on the Community as it exists. With a will to political solidarity we could inject life into our institutions not just for the pleasure of it, but in order to produce the response to the collective challenge which has been made. If we manage to do this, at least in part, before the end of the year, we will have made considerable progress. Once again, I appeal to you to believe that as far as the Commission is concerned it will make every effort to achieve this objective.

(Applause)

President. — Thank you, Mr Ortoli. We shall now proceed to the debate on the report drawn up by Mr Bertrand, on behalf of the Political Affairs Committee, on European Union (Doc. 300/74).

President

We must try to complete this debate tonight, as also the discussion of the amendments and the motion for a resolution.

I call Mr Bordu.

Mr Bordu. — (*F*) Mr President, I should like to put our point of view very briefly on this most important subject. Mr Aigner has made my speech much easier by asking for further details just now.

If we are to deal with the problems of Europe as they appear in the report, we do not think that it is enough merely to attribute all the problems of the crisis to oil alone. This would be to forget that the European crisis is above all the result of economic and political rivalry. Its roots are in the logic of the system based on the exploitation of labour, an over-accumulation of profits, extreme competition and the need to expand, which all lead on to a situation of class domination whereby the most powerful imposes his own laws.

In order to provide solutions to this situation, various proposals have been made: a flying political secretariat, a European government, an Assembly elected by universal suffrage. These are elements which I do not feel can in any way solve the existing contradictions in capitalist society. In our view, a more fundamental solution is required. Integration or European construction does not in fact have the support of the people, because it is the people who have to pay.

Our colleague Gustave Ansart stated in March 1974 that the result for the workers is not the Europe of our intentions, but a Europe of sacrifices and austerity, this at a time when major efforts are being made in the field of science and technology. We are far from the idyllic view of the objectives of European policy.

We do not condemn those who have fantasies of constant economic growth, harmonious development of every branch of the economy, full employment, stabilization of prices, a sound balance of payments, monetary stability, fairer distribution of incoming riches making possible the constant improvement of the standard of living and working conditions, and so on.

We cannot shut our eyes to the progress made by the majority of the Member States in the economic sphere but can this be attributed to the Community exclusively? Obviously not, because the States which are not Members of the Community have made equal progress, which is just as well. And so we feel that some modesty is called for.

In order to meet these difficulties is there not a tendency in official circles to resuscitate the cold war rhetoric of 1948? This would seem to be true if we consider the contents of the Ottawa declaration, it would seem to be true given that within Europe there is a strong democratic current which is grouping together in this crisis situation new forces and proposing rational and reasonable solutions, we think of Portugal and its colonial problem, the situation in France and Italy, the strengthening of the labour position in the United Kingdom, Greece and so on.

Who can approve of the statements made on the other side of the Atlantic whereby the United States is claiming to help democracy in Portugal, whilst it is concerned at seeing Communists in the government? Who can approve of words of this sort when they are addressed to Italy and France?

We are worried about this interference, which is often extended by the activities of the CIA, with dramatic consequences as for example in Chile, in Greece and elsewhere, here one thinks too, of the ITT. This is where we touch on one very worrying aspect, that is the right of people to control their own destiny which brings us to an independent Europe. Taking into account the democratic current and the fear that it inspires amongst major industrial and banking circles a strengthening of the transatlantic bond is hardly surprising; however, this fear may explain the difficulties faced in concluding agreements on security and cooperation, which have the effect of bringing about a trend towards democratic changes thanks to closer contacts between peoples. We consider that it is not necessary to set national interests and European interests in opposition. We are prepared to accept Europe, for example, a democratic France with a left wing democratic government, representing the unity of the people of France, should participate in the activities of the European Community. It would do so by engaging in freeing of the Community from the domination of the power of capital and directing Community policies towards the interest of the workers. A democratic France would work for the democratization of the Community institutions.

It would have as its task to maintain, within the Common Market, full freedom of action in order to bring about its own programme, the programme of the new popular majority and the national majority resulting from it.

We are therefore prepared to implement a genuine cooperation policy because each country needs a diversity of relations, and close relations with the widest possible number of states. We wish to maintain close relations with the United

Bordu

States and with all the countries in the world both in the east and the west, since these relations should be founded on the respect for national sovereignty, equality of rights and mutual advantage.

Europe in our view cannot become the seat of national dissolution nor a powder keg. It must not be the Europe of the merchants and the multinational monopolies. Europe must be democratic, peaceful and independent.

Only a Europe based on sovereign states, economically developed and up-to-date, can ensure the conditions necessary for its independence and take opposition in particular to the pressures brought to bear by the United States. A Europe of this sort would be capable of achieving agreements to implement common projects to meet the requirements of our age, the growth of productive forces and the needs of the people concerned. Only a Europe of this sort would have the peoples' support.

Solidarity is no doubt necessary to some extent, but who can believe that we would hope for it, but can we accept a distribution of the petrol shortage if this were one day to occur? Let us be realistic. Basically, when dealing with this problem we should perhaps get rid of a hangover of colonialism? Surely we should take into account the manoeuvrings of the oil companies. Should we not call a halt to the anti-Arab campaigns which benefit these companies in order to examine problems by accepting changes in the course of contemporary history?

We must establish normal relations, and cease to export inflation to the countries of the third world, which in a way is tantamount to pillaging their resources, and we must stop threatening and take up a peaceful dialogue which makes provision for the mutual dependence of all concerned.

How could we overlook the fact that agreements have already been reached between the producer countries and consumer countries?

These Mr President, are the remarks which I wished to make on the policy which we support. *(Applause)*

IN THE CHAIR: MR BERSANI

Vice-President

President. — I call Mr Lenihan.

Mr Lenihan. — I pay tribute first to Mr Bertrand for the extraordinary work he has put into the report, and for his perseverance and

efficiency. We had a debate earlier on matters related to the report. Our group totally supports the resolution presented by Mr Bertrand.

The Parliament and the Political Affairs Committee are to be congratulated on taking the initiative in drawing up the first report on European union, for which the target date must be 1980. Let us all say for psychological reasons that it must be achieved by then. It may not be, but one does not get anywhere in such matters unless one sets a target. It is now for both the Commission and the Council of Ministers, with the Parliament, to seek to meet that deadline. One important matter which is emphasized in Mr Bertrand's report is the question of a decision-making centre, with which I dealt in an earlier speech. European union cannot work without a basic decision-making centre, but there must be an equilibrium between it and the existing Community institutions. Here we come down to the competence of national parliaments and of this Parliament, and how we relate decision-making at the top within a European government, which we hope we shall achieve, to this Parliament and national parliaments.

Fundamentally, our Parliament here has been the watchdog for the liberties of the individual within the Community. We should pay greater attention to this. The democratic rights of citizens within our Community must be our fundamental motivation. We in this Parliament must recognize that in European union our prime concern must be to safeguard the liberties of the individual within our respective countries and within our Community.

The legitimate interests of Member States in the intervening period before we achieve a European government are also valid factors to consider. We must move towards European union, conscious that a number of factors are involved in that eventual union to which we aspire. The budgetary powers of Parliament, a strengthened political secretariat attached to the Council of Ministers, direct elections to the European Parliament, the involvement of defence and security — all these factors must be viewed as a complete package. Only in that way can we make progress.

In this connection, I should like to refer to the chamber of States which is recommended in Mr Bertrand's report. Whilst introducing a necessary dynamic into the whole evolution of which we are speaking, this must be treated in a gradual manner. The whole approach towards having a chamber of States with real powers must be one of gradual development.

Lenihan

In conclusion, I should like to say that on every front we must move forward towards European union. We must not hasten quickly on any front, but the overall objective must be to get the people of our Community with us, particularly the young people, those now 18 years of age who are coming into the voting category and whose ambitions, hopes and aspirations for a better way of life are important.

Above all, we must not move forward over-quickly on any particular line of development but recognize that overall development must go forward and keep pace with the aspirations of the people and with their recognition of what we are doing. We must not go too far ahead of what they know and understand to be the objectives with which they are concerned.

This all means adopting an approach to the development of our institutions that will be gradual and sensible but definite and seen by the people of the Community to be in accordance with the overall objective and the overall programme.

(Applause)

President. — I call Mr Helveg Petersen.

Mr Helveg Petersen. — *(DK)* Mr President, I am able to subscribe to the idea that the Commission and the Council should be encouraged to produce a proposal on European Union by mid-1975, so that a report on the problems involved can be drawn up on the basis of the work done by the three institutions. It is reasonable to address such a request to the two other institutions, and at the same time the Parliament should look at the problems in greater detail.

But I cannot agree that at this point in time specific conclusions should be drawn and specific objectives set with regard to the substance of European Union. And this is what has been done in paragraph 6 of Part III.

On earlier occasions in this House I have dissociated myself from any involvement of defence policy in the future union. I shall not go into detail this evening on the considerations underlying my views in this connection.

I cannot see any reason for including cultural policy. I do not even know how we should manage to create a common cultural policy in Europe.

I am completely unable to subscribe to the idea of creating the institutions as listed in paragraph 7. I believe that it is much too rash to produce such specific proposals at a time when we have not yet gone into the scope of the Union and how we shall establish control.

It is, for me, of vital importance that we should undertake a broader investigation and appraisal of the spheres of activity to be covered by the Union before formulating specific objectives or requirements in the way this is done in paragraphs 6 and 7, and my guess is that such frankness must have been proposed at the Summit meeting. I agree with Sir Derek Walker-Smith that one should not take the 1972 Paris Summit Conference as seriously as we continually do. We have seen how a number of the decisions to do things by specific deadlines have not been carried out, so there is no reason for speaking about it in the way we are perhaps used to doing—not that I do not believe that there was much good in the Communiqué, but I do think we should stop being too forced, especially when what is involved is such a terribly complicated matter as the one we are now considering.

What does the Summit Communiqué say? A request was made for a report before the end of 1975, but since it was not intended to come into force before 1980 a very long debate must have been envisaged in which the peoples of the Member States would genuinely be involved, and if the desire exists to involve the peoples of the Member States it is too early to produce quite specific concepts, as the rapporteur has done in paragraphs 6 and 7.

Conditions are indeed such—and this has been pointed out again and again during the debate which has been conducted here today—that everywhere in our countries people are waiting for us to live up to the more explicit, quite obvious, requirement and this is the problem.

It must be the task of this Parliament to encourage and promote the procuring of material on which to base assessments and construct various models for a Union. A Union may have widely different forms. It may have many tasks, it may have few tasks, according to what is decided.

In our Member States we must—since we must admit that we do not have the contact with our national parliaments which we need in order to take the steps we are making plans for now—do a lot of work *via* the mass media, the trade unions and public opinion. We must launch a debate in all these sectors before we make our final decision.

Sir Derek Walker-Smith emphasized—as a number of other speakers had done before him—how important it is that we should have the people of the various countries on our side. And we can hardly maintain that this is so until a debate has been conducted on this issue—this is the debate we must have and this is the debate we

Helveg Petersen

must set the stage for. And this must be done more openly than is the case in the motion for a resolution.

I think that the text is too binding for me to be able to vote in favour of the motion for a resolution.

At the same time as cooperating in this debate, we must attach great importance—and I am in full agreement with the observations on this point put forward by many speakers—to achieving practical results within the Community. When all is said and done, this is the essential factor in achieving any success at all in the creation of a European Union. In the current debate, we shall be judged by our ability to realize the very urgent and obvious requirement. If we are not successful in this, we shall not succeed in creating the foundation for a European Union.

(Applause)

President. — I call Lord O'Hagan.

Lord O'Hagan. — I wish to ask you, Mr President, a question about procedure. I know that the British always ask rude questions, but I am not asking you a rude question on this occasion. However, it seems extremely odd that there should be only a few enthusiasts here tonight and that Parliament is to meet late tomorrow to vote on these amendments. If it is not considered necessary to have many parliamentarians present to discuss the amendments, why bother to discuss them at all? Would it not be simpler to abolish discussion of amendments altogether, which is surely the logical conclusion of this procedure? Of course, I am against that, and it is not what we want, but can it be put into the record that it is slightly silly to have a detailed discussion of amendments in the middle of the night, when the Press and most of the parliamentarians have gone home, and to have the whole business all over again the next day, when no doubt there will be explanations of vote in great detail taking as much time? I do not wish to be British and rude, but I should like that to be read into the record.

President. — I call Mr Yeats.

Mr Yeats. — If I might add to the point of order raised by Lord O'Hagan, I would suggest, Mr President, that the only sensible step for us to take would be to postpone any further discussion of this report until the morning. We have been talking a great deal about the powers of Parliament. It seems to me that a far more important point than raising these theoretical

questions about the possible powers of Parliament is to try to do something about the practical working of Parliament.

It seems to me to be utterly futile to be doing business in this way. There is very little business on the agenda tomorrow. There has been a great deal of business on the agenda today, and it would seem sensible to agree now to adjourn all further discussion of these amendments until tomorrow morning, as Lord O'Hagan has suggested. To do otherwise might lead to a great deal of duplication. We would stultify the whole activities of Parliament if we attempted to continue until 1 or, it may be, 2 o'clock.

President. — What is the rapporteur's opinion?

Mr Alfred Bertrand, rapporteur. — (NL) As rapporteur, I must, of course, bow to the decisions taken by Parliament in regard to the continuation or interruption of the debate. I am, however, very concerned about this. Some amendments to the motion for a resolution were distributed only this afternoon.

All the groups are to meet early tomorrow morning at 9 o'clock to discuss these amendments and define their position. We know from experience that even if we discuss the amendments this evening, all the groups will want to speak again tomorrow.

Why, then, should we bother this evening, when only a few Members are present, in the knowledge that the entire debate will be reopened tomorrow once the groups have determined their position? I wonder whether it would not be preferable to begin immediately tomorrow morning at 10 o'clock discussing the paragraphs and the amendments to them and then take a vote on each paragraph with the accompanying amendments. If we do not adopt this procedure we shall be losing time by doing the same work twice. I believe this matter should be given some thought but, as rapporteur, I shall, of course, bow to the decisions of the House.

President. — I point out to the House that we have a very heavy agenda for tomorrow and that it would therefore be advisable to persevere with our work this evening despite the late hour and the sparse attendance.

This was, incidentally, the practice adopted on the occasion of the debate on the European Company, when it was decided to proceed immediately to the discussion of the amendments, leaving the business of moving the amendments and the vote until the following day.

President

Are there any objections to this proposal?

I call Mr Kirk.

Mr Kirk. — As the most guilty member of this Parliament in the sense that the majority of the amendments which have been put forward are in my name, I support Mr Bertrand's suggestion that we should consider these matters tomorrow morning rather than tonight and that we should meet at 10 o'clock, which I think we can perfectly well do. I see no reason why we should wait until 10.30 or 11 a.m.

This is not like the debate on the European Company, when I think there were 75 amendments; there was an enormous number. Here there are about 15 amendments, and we can probably get through them within the hour. Certainly, as the author of most of them, I can assure you, Mr President, that I shall not take very much time. I think there is only one substantial one, on which we may have to take a bit of time. At this hour and with the few Members present, it would be quite wrong to embark upon a series of discussions of amendments and then vote upon them tomorrow morning.

The European Company experience was not a happy one. That was partly due to the fact that a lot of us had to be in London the night before and in Strasbourg the morning after. I feel, however, that it would be very much better if we adjourned this debate now and if we could come back at 10 o'clock tomorrow morning and consider the amendments that are down, as Mr Bertrand, I understand, has suggested. We could then produce a sensible rational solution by 11 o'clock. I agree that our agenda tomorrow is very full, but we always planned to start at 11 o'clock. If we could take that hour, we could get through the amendments and start as originally intended at 11 o'clock with the ordinary business of the day.

I hope, therefore, that the House will agree that we should now adjourn consideration of the report until 10 o'clock tomorrow morning and dispose of the other items on the agenda tonight. Then tomorrow morning we can come back to the amendments put down by Mr Scholten, Lord Gladwyn and myself in an atmosphere in which we are all perhaps slightly better attuned to considering them than we are now.

President. — I call Mr Lücker.

Mr Lücker. — (D) I agree with that, Mr President.

President. — I call Sir Derek Walker-Smith.

Sir Derek Walker-Smith. — In support of what Mr Kirk has said, Mr President, may I respectfully draw your attention to two considerations which differentiate this occasion from that of the European Company Statute to which you were good enough to refer as a precedent.

The two considerations are these. First, we started by agreement to consider the amendments at 9 o'clock at night and finished just before midnight, whereas this time we would only be starting a little before midnight. With great respect, therefore, it is not a very close analogy.

The second consideration which I respectfully bring to your attention is this. Here we are very few indeed. For the European Company Statute, between 9 p.m. and midnight we had a gratifyingly large attendance for the consideration of that important matter. I think, therefore, that today's circumstances are different and I respectfully endorse what Mr Kirk has said.

President. — I call Lord Gladwyn.

Lord Gladwyn. — Do I understand, Mr President, that we meet tomorrow morning at 10 o'clock?

President. — In view of the fact that all Members have already been informed that tomorrow's sitting will begin at 10.30 a.m., I do not consider it advisable to make any changes now.

I call Lord Gladwyn.

Lord Gladwyn. — Do I understand that if we meet tomorrow at 10.00, 10.30 or whatever it is, we shall go through all the amendments and vote on them straight away, and that that shall all be done before lunch? Is that certain?

President. — Yes, Lord Gladwyn.

I put to the House the proposal to defer until tomorrow the consideration of the amendments to Mr Bertrand's report.

The proposal is adopted.

13. Agenda for the next sitting

President. — The next sitting will be held tomorrow, Thursday, 17 October 1974, with the following agenda:

President

10.30 a.m. and 3.00 p.m.

- Vote on the motion for a resolution contained in the interim report by Mr Bertrand on European Union;
- Joint debate on the
 - oral question by Mr Blumenfeld and others to the Commission on Community contributions to the UN fund for developing countries;
 - oral question by the Committee on Development and Cooperation to the Commission on the UN emergency opera-

tion for countries hit by recent price increases;

- Report by Mr Kaspereit on tariff preferences for exports of certain goods from developing countries;
- Oral question with debate by Mr Corona on relations with Portugal;
- Report by Mr Broeksz on life assurance.

The sitting is closed.

(The sitting was closed at 11.35 p.m.)

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IN THE CHAIR: MR BERKHOUWER

President

(The sitting was opened at 10.30 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 of proceedings are approved.

2. *Membership of committees*

President. — I have received from the Socialist Group a request for the appointment of Mr Bayerl to the Legal Affairs Committee to replace Mr Caillavet. I have also received from the Liberal and Allies Group a request for the appointment of Mr Geurtsen to the Committee on Social Affairs and Employment.

Are there any objections?

The appointments are ratified.

3. *Procedural motion.*

President. — The first item on the agenda is the vote on the motion for a resolution contained in the interim report on European Union drawn up by Mr Alfred Bertrand on behalf of the Political Affairs Committee (Doc. 300/74).

I call Mr Faure for a procedural motion on behalf of the Socialist Group.

Mr Faure. — *(F)* Mr President, I have no quarrel at all with the political content of the conclusions of Mr Bertrand's report. If this were the only point at stake, I can say that my colleagues would be almost unanimous in their support of the report's suggestions. But we feel that there is today a great disparity between the political situation of Europe and the aim set out in this report, which appears so distant and idyllic and somewhat detached from political reality. For this reason we are suggesting it be sent back to committee.

In 1972, the Paris Summit, seeing the vast swamp into which the construction of the Economic Community was sinking, decided to attempt to go beyond this phase of its devel-

opment by turning to the idea of a political Community and to lay down a clear and ambitious aim, a deadline: 1980. The same Summit, after taking these major decisions of principle, addressed itself to all the Community Institutions and asked them to make proposals to this end.

Our Parliament, and in particular the Political Affairs Committee, has the honour of being the first body to give serious attention to this problem and to make the first practical suggestions.

Unfortunately, since 1972 things have changed so much that it is worth asking whether the same political will expressed in Paris still exists today among the Heads of State or Government. It will probably not be possible to find this out until the next Summit which is also due to meet in December.

If I mention our scepticism, it is because current events in politics unfortunately encourage it far too much for my liking. Only last night, an important Paris daily paper had the following headline: 'The Nine have been unable to reach agreement in Luxembourg on the aims of their forthcoming Summit'.

Opening it at page 3, I read some additional details showing that the problem has not been sufficiently dealt with and that as a result we must give ourselves time for reflection.

The French note, I read, stressed that the proposed amendments were in no way designed to call into question present Community Institutions. It was suggested, on the contrary, that the Commission be associated actively with political cooperation. In the same spirit it would appear that France would not be opposed to the Nine fixing a date after which the European Parliament would be elected by direct universal suffrage and would have increased powers.

To sum up, a series of new factors lead me to think that it will be justifiable to ask for the report to be sent back to committee. For although on the one hand there are very differing declarations of intent however politically and intellectually there is also the practical situation as we see it which, if it is not dealt with, will prevent any progress in the political field.

For since 1972, there have been the Yom Kippur War and the energy crisis. Europe, our Community, could have used this as a kind of trial by fire, to strengthen its unity and thus to demonstrate clearly that its will for unity was not mere empty words. But on the contrary, the energy crisis has found us in disarray.

Then there are the problems of inflation, social problems, particularly unemployment, and

Faure

regional problems. Until these problems are solved, how can we, without turning into an academy of political and moral science or a study group, speak of a European government, of a Parliament with two Chambers, of a Court of Justice, of an Economic and Social Council?

I will conclude by saying that we have here ultimate aims and that there is no doubt that the group to which I belong support these entirely, but we feel that sending the document back to committee, without compromising our basic agreement, is the only political way in which we can solemnly draw the attention of those responsible, of those who are to meet in Paris at the end of the year, to remind them that the construction of Europe, supported by the peoples, depends first of all on the initiative of the leaders, and that we expect from them the answer to the questions and anxieties which we express.

Applause from the Socialist Group

President. — Mr Faure proposes that Mr Alfred Bertrand's interim report should be referred back to the Political Affairs Committee. In accordance with the Rules of Procedure, only one speaker can now speak against the motion for not more than five minutes.

I call Mr Lückner to speak on behalf of the Christian-Democratic Group.

Mr Lückner. — (D) Mr President, I arrived a few moments too late to be able to hear Mr Faure from the beginning. I should, however, like to express my great astonishment that this motion is being put forward by that side today. With all due respect, my dear Mr Faure, it is more than a procedural motion that you are proposing. I would suppose that you have many other reasons for doing so, and I should like to say to you here and now that I think this Parliament owes it to its prestige not to start off another Echternach dancing procession here. We as a Parliament, Mr President, with the full agreement of all the Groups, demanded a political debate. We were in fact so concerned and committed that we already held an advance discussion to yesterday's political debate last month in Luxembourg. I can still remember that in Luxembourg at least we said, with no objections from any side of the House, that we must have a political debate in Strasbourg, and that the Political Affairs Committee should submit an interim report as a framework for the discussions. It was certainly made clear in this House yesterday that we should really have expected rather more political assertiveness. Even though I can understand why the President-in-Office of the Council said no more than what we all heard,

the Parliament at least ought to know by now what it wants and what guidance it wishes to give in this situation.

Yesterday, you too said that there was uncertainty and unease in public opinion and among our peoples. Mr President, if we, now that Parliament has had the debate and the adoption of the Political Affairs Committee's interim report is on the agenda, send that report back to committee, showing that this Parliament no longer knows what it wants politically, we might as well go home.

(Applause)

There is no point, Mr Faure, in our saying that we fully agree in principle with this report and adding that we do not want to say so today. No, if we are in agreement with it, we ought to say so, and we ought to say so loudly and clearly. This Parliament owes that to itself in the present external political situation of the Communities, and more especially in connection with what concerns the peoples of the Community at the moment. I would therefore, on behalf of my Group, urge the adoption of the report from the Political Affairs Committee.

(Applause from the centre and right)

President. — I put to the vote Mr Faure's motion that Mr Alfred Bertrand's interim report be referred back to the Political Affairs Committee.

The motion is rejected.

4. European Union (Vote)

President. — We shall now proceed to vote on the amendments to the motion for a resolution. I should like to remind the House that there can be no further general debate on this subject, which was debated at length during yesterday's sitting.

I call Mr Yeats for a procedural motion.

Mr Yeats. — I should like to point out that it is not just a vote to which we are about to proceed. The House decided last night that we should discuss the amendments this morning as well as voting. It is both a discussion and a vote, therefore.

President. — I agree with Mr Yeats. To-day's agenda contains the vote both on the amendments and on the motion for a resolution itself.

We shall now consider the motion for a resolution.

President

On the preamble I have two amendments:

- Amendment No 2, tabled by Mr Scelba and worded as follows:

The first indent of the preamble to read as follows:

‘— *reaffirming that international economic and political events consequent to the Paris Conference and the peaceful and prosperous future of the peoples of Europe require strict observance of the solemn undertaking to transform the whole complex of the relations of the Member States into a European Union before the end of the present decade and with the fullest respect for the treaties already signed,*’

- Amendment No 6 tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

The first indent of the preamble to read as follows:

‘— *recalling the major objective expressed in the Paris Communiqué of October 1972 regarding the transformation of the whole complex of the relations of the Member States into a European Union before the end of the present decade and with the fullest respect for the Treaties already signed,*’

I call Mr Scelba to move Amendment No 2.

Mr Scelba. — (I) Mr President, ladies and gentlemen, the brief debate we have just heard on Mr Faure’s proposal to refer the interim report back to committee focuses the spotlight on my amendment. The purpose of this amendment is to attract attention to the fact that the economic vicissitudes and other international events we have witnessed since the Paris summit conference cry to high heaven for diligent progress towards European political and economic union.

This amendment, Mr President, represents our response to the crisis of confidence which has shaken large sections of public opinion: the cause of unification calls for action now. Indeed, the course events have taken since 1972 bring to light the inability of the EEC countries to solve the serious economic and international problems on their own. Europe’s partners can put their economic house in order and make their presence felt throughout the world if only they will follow the path opened up by the Treaty of Rome.

Let us then fulfil the intention of its Treaties by setting up a United Europe on the political and economic planes.

President. — I call Mr Kirk to move Amendment No 6.

Mr Kirk. — My amendment is very simple. In effect it replaces the word ‘reaffirm’ by the word ‘recalling’. The reason is linguistic. We

did not affirm it in the first place. It was affirmed by the Heads of State or Government and we cannot reaffirm something that we have not affirmed. So we merely note it and place it on record.

President. — What is the rapporteur’s position?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, the rapporteur thinks, of course, that of the three texts his own is the best. The two other texts are equally acceptable, since their contents amount to the same thing though differently put. Let the House decide which version it prefers.

President. — I shall first put to the vote Amendment No 2, since this is the one which departs furthest from the text of the Political Affairs Committee.

Amendment No 2 is rejected.

I put Amendment No 6 to the vote.

Amendment No 6 is adopted.

I put the preamble thus amended to the vote.

The preamble is adopted.

On paragraphs 1 and 2 I have two amendments:

- Amendment No 3, tabled by Mr Scelba and worded as follows:

Paragraphs 1 and 2 to read as follows:

1. Formally urges the Commission to present its report in due time, the same being expected of the Council;
2. Undertakes, for its own part, to present its own report before 30 June 1975;

- Amendment No 7, tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 1

Replace

‘by 30 June 1975’

by

‘as soon as possible.’

I call Mr Scelba to move Amendment No 3.

Mr Scelba. — (I) Mr President, ladies and gentlemen, I think the amendment I have submitted gives more accurate expression to the content of Mr Bertrand’s resolution.

There are in fact three points to be considered. First of all: the proposal for a resolution asks Parliament to undertake to submit a resolution by 30 June 1975. But a legislative assembly, Mr

Scelba

President, cannot make commitments of this kind because there is no authority to censure the institution in the event of its failing to meet that commitment. We realise, of course, that what is involved is really a matter of form, but facts have to be faced.

As far as the Council of Ministers and the Commission are concerned, this is quite a different matter. It is true that the summit conference asked all the Community's Institutions to prepare a report on European unification, but this is not the reason for the change in the relationship between Parliament and Commission; the powers of the former in relation to the latter are different from those which it has in relation to the Council of Ministers.

Let me suggest a way in which Parliament can engage the Commission: it can ask the Commission to submit its report in time to enable Parliament to examine it. As regards the Council, here also, all we can ask is that the latter should produce its report in time.

As I say, it is a matter of form, but one which expresses the substance of the relationship between Parliament and the other Community Institutions.

President. — I call Mr Kirk to move Amendment No 7.

Mr Kirk. — To a certain extent I share the preoccupations of Mr Scelba.

The point of the amendment is to delete any reference to a specific date. It might well be possible to achieve this result earlier. It may be that we shall not be in a position to achieve it by 30 June 1975. It may well be that we are able to do it by 30 January. Obviously the earlier we can do it the more time we shall then have, following discussions with the other two institutions, to try to achieve the common report for which the Summit Conference called.

I have, as I think the House knows, a horror of deadlines. In my view this in a sense is binding us in a way which I believe to be wrong. It would be very much better if we committed ourselves to produce this report as soon as we possibly can rather than laying down a firm date which we either may not be able to keep to or could accelerate.

President. — What is the rapporteur's position?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, the text of the draft resolution was fully discussed in the Political Affairs Committee before being approved. We can hardly accept

that the House should approach only the Commission and not the Council with the request to draft a Community proposal. I ask the House to reject Mr Scelba's amendment.

I would ask Mr Kirk to withdraw his amendment. In politics 'at the earliest' may mean in the year 2,000. Unless we commit ourselves to defining our position with regard to European Union before 30 June, I fear that we shall be too late. If Mr Kirk does not withdraw his amendment I shall ask the House to reject it.

President. — Mr Kirk, do you wish to sustain your amendment?

Mr Kirk. — Yes, Mr President.

President. — I put Amendment No 3 to the vote.

Amendment No 3 is rejected.

I put Amendment No 7 to the vote.

Amendment No 7 is rejected.

I put paragraph 1 to the vote.

Paragraph 1 is adopted.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

On paragraph 3 I have Amendment No 8, tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

This paragraph should read as follows:

'3. Declares its readiness to draw up, in close cooperation with the other Community institutions, a single report on European Union;'

I call Mr Kirk to move this amendment.

Mr Kirk. — This amendment is in the same sense as the last one that I moved.

In the light of the fate of that last amendment, I wish to withdraw this one.

President. — Amendment No 8 has been withdrawn.

I put paragraph 3 to the vote.

Paragraph 3 is adopted.

On paragraph 4 an amendment had been tabled by Mr Kirk for the purpose of improving the wording of the text.

On closer examination it became apparent that only the English text needed to be corrected. I have given instructions to the Secretariat to correct the English text in accordance with Mr Kirk's wishes.

President

I call Mr Thomsen.

Mr Thomsen. — And the Danish text, please.

President. — The Danish text will also be corrected.

I put paragraph 4, subject to these corrections, to the vote.

Paragraph 4 is adopted, subject to corrections in the English and Danish texts.

On paragraph 5 I have two amendments, Nos 10 and 11, tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

— Amendment No 10:

After the words
'institutions and'
insert
'the peoples of'

— Amendment No 11:

Delete all words after 'States'.

I call Mr Kirk to move these amendments.

Mr Kirk. — I hope that Amendment 10 will be reasonably non-controversial. Particularly in view of the situation in some of our Member States, we feel that simply to refer to Member States by themselves is not enough in this connection. We must also have the support of the peoples of the Member States. The purpose of Amendment 10 is to stress the importance of that and the duty of this Parliament to make the transformation in the Community institutions which is required, and which we support, much more fully appreciated and understood by the peoples of our countries.

We have moved Amendment 11 because we find it very difficult to understand the meaning in English of what we seek to delete. It may be that it is clearer in other languages, but in English it means nothing, and therefore it might just as well be left out.

President. — What is the rapporteur's position?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, I can agree to Mr Kirk's amendment No 10 if he will word the paragraph as follows:

"5. declares that such a change can be brought about only with the cooperation of the Community Institutions, *the Member States and peoples...*"

Obviously we cannot cooperate only with the peoples. We also need the governments.

President. — I call Mr Kirk.

Mr Kirk. — I would certainly accept that.

President. — I put Amendment No 10 to the vote in the form proposed by the rapporteur. The text of the amendment is then worded as follows:

Paragraph 5

After the word 'Institutions' insert '*the Member States and peoples*'.

Amendment No 10 is adopted in the form proposed.

What is the rapporteur's position on Amendment No 11?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, on behalf of the Political Affairs Committee I would ask that the text of paragraph 5 be completely maintained to guarantee that the identity, culture and traditions of Member States will not be endangered in the event of a European Union coming into being. This is the purport of the paragraph. Our committee has approved the text. Hence my request that it be maintained.

President. — I put Amendment No 11 to the vote.

Amendment No 11 is rejected.

I put paragraph 5 thus amended to the vote.

Paragraph 5 is adopted.

On paragraph 6 I have three amendments:

— Amendment No 12, tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 6, first indent

Replace the words

'monetary, economic, social and cultural'

by

'economic'.

— Amendment No 13, tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 6, first indent:

After the word 'security', insert the following text: 'following appropriate amendments to the EEC Treaty under Article 236 thereof, or by means of a further treaty between Member States'.

— Amendment No 4, tabled by Mr Scelba and worded as follows:

The second indent of this paragraph to read as follows:

President

‘— democratization of the institutions which will be responsible for Community activities *with due consideration* for the specific interest of the Member States;’

Mr Bousch, do you wish to speak on a procedural motion?

Mr Bousch. — (F) Mr President, before considering the next paragraph, I would like to ask those who spoke in the discussion on paragraph 5, and especially Mr Kirk, the meaning of the amendment to introduce the words ‘and the peoples’.

The peoples can take part in major decisions either through Members of Parliament, who are the normal elected representatives, or through a referendum. I would have liked Mr Kirk to clarify his intentions.

President. — Mr Bousch, I am sorry, but we cannot go on debating the interpretation of texts that have already been adopted.

I call Mr Scelba to move Amendment No 4.

Mr Scelba. — (I) The text of the resolution says: ‘the democratization of the Institutions responsible for Community action affecting the specific interests of Member States’. Obviously, no one thinks of a Community as being liable to prejudice the specific interests of Member States, but to anyone who was not present at the relevant debate in the House the wording of this paragraph could give rise to faulty interpretations. It might be understood to mean that we wish to put a seal on the famous Luxembourg agreement.

This is quite obviously not what the resolution is about, nor is it what Mr Bertrand had in mind. So if Mr Bertrand can supply an interpretation which puts my mind at ease, I could withdraw the amendment. My amendment uses the words: ‘conscientious attention to the specific interests of Member States’, inasmuch as the very idea of a Community implies a moral duty and obligation to take care of its members’ particular interests. A distinction needs to be drawn here between respect for, and conscientious attention to, since as far as respect is concerned, only the Member States themselves can be judges of this.

To clear up this ambiguity I presented my amendment, but as I say, if Mr Bertrand produces an interpretation I can feel happy about, I shall not insist on the amendment.

President. — I call Mr Kirk to move Amendments Nos 12 and 13.

Mr Kirk. — Our amendments are basically intended to achieve clarity. The original text refers to

‘the creation of new Community powers, not only in the field of monetary, economic, social and cultural policy, but also in that of foreign policy and security’.

We have a fundamental objection to that. It arises in the first place from the choice of the four specific items, leaving out a number of others such as agricultural and regional policy, which are covered by existing treaties and which perhaps should be included.

We had some discussion about the best way in which to express this idea, and we thought that simply to limit the wording to ‘economic’, which, after all, is in the title of the Treaty, would be the best way in which to cover all aspects of the Treaty and preferable to spelling out some and leaving out others. Either everything must be put in or one umbrella word must be found and we thought that ‘economic’ was the best umbrella word.

The second amendment would insert the words:

‘following appropriate amendments to the EEC Treaty under Article 236 thereof, or by means of a further treaty between Member States’.

That makes it clear, as it needs to be made clear, that there will be Treaty amendments if we are effectively to extend into politics and security.

The second amendment is wholly non-controversial as it is a statement of fact. The first is largely to make it plain that we are not limiting ourselves to the four subjects specifically mentioned in the original text, by using the word used in the title of the Treaty, which is much more general.

President. — What is the rapporteur’s position?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, with regard to Mr Scelba’s question, I wished to say that at the request of representatives of a certain section of the Political Affairs Committee the text under consideration concerning specific interests has been accepted.

Since the original text of paragraph 5 has not been approved, the reference to specific interests in paragraph 6 is really out of place. This is because it is already stated in paragraph 5 that we wish to respect the traditions of the Member States.

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It is true that, as Mr Scelba pointed out, the text which was approved in committee and which I as rapporteur must stand by, could cause some confusion. One could gather from it that it involves an affirmation that the Luxembourg agreements have also been approved; this is in no way intended.

In order to make plain that we intend to take account of the specific interests of Member States, we have declared our will to respect them. Mr Scelba is taking things too far. The committee was anyhow of a mind to drop this sentence entirely. I would ask for Mr Scelba's amendment to be turned down.

This looks to me like a mere language difficulty.

There is in fact no real difference between the committee's version and that of Mr Scelba. The Dutch text says that the specific interests of Member States should be respected. I therefore suspect that the snag lies in the translation and that the Italian version has led to misunderstanding.

As rapporteur I would ask you to accept the committee's text and to reject Mr Scelba's amendment. This version does not contain any allusion to the agreements of Luxembourg.

May I ask Mr Kirk to withdraw his amendment to the first indent. We have taken care not to define more precisely what procedure should be followed. Mr Kirk however, wished to refer to Article 236.

It is possible that the realization of a European Union, which according to us must be a political union, calls for the framing of an entirely new treaty rather than simple resort to Article 236. The respective governments are free to embark on fresh negotiations outside the framework of Article 236, for the purpose of establishing a European Union.

I would therefore ask you not to embody a closer indication of this kind in the text. In my view this would set limits to future possibilities. Consequently I must suggest that Mr Kirk withdraws his amendment on this point.

It may be that at this stage the Political Affairs Committee feels that use should be made of Article 236 for the sake of those who wish to work towards a European Political Union within the framework of the Community Institutions and on the basis of the existing Treaties. This is a position which the Christian-democratic Group has adopted up to the present.

With regard to paragraph 6 which among other things raises the economic problems, we are speaking here of European Political Union and

we wish to point out that it will need to be empowered to carry on a foreign policy. It would not be a Political Union otherwise.

If we limit ourselves to discussing economic issues, leaving the social aspect out of consideration, the impression could arise that we are ignoring the social side of the question and looking at the whole thing from a purely economic standpoint.

I see great danger in this. We are, after all, concerned with an Economic and Monetary Union. If the term 'monetary' is dropped the question will arise as to whether a monetary union is to be brought about. I therefore ask you not to accept Mr Kirk's amendment. If that amendment is accepted, the situation we have at present will persist.

We already have a Customs Union. We have however decided also to set up an economic union and a monetary union. These achievements were then to be followed up by a European Union in 1980. We take it that this must be a Political Union. On behalf of the committee I would ask you to reject Mr Kirk's amendments.

President. — I call Mr Scelba.

Mr Scelba. — (*I*) Mr President, I have taken note of what Mr Bertrand says, to the effect that the Dutch text reflects the concern in my mind and therefore comes nearer to the amendment I have submitted than its Italian translation does.

I have also understood Mr Bertrand to say that the paragraph in question is not meant to refer in the least to the Luxembourg agreement.

For these reasons I am withdrawing my amendment.

President. — Amendment No 4 has been withdrawn.

I put Amendment No 12 to the vote.

Amendment No 12 is rejected.

I put Amendment No 13 to the vote.

Amendment No 13 is rejected.

I put paragraph 6 to the vote.

Paragraph 6 is adopted.

On paragraph 7 I have four amendments:

— Amendment No 5 tabled by Lord Gladwyn on behalf of the Liberal and Allies Group and worded as follows:

President

Paragraph 7

This paragraph should read as follows:

'7. Considers that European Union must comprise at least the following basic institutions:

- a political decision-making centre with the appropriate terms of reference to cover the areas mentioned in paragraph 6, and destined to form the European government;
- a parliament elected by direct universal suffrage;
- a Court of Justice to ensure observance of the law in the interpretation and application of the treaties, agreements and decisions, and to guarantee the primacy of the law of the Union over national legislation;
- an economic and social committee;

- Amendment No 14 tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 7, first indent

This indent should read as follows:

'— a Council of Ministers with improved and effective procedures for decision-making to cover the matters specified in paragraph 6;'

- Amendment No 15 tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 7, third indent

After the words 'national legislation', insert the following text:

'in the matters covered by the Treaties or any extension or amendment thereof'.

- Amendment No 14 tabled by Mr Kirk on behalf of the European Conservative Group and worded as follows:

Paragraph 7, fourth indent (new)

After the third indent, insert a new indent worded as follows:

'— a Court of Auditors'.

I call Lord Gladwyn to move Amendment No 5.

Lord Gladwyn. — With your permission, Mr President, and that of the House, I wish to withdraw the first part of my amendment, which consists of inserting the words 'at least' after the word 'comprise'. Thus it would read as in the original text now: 'Consider that European Union must comprise the following basic institutions'. I withdraw that.

However, I also ask leave of the House—there has been no time to circulate this—to insert the words 'at least' in the second indent, which would then read: 'a parliament consisting of at least a Chamber elected by direct universal suffrage'.

The reason for the amendment in general is simple. It is to suppress all direct reference to

a Chamber of States, that is to say, presumably a senate on the American model, each State member of the new union possibly being represented in such a Chamber of States, as in America, by two representatives—two from Luxembourg and two from Germany, for example, which I think is very improbable—but in any case being represented as States or, as I believe some advocates of the idea suggest, as regions, reducing the international status of all the component parts of the new union to that of an American State.

If this idea of a senate or Chamber of States came into practice, it would obviously result in France, for instance, becoming the equivalent of Massachusetts and Great Britain the equivalent of Connecticut. There is no doubt about that. Quite a number of people, devoted Europeans, for the last twenty years have been advocating just that. There are other, also devoted, Europeans who think that this is a questionable proposition even by 1980 and who might prefer even by that date to have as a so-to-speak 'minimal' institution a decision-making centre of some kind as suggested in Mr Bertrand's report—a government, we must hope in a practical sense—a directly-elected assembly, a court of justice and an economic and social committee.

That is also a logical projection into the future. It would, of course, mean that the present Council of Ministers, suitably amended in its rules of procedure, having a new kind of aspect, getting more and more together, would itself constitute the government even by 1980, be held in check and be dependent to a large extent on a democratically-elected European assembly. That is not necessarily an undemocratic solution. It may or may not be preferable to the idea of having a Chamber of States, but it is at least arguable that it is preferable. However, whether it is preferable or not, and I hope my colleagues agree, it would be wrong at this stage anyhow for Parliament to declare flat out that by 1980—even with the approval of the Ministers of this project by 1975—a Chamber of States on the lines I have been suggesting, a sort of senate, would be desirable and a necessary and essential part of the new union which we hope to set up.

There is another reason for being cautious in this respect. At this moment, rightly or wrongly, there is very great anti-Community feeling in many of our countries—not least, of course, in my own, but in other countries also. If at this crucial moment—anyhow, crucial for my country—the anti-Europeans, the people who are against any form of political union, were to say, 'Look at these people in Strasbourg, what

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are they suggesting? They are suggesting that Britain in a few years' time will lose all its independence and be reduced to the status of Massachusetts', that might be unfair and wrong in many ways. People may not agree, but it is a point of very considerable importance.

My amendment, if adopted, would not exclude any proposal for a second chamber. It may well be—and I believe that some of my colleagues agree on this, which is why I have made this slight alteration in the text this morning—that some of my colleagues would think, 'Perhaps it is wrong to say now that we want a Chamber of States or a senate, but we would favour some kind of second chamber if only for revising purposes, directly or indirectly elected, but in any case another kind of second chamber as is the case in most democracies. Why not have it, therefore, in Europe?' There is a strong case for saying that might be the case, namely, not a senate but some kind of second chamber. However, all the projects have not yet been thought out and they have not come forward in any positive way.

At this stage I think it would be wrong for us even to say that a second chamber would be an absolutely necessary and essential feature of the landscape.

I hope that my colleagues will think it wise at this moment not to insist on the reference to a second chamber. I believe this would be accomplished if we leave the first part of paragraph 7 as it is, namely: 'Considers that European Union must comprise the following basic institutions' and revise the second paragraph to read, 'a parliament consisting of at least a Chamber elected by direct universal suffrage'. That would mean that in our view a parliament elected by direct universal suffrage was an absolutely essential feature of the landscape.

President. — Lord Gladwyn wishes to make two changes in his Amendment No 5; firstly, he would like to delete the words 'at least' from the sentence 'Considers that European Union must comprise at least the following basic institutions', and secondly, he would like the second indent worded as follows: '—a parliament consisting of at least a Chamber elected by direct universal suffrage'.

Does the House agree to accept this verbal amendment to the amendment?

Are there any objections?

That is agreed.

What is the rapporteur's position on Amendment No 5 thus amended?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President it is sad to see a smart diplomat like Lord Gladwyn eating his own words by this change which explicitly advocates a single Chamber. This is precisely what we would wish to avoid at any price.

Lord Gladwyn has drawn a number of comparisons. I should like to draw his attention to the fact that, if a Chamber of Member States is set up, the smaller countries will get the same representations as the larger. As you are aware, Luxembourg at present has a vote in the Council equal to those of the United Kingdom, Germany and France. The right of veto is very much in vogue in the Council today, and this gives all the countries the same chance.

In a second Chamber a different procedure could be followed. And I would also point out that we are starting from the assumption that the political decision-making body will become the Government. This Government will be vested with powers in a number of fields, powers which it will exercise in conjunction with a directly elected Parliament. In this way the interests of Member States can be upheld. Is there any further need to stress the fact that according to our conception Member States will in any event have the opportunity to safeguard their interests through the governing bodies of the Union?

Our committee's text was originally worded like the one Lord Gladwyn proposed. The Political Affairs Committee however reached the conclusion that it would be better to have a Parliament consisting of one Chamber of directly elected representatives, and another Chamber consisting of representatives of the Member States. The procedures to govern elections and the composition of the Chambers will eventually be defined in a final report.

If however a European Government is empowered to submit draft bills to a directly elected Chamber, Member States must have the assurance that such legislation cannot come into effect without obtaining the approval of an organ of the Member States.

This is the purport of the text drafted by the Political Affairs Committee. This is a question of establishing general lines of policy, valid as a point of departure for the initial debate on the issue.

During my introduction yesterday I took it for granted that there would have to be discussions with Member States, with national parliaments and with the representatives of economic and social circles, in order that we may have a broad base for general orientation and for the forma-

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tion of a European Political Union. This cannot be imposed on the nations from above or it would be an instrument that was not at all integrated.

For all the reasons outlined I urge that the text of the Political Affairs Committee be maintained and that Lord Gladwyn's amendment No 5 be rejected.

President. — I call Lord Gladwyn.

Lord Gladwyn. — Mr President, I ought to make it quite clear that the second indent as amended by me would now read:

'a parliament consisting of at least a Chamber elected by direct universal suffrage.'

That leaves out the words:

'a Chamber of States'.

I want to make that quite clear because, apparently, some of my colleagues were not clear that was the case.

The point of that would be that the words 'at least' would be taken from the beginning of the paragraph and put into this indent. Such wording would not exclude a second Chamber, but it would exclude specific mention of a Chamber of States.

It would not exclude, if it is thought desirable as a result of any great conference we may have next year with the ministers or among ourselves, that we should at that point say that we believe in some kind of second chamber, if that is indeed the conclusion we reach in a year or two's time.

I am sure, therefore, that at this rather difficult political moment it is necessary to adopt the amendment that I have the honour to move in the name of the Liberal Group.

President. — I call Mr Kirk to move Amendments Nos 9, 14 and 15.

Mr Kirk. — Mr President, it might be more convenient to vote on Lord Gladwyn's amendment first, because my amendments could become amendments to his amendment.

President. — Does the House agree that we should first vote on Lord Gladwyn's amendment as verbally amended by him?

Are there any objections?

That is agreed.

I put Amendment No 5 to the vote.

Amendment No 5 is adopted.

I now call Mr Kirk to move Amendments Nos 9, 14 and 15.

Mr Kirk. — I deal now with amendments Nos 14, 15 and 9.

Amendment No 14 could as effectively go to Lord Gladwyn's amendment as to the original text.

The amendments deal first with a more precise definition of the decision-making centre. We propose to assist the Council of Ministers with improved and effective procedure for decision-making to cover the matters specified in paragraph 6. It is impossible to imagine that the decision-making centre envisaged for a European union and to be set up by the end of this decade could be anything other than the Council of Ministers. Our concern, therefore, is that the Council of Ministers should be told that it has to be a good deal more effective than now.

It is the purpose of the amendments to define our view more precisely. When the Council of Ministers moves into these new fields, as we hope it will very soon, it must have more effective procedures to carry out its tasks than it now has.

The second amendment, No 15, is fairly straightforward. Again, this is largely for clarity. It is to make quite plain that the primacy of the law of the union over national legislation applies only to matters covered by the Treaties or any extension or amendment of the Treaties. I think that this is clearly what the rapporteur has in mind, but we think that it would be better to spell it out as formally as possible.

The third amendment is to include among the institutions the Court of Auditors. The Court of Auditors is to have a statute similar to that of the Court of Justice. Therefore, it seems to us logical that it should be regarded as an essential institution within the framework of the union.

President. — What is the rapporteur's position on Amendments Nos 9, 14 and 15?

Mr Alfred Bertrand, rapporteur. — (NL) Mr President, with regard to Amendment No 14, may I draw the attention of the House to the fact that the attitude adopted here is one of principle, by virtue of which the Council is recognized as such for the future.

If there is to be any question of a European Government we want to be able to draw up a future report defining without reservation what we mean by a European Government. In accepting the term 'Council' we are agreeing to the

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maintenance of a body consisting of government representatives, and appointed by Governments; this would be the most important of the organs involved.

We shall presently make clear what type of Government this is to be. We shall exchange views on this matter with the Commission and the Council. By our acceptance of the term 'Council' we imply advocacy of an organ of inter-governmental cooperation, and this is an idea few people entertain. If there is to be a European Government, it will be a Community Institution.

This is why I wanted to emphasize the great danger I see in an amendment which threatens to jeopardize the entire draft resolution as well as our freedom to work out a concept for European Political Union. Consequently I must urge that this amendment be rejected forthwith.

I am prepared to accept the proposed addition to amendment No 15, which can do no harm.

In principle I agree with Mr Kirk's amendment No 9, which aims at including the Court of Auditors in the text of paragraph 7. Even so, I would ask Mr Kirk to withdraw this amendment. We are at this juncture discussing the Institutions of the Community. The Court of Auditors will no doubt have the status of an independent Institution within that context. It is however not to be compared with the Community Institutions as such. The Court of Justice and the Court of Auditors cannot be put on a level. The Court is for all citizens. The Court of Auditors is there merely to supervise the spending of the Community's Institutions. For this reason I would not class the Court of Auditors with the Institutions of the Community.

In the final report, to embody proposals for the setting up of a number of Departments, there certainly is a place for the Court of Auditors. But the blueprint we are now working out is concerned only with such Institutions as are essential to European Union. So whilst agreeing with Mr Kirk, I ask him nonetheless to withdraw Amendment No 9.

President. — I should like to ask Mr Bertrand if what he has said about the Court of Auditors does not apply equally to the Economic and Social Committee.

Mr Alfred Bertrand. — (NL) Perhaps, Mr President.

President. — I put Amendment No 14 to the vote.

Amendment No 14 is rejected.

I put Amendment No 15 to the vote.

Amendment No 15 is adopted.

I put Amendment No 9 to the vote.

Amendment No 9 is adopted.

I put paragraph 7, thus amended, to the vote.

Paragraph 7 is adopted.

On paragraph 8 I have Amendment No 1, tabled by Mr Radoux and worded as follows:

'8. Instructs its President to forward this resolution to the governments of the Member States, to the Council and Commission of the European Communities and to the Presidents of the Parliamentary Assemblies of the Nine states with a request that it be notified to the members thereof.'

As its author is absent, this amendment lapses, unless it is taken over and moved by some other speaker.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, on behalf of our Group I should like to withdraw this motion.

President. — I call Mr Bertrand.

Mr Alfred Bertrand. — (NL) Mr President, this is the only amendment from the Socialist Group. It is a sensible amendment, and I should like to move it.

(Laughter)

President. — I put to the vote Amendment No 1, which has been moved by Mr Bertrand.

Amendment No 1 is adopted.

I call Mr Scelba for an explanation of vote.

Mr Scelba. — (I) May I briefly state the position of the Christian-Democratic Group.

As regards the problem of organization, I recall that on 5 July 1972, this House gave its approval to a resolution by Mr Müller, modified by an amendment submitted by Mr Lückner for the Christian-Democratic Group, by Mr Baas for the Socialist Group and by the then chairman of the Liberal Group. This resolution affirms that 'the Community must have a single decision-making body capable of reaching decisions to be binding on all Member States, and having therefore the essential attributes of a European Government. It will be the duty of that Government to work out and put into effect the policies

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delegated to the Community under the terms of the modified Treaty.'

This refers quite specifically to a European Union. The time was just before the Paris Summit Conference and the talk was obviously about a European Government. This being so, Mr President, I think it would be rather flippant for the European Parliament to deliver a vote after two years which was at variance with the intentions voiced in 1972 jointly by three major groups of this House. Well, as far as the Christian-Democratic group is concerned, we intend to stick to our guns and abide by the vote expressed by this Parliament on 5 July 1972, interpreting Mr Bertrand's resolution in this sense, in so far as it is concerned with a decision-making body.

I spoke up in order to reaffirm our loyalty to an ideal shared by all Christian Democrats.

President. — I call Mr Fellermaier for an explanation of vote.

Mr Fellermaier. — (D) Mr President, ladies and gentlemen, I think that the Socialist Group has shown in this debate that it can be very brief. We intervened in the debate yesterday through Mr Patijn and today with a procedural motion by my friend Mr Faure. We respect the wish of the majority of this House against referral back, but, ladies and gentlemen, this House must obviously ask itself what answer it wishes to give the peoples in this European hour.

We did, of course, postulate in 1972 what Mr Scelba said, but merely repeating that every year does not alter anything in fact. Much of Mr Bertrand's interim report is correct; much is correct because it is not new at all but repeats for the umpteenth time what this Parliament has been saying for years: democratization of the Communities, a political decision centre, direct elections to the European Parliament. However, neither the President-in-Office of the Council nor the President of the Commission said anything on these burning questions yesterday, nor does Parliament really say anything on them in its resolution, merely giving answers for 1980, partly with intellectual shadow boxing about whether a Chamber of States can be a Chamber of States, or whether a Chamber can only be a Chamber, all questions about how it might be in 1980 and thereafter...

Mr Alfred Bertrand. — (NL) That is not an explanation of vote!

President. — Mr Fellermaier, I am sorry to have to interrupt you.

Mr Bertrand is right to insist that we can have no further speeches on the content of the document as it stands. This is merely an opportunity for members to explain briefly why they have voted for or against the motion for a resolution or abstained from voting. I shall have to ask you therefore to confine yourself to a brief explanation of vote.

Mr Fellermaier. — (D) I would merely like to say that I am giving on behalf of my Group the political reasons why we took just as little part in the discussion on the proposed amendments this morning as in the debate which took place here last night at the witching hour.

I now come to the reasons why my Group will abstain from voting. In our opinion, this interim report is a repetition of the position adopted by Parliament in 1972 in the resolution it adopted then. We see in it no answers for the present situation in the Community, but only answers for the year 1980 and thereafter. This is the reason why my Group will abstain. The Danish friends in my Group will, for reasons of principle, vote against the motion for a resolution.

President. — I call Mr Kirk for an explanation of vote.

Mr Kirk. — Mr President, it will be apparent from this morning's proceedings that the European Conservative Group, which has at least taken part in the debate today, is not wholly satisfied with the resolution as it has finally emerged. I shall vote for it, because I would not wish to leave the impression that I am against moves towards European union by 1980, but I shall offer no advice to my friends.

President. — I call Mr Lücker for an explanation of vote.

Mr Lücker. — (D) Mr President, I am basically in the same position as Mr Kirk when he says that he and his conservative friends are not entirely satisfied. I can say the same of my political friends, albeit for quite different reasons. The reasons for this are no doubt more in the nature of the case than in political views and intentions.

Our British friends joined the European train rather recently. We have an older tradition. I am very grateful that Mr Scelba has once more pointed out that when the European Parliament last took a stance on this, its three multinational Groups, including our Socialist colleagues, supported the resolution. For my part, I should like to have seen us getting there today too. We have not, however. I should like there-

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fore, to make it clear that for my Christian-Democratic friends, the goals and decisions of that time are still valid in full.

President. — Mr Lücker, I must remind you again of the point made by Mr Bertrand. Speakers must confine themselves to a very brief explanation of vote.

Mr Lücker. — (D) I have almost finished, Mr President.

I shall give the reasons for our vote in favour of this motion for a resolution by pointing out—and I think that this is allowed in a political declaration of voting intent—that even if we are not fully satisfied with the wording of this resolution, we still think that among the various viewpoints represented here, this resolution does not block the path that we as a Christian-Democratic Group in this House have always regarded as right and declared binding on us.

In this sense I should like to state on behalf of my friends and myself that we shall vote in favour of this motion for a resolution.

President. — I call Mr Helveg Petersen for an explanation of vote.

Mr Helveg Petersen. — (DK) Mr President, for the reasons I explained in detail yesterday, I am unable to agree that we should commit ourselves specifically on the scope of a future European Union. I cannot endorse either these provisions or any provisions concerning the administrative control of the Union.

For these reasons I shall vote against the motion for a resolution.

President. — I call Mr Maigaard for an explanation of vote.

Mr Maigaard. — (DK) Mr President, I would like to give a brief explanation of my reasons for voting against Mr Bertrand's report.

Firstly, I do not think that international cooperation should be built up on supranational principles. On the contrary, the international cooperation which we all wish to create will only be possible if it is built up on cooperation between sovereign states.

Secondly, I am opposed to the Community developing into a bloc in world politics, with strong supranational institutions as proposed by Mr Bertrand, with an Economic and Monetary Union, and political and even military cooperation within the framework of these institutions.

Mr Bertrand's version of the EEC is a bloc in world politics. I am opposed to that idea. I do not believe in bloc politics. I believe in cooperation. For these two reasons I shall vote against the motion for a resolution.

President. — I call Sir Derek Walker-Smith for an explanation of vote.

Sir Derek Walker-Smith. — I shall not be able to follow the example of Mr Kirk in giving assent to this motion for a resolution, and in particular paragraph 7, although he has very properly said that he gives no advice to the members of the group.

Paragraph 6 of the motion for a resolution specifies two criteria, the democratization of the institutions and respect for the specific interests of the Member States. As I said last night, those are admirable principles. I believe they would have been given effect to by the amendment of this group to make the political decision body a Council of Ministers with improved and effective procedures for decision-making. That amendment has been rejected. No form of political decision body has been identified or even suggested which is certain to comply with those two fundamental principles of democratization and of respect for the interests of the Member States.

Without such certainty and without such guarantee, I, for one, would not wish to be committed to the institution of such a body which might be in breach of those principles.

President. — I call Mr Yeats for an explanation of vote.

Mr Yeats. — On behalf of my group, I wish briefly to say that we propose to vote in favour of Mr Bertrand's resolution in spite of the fact that to our mind it contains elements which we would consider impractical, possibly in one or two instances even Utopian. We feel it has been somewhat improved by way of amendment in the course of the debate, although there are other amendments we might have wished to see carried.

In spite of our reservations, however, we will support the resolution. We will support it in particular because, as a result of its adoption, Parliament will have been the first of the institutions of the Community to follow the instructions given by the Heads of State or Government at the Paris Summit Conference of 1972 to draw up a report on European Union before the end of 1975. We are well on the way to doing this. We in our group feel this is a

Yeats

satisfactory development. We will support the resolution not so much because of its details but because of the intentions that lie behind it.

President. — Does anyone else wish to speak?

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.¹

5. *Oral Questions with debate:*

Contribution by the European Community to the UN fund for developing countries with few natural resources — Community participation in the UN emergency operation for countries most seriously hit by recent international price movements

President. — The next item on the agenda is the joint debate on

— Oral Question with debate by Mr Blumenfeld, Mr Härzschel, Mr Jahn, Mr Klepsch and Mr Schwörer to the Commission of the European Communities on the contribution by the European Community to the UN fund for developing countries with few raw materials (Doc. 210/74 rev.); the question is worded as follows:

According to press reports, the Foreign Ministers of the Community decided on 25 June 1974 in Luxembourg to make a 'large contribution' to a UN aid for developing countries with few raw materials which have been particularly affected by the rise in oil and fertilizer prices.

Can the Commission tell us:

1. To what contributions have the Member States of the Community on the one hand and the oil-producing countries, the Soviet Union and other members of COMECON, the United States and Canada on the other committed themselves?
2. Given the enormous burden on the balance of payments of the Third World countries worst hit by the increase in the price of imported oil, will these contributions be adequate?

— Oral Question with debate by the Committee on Development and Cooperation to the Commission of the European Communities on the Community's participation in the United Nations emergency programme for countries

most seriously hit by recent international price rises (Doc. 284/74); the question is worded as follows:

At its meeting of 25 June the Council approved the text of a letter to be sent to the Secretary-General of the United Nations Organization by the President-in-Office of the Council of the European Communities, reaffirming the Community's readiness to contribute substantially to a special aid project for developing countries most hit by the present crisis. The conditions for granting this aid are also laid down in the letter.

Can the Commission state what action the Community has taken since that time to implement this decision, in the light of the resolution on this matter approved by the European Parliament on 12 July 1974¹?

I call Mr Deschamps to speak to the question by the Committee on Development and Cooperation.

Mr Deschamps. — (*F*) Mr President, the fact that your Committee on Cooperation and Development has asked the Commissioner, Mr Cheysson, to give us details of a subject to which he himself, as we know, attaches great importance, since we are speaking here of the Cheysson plan, shows the special interest which your Committee too shows in this matter.

Your committee has certainly noted with great satisfaction the position adopted by the Commission and thanks Mr Cheysson for all the positive action which he has taken on this. It is pleased to note the decisions taken by the Council on this matter. But it cannot help being anxious about the practical application of these aims.

Certainly a start has been made in putting them into practice, but we would like—and this is the point of our question—to have from Mr Cheysson more specific details on a number of difficulties which seem to have arisen in practice and which, without a doubt, would appear to us, if we had no assurances on this matter, inevitably to hinder the implementation of measures to which, I repeat, your Committee on Cooperation attaches very great importance.

I would be particularly interested in hearing your explanations, Commissioner.

IN THE CHAIR: MR BURGBACHER

Vice-President

President. — I call Mr Blumenfeld to speak to his question.

¹ OJ No C 140 of 13 November 1974.

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Mr Blumenfeld. — (D) Mr President, I should like to agree in principle with what Mr Deschamps has just expanded, and to add that the question asked by my colleagues and myself concerns the same range of problems, but that we go into rather more detail concerning the contributions by the other participant States in the raising of the UN aid funds. We have demanded that the Community make its important financial contribution; it must not, however, stand alone, and the size of its contribution must stand in relation to that of other countries. On this point, many countries, in particular the Soviet Union and the oil-producing countries, have been called upon to help the developing countries. We should very much like it made clear once and for all that the Commission's answers contain—I hope—really binding promises. I should like to hear from Mr Cheysson whether there will be a continuing obligation on those who have undertaken to contribute to this fund. By a continuing obligation I mean an almost automatic payment to be made at the point when the fund is exhausted or when other participants who have previously made binding promises no longer see themselves able, for whatever reason, to meet this obligation. Can one, then, expect such an obligation on the Community? That is a supplementary question I should like to put to Mr Cheysson. I should further, on behalf of my colleagues, like to hear whether the total amount to be collected will really be sufficient to help the third world countries most affected in the immediate future by the rise in prices in the oil sector. I am thinking here, Mr Cheysson, of a country like India, to which the Community has now promised food aid—which will be given—but whose problems—for instance as regards the balance of payments—are so huge, that I wonder whether this aid will be sufficient, in view of the wide scatter it must have.

I am putting these questions, and others possibly arising from the answer, as supplementaries to the questions we have put down in writing. I hope, Mr President, that we shall receive this information.

President. — I call Mr Cheysson.

Mr Cheysson, *member of the Commission of the European Communities.* — (F) Mr President, this Assembly has already shown interest on several occasions in the problem raised by the two oral questions on the agenda. On 18 July, upon a favourable opinion from two committees, the Committee on Development and Cooperation and the Committee on Budgets on the report by Mr Levi Sandri and after the speeches by Mr van der Hek and Lord Reay, the Assembly adopted a motion in favour of these measures.

Since then, unfortunately, the situation has confirmed the very pessimistic forecasts which the Commission has been making since March. For the developing countries who do not have increasing resources to exploit, because they export little or because their exports have not increased in value, the rise in price of a number of essential products is a catastrophe. Their situation is terrifying, as Mr Mac Namara said a few days ago at the opening of the joint assembly of the World Bank and International Monetary Fund.

Yes, gentlemen, it is terrifying, for we have reached the point where it is a question of death not just illness. Yes, death of men and death of structures and death of economies! We therefore had to take action, and here on behalf of the Commission I would like to pay tribute to this Assembly which understood that immediately. But we had decided to act—your July recommendation is very clear on this point—in such a way as to encourage other donors as much as possible, in other words to give the maximum volume possible on the world level. Mr Blumenfeld recalled this a few minutes ago. In the letter which the President of the Council of Ministers sent to the Secretary-General of the United Nations on 25 June we laid down two kinds of conditions: firstly, on the choice of beneficiary countries and the conditions for the emergency action: secondly on action by other donors.

On the choice of beneficiary countries, we came to swift agreement with the colleagues of Mr Woldheim who were responsible for conducting this affair, and we defined these countries in a fairly restrictive way, taking into account the size of the problem.

Beneficiary countries are those whose balance of payments has seriously deteriorated, but also poor countries. You will see in a moment that we are limiting them, for the first instalment, to those with a per capita income of less than \$160—and to countries deeply in debt.

The only action by other States which qualifies is aid fulfilling these criteria, given to countries on the list recognized by the United Nations, finally allocated before 1 July, 1975 and offered free or with very few restrictions.

These very strict criteria adopted by the United Nations have permitted an analysis of the promises made or the aid already sent by other donors.

As regards oil-producing countries, your July Resolution stated clearly that their contribution would be a condition *sine qua non*—this is the expression the Parliament used—for the grant

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of Community aid. The commitments made must be in the region of one and a half thousand million dollars. It is difficult to find confirmation for this figure, although it seems a reasonable one. The World Bank, in the most categorical manner, taking into account operations on which there can be no doubt, examining them in the most critical way possible, has written to inform the Community in a special memorandum that one thousand one hundred million dollars came, without any doubt, within the scope of the aid we had recommended. Of this sum, \$170 million were paid to the Special Account of the Secretary-General of the United Nations. Venezuela paid 100 million dollars, Algeria 20 million dollars, Iran 20 million dollars and Saudi Arabia 30 million dollars.

The sums which have been promised by other industrialized countries, and which are still being promised, are increasing. Latest known figures give categorically at least 350 million dollars. Some of these donors deserve particular attention. It is impressive to note, especially for those Europeans who have hesitated the longest in taking part in this operation, that Yugoslavia is giving 7 million dollars, that Switzerland, which has the reputation of being parsimonious with its funds, is giving 15 million dollars, that is to say 3 dollars per inhabitant, more than the Community has planned itself if all its emergency action is implemented, and that is far from being the case; it is impressive that Sweden is giving 37 million dollars, or 4.7 dollars per inhabitant, twice what the Community will do at the very best; that Norway which has some oil, it is true, is giving a proportionately similar amount. The responses from other rich countries from Australia, from Canada, have been very favourable: a hundred million dollars are being offered by Canada, which is of course in an excellent position at the moment.

The American response is, for the time being, disappointing, surprising and even, I will not hesitate to say, shocking. It is surprising, because the Americans usually show great generosity in development problems. They have issued declaration after declaration stressing how the countries affected by the crisis were threatened with death and yet the American Government has not yet agreed to contribute to the emergency action, which was nevertheless voted by the United Nations at a special session attended by Mr Kissinger in person.

We cannot imagine that their eventual response will be negative, that the Americans will betray seriously their previous attitude in similar cases.

The Eastern countries have done nothing. This is less surprising since they have rarely taken part in this kind of action, always using bilateral

methods to grant aid. In view of this, their effort cannot be taken into account and I recognize that this is one weakness of world-wide action which we have already had occasion to note many times.

Faced with these figures, the Council hesitated for a long time. On 24 September, three days before the meeting at which all the contributors were to announce their intentions, the Ministers could not reach an agreement. It was an unfortunate Council meeting because it was sad to remember, during these hesitations, that the Community had taken the initiative very early and had thus played an incontestable role at world level, recognized by all nations. Fortunately, 10 days later, on 3 October, the Council abandoned this attitude of wait-and-see and decided, as the Commission had requested, to accept the immediate release of a first instalment of 150 million dollars. The supplementary budget for this is at present being examined by the budgetary authorities. Your Committee on Budgets will discuss it next Monday.

A supplementary budget is therefore contemplated although there has been no over-all increase in national contributions. There has in fact been a levy on other income which turns out to be higher than we had initially forecast because of inflation, that is, customs revenue. We hope that this supplementary budget will be adopted as soon as possible.

Of the 150 million dollars, theoretically 30 million should be paid into the Special Account of the Secretary-General of the United Nations and in the framework of the over-all examination by the United Nations, 120 million dollars should be allocated among the hardest hit countries, the poorest countries, our intention being to limit the aid to those who have less than 160 dollars income per capita. This will represent three large countries in Asia, 8-10 African countries, and 2 Latin American countries. It is clearly in Asia that circumstances are the most serious. Since our first instalment is small, priority will be given to those who do not benefit from oil loans or loans from other industrialized countries.

The Council has also decided to examine before the end of January 1975 the balance which should be paid for this operation. I am reminded that the emergency action concludes on 30 June and that if we wish to keep to the deadlines that we have set ourselves and which have been accepted on the world level, we will have to make our decisions before the end of January 1975.

What those decisions will be will depend on the conditions and in particular on the contributions

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made by others. They will therefore depend in part on the response to the question which I put a moment ago on American intervention in this matter. We hope that, as Parliament has recommended, we will therefore be able to lift the veto on our action and that the 500 million dollars we spoke of initially will be available. If they are not, it will be the fault of a great power, which is still very rich, and that would be a great pity.

Mr President, the Community's action on behalf of the countries hardest hit by the crisis is not limited during this period to contribution to emergency action. On every possible occasion, we acted very quickly with the loans and means at our disposal. Parliament knows already that when Bangladesh, already crushed by the price crisis, found itself also hit by floods, we were able to send the proposed food aid in a very short space of time; it represented a sum of \$40 000. You also know, since you have read it in the press, that we are trying to put aside a million metric tons of wheat for India which has been severely hit by flooding after having suffered drought and which is suffering a loss of production of wheat in the present season of an astonishing 10 million metric tons. We will therefore try to free 1 million tons of the existing stocks in the Community and we hope that some of this tonnage will be able to be delivered as food aid next year while the first instalment of the emergency action for India would be, as requested by the Indian Government, limited to the payment of transport costs of the million tons of wheat. This is what we have done during this period and what we will continue to do.

Mr Blumenfeld and his colleagues in the Christian-Democratic Group ask if this is enough.

Mr President, I would like to ask the Assembly to bear with me for a few minutes while I place this emergency action in its proper framework: the aim of the emergency action is not to deal permanently with the 'terrifying' problems—this is the phrase used by Mr Mac Namara—which the countries hardest hit by the crisis are facing, but to give them a breath of oxygen. It is, if I may say so, to resuscitate the patient lest he die before the answers have been found. This is the only aim of the emergency action. This is an essential aim.

What will happen afterwards? Mr Blumenfeld and his colleagues are quite right to ask this question, which is a formidable one. The rise in price of raw materials, particularly of oil, but also of food products and some chemical products represents a deterioration in the economic situation of the hardest hit countries which is—and I will use Mr Mac Namara's word a third

time—'terrifying'. The world has to find the means of increasing the flow of money to these countries, but the flow of money will not be increased by emergency action. It must be done in a permanent way. How then are these problems to be presented? The President of the World Bank, a few days ago, presented them in the widest possible framework, and we in the Commission willingly take up a number of his conclusions.

Firstly, aid donors, including the Community, will have to carry out a certain reappraisal of their aid and the allocation of this aid. I hope that some will want to increase somewhat public development aid. Those who are far below the objective percentage which they recognized in the ten year development programme, 0.7%, should be able to make this effort.

Having said this, in present circumstances we cannot expect miracles. In the context of the aid which our countries give, which the Community gives, we must therefore immediately go about a reallocation of this aid, by giving systematic preference to the poorest countries, to those hardest hit by the crisis. To each according to his needs, at first. This should be apparent in our food aid programmes. It should be apparent in the allocation of our aid. It should be apparent within our associations and outside those associations. It is the first rule we must accept.

Secondly, there must be an increase in the flow of money as a whole. And the source of an additional flow of several thousand dollars, perhaps several tens of thousands of dollars, must be found in the places where we are paying considerable additional amounts for purchases of raw materials.

We must therefore—this is a problem for the years to come—organize as systematically as possible the recycling of capital at present paid to producers and sellers of raw materials towards those parts of the world which are desperately in need of it. Mr President, before an assembly of a political nature, I would like to say that a political factor has arisen. That is that as from now, oil-producing countries have themselves begun to pay colossal sums to other Third World countries. At the first 'Summit' of 1974, the commitments made were of the order of 4 500 million dollars, whereas for the whole of 1973 they were 450 million dollars. In the first quarter of 1974, the contribution was ten times greater than for the whole of the preceding year. In other words there is talk of 8 000 million, of 10 000 million dollars. No-one knows, yet, because these promises will not all be implemented, in the nature of things, and it is probable that a part of the

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promised sums will not come under public development aid. This is indisputable.

But what we now know is that there is an overflow of capital into neighbouring countries in conditions which may or may not be considered as public development aid, but which does not detract from the basic economic and political fact that thousands of millions of dollars will go from the richest oil-producing countries and the least naturally well-provided to be used by other Third World countries.

This is absolutely basic and we must contribute to this by associating ourselves with a number of these operations—the emergency action was one example—and by using all the international and world-wide financial facilities to channel this return of funds to markets which need capital, markets capable of transforming this capital into consumer goods and processed goods.

I think therefore that the recommendations made by the World Bank on doubling its own volume of operations in the Third World, ensuring this by borrowing from the countries producing raw materials, are fundamental and must be encouraged. We must, in the years to come, ensure that 10 or perhaps 20 000 million additional dollars must be channelled to the poorest countries.

Some will say that these funds will sometimes be inefficiently used. Perhaps. But after all when we ourselves began our aid, at the time when we were colonial powers, was there not at the beginning a certain amount of misuse of funds?

And can one deny that reason will prevail and that the sums will soon be better used? Should we not contribute to help to use them better?

And then, Mr President, let me point to another aspect of these affairs. That is to say the economic situation in the industrialized countries hit by the crisis in raw material prices.

The deficit in our balances of payments is a fundamental subject, but it has been dealt with too frequently in past weeks by this Assembly for me to dwell on it. On this level, any sums which can be transferred from a raw-material-producing country, which cannot use them, towards a Third World country which can use them, even poorly, will contribute to re-establishing the balance of payments of the industrial countries and to stimulating world economies.

Consequently, this major operation which will occupy us during the coming years, the increase of the flow of money to the poorer countries, to the markets most in need of capital, to the markets most suited for transforming this capital into orders for durable goods and consumer

goods, all these operations, however vital for these countries, for their survival, are also very important for us, they are very important to our balances of payments, all the more so since we are dependent on the developing countries for our imports of raw materials.

It is natural for the Community to have been in the forefront of this emergency action, because that is its tradition towards the Third World, but also because it is very clearly in its own interests. It is natural that in the future Europe and likewise Japan, which are both so heavily dependent on imports of raw materials, and therefore on the Third World and which have such serious deficits in the balance of payments, should be the most active, the most dynamic in this desire to recycle and this desire to turn our attention towards the poorest countries. We are fulfilling our ancient traditions, we are safeguarding our image and we are ensuring our future contacts with these countries but we are also serving our own very real interests.

I think this policy as a whole is of great importance and these remarks perhaps explain why we have and must have in the future a much bolder and constructive attitude than other major powers which are net exporters of raw materials and consequently are in a less difficult position.

These, Mr President, are the remarks which I wish to make to this Assembly in relation to the emergency action. Let us not ignore this emergency action; we are committed to it and it must be pursued to the end, our American friends must listen to the appeals from the poorest countries, appeals to which they have never been indifferent throughout their history, and they must also listen to the advice which their friends on this side of the Atlantic give them. This emergency action must be pursued to the end, it must be pursued so that when this breath of oxygen has been given, the very long term operations which I have mentioned, and which Mr Mac Namara has championed, can be achieved, and I hope that one day Parliament will once more deal with this subject in the broader dimension in the long term.

(Applause)

President. — Thank you, Mr Cheysson.

I call Mr Glinne to speak on behalf of the Socialist Group.

Mr Glinne. — *(F)* Mr President before hearing the explanations which Mr Cheysson has just given, which were marked by both generosity and clarity, the Socialist Group was very appreciative of the concrete, generous and constructive efforts made by the Commission to ensure

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that the Community contributed to the essential task of relieving the difficulties which the least favoured countries in the third world were experiencing as a result of the increase in energy prices.

After this morning's explanations, we still greatly appreciate the Commission's efforts and the question which arises today no longer concerns the positive attitude of the Commission, but the steps which Member States and the Council are or are not prepared to take as a result.

Our group noted with satisfaction the decision of 3 October in which the Council decided to grant initial emergency aid in the form of a first instalment of 150 million u.a. as an addition to the Community budget for 1974.

Attention must now be paid to seeing that the subsequent instalments are actually provided for in the 1975 budget. We, as a political group, will be particularly vigilant on this matter in the budgetary discussions for the next financial year.

It is also necessary, as Mr Cheysson indicated at the end of his speech, to go beyond the inadequate framework of emergency aid and to organize compensatory flows of funds.

In conclusion, Mr President, we believe that a precise definition and clear commitment by the Community, for the years to come as well as for the immediate future, on emergency aid and further measures, will be welcomed not only in themselves but because they would have the notable advantage of encouraging—at least we hope so—the hitherto negative or dilatory attitude of the two major powers, and the attitude, which certainly still leaves room for improvement, of the energy-producing countries.

Solidarity with the least well-provided countries is a world-wide responsibility and we sincerely hope for world-wide intervention. It was therefore appropriate that the Community, in view of this hope, should grant priority, insofar as its own responsibilities were concerned, to its contribution to the accomplishment of a world-wide duty of such importance.

(Applause)

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

Lord Reay. — I agree, as Mr Cheysson said originally, that since we debated this matter at some length in July there is no need for a long debate today and that the chief value of these questions has been to enable the Commissioner

to report on the latest situation with regard to the Fund, to state who else has contributed to it, who the beneficiaries are to be and so forth. This I think he did in very full measure. In my view we need to study quite carefully what he has said.

It must be gratifying to the Commissioner that the Council should finally have decided to approve the scheme for the initial contribution to the Fund—I think in the exact form in which he presented it in September. What is less satisfactory is that the draft budget for next year submitted by the Council makes no provision for the balance and therefore either that budget will have to produce an unforeseen surplus or there will need to be a supplementary budget, failing which the scheme will never be completed. However, this is something we can take further in the next part-session.

As to the industrialized countries, as I understood it, the Commissioner was able to report today that 350 million dollars have now been firmly pledged by industrialized countries other than the Community—that is, approximately one-third of the amount which Mr Cheysson foresaw originally as being their proper contribution. By comparison, the Community has now pledged about the same percentage, that is, one-third of the amount that he considered at that time to be the amount for which we should aim.

I agree with his statement that in the case of the USA a gap has grown up between their declarations of foreign policy in this field and what they have recently been able to do. I agree with him that it is important this be rectified and we hope this will be done soon.

As regards the OPEC countries, I think the position is less clear. It seems that in 1974 these countries, acting spontaneously, have substantially increased their commitments of aid to poorer countries, but the distribution of this aid does not for the most part follow the criteria that characterized Mr Cheysson's fund. What it does is to follow the principal elements in their foreign policy. Eighty per cent of their aid has gone to three countries, Egypt, Syria and Pakistan, of which only one fits the criteria of eligibility as a beneficiary under this Fund. Altogether, a little over 20 per cent of this total has been discovered to be destined for countries which fit these criteria. These are four countries—Pakistan, India, Mauritania and Somalia. As I understand it, these sums have then been treated as if they were a response to the appeal of Mr Cheysson, whether or not in fact they were. That of course is something that probably cannot be proved. They have then been measured against the total which was considered

Lord Reay

their proper contribution under the scheme. In their case this now amounts—as I understand it, but I should like to study the figures further—to some two-thirds of the amount that Mr Cheysson originally thought they might contribute.

This aid is of a rather different character from aid which has been pledged by industrialized countries within the framework of the Fund. I wonder how much the Commission knows about this aid from the oil-producers, about its conditions and so forth. There is not a great deal of information to be gained from their document on this. I wonder in particular if it is established that the sum they have arrived at as having been already contributed by the oil-producing countries satisfies the condition that it should be given before 30 July next year.

In its document, the Commission expresses the hope that the fact that the Community has taken the decision to make a contribution of 30 million dollars to be managed by the UN rather than distributed bilaterally will influence the oil-producers into doing the same thing. Although I should like to look further at the figures, it does not seem to me that they have gone far in this direction so far.

I approve very much of the notion in the question tabled by Mr Blumenfeld and his colleagues that perhaps pressure should be brought to bear on the Communist countries to contribute to international schemes of this sort. Perhaps we respect too much the Communist tradition of non-cooperation in international matters. It may after all have been originally possible to earmark a substantial contribution that we considered they should make to this fund. This Communist attitude will need to be changed if we are to have any hope of regulating, to the greater safety of us all, international agreements in the many fields in which that is becoming increasingly required.

I should like to raise one more matter. I was not entirely happy with what the Commissioner had to say on the subject of the efficient use of funds given in aid. I wonder whether the Commission ought not to satisfy itself about the efficient and equitable distribution of aid within beneficiary countries at the time it grants it. After all, there has been considerable public criticism about the inefficient or improper use of aid by recipient administrations. I am not sure that that criticism will be satisfied by reminding people that aid has been similarly misused in past centuries under colonial administrations.

I therefore hope that the Commission will look carefully into this and do the best it can to pursue vigorous inquiries and subsequently con-

duct rigorous supervision of the aid that is allotted in order to improve its use or ensure that it will be properly used.

(Applause)

President. — I call Mr Zeller.

Mr Zeller. — *(F)* Mr Chairman, Commissioner, dear colleagues, I would not like to add anything in criticism of what has been said up to now; I would simply like to make a suggestion, Commissioner, in connection with your remarks on the recycling of capital to the third world, which does in fact appear to me to be the only way for us to avoid an economic and financial crash. I think there is a small part missing, and perhaps a decisive one, in the scheme which you have outlined, which could have a certain amount of importance next year.

The wealth which Europe can provide to the third world and which would permit the provision of the wide base sought for in this recycling of capital towards the third world, the wealth which we possess is in human resources. We are in a position to help some of the poorest countries of the third world to use this capital efficiently.

So I wonder whether you and the Commission should not reflect about the best way of giving important technical assistance together with the capital which the Arab countries would supply and whether the Commission could draw up practical proposals in this field to significantly increase technical assistance. I think the mutual benefits for the world as a whole would be considerably increased and perhaps we would find there a solution to budgetary problems which will certainly arise since after all the Community is poor and will continue to be poor in foreign currency. So should we transfer currency or transfer men, young brains which, to my knowledge, we are not short of and of which we are perhaps even the only people to possess an abundance in this world?

(Applause)

President. — I call Mr Blumenfeld.

Mr Blumenfeld. — *(D)* Mr President, I should not like to interrupt the answer, but would make a few observations on the Commissioner's excellent exposition. Like you, I regret that this House has not been better attended to hear him.

Mr Cheysson put the whole question broached by us, Mr Deschamps and myself, into a broad context. I think, Mr Cheysson, that we shall

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have to discuss this question in more detail once again in the near future, since you have not been able to give at this time full answers to the more long-term questions. I can understand that. You have made a distinction between the immediate actions, which we fully and completely support, and the problems to be dealt with in the medium and long term. Let me say to you in this connection, taking up what Mr Zeller has just said, that we must in fact be clear that this whole range of problems cannot be dealt with simply by recycling and by monetary and capital aid etc.

Nor does the money the oil producers have indicated they will make available or already have made available in part at all suffice to solve the problem. In my opinion it even involves the great danger of giving another political strategic weapon into the hands of not entirely responsible governments, to the extent that the governments of the oil-producing countries will have additional raw materials at their disposal because of the fund. This is a very great danger for our political options.

I should like to make a further remark before I conclude, Mr President. I am favour of Mr Cheysson's words, to the effect that the Community should continue to point the way in the future, actually being put into practice. This applies, of course, especially to the USA, whose motivations I do not seek to interpret here; but I think I know why that country is still keeping away from a fixed sum for its contributions.

What I think must however be publicly stressed outside this assembly is the attitude of the Communist countries, and especially of the Soviet Union. They have not only not wished to participate, or not yet declared their readiness to do so, but the Soviet Union even wanted, with no consideration for the millions of people dying of hunger, to approach the United States, as supposedly the country still with reserves available, for grain imports, which could have been used to fight starvation in India and other countries, but was to be used in the Soviet Union to feed livestock. This did not take place because of the veto by the American President. But it should be put on record that at a time when we, the European Community, are doing everything in response to these signals, requests and everything put to us by the starving populations of the developing countries to help them, the Soviet Union for its part is trying to purchase quantities of grain of the order of several million tons in America, to use as livestock fodder. Mr President, all this has to be brought into a larger context. I should however, like to express the thanks of myself and my colleagues for the answer we have had from Mr Cheysson,

and to ask him to put himself at our disposal in due course for further and more detailed discussion.

(Applause)

President. — I call Mr Cheysson.

Mr Cheysson, member of the Commission of the European Communities. — *(F)* Mr President, I will first of all answer the questions which have been asked on figures.

When I spoke of a significant increase in commitments made by oil producing countries during the first half of 1974, that had nothing to do with the emergency action. The examination of what these countries are doing under emergency action was made by the World Bank, strictly within the criteria which had been drawn up, that is to say that only operations destined for countries on the list qualified: neither Egypt nor Syria are on that list; also only those operations decided on after the special session of the United Nations are included, therefore nothing from the beginning of 1974, but only operations which are to be completed before 30 June 1975.

This very rigorous examination led the World Bank to guarantee, in a memorandum specially addressed to us, that 1 100 million dollars fell entirely within the criteria as regards the oil-exporting countries. 170 million of this sum was paid to the special account of the Secretary General and 50 million was paid after the Community's decision. As for the 150 million dollars and, as a result of this decision, the 20 million dollars from Iran and the 30 million dollars from Saudi Arabia, which were blocked until the Community promised that it would itself pay into the special account, they were then made available in this special account.

As regards the other industrialized countries, the major problem is the American reservations and the total lack of interest of the Eastern countries. Fairly bitter remarks could be made about this. Mr Blumenfeld has just recalled recent Russian purchases of American wheat. Within a few hours, 3 million metric tons had been bought on the American market; this operation is all the more surprising since at that very moment the USSR was proposing to sell 2 million metric tons of wheat to India.

Strange, this American wheat sold to the Russians to be resold to the Indians! In any case, the Russians and the Americans at no stage planned to give away this wheat. Give it perhaps to the pigs or the chickens, yes, but to the countries most hit by the crisis...

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But this would lead us on to many reflections which go beyond the scope of this meeting.

Mr President, for the balance of our contribution the problem of entering it in the 1975 budget arises. The Council dealt with this question in a way denounced yesterday with much eloquence by many speakers, including the rapporteur and the chairman of the Committee on Budgets.

The Council feels that supplementary budgets should be adopted each time a decision is taken. It is clear that this would constitute the first supplementary budget since the decision must be taken before 31 January and that whatever the amount is it will be more than zero, the only appropriation entered.

Mr President, I widened the scope of this debate and several speakers have followed me in this. I think it would indeed be very good for the Parliament to speak of the whole problem in the much longer term. Certainly Mr Zeller's remarks have a lot of value. There is no doubt that the industrialized countries, particularly those who have cultural, linguistic, economic, historical and geographical links with the third world countries, can play a considerable role in the proper, satisfactory use of the sums put at the disposal of the poor countries in question.

Triangular operations should be a subject of almost systematic research with us. The three sides of this triangle are: capital from raw material producing countries, coming from the very place where we have accumulated them, even by force; the population, the potential of the developing countries, a contributing feature in development; the intervention of industrialized countries like ours with their techniques and their men—the highest form of technical assistance—and with their markets.

We will have to talk about all these subjects as Mr Blumenfeld suggested. But I hope, Mr President, that when this very general problem is taken up once more here, I will be luckier than on previous occasions and that the hour will not be so late, so that the Commission will not have to apologise, like today, for not being able to go further in its proposals.

President. — I have no motion for a resolution on this debate.

Does anyone else wish to speak?

The debate is closed.

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

The House will rise.

(The sitting was suspended at 1.20 p.m. and resumed at 3.00 p.m.)

IN THE CHAIR: MR MCDONALD

Vice-President

President. — The sitting is resumed.

6. Commission proposals and communications on the grant of generalized tariff preferences on exports of manufactured and semi-manufactured products from developing countries for 1975

President. — The next item on the agenda is a debate on the report drawn up by Mr Kaspereit on behalf of the Committee on Development and Cooperation on the proposals and communications from the Commission of the European Communities to the Council (Doc. 201/74) concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1 to 24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25 to 99, originating in developing countries (Doc. 285/74).

I call Mr Kaspereit, who has asked to present his report.

Mr Kaspereit, rapporteur. — *(F)* Mr President, my dear colleagues, I think that the discussion which we are beginning is the logical consequence of the talks we are holding with the Commission representative. We must now get down to a certain number of specific problems which were dealt with both in a document presented to the European Parliament on 18 July 1974 and in the report which I drew up on behalf of the Committee on Development and Cooperation.

I would like to deal basically with general considerations, that is to say summarize in a few words the Community system of generalized preferences, its characteristics and development, make observations on the difficulties which can arise for beneficiary countries and finally draw a few conclusions from the draft report before you.

The Community system of generalized preferences has been in operation, as you know, from 1971 and concerns the granting of tariff preferences for manufactured or semi-manufactured products from developing countries. It was established in implementation of a resolution

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unanimously adopted at the Second Conference of the United Nations on Trade and Development in 1968 in New Delhi.

It should be noted that although many Western industrialized countries, and Japan, grant generalized preferences, we in the Community can be proud to have been the first to put them into practice and the Community's action is by far the most important in this field. I remind you that these are autonomous non-negotiated concessions which in the main fall within criteria laid down by the UNCTAD resolution, that is to say that they are non-reciprocal, since they are granted without any concessions in return, generalized, since they cover in principle all manufactured and semi-manufactured products and finally non-discriminatory with regard to all developing countries which all qualify to benefit therefrom.

The Community has excluded raw materials from its offer and has laid down special arrangements for industrial products and for processed agricultural products. For the former, duty-free entry is granted under a global ceiling calculated by product and without fixed amounts. Maximum individual shares (butoirs) limit the percentage of exports from each beneficiary country within this ceiling.

For processed agricultural products, more limited concessions have been granted in view of the necessity to protect Community production and especially so as not to damage competitive exports from states associated with the Community.

What are the characteristics of the system of generalized preferences? All systems, be it the Community system or, for example, the Japanese system, are based on similar principles. First of all, they are for a duration of 10 years, as agreed in the OECD; secondly they apply to most developing countries, with some exceptions made for political reasons or competitive reasons. Moreover they permit the entry of a limited number of products listed in Chapters 1 to 24 and 25 to 99 of the Common Customs Tariff under the system of tariff preferences and, where appropriate, duty free.

In addition, very strict rules of origin prevent industrialized countries (and this is important) using developing countries as staging posts for their products, thus ensuring that tariff preferences are applied to products really manufactured in developing countries. Safeguard measures are provided in the case of disturbance to the market. In this connection, it should be stressed—and I will return to this in a moment—that the United States does not participate in the system of generalized preferences.

What should be borne in mind—and I repeat that this is something for us to be proud of—is that the oldest system is that of the European Economic Community. Certainly many criticisms have been made about our system, but if we had not implemented it ourselves, it is quite probable that such a system would never have been put into operation.

During 1974 three different kinds of factors have brought about changes in the system without overturning its overall machinery.

First of all the accession from 1 January last of the three new Member States to the system implemented by the Six; secondly the commitment made by the Paris Summit Conferences to improve the generalized preferences offered by the Community and the conclusions reached in this field by the Nine in the Working Party on Cooperation and Development and lastly the joint declaration of intent adopted at the signature of the Treaty of Accession, on the development of trade relations with Sri Lanka, India, Malaysia, Pakistan and Singapore, countries for which Britain was particularly anxious to obtain significant improvements in Community preferences for the products which concerned them most directly.

After a lot of hard work, at the end of 1973, the Nine managed to lay down the new Community system of generalized preferences. It has been considerably improved: for industrial products, the permissible amount of imports free of duty is increased to 2 500 million units of account, which represents an increase of 40%. The anxieties expressed by the new Member States, and in particular by the United Kingdom, about maintaining traditional patterns of trade, have by and large been taken into consideration.

Consequently, now that we are setting out on proposals for 1975, we must try to draw some more conclusions from the system, taking into account the interests and needs of the developing countries.

Originally, the idea of generalized preferences was in fact to increase their competitiveness on the markets of industrialized countries and to encourage investment.

In practice it has seemed difficult to achieve this aim. Besides, if applying tariff preferences to industrial products were enough to overcome the difficulties faced by developing countries, it is certain that we would now have no more worries about the associated states, since having enjoyed this treatment for a long time, they would have overcome their difficulties.

It is for this reason that developments have taken place and that is why our system must

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continue to develop. In this context, I would like to remind our colleagues that the system cannot be applied blindly. There are various kinds of developing countries. There are first of all those countries which are in a fairly strong competitive position. Here I am thinking of Hong Kong, Yugoslavia, Korea and for a large number of products, Mexico and Brazil. Attention must be paid to the fact that in many cases trade with these countries represents the major part of preferential trade. That is why the Commission's experts propose that the share of the market which they hold for certain sensitive products should be frozen, so as not to create inequalities which no one could bear.

Then there are other countries which have achieved a certain degree of industrialization. Here I am thinking in particular of Afghanistan, Algeria, Argentina, Colombia, Morocco and Pakistan. These countries have a certain number of reservations about our system. Basically—as the information which we have been able to obtain shows clearly—they are suffering from a lack of information. You have read in the report that these proposals are drawn up to fill this gap. Moreover they are in constant fear of the system being suspended during the course of the year, and they also fear that any future GATT negotiations might reach conclusions damaging to them. All these fears are increased by the fact that most of these countries have not the necessary marketing knowledge to use the means at their disposal efficiently and all these factors damage the smooth running of the system and reduce the advantages the beneficiaries could obtain from it.

There is lastly a third category of developing country: these are the non-industrialized countries which export very little: the Sahel, Laos, Haiti. It is clear that there is only one way to help them: to authorize them to export more processed agricultural products, so that they can obtain greater profits from their foreign trade.

From these few observations, we can deduce mainly that one of the difficulties in applying the system we have chosen is the fact that we have a lack of statistics and information. We do not at present know what the effect of the system of generalized preferences is on the economies of Member States. We do not know exactly what real help we are giving to each of the developing countries with which we are cooperating. The developing countries do not know exactly what are the advantages they can obtain from the system.

This initial series of conclusions explains the proposals made by the Commission aimed at setting up an information and documentation Agency, which appears absolutely essential if

we are not to continue working in the dark and putting at the disposal of the developing countries large sums which risk either not being used or being used inefficiently.

Having made all these observations, I would like to conclude, Mr President, with some comments on the draft resolution before our Assembly. These comments are of three kinds: the resolution before you has a technical aspect. Secondly, it concerns the methods of using the preferences. And finally it has a political aspect.

The technical aspect is dealt with in paragraphs 4 and 5.

In paragraph 5, your committee proposes that we stress the fact that we welcome the improvements proposed for 1975 over the preceding years, particularly as regards the increase in preferential margins for processed agricultural products and in the number of products covered by the system, and the reduction of the number of products subject to tariff quotas, and finally the measures proposed to afford better protection for the least advanced countries.

In paragraph 4 we proposed that on the one hand we approve the Commission's proposals for the introduction of a reserve share for tariff quotas, and on the other hand we request that the percentages be increased as soon as possible.

I will not deal further with this question of a reserve share which is clearly explained, both in the document sent to the Parliament and in the document drawn up by your committee. It is certain that if a system of prior allocation of the quota between Member States is used, and no reserve share kept, the system is incompletely used: certain sums become unproductive, frozen, blocked in a bank account.

It is therefore necessary for the Commission to be able to act with great flexibility according to needs and according to demand to use the sums at its disposal for the benefit of all.

I will not spend long on the methods of using the system, commented on in paragraphs 8, 9 and 10, which I spoke of a moment ago. Briefly, we approve the Commission's proposals to set up an information and documentation Agency. Certainly I am convinced that when the Commission sets up this Agency, it will put before us the specific details of its operation, and it is natural for us to demand this. But I do not think that any one can dispute the necessity in principle for this Agency nor be surprised that we regret the lack of figures and statistical information.

I come finally to the political aspect. It is dealt with in paragraph 2 of the resolution which says that if the future of the policy of general-

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ized preferences is to be guaranteed, it must not entail the risk that the balance of payments situation in Member States may be seriously affected. This statement may perhaps seem self-evident at the present time. It is repeated often and I think it is a statement which must be made since, without our fully realizing it in practice, we are already in an extremely difficult period. Safeguards must be laid down for the future. The policy of generalized preferences must be carried out in such a way that our balances of payments do not eventually suffer.

Paragraphs 3 and 6 deal with another political consideration. Paragraph 3 deals with the necessity for costs being shared in an equitable manner, that is to say for the participation of all industrialized countries or countries with a large per capita income. As regards the sharing of costs, it is certain that until last July two major countries were dragging behind: Canada, which I hope has caught up with us since 1 July last, and the United States which on the other hand has not done this. Mr Cheysson made some very apt remarks on this this morning.

Your Committee on Development and Cooperation can only approve and repeat these. For it is unreasonable that in 1974 a country as rich as the United States should not yet participate in the system of generalized preferences for developing countries. Perhaps there are procedural formalities with which the government must comply. This is quite possible. For my own part I have no information which makes me optimistic at this time. Once more we can only express our regrets on this subject.

We think, as is stated in the resolution, that not only industrialized countries should participate but also those with a high per capita income. We are here clearly thinking of the newly rich oil-producing countries. There is no reason why only the industrialized countries, which are at present facing great difficulties, should bear this burden alone. Oil-producing countries must join with them. In paragraph 6 we specified that the only countries that may benefit from generalized preferences are those which are still indisputably developing countries. It is quite clear that developing countries which have become rich countries cannot continue to benefit from the efforts of the European Economic Community.

Looking at it from a moral level, how are we to explain to these countries of the fourth world which are completely destitute, the fact that we leave on a list of possible beneficiaries countries which not only are extremely rich but are increasing the poverty of the poorest countries? These are questions of morality, or at least

honesty, which the European Parliament should accept.

It is for this reason that, not wishing to hold a knife to the Commission, by asking it to draw up immediately a new list of developing countries, we simply expressed our desire that only the countries which are indisputably developing countries should benefit from our generosity.

The problems of the associated countries are linked with this question. The system of generalized preferences cannot be developed without further reflection. Account must be taken of the agreements which we have concluded under the old system or the new system and of those which we are about to conclude with all the associated countries. What counts in our relations with developing countries is not only what we give to them, it is also the honesty and fidelity which must characterize our relations. If we go back on our commitments to the associated countries, on the advantages which we have given them and if we grant these to any other country, we would lose world-wide confidence and with that our action would become completely useless.

(Applause)

President. — I call Mr D'Angelosante, draftsman for the opinion of the Committee on External Economic Relations.

Mr D'Angelosante. — *(I)* Mr President, I shall not take up too much of your time, ladies and gentlemen, because as regards the main points in the subject matter which is occupying us I refer to the written opinion I drafted on behalf of the Committee on External Economic Relations. This saves me the trouble of looking up a number of special points and enables me to confine my statement to a few comments of general political interest.

This House has already had occasion to broach the topic of generalized tariff preferences; more than once in the past it has expressed a favourable opinion. Both personally and on behalf of the committee I am speaking for, I shall say that I see no reason why this opinion so oft reiterated should be changed. On the other hand it would appear that our business partners also, who benefit to a different extent from this system of generalized tariff preferences, as Mr Kaspereit has pointed out, have on more than one occasion expressed themselves in warmly approving terms.

It follows that there is no need for reviewing a system which can be said to have completely made the grade, although a number of reservations which we did not voice at the outset and

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will express on this occasion (which makes me strike a slightly different note from Mr Kaspereit) must be maintained.

This, at any rate, is my view and that of my group. At a time when, apart from some forms of regional aid which the Community gives within the framework of its many agreements with individual countries and regional groups of developing countries, the most general and inclusive form of aid is just this.

Well, at a time when the Community is cooperating with the development of countries in the Third World chiefly by means of this policy of generalized tariff preferences and that channel of aid makes its impact felt on those countries' foreign trade, the question which suggests itself, though perhaps only as an introduction to this discussion, is this: what part does foreign trade play in the revenue of those countries?

Persistent questioning of the worthy officials who represent the executive Commission in our Committee on External Economic Relations has yielded the information that, in fact, extremely little use has been made of the privilege represented by the system of generalized tariff preferences, and that, moreover, even such resort as has been had to the system has involved only a few countries, these being the more developed ones which are organized for foreign trade and have an aptitude for it. In this we have been confirmed in a judgment to which we—and others—have always given expression.

I should like to call attention to an observation made by Mr Mansholt, former President of the Commission, at the United Nations Conference on Trade and Development. Mr Mansholt gave it as his opinion that reliance on the formation of a powerful bloc of importer-countries such as the European Community represents does not afford an adequate basis for solving the problems of development in the countries of the Third World. Mr Mansholt was questioning our philosophical assumptions, and we do likewise.

Of course the Community is granting aid on a generous scale to the countries of the Third World, through this system of generalized tariff preferences, but with even greater chivalry keeps silent about the failure of other developed countries, to begin with the United States, which drag their feet over the fulfilment of their commitments in this field. We cannot forget that in the past the refusal of the United States has been motivated by hostility towards the Community. Whilst acknowledging the value of this system we must therefore not forget that the background of fact it is based on gives rise to a good deal of uncertainty over the fortunes of developing countries, and that this gets worse

as time goes on. I say 'yes' to the system but wanted to make this point.

Within this frame of reference let me draw attention—as Mr Kaspereit has done—to this somewhat obscure question of so-called conditional inclusions, i.e. the extra concessions for 1975; beneficiaries may avail themselves of these advantages only after the signing of the new treaties of association, due for renewal, with countries in Africa and other parts, as well as with those who are signing treaties of association with the Community for the first time.

Having said this I should now like to go into two special points. These have been thrashed out within the Committee on External Economic Relations and it is therefore my duty to give an oral account of them to the House in full session, as well as a written report. Two questions have been given special attention in committee: the problem of Indian tobacco, and that of the list of countries qualifying for the benefits of generalized tariff preferences.

As far as Indian tobacco is concerned, we have reached a conclusion which has been accepted by all and on which I shall presently have something to say. The only unprocessed, semi-manufactured agricultural product which qualifies for generalized tariff preference is raw tobacco of the Virginia type, of Indian origin, specified in the regulations submitted for consideration within the framework of generalized tariff preference renewal.

There have been some mutterings from Member countries of the Community which produce tobacco. Their spokesmen in this House maintain that if we admit an unprocessed agricultural product we shall end up by damaging the business of Community countries which sell it too. Furthermore, according to their representatives, matters will be made worse with the renewal of relations with Greece, tobacco being one of that country's major exports, if not the main export, to be considered within the context of Greek-Community relations.

However, ladies and gentlemen, a discussion within the Committee on External Economic Relations has sorted out this problem, and it has been acknowledged that there are other semi-manufactured products which come within the purview of the system, that there are other countries which allow preferences to semi-manufactured agricultural imports; also, account has been taken, in this kind of general discussion on the Third World and on the concept of 'developing countries', of the very special conditions and problems experienced by, among others, nations, India. In our committee we have got round to thinking in terms of accepting

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this state of affairs, even if what looked last year like a transitory condition has now become something permanent.

Speaking personally and not on the committee's behalf, I should say that it would be worth while reviewing the entire question with India's special interests in mind, both from the angle of the famous declaration of intention concerning relations between Great Britain and certain developing countries, made at the time when the United Kingdom joined the EEC, and also with reference to the special circumstances of India I have already alluded to. This is all the more relevant, ladies and gentlemen, inasmuch as it would now appear to have been established that the course of business relations between the Community and India, as far as tobacco imports are concerned (which account for twelve percent of India's exports) has worked out unfavourably for India's producers, due to the fact that the year 1971 was taken for reference purposes in the matter of quantities and prices, that particular year being unrepresentative for the country owing to changes in prices and quantities which have occurred since then.

Since, as I have already pointed out, India has increased her production of Virginia tobacco, a product which holds an important place in that country's foreign trade, there may well be a case for the Commission to take another look at the whole question with a view to cooperating more closely with India's interests and urgent need to get her economy onto a better footing.

However, what does not square according to the Committee on External Economic Relations is the manner in which the Indian import quota has so far been handled inside the Community. The generalized tariff preferences are granted by the European Economic Community in order to help developing countries, not in order to help industrial producers in Member countries or in any advanced industrial countries. There has been quite a fuss in the Committee on External Economic Relations—but I would not wish to start any argument over this—over the fact that British industrialists who process tobacco have used up virtually the whole of the import quota of Indian tobacco for the Community.

It is on this point that the Committee on External Economic Relations nurses considerable reservations, and there is a certain amount of embarrassment. It would be a good joke for next week's 'Punch' if, Mr President, as almost appears to be the case, the people who export flue-cured Virginia-type tobacco turned out to be British citizens owning tobacco plantations in India and utilizing the generalized tariff preferences as a means of getting their product

to British industrialists in England at competitive prices. The real beneficiaries of the generalized tariff preference system would be European industrialists rather than India.

Were this to be the case, the problem would have to be given serious consideration; the Commission would have to take up a position and take steps to put the matter right.

Finally I should like to raise a question which has, as a matter of fact, already been brought up by Mr Kasperleit. The Committee on External Economic Relations had decided that it would not formulate an 'official' attitude over this problem but would leave it to committee members to express their own points of view at today's debate.

Mr President, I am referring to paragraph 6 of the resolution approved by the Committee on Development and Cooperation, i.e. to the familiar question of the list of qualifying countries, over which there has been continual argument in the past in the matter of whether other countries such as Rumania, Bulgaria, et cetera, were to be admitted. In any event it has always been a basic criterion that a 'developing country' was one defined as such by the juridical standards 434 of the international organizations. The developing countries are therefore understood to be those which form part of the 'group of 77' in the United Nations.

This objective criterion, though only formal, should not according to us be called into question. The Community cannot assume the responsibility of disrupting the unity of this group, partly because we would be creating discriminations which lack any basis in reality and partly because the criteria advanced by Mr Kasperleit are inadequate and more would be needed. The objective criteria which could in a reliable way define what constitutes a developing country do not exist.

I am coming to it, Mr President: there is a wish to see the list modified in so far as it is considered unfair that Saudi Arabia and the other countries of the Persian Gulf which produce oil and derive a high pro capita income from it, should be classed as developing countries. Leaving aside the fact that these countries have a much higher revenue than could justify their inclusion in the 'developing' category, Mr Kasperleit himself provides the argument for rejecting what I consider to be a political mistake: the fact that these countries anyhow do not export to the Community any products which qualify for generalized tariff preferences.

A change of this kind would have damaging effects for us and for the developing countries. We should be inflicting on the oil producing and

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exporting countries a punishment analogous to that of the Samnites at the Caudine Forks—it would cause a lot of offence and indignation without taking anything away from them since, as Mr Kaspereit has pointed out, they export no product to the Community which qualifies for generalized tariff preferences.

For these reasons, Mr President, while confirming our agreement to the proposal for resolution in its entirety and our hope that the few changes we have recommended will be taken into consideration by the Commission, we trust that the House will reject any attempt at reviewing the list of countries which qualify for generalized tariff preferences.

(Applause)

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

Mr Broeksz. — (NL) Mr President, it strikes me that Mr D'Angelosante, speaking on behalf of his co-advising committee, has brought up peculiar things which are not mentioned at all in that committee or in the report. I may have occasion to revert to this at a later stage.

I thank Mr Kaspereit for his report and interesting elucidation, but I am sorry to hear him say we should really cut down on development aid where the balance of payments is less favourable. Our committee has registered emphatic opposition to this view.

The first reason for this is that very wealthy countries such as for example France and Holland may well at a given moment find themselves in the red on their balances of payments, without this in any way detracting from the fact that they are very rich. Mr Kaspereit also ventures a not unjustified observation about America, but he wants to achieve for the EEC countries the very thing he reproaches America with.

Within the framework of the EEC's development policy the system of generalized tariff preferences occupies an important place. Together with food aid this is one of the twin instruments of the Community's development policy which are truly general, by which we mean that they are in principle meant to benefit *any and all* developing countries.

In the past the Community's development policy has been justly criticized on the grounds that it was too narrowly focused onto a small group of developing countries associated with the Community. Although there are now good prospects of the Community coming to be associated with a much larger sphere in that category—even so, still fewer than half of all developing countries—a further extension of the instruments of

generalized tariff preferences retains great importance for the universalization of the Community's development policy.

With regard to the proposals and communications of the Commission, we should like to supply more detailed comment on a limited number of points. We shall begin by calling attention to some parts of the proposals and communications which do in fact raise the issue of progress as compared with the system of generalized tariff preferences hitherto applied. The parts of the Commission's proposals and communications which are in our view relevant to this progress include the following:

- i) reduction in the number of 'sensitive' industrial products which may be imported into Member States only on a quota basis, from 51 to 7;
- ii) introduction of Community reserves within the framework of the remaining tariff quotas;
- iii) introduction of a plurality ruling for the rules on origin in connection with the claims which a number of developing countries made on their regional integration;
- iv) a ruling to take effect on the collection of statistical data relating to resort to the system of generalized tariff preferences.

To summarize, the above points do suggest a forward movement, though to a limited extent. So just let us hope the Council will spare us something of the limited progress proposed.

One or two of the changes in the system of generalized tariff preferences proposed by the Commission are in our view most unfortunate. What we have in mind here is the proposed ruling on processed agricultural products and the change in the system of emergency stockpiling.

The Commission is proposing to add a number of new lines to the list of processed agricultural products within the framework of the generalized tariff preference system. These products are: natural honey, fresh and cut orchids, palm oil, palm kernel oil for all uses, coconut oil for human consumption, pepper and canned sliced pineapple.

Inclusion of palm oil, palm kernel oil, coconut oil and canned pineapple is subject to a condition. In the case of canned pineapple, inclusion depends on the entry into force of a regulation on canned fruits which is not yet on the book. In the case of the other products mentioned, inclusion depends on the new agreement between the Community and the ACP countries taking effect.

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We think the extensions envisaged are too limited. The import of these products from developing countries not associated with the Community represented, in 1972, a figure of 156 million u.a., of which as many as 128 million u. a. refer to the products included conditionally.

It is disappointing to see how the Community drags its feet over extending the scope for imports from developing countries. This applies particularly to a number of countries which are in great difficulties. Mention has already been made of Indian tobacco, but the situation of Bangla-Desh, Sri-Lanka and some of the central American countries is just as shocking.

In the second place it strikes me as somewhat curious that the inclusion of a number of products should be made dependent on the coming into force of a new agreement between the Community and its associated developing countries. This does not square with the idea of a system of generalized tariff preferences which is meant to be a general instrument for promoting development.

A similar contradiction crops up over the question of conditions governing the inclusion of palm oil, palm kernel oil and coconut oil within the system of generalized tariff preferences. The Commission is in fact proposing that we do not reduce the ad valorem duty on these products, but that we convert the ad valorem duty into a lower specific duty in relation to current prices.

Bearing in mind that the Commission has offered exemption from import duty without restriction for these products in its negotiations for a new association agreement with associated developing countries, we have clear evidence of discrimination against the other developing countries.

Whereas the developing countries associated with the Community are assured of free access to the Community market, the remaining developing countries will, owing to the specific duty, experience greater difficulty in selling their goods on the Community market in proportion as the prices of these products drop. As a result of this there will be a further drop in the prices of these products in the poorest countries.

I repeat with emphasis: it is quite wrong that a system of generalized tariff preferences which should be a non-discriminating tool for promoting development, should have any such built-in discrimination against developing countries not associated with the Community.

We are unhappy also about the change which the Community is proposing to make in the system of emergency stockpiling. We are assuming for the sake of argument that the need for a system of emergency stockpiling is fully accepted. I

endorse the intention to prevent any of the relatively more advanced developing countries from monopolizing the available scope for preferential imports, with the result that the poorer developing countries have no chance of getting their share of generalized tariff preferences.

We support the Commission's endeavour better to protect the poorer developing countries by means of a system of emergency stockpiling. However, we feel that the ruling proposed by the Commission to this end is far too complicated. The calculations need to take widely divergent conditions into account—conditions I do not have the time to list at this juncture. These conditions will no doubt keep some officials busy for long hours over figures. We find the system which has been worked out quite confusing and therefore unsuitable for its purpose.

These observations lead us to ask the Commission urgently to make a serious attempt at simplifying the system. The fact that importers in the Community and exporters in the developing countries fail to make the fullest use of the possibilities offered by the system of generalized tariff preferences is to a large extent due to the fact that they do not understand it. And it should be borne in mind in this connection that in the developing countries complicated regulations frequently exceed the capacity of exporters and officials to cope with them.

As a final observation, it strikes me as remarkable that such a complicated ruling should be devised where the relevant statistical information is so very scanty. The need for simplification is all the more urgent inasmuch as a number of other countries have followed the Community's example in introducing a system of generalized tariff preferences. The scheme being considered by the Commission of setting up a centre for documentation, research and advice on general tariff preferences might be a less pressing matter if the Community system of generalized tariff preferences could be simplified.

The composition of the list of favoured countries has been giving rise to criticism for some time. Again the Commission is proving shy to make a break with this list which, at the present juncture at any rate, looks very arbitrary indeed with nothing but a historical background to fall back on.

The considerable rises in the price of mineral oil which occurred over the last year have made it look odd that virtually all the oil-exporting countries can still in principle make use of the system of generalized tariff preferences.

In our view there is no longer any getting away from the need to review the list. After what has

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been said by the rapporteur there is no need for me to waste many words. Mr D'Angelosante's coddling of the oil sheiks can be ascribed to the fact that Rumania is also on the list for purely political reasons, although she is no longer in our sense a developing country. I perfectly understand Mr D'Angelosante's political reasons for taking the view—on behalf of his group rather than on that of his committee—that Rumania (Bulgaria was mentioned too) should enjoy tariff preferences, and that in order to avoid having the list altered he is espousing the cause of the sheiks.

Although this may make sense politically, it makes no sense as regards the composition of a list of developing countries. We hope in this connection to see Bulgaria dropped as well. We ask the Commission to draw up a new list of favoured countries. The criterion should be: per capita income for the population. It should be clear that we are accepting the proposals and communications of the Commission half-heartedly, with mixed feelings and plenty of reservations.

(Applause)

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

Lord Reay. — In his report Mr Kaspereit properly welcomes the Commission's GSP proposals for 1975. Both in their scope and in the new elements which they contain, these proposals meet many of the requests which have been made in this Parliament in the past.

Since this scheme represents a calculated encouragement of imports from countries which we wish to assist, its substantial extension at this time, when we fear for our own trading balances, is a bold and magnanimous act of policy. It was, however, essential both as a recognition of the just demands of impoverished and underdeveloped countries and to improve the balance in the Community's development policy between the advantages that it must continue to offer to those with whom it has been and will be associated, and those others—the majority—whose needs have been insufficiently recognized in the past and which include large populations to whom special pledges were made in the Joint Declaration of Intent, which itself was an integral part of the Accession Treaty.

As has been pointed out, the 'sensitive' list has now been reduced from 51 to 7, and this is a quite substantial reduction. A Community reserve system has been introduced, which will counter complaints about the unused proportion of the Community quotas. However, the form of the proposal is quite modest and I hope that the

Commission will attempt in the future to extend the percentages which are available to individual Member States from the reserve.

Moreover, the Commission has not accepted the proposal that the key which determines each Member State's share of the quota should be varied from product to product. Since on the face of it this could do much to assist the preservation of existing trade patterns, perhaps the Commission will reconsider this proposal in the future.

To give an example of what has happened under the 1974 scheme, the United Kingdom quota for footwear under tariff heading 6402A was, I believe, exhausted by July and under tariff heading 6402B by February. Under tariff heading 6402A, in 1971 the United Kingdom imported 80 million units of account but its allocation is now 4 million units of account. This scheme is to be improved for 1975 but since the proposal is also included that Hong Kong should in this sector be admitted into the scheme, one probably expects that the quotas will not last any longer than they have done in the past.

The transfer off the sensitive list of 44 products, all with one exception now to have a butoir of 50%, has created what is, at least apparently, an anomaly, namely, that some products which were previously not sensitive now have a lower butoir and, therefore, are given effectively more protection than those which were previously sensitive. Perhaps the Commission may also give thought to this.

I think that the Commission is quite right to introduce a lower butoir of 15% for certain more developed developing countries on a product basis, subject to the qualification that no country should suffer an absolute decline from previous trading levels in any one product. This will arrest an imbalance that was developing between the advantages drawn from the scheme by what must be seen as different categories of developing countries.

The extensions under Chapters 1 to 24—the agricultural products—are much to be welcomed. As I understand it, the scheme for 1975 will include the advantages that figured in the ill-fated intermediate scheme for 1974, which we approved here in July but which, I understand, is not now to have an independent existence. If that is so, that fact is much to be regretted and a lot of people must have been put to a great deal of work to no purpose.

Under this heading again, the Commission might seek indirectly to apply in the future the principle of directing assistance chiefly to the poorest countries—I am still talking of Chapters 1

Lord Reay

to 24—by selecting products of especial interest to such countries for preferential treatment in the scheme. In the case of some Asian countries there are certain products which have been brought to my attention as being of particular interest—namely, walnuts, pimento and that product about which we show so much ambivalence, the cigarette.

I should like clarification of the Commission's paragraph on jute and coir on page 17 of their document. Without going so far as to make a proposal in that paragraph, the Commission is apparently giving a discreet hint that in its opinion the zero tariff for Denmark and the United Kingdom could continue next year on these products. I should like very much, if it is possible, to tempt the Commissioner into making a more explicit statement of his opinion on this matter this afternoon.

It must be appreciated that the progressive alignment of the tariffs of the acceding countries with those of the Community is having the effect of even more than offsetting the reductions in Community duties—the CCT—under the improvements being introduced to the GSP scheme for those countries which previously enjoyed preferential access to the United Kingdom market. Under Annex B the Commission proposes to meet this problem by reducing the rate of alignment in certain products, although it has left out some of great interest to certain countries. For example, I could mention fresh and canned prawns and sweetened cocoa powder.

In this context, perhaps I could take up the subject which Mr D'Angelosante brought up and treated very sympathetically, although I failed to understand the latter part of his argument, when he spoke of Virginian flue-cured tobacco which, as he pointed out, is a matter of great concern to India. The Commission proposes that the quota should be put on a volume and not a value basis, and that is very welcome.

This trade is of particular importance for India. As Mr D'Angelosante pointed out, at the maximum it can account for 12% of India's exports to the Nine and 20% of her exports to the United Kingdom.

The concern is caused or aggravated by the trading situation which applies outside the GSP in this product where, somewhat perversely, owing to the minimum and maximum specific duties applying under the MFN, India pays a far higher *ad valorem* duty than her chief competitor, the United States, and also by the fear that those hard bargainers of the Eastern bloc, who constitute India's second market in this product, will be less accommodating in their terms if they know that India's trade is being squeezed in the West.

The problem is, first, that the volume basis does not apply for 1974, so a backlog is accumulating and, secondly, that the volume quota proposed for 1975 falls far below her exporting capacity. This is some 50% higher than the proposed quota.

I hope, therefore, that the Commission will give urgent consideration to this problem, which is unlikely to disappear, and will alleviate it by a proposal to increase the quota and to deal with the tariff alignment problem by increasing the tariff suspension percentage. In saying this about this product, I recognize that it is a highly complicated question. It is a complicated matter of balancing the trade advantages of different countries of different blocs in the world. I am aware of that, and there was a good article on the subject in the Financial Times yesterday. Perhaps the Commission would study the proposals submitted to it by missions from Bangladesh, India and Sri Lanka on this and other matters.

I have made a plea for better treatment in a considerable number of instances for products of interest to countries covered by the Joint Declaration of Intent. I do not consider this an inappropriate occasion to do so, partly because of the importance of honouring the Joint Declaration of Intent which, as I have said, was an integral element in the Accession Treaty, and partly because it is in the GSP scheme that the Joint Declaration of Intent can perhaps best be given concrete form. However, I should like to make it plain that much has already been done by the Commission. Soon, if not already, the advantages enjoyed by these countries on the vast Community market must outweigh those they previously had in the United Kingdom alone.

But to make a reality of these potential advantages the flow of information must improve. For all parties, for us, for the beneficiaries, and even, as it disarmingly admits, for the Commission, information in this field is particularly hard to come by. Without the information, the beneficiaries will reach unfavourable agreements with the importers. For us, without information we cannot judge how trade is being affected by the schemes that we so regularly approve. We need to know who is being affected and how, and it is our duty to demand of the Commission that it publishes the information which it has expressed its intention to collect.

Finally, I should like to refer to a matter which, I know, vexes the Commission but which has been dealt with by all other speakers, namely, the request in the resolution for a definition of a developing country. This is, in effect, a request that the enriched oil producers should be taken

Lord Reay

off the list of those countries formally entitled to benefit under the scheme. Certainly this is a political matter. It is not a question of any current commercial significance. As it happens, I strongly believe that ties between ourselves and the oil producers, indeed a network of ties, should be established. It is of vital importance that cooperation and political trust should characterize our future relationship with those countries.

But it does not follow that the expression of our goodwill should include our connivance at the fiction that these countries are properly categorized in the world scheme of things among the poor countries of the earth, in whose interests and in whose interests alone this valuable scheme was established and should be maintained.

President. — I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — This has been a most interesting debate from which the Commission draws a great deal of satisfaction in many ways.

There have been some criticisms and I should like to face up to these and discuss them with the House.

The report by Mr Kaspereit is an excellent one and we congratulate him. We are glad that the draft resolution before the House supports our proposals for the generalized preference scheme in general. It is a source of great encouragement to us that this House always gives unflinching support to our work in developing and expanding this scheme. Year by year your reports on this subject are a mine of constructive information. I will show later, I hope, how we have in the past taken notice of those reports which we have had the time to digest and to some extent implement.

At a time of critical economic and financial uncertainty in Europe, it might have been tempting for us to look first to ourselves, to worry about our own balance of payments, about our own central problems and to forget that while we may be affected by the economic tempests that loom on the world horizon, they have already hit many developing countries with great ferocity.

It is, therefore, reassuring that this House, while clearly conscious of the implication of this scheme in terms of our own economies inside the Community, puts those implications into the wider perspective of the greater need of the developing countries, including some of the biggest and the poorest countries of the world.

It was, indeed, in that same spirit that the Commission drew up its proposals for 1975. Far be it from me to burden the House by going over all the various aspects of these proposals, since the House is clearly so much in overall agreement with us, but I should like to address myself to one or two particular points raised in the resolution and the report before the House and some of the points made in the debate.

Mr D'Angelosante, and Lord Reay also, referred specifically to the import quota under the generalized preference scheme which we are proposing for 1975 for Virginia flue-cured tobacco, which we hope may come from South Korea, Thailand and the Philippines though the bulk of it will, no doubt, be coming from India. The House knows the situation that India faces at this moment. I do not believe any Member really believes that in these circumstances we should have added to India's problems by reducing the quantity of tobacco which the Community has traditionally been importing from India.

I might add that such tobacco will, we hope, be coming into the Community free of duty next year from the tobacco growers of the 30-odd African and Caribbean states with whom we are negotiating an agreement. A number of those countries are highly competitive producers of that very same type of tobacco which is produced and exported by India, so the Indians, who are given what is in effect only a limited preference for a limited quantity, and not duty-free access, will in any case find themselves at a disadvantage compared with those other producers, in relation to many of whom they have not traditionally in the past been at a disadvantage.

What the Commission proposes, in order to avoid the erosion of the GSP quota by price fluctuations and inflation, is to transform this quota from a quota by value to a quota by volume. I do not believe that the House would like to see us do anything less than this for India.

I am afraid I did not entirely understand what Mr D'Angelosante was getting at on this subject. I did not know whether he wanted us to import more tobacco or less tobacco from India. I gathered that he was thinking that too much of what we import is imported into the United Kingdom and that possibly more of it should be spread throughout the Community and more widely into the Community. Well, that may be. However, these is this volume which India is accustomed to exporting, and we are anxious that it should be possible for her to continue to export it. The fact that up to now it has been going mostly to the United Kingdom reflects a

Soames

traditional pattern of trade over many decades and even generations.

I agree with the honourable Member that we do not want to appear to be freezing patterns of trade. One of the great advantages that flow from the Declaration of Intent is that where various countries were accustomed, for historical reasons, to beam their exports to one country, they will be able through the generalized preference scheme to spread them throughout the whole Community.

Here I very much agree with what Lord Reay said. I thought that Mr Kaspereit was a little worried. He was saying with regard to the generalized preference scheme as a whole, 'Let's see that we do not injure our Association Agreements'. I agree that the last thing we want to do is to injure them, but the Joint Declaration of Intent is as central a feature of Community policies in regard to the developing world as is the Association Agreement, as Lord Reay pointed out. It takes a different form, of course. There is no duty-free entry; there is a preference. We are not giving duty-free entry to tobacco from India, because we want to maintain a preference for the Associated countries, which will be exporting their tobacco duty-free, but we shall be giving India a preference over the United States. Taking the normal tariff at 100%, we see that, roughly speaking, Indian tobacco will be coming in at half that, and tobacco from the Associated countries will be coming in at zero.

However, Lord Reay made the important point that our chief weapon to ensure that we live up to our obligations under the Declaration of Intent is the generalized preference scheme. It is for us to tailor the scheme in such a way as to ensure meeting its objectives—namely, that traditional trade between those countries and any part of the Community is not damaged by virtue of enlargement.

There is a second and wider point which was mentioned in the report and which came up in all the speeches. Mr Broeksz and Lord Reay took rather a different attitude to that which was taken by Mr Kaspereit and Mr D'Angelosante on the question of reviewing the list of beneficiary countries, the Group of 77. It is true that a select few of those countries have seen their balance of payments situation transformed dramatically for the better by recent changes in the terms of trade, particularly by the tremendous rise in oil prices. Therefore, the question is being asked whether the time has come for a distinction to be made between the bulk of the developing countries of the Group of 77, which are tragically at the losing end of this

sudden shift in the terms of trade, and those few States, often tiny, which are spectacular beneficiaries from this development.

We have given this problem careful consideration, and our conclusion is that the arguments against reducing the list of beneficiaries are very strong and compelling. First, there is the political argument. We think that it is important not to under-estimate the delicate political problem there would be, if the Community tried to distinguish between different Members of the Group of 77.

It could be said that one could use objective criteria, such as the level of GNP per head; but our experience is that so-called objective criteria are never entirely free of political considerations, and it would not work out quite as simply as that. There would be pressure of a political kind from outside. There would be accusations that the Community was attempting to split the developing world. I think that, all in all, an attempt to make such a distinction would be an irritant in our relations with the largest number of countries, without making any great change in the pattern of our imports under the generalized preference scheme.

That would not have been a sufficient argument in itself, if economically there had been a compelling reason to exclude the group of countries that have done so well out of the rise in the price of oil, in order thereby to provide greater benefits for the poorer countries. But there is no such economic case at present. Most of the oil-producing States of the Middle East do not export—indeed, do not yet produce—the kind of products that figure in the GSP. Most of them have not even tried to comply with the formalities that would enable them to benefit from the scheme.

I should like the House to reflect that the GSP does not exist primarily as a means of boosting the balance of payments of developing countries. That is not how it was conceived in the UNCTAD meeting. It exists essentially as an encouragement towards the industrialization of these developing countries, by which I mean both the production of straightforward industrial products and the processing of the raw materials and food products they already produce. Just because a particular developing country achieves a higher figure of GNP per head as a result of a massive increase in the price of oil from one year to the next, and therefore moves to a balance of payments surplus, that does not mean that it thereby becomes industrially competitive or that it could afford to be without the preferential access to our markets which alone can help it to break into the hard world of exporting to the industrialized world.

Soames

Let me give just two examples. The first is Iran, whose GNP per head will this year surge forward as a result of the rise in oil prices. Yet Iranian industries need preferential access to the industrialized countries every bit as much this year as they did last year if they are to become competitive. Their neighbours, the Turks, have an Association Agreement with us which gives them preferential treatment for their goods on our markets. This we do not give to Iran, but we wish to have good trading relations with Iran. We have a great deal of interest in our trade both ways with Iran. It is through the generalized preference scheme, and only through that scheme, that we can give Iran any preference at all on our market over, for instance, Canada or the United States. I do not believe that it would be wise for the Community to slough off lightly this argument.

For my other example I ask the House to consider the difficulties we should have in choosing which country fell into which category. Would we give a generalized preference to Indonesia, as we do now, or would we be tempted to say that Indonesia has some oil and that therefore we do not give it a generalized preference, but that we continue to extend the scheme to its next-door neighbour, Singapore, because it has no oil? I can see many difficulties arising from trying to judge in that way.

Therefore, whilst I entirely sympathize with the sentiment underlying what is suggested, the sentiment of 'Let's use this scheme for those for whom it is designed: for the most needy', I think that the conclusion we arrived at when considering the matter was the same as that at which the House arrived when debating this very point last year and the year before. It is that the way to handle the problem is not to go for the petrol-producing or the non-petrol-producing countries but to ensure that those countries that are the most developed industrially are not the countries that take too much of the gravy from our generalized preference scheme at the expense of the poorer and more struggling countries. That was what led us not to change the list of the Group of 77 to which our generalized preference scheme would be available, but rather to introduce a scheme whereby the most competitive countries did not scoop the pool, thus making sure that a substantial amount of the preferential imports came from the poorer developing countries.

Assuming that this part of the proposal for this year comes into effect next year, we shall then have to see how this works. One of the great strengths of our scheme is that it is an annual one; we look at it every year. I was grateful to the House for noticing that we had

tried very hard to get this out in time, so that we could have a good debate on it before it went to the Council of Ministers this year. We shall try to do the same next year, when we shall see how this is working.

It is one of the basic objectives of our scheme that the effective opportunities should go to those who need them most. We think that this is the right way. Indeed, this was a proposition put forward by a number of honourable Members when they spoke in the equivalent debate last year, and we have taken note of it.

The resolution emphasizes the desirability of all industrialized countries sharing in the costs of such schemes of generalized preference. I wholeheartedly share that view. I have said so in my speeches, including speeches in the United States. It is encouraging that this year one more industrialized country, Canada, has been added to the list of those that grant preferences. But the United States is still not a donor. There are many reasons why the Commission attaches the greatest importance to the early enactment of the Trade Bill. Not the least of them is that we hope that the United States will then be able to introduce its own scheme, for this in turn cannot but facilitate the achievement by the Community of the objective it has set itself of maintaining a steady rise in the value and importance of our scheme. When the United States comes in, the burden of the scheme will be spread more equitably throughout the industrialized world. So much for a number of the points raised by Mr Kaspereit's report. I should also like to cover one or two points raised in the debate. Mr Kaspereit mentioned marketing, and a number of honourable Members referred to statistics and information on marketing. We already have the agreement from the Council of Ministers. We put a proposal, with which it agreed in April this year, that we should be able to spend some money to help these countries market. It is no good giving them a preference if they cannot market their goods. This we shall be doing.

We also agree that we need more statistics and information, and we hope to get more from early next year.

Mr Broeks then raised the question of rules of origin. We agree with him, and are working particularly with the ASEAN countries to see whether we can have rules of origin that apply to the group of countries as opposed to just one. It is a complicated matter. There must be rules of origin for any preferential scheme, but they do not exist to hinder the scheme, so we are seeing whether we can have them to some extent common for a whole economic group.

Soames

Lord Reay mentioned jute and coir, and asked whether we should be continuing to bring them in duty-free as from 1 January 1975. The answer is 'Yes', we have proposed that. This was stated not in a generalized preference scheme paper but in another paper referring specifically to textiles. Textiles were dealt with separately, as we have had separate international negotiations on the multi-fibre scheme in Geneva.

Our proposals before the Council are currently at that dispiriting stage when everyone seems to have a reserve on one thing or another. But I simply express the hope that Ministers will be able to see this issue in the wider view, in the context of what is the Community interest, not only what is the national interest, and to appreciate, as we in the Commission and honourable Members in this House have done, the need for us to move ahead and to expand our scheme. There can surely be little doubt just how important all this is politically, no less than in economic terms.

Perhaps, Mr President, you will allow me to finish by quoting what India's representative said earlier this autumn at the last meeting of the UNCTAD Council. Speaking of what he called the dramatic improvements that the Commission was proposing should be made in the GSP for the next year, he said: 'My delegation would wish to underline the political significance of this intention. We know that the Community is faced with serious economic difficulties. We recognize that in these circumstances the fact that the Community is ready to make substantial improvements in its generalized preference scheme is a measure of the seriousness with which it is taking its responsibilities towards developing countries.' From what I heard in South-East Asia last month, I am sure that that view is by no means confined to India.

Therefore, at this difficult moment in the fortunes of so many developing countries, although I agree that our scheme leaves a lot yet to be desired, it is still a pretty good scheme; we are improving it every year, we will continue to do so and we are most grateful for the sympathy, the understanding and the degree of political will and intent which this House has shown in this regard.

President. — I call Mr Broeksz.

Mr Broeksz. — (NL) Mr President, I have given the reply my best attention, but am not completely convinced by Sir Christopher Soames' observations on the oil-producing countries. I have to point out that on paragraph 6 the committee asked that the list should be reviewed. I gather,

however, that we shall have occasion to talk to the Commission about this.

As regards the question of tobacco, I think there has been overmuch emphasis on India's interests, partly as a result of the article on the subject which appeared in the Financial Times. Other countries besides India are involved in south-east Asia—for Bangladesh and Sri Lanka this is just as important. I hope attention will not remain too exclusively focussed on India. We must also remember countries like Bangladesh.

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — There is evidently a difference of opinion between us here over the question of the review of the list. We have reviewed it one way. The honourable gentleman would like to see it reviewed another way. Of course, we can always discuss this in committee or in plenary session, but I have given the honourable Member our views after due consideration today.

As regards tobacco, I have just come back from a tour of South-East Asia. We have been in touch with Bangladesh and Sri Lanka as well, and there is no anxiety at all with regard to this particular aspect of the GSP concerning tobacco to which the honourable gentleman refers. Of that I can reassure him.

President. — Does anyone else wish to speak? Thank you, Sir Christopher Soames.

I put the motion for a resolution to the vote.

The resolution is adopted.

President. — The next item on the agenda is the oral question with debate by Mr Corona, on behalf of the Socialist Group, to the Commission of the European Communities on Portugal's connections with the European Community (Doc. 250/74).

The question reads as follows:

1. What concrete measures has the Commission of the European Communities taken since the overthrow of the dictatorship to strengthen Portugal's connections with the European Community?
2. What action is the Commission now taking to help the Portuguese Government to solve its economic problems, thereby furthering democratic development in Portugal?
3. Is the Commission prepared to propose as an immediate measure improvements to the existing trade agreement in Portugal's favour?

President

I call Mr Della Briotta, who is deputizing for Mr Corona.

Mr Della Briotta. — (1) Mr President, ladies and gentlemen, I think we did well, yesterday evening, when we decided not to put off till another session the discussion of Mr Corona's question, despite his absence due the political events in Italy. Moreover, he himself has asked me to take his place, with the assent of the Socialist Group, in order to avoid any further postponement of the discussion of this problem, and also because the issue did not involve the formulation of any personal views.

Our question was formulated before the latest dramatic events which led to the colonialist right being thrown out in Portugal, but its topicality and importance are enhanced by these developments. As the foreign minister of Portugal, the Socialist Mario Soares, said at the meeting of the Council of Europe a fortnight ago in this House, at a time of great commotion caused by the news reports which the press agencies were bringing in from his country, the new Portuguese Government which emerged from the bloodless liberation of the 25th April intends to proceed without hesitation along the road towards democracy. Taking up the issues which only a few days before he had set forth before the Assembly of the United Nations in New York, he spelt out the basic objectives which the Portuguese authorities intended to pursue as rapidly as possible:

1. the democratization of the nation's institutions through free elections held at all levels;
2. the de-colonization of territories under Portuguese administration by safe and speedy means, negotiated with the legitimate representatives of the peoples' will;
3. a speeding up of the country's development, following the exhaustion of its economic resources by unproductive spending on an unbearable scale to finance the endless colonial wars, and also by a social stagnation unequalled in any other European country.

At the United Nations' Assembly Mr Soames already referred to the steps the country had taken since 25 April to consolidate a democratic and pluralistic regime in Portugal, concerning which there should be no cause for argument in this House. With justifiable satisfaction he was able to announce the recognition of the right to strike, denied in Portugal for 48 years, as well as the equally important fundamental freedoms of thought and expression, press and assembly, and the growing articulateness of the country's political life expressing itself through the labour unions and political

parties. His confidence boosted by this first parcel of good and promising news, enough to lend credibility to the medium and long term programme of the new Portuguese ruling class, Mr Soares could also confidently prophesy imminent approval for the new electoral law which will permanently restore full and complete sovereignty to the Portuguese people.

On the basis of a report by Mr Mendelson of the Labour Party, the Council of Europe, concluding its debate, asked all Member Governments to give Portugal unstinting economic, technological and technical aid in the cause of easing the birth of stable democratic institutions at this moment in her national history so critical on account of the economic problems and perhaps even hazardous, yet so heartening and exciting from the political point of view.

If the Council of Europe, a purely consultative body, was able to serenade the new Portugal in such terms, how can our Community, which already has a commercial treaty with that country, fail to back up these fine words with more tangible tribute? Or are we to content ourselves with verbal applause and pious wishes for the success of President Costa Gomez?

Of course we must do that as well, and we should respond to the invitation Mr Bertrand issued yesterday, to prepare a resolution in the Political Affairs Committee. But this is, of course, not enough, not even to placate our consciences. The European Community should not merely do something: all hands are needed to steer the ship of Portuguese democracy into port. The SOS went out from Lisbon in mid-June: through our group delegation, which included Mr Corona and was led by the late chairman Vals, political and government personalities pleaded for our support and for stronger links with the EEC.

The argument was and remains about urgent Community aid, to help clear up the difficulties which decolonization must necessarily involve for the economic life and social structures of Portugal, as well as for the ex-colonies themselves. The problem is one of political action designed to bring these new nations to birth without complications. Guinea-Bissau is already independent and Mozambique will be independent in June 1975; many people are worried about what may happen in Angola, for reasons I need not dwell on since they are well known to my colleagues here and to the Commission.

Integrated action is called for to prevent or cancel out economic sabotage, and this could be preceded or indeed accompanied by discussions covering a wide social scope, between the large international business combines and the Portuguese monopoly concerns.

Della Briotta

Among other things, decolonization will result in the flooding of Civvy Street with unskilled workers just out of uniform. Let us rejoice that this should happen against a background of scrupulously respected commitments by the new Government which has promised the colonies independence. When this happens, the latter will find themselves short of managerial talent, doctors, engineers and skilled agriculturists instead of mercenaries.

At present, owing to the absence of industrialization, a process which takes time to accomplish, this labour force will spill over onto the Portuguese labour market and thence on to that of the Community, where it is already present to quite a considerable extent.

In this connection it seems right to me that fresh and old Portuguese immigrants should at the earliest possible date be able to enjoy the advantages already available to Community workers—without discriminations or exclusions—so that the former may experience in their own circumstances the positive results of this political and social change in their country.

Our Community has a technical instrument at its disposal by which it can demonstrate its readiness to help Portugal in an unmistakable way, and this is by offering her at the earliest possible moment a treaty of association similar to those concluded with Greece and Turkey; this opens up the possibility, in time, once the economic gap has been narrowed, of full membership.

The same possibility exists for the ex-colonial territories within the framework of the relations which the Community already has with other African countries. We have, above all, a clear economic interest in this, to say nothing of Europe's political responsibility towards all the countries of Africa.

It is in this perspective and with these expectations that the Socialist Group stated its question. We are awaiting the Commission's proposals with great interest and undertake to give every support in this House to any initiatives which may be taken on the lines we have indicated; we shall also give our consideration to any other proposals, but I am sure it will be well worth while to follow the direction in which I have pointed.

(Applause)

President. — I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the European Communities. — I have listened with interest to what has been said about the future of Portugal's relations with the European Com-

munities and I look forward to hearing the observations of other Members. I had hoped to gather them all together before answering, but I will give my own thoughts.

Underlying all my thoughts on this important question is the conviction that when replying to a question of this sort at a moment when the internal developments in Portugal are in such a fluid state, the House will agree with me, it behoves anyone with any responsibilities for Community relations with Portugal to tread carefully. But I am sure that the whole House would join with me in expressing the hope that the changes which are taking place in Portugal will before long lead to free elections and the consolidation of human rights and democratic freedoms in that country. It is of importance not only for the people of Portugal, of course, but also for our Community, that another European country with which we already have important links should now have accepted the principles embodied in the European Charter of Human Rights and be moving towards the democratic freedoms that form the basis of our Community.

If I may, I shall now turn to the first three parts of the question on the agenda. They add up to asking what has been happening between Portugal and the Community since the change of regime in the spring and, secondly, where we go from here.

The President of the Commission and I had talks in June with the then Portuguese Prime Minister and with Mr Soares, the Foreign Minister. We discussed in general terms the future of Portugal's relationship with the Community. On our side we made it clear how much we welcomed the turn which events had taken and we underlined our willingness to work constructively with the Portuguese Government to develop our relationships further. On the Portuguese side it was made equally clear that they saw the development of Portugal's relations with the Community as a central part of the policy of the new democratic Portugal.

But the Portuguese Ministers were not ready at that stage to be more specific. Since that time, there has been a meeting of the Joint Committee under existing arrangements with Portugal and there were very recently useful contacts between the Commission and Portuguese officials. Quite separately from this, my colleague Mr Cheysson was in Lisbon last week to discuss with the Portuguese authorities the links that could be established between the Community and those Portuguese territories that were now moving towards independence, should those countries wish it.

Soames

From all these contacts it has been clear to us that the Portuguese Government, heavily pre-occupied as it is with internal political developments and with the great and daunting task of decolonization, has not yet formulated a precise view on the concrete ways in which it would wish to move forward its relationship with Europe.

In saying this I am in no way wishing to criticize. Indeed, the Commission applauds the fact that this matter is being given careful thought and consideration without undue haste. It also applauds the view taken by Portuguese Ministers that the establishment of a democratic regime in Portugal is the essential basis for the development of Portugal's future relationship with the Community. I hope that the House will, therefore, agree that this, in its turn, implies that we, too, should move with care and consideration. It is not for us to tell the Portuguese Government what sort of development Portugal's relations with the Community should undergo.

Moreover, it would be wrong to forget that even now, without any new negotiations or moves, Portugal is anyhow coming closer to the Community. That is because we are currently right in the middle of the transitional period established under the existing agreement between the Community and Portugal, which is gradually resulting in the total dismantling of our tariffs for industrial goods coming from Portugal and in the opening up of preferential access to our market for a number of Portugal's main agricultural exports. The result of this is that in trading and in economic terms the Community and Portugal are already moving steadily closer together. To give only one example, on 1 January 1975, whether or not we have by then agreed to develop our relationship into new fields, our tariffs towards Portugal will drop by a further 20%, bringing the total decrease to 60%.

Finally, the question is asked whether the Commission takes the view that once free elections have been held in Portugal, Association with a view to subsequent full Membership should be facilitated. I think that it would be wrong for the Commission to answer hypothetical questions of this character in the absence of any clear statements of intention from the Portuguese side. All I would say is that so far our talks with the Portuguese Ministers and officials have, at their behest, concentrated on the substance of a future relationship rather than on its form. I think that that is natural at this stage.

What we need to do first is to agree between us on the content and scope of the development of the relationship between Portugal and the

Community, and then it will prove a good deal easier to consider the institutional framework within which it should be set. In this respect I should add that we must not underestimate the scope provided by the evolutionary clause in our existing agreement with Portugal. This clause is of a very general and wide-ranging nature, and it provides a good margin of flexibility for the future development of that agreement. It is a mechanism which should be neither neglected nor ignored.

I should like to sum up by saying, as I said at the beginning, that with the development of events in Portugal as it is, I should not feel it justifiable to be more precise today, but I think that I can assure the House that there has been no request—and I think that this underlies the thoughts of a number of Members—for Portugal or for us to proceed along this or that road, to which we have said 'No' or about which we are in any way dragging our feet.

At this moment, the Portuguese Government is itself reflecting, and the fact that I have not felt able to go further in no way shows any lack of goodwill towards Portugal. Quite the contrary: it would be wrong for anything to be said from this bench which in any way complicated the already extremely challenging problems that the Portuguese Government has before it.

(Applause)

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

Mr Alfred Bertrand. — *(NL)* Mr President, I have listened attentively to Mr Della Briotta's brilliant exposition and to Sir Christopher Soames' reply.

Having broken out of the cocoon in which she has been imprisoned for fifty years, Portugal is now spreading her new wings and preparing for the nuptial flights of parliamentary democracy in which our countries already rejoice.

The Commission has declared its readiness to investigate how relations between the Community and Portugal can be expanded as the process of democratization proceeds. It remains to be seen whether we shall in fact prove able to carry on a dialogue with a freely elected government and with a democratically functioning parliament.

The Christian-democratic Group wished to call attention to the fact that Portugal is one of the poorest countries of the Mediterranean Basin with a tremendous economic back-lag to catch up on and about to face all but insoluble eco-

Alfred Bertrand

conomic, monetary and social problems in the laborious process of decolonization.

We wanted to assure the Portuguese people of the wish of the Christian-democratic Group, that once elections have taken place and a request has been made, Portugal will be given the economic aid necessary to neutralize the burdensome consequences of decolonization.

The point of departure is that once these March elections are over the Commission and Council can ascertain how the Trade agreement between Portugal and the Community can best be widened in scope, and whether it is perhaps possible to proceed to the next step of replacing the Trade agreement with an Association agreement, so as to fit Portugal into the framework of the Mediterranean area, with which close cooperation is indicated, in the same way as Turkey and Greece. The issue, then, is a closer approach to the European Community.

It is also our view that Portugal's colonies should be given the assurance that we are ready to receive the three countries concerned, after their independence, into the group of 44 African, Caribbean and Pacific countries. Upon receipt of applications from these former colonial areas acceding to independence, we must offer them the opportunity to become associated with us in a new Yaoundé Agreement. We must by unstinting economic aid give these countries the chance to achieve greater economic development.

We think that now is the moment for Parliament to give Portugal this assurance, so that the Portuguese people may persevere with their efforts, inspired by a greater faith in the future. If Portugal is to find new life in a free democracy, she must know she can rely on European support and need not fall into a state of dependence on the rival Super-powers which will not fail to see their opportunity.

As I already pointed out yesterday, it is one of the thorny problems of the moment that the countries of the Mediterranean area, the Arab countries, the countries of Africa and those of Latin America want to hear Europe speaking with one voice as soon as possible and see it acting as a Community, so that they may join forces with our United Europe, in order to find support against the danger they feel at present, of falling under the tutelage of other great powers. A strong economic Europe which is genuinely united represents to them the hope of standing on their own feet. And this refers every bit as much to a Community foreign policy as to the trade and economic aspects.

Nor should we in this connection overlook energy policy and cooperation in the interest of devel-

opment. A Community of some 250 million people, equipped with the machinery it has, is in a position to offer solid support.

We must convince the Portuguese that they can rely on us in their predicament and that it is in their best interests to bring the process of democratization to an early conclusion.

I have just stated the view of the Christian-democrats. In this connection I wanted to make a proposal. We have accepted a draft resolution about Greece. This was prepared in the Political Affairs Committee and has been approved by the House.

Mr Della Briotta put Mr Corona's very interesting question on the order paper today. This exciting initiative will be rounded off without voting or resolution. The House will therefore not be able to formulate a final position. We are however grateful to the Commission for having replied to this question. May I suggest that the issue be put to the Political Affairs Committee with the request that a draft resolution be submitted at the forthcoming November sessions regarding the view of the House on developments in Portugal.

In this way we can convince the Portuguese of our position. This is my concrete proposal. It does seem right to me that the House should express its opinion in this matter and that the initiative should come from the Political Affairs Committee. I should however like to go further and ask Messrs Corona and Della Briotta to submit a draft resolution for our approval during the forthcoming session period.

(Applause)

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

Mr Lange. — *(D)* Mr President, honourable members, now that my friend Mr Della Briotta has outlined the basic position of the Social Democratic Group in his explanatory statement on the question, I should like to add a few remarks following on the statements by the Commission Vice-President. First of all, however, one remark of a technical and procedural nature.

Mr Bertrand proposed that this question be discussed in the Political Affairs Committee and submitted to this House in an appropriate resolution. I would recommend that the Committee on External Economic Relations be brought in, since it is not only the so called political questions that are at issue, and also because the trade agreement mentioned by Sir Christopher has been discussed in that Committee.

Lange

This trade agreement concluded with Portugal must be seen as an instrument for the further development of the socio-economic structure of that country, which would like to become a full member of the Community. In this respect it differs neither from Greece nor from Turkey.

The question facing us is how we can at this time, despite the fact that the conditions which are basic pre-requisites for such membership have not yet been completely met, take definite, albeit small, steps or small measures. I propose that the Community make clear to the Portuguese Government its willingness to help that country along the difficult road of political, social and economic modernization.

This is necessary, and to that extent the present agreement, the operation of which Sir Christopher has already described, must be used as an appropriate instrument. My suggestion, Sir Christopher, is, in talks with the Portuguese side—the chances for that are there—to exhaust the possibilities of the agreement, especially in sectors of especial importance for the Portuguese—in this case European Portuguese—economy.

I do not wish to itemise these now, since you know the sectors concerned as well as I do. I should like to add just one more observation in this connection. Many things the Europeans regard as agricultural products constitute industrial products for the Portuguese. In the talks to negotiate the agreement with the Community, there was much that the Portuguese were simply unable to understand, since the European countries, that is, the Members of the Community, attempted in a very selfish manner to restrict imports from that country, which is certainly the most economically backward one in Europe. This selfishness on the part of the Member States must obviously be got rid of. I do not wish to say which Member States are particularly meant here. But this selfishness has got to go if the possibilities of the agreement are to be more fully used than hitherto.

The Community ought to make such an offer. If necessary, the Commission should consult the Council again. There is another point where the Community might possibly make an offer to the Portuguese and play an active part. We all know the problem of the Portuguese. We know the difficulties of education in Portugal, even of vocational training, and we also know that Portugal is making efforts to set up suitable training centres in the country, to restrain emigration. What we need—and we are saying this for the umpteenth time—is suitable jobs in each country, in this case in Portugal. The attempt must therefore be made to set up suitable training centres. There exist specific pro-

jects, or specific intentions for definite projects. The question is whether the Community should not participate in financing them. I need only mention—and here I am itemizing—the Beja airfield, as an example of the fact that installations no longer in military use can be converted to civil purposes. Projects would be available. My suggestion to the Commission is to do something about these things.

There is another thing which is of particular importance, in the first place for Portuguese agriculture, but beyond that for the Portuguese economy as a whole. There is a certain irrigation project which has—for whatever reason—got blocked, but is of especial importance for modernization. I am speaking of the Alentejo project. If that could be brought to conclusion, a similar effect could be obtained in that very dry southeastern area of Portugal as for instance in the Tennessee valley project in the United States, i.e. additional irrigation, further strengthening of agriculture, and of course concomitant industrial development, connected initially with agriculture, but then extending to the commercial and industrial sector proper. This, then, Sir Christopher, would be a third point for the Commission to include in its offer to the Portuguese Government.

I have adduced only these three examples on the basis of which we could play an active role towards Portugal. One thing is clear to me from a whole number of experiences, namely that the present government, for whatever reason—that is irrelevant in the first instance—is having a very hard time expressing definite wishes to us. That must be recognized, and is obviously connected with the particular mentality of the Portuguese. It would therefore make it easier, with regard also to the desired politically democratic developments and the necessities they impose, to make such an offer to the Portuguese government.

I should be grateful, Sir Christopher, if the Commission would consider that in detail, without taking too long about it, and then, if necessary, make appropriate proposals to the Council and Parliament, or, if that is not necessary, act in accordance with this suggestion. If we can agree to that, then, I think we could show the Portuguese Government proof of goodwill and support and thereby possibly hinder certain undesirable developments feared by some people, and open up an unobstructed path to a democratic Portugal and thereby the way to membership in the foreseeable future of the European Communities, as other Mediterranean countries desire.

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

Mr Scott-Hopkins. — I was very glad to hear the Commissioner's reply to the question, because it was in line with my own thoughts about the present situation in Portugal. I have known Portugal and the Portuguese over many years and I am very attached to that country. Developments there over the last six months have brought a great deal of satisfaction to many people not only in this House but throughout Europe.

However, I was glad that Sir Christopher in his reply made the point that we must treat this matter with a certain amount of caution. We must not let our enthusiasm get out of bounds here. No matter how much we are delighted at what is happening, it is very early days as yet.

Listening to Sir Christopher speaking just now, the House will, I am sure, have understood that there is a great deal of contact not only between him and the Commission and the Portuguese authorities, but also between honourable Members and the Portuguese authorities. Indeed, the amount of contact there has been with the Prime Minister, with Mr Soares and various other Portuguese officials and members of their Government has been considerable.

I hope the House will appreciate the point made by Sir Christopher, which is very much in line with what I was thinking, namely, that at present the Government in Portugal is very concerned with its internal affairs. This democratic Government which they have there is a very delicate flower, and they are very concerned in sorting out not only their internal problems but the problem of decolonization. We, of the many nations represented in this Parliament, have a great deal of knowledge and experience of the difficulties encountered in giving freedom to former colonial territories and the number of difficulties which one invariably meets in that process. It is therefore understandable that at the moment the Portuguese Government and Portuguese authorities are extremely involved in these difficult and onerous problems. Nevertheless, as I understand it from the Commissioner, there is a constant development of relationships between the Community, and the Commission particularly, and the Portuguese authorities. I would have thought that above all we do not want to try to rush things too much.

We have heard of three projects from Mr Lange. I am sure they are extremely good projects. I have heard of only one of them, though I am sure they are very worthy. But surely it is up to the authorities in Portugal to come forward with their proposals to the Commission, and for the Commission and House to examine them and then decide, in exactly the

same way as Mr Bertrand in his very moving speech just now was suggesting, that we should go very much further than that.

As to Portugal becoming a full member of the Community, for instance, we must wait until after the Portuguese elections. That is the first point. Then, surely, it must be a question of that country asking the Community whether it can join the Community. It would be reversing all that has happened over the years since the Community was founded, if it were the other way round.

I am certain that Portugal, when it has had its elections and has had time to breathe a little more in the free democratic air, will undoubtedly do this very thing. Then will be the time for negotiations and deliberations, and I have no doubt that at that moment in time this House and the Community will be more than willing to welcome Portugal as a member. I suggest, however, that the steps must be taken slowly and not rushed.

As regards special help at this moment, once again I think that the same principle applies. I would have thought that, should Portugal need it, it knows by its contacts with the Commissioner and his colleagues that there is no need to have to do more than ask and it will be considered sympathetically, not only by the Commission but by this House and, I am sure, by the Council of Ministers also. Therefore, I recommend the House not to move too fast at this moment in time.

I think that the approach made by the Commission and the relationships which are constantly developing between the Community and Portugal in this new developing situation are excellent. The way that Portugal itself is moving, I hope, firmly towards a really democratic form of government and of democratic freedom within Portugal is wholly to be supported and welcomed by everyone throughout Western Europe and throughout the Community. I would have thought that the way things are being conducted at the moment by the Commission and by this House is entirely calculated to foster this delicate flower, which is flowering so happily at the moment in Portugal, and to see that it comes to full bloom later on, but if we do too much now we may well wither it.

(Applause)

President. — I call Mr Della Briotta.

Mr Della Briotta. — *(I)* Mr President, were I to declare myself satisfied with the statements of the Commission's representative, this would be

Della Briotta

taking politeness to excess. Obviously we must proceed with caution, but we cannot forget—I am here addressing Mr Scott-Hopkins in particular—that the new Portugal, a delicate flower bursting open after 48 years of fascist barrenness, needs caring for with the greatest gardening skill we can muster, because of this heavy burden of past history which we cannot leave entirely on the shoulders either of the people or of those who are now in charge.

So on the basis of the proposals Mr Bertrand says he is ready to discuss in the Political Affairs Committee at the instigation of groups or Members of the House—proposals to which that of Mr Lange must be added—we shall be able to establish *in concreto* what the committee wants to do and can do at short notice, if possible before another long winter sets in for Portugal.

So it is in the Political Affairs Committee that the various groups will have to state their respective positions.

President. — Would Sir Christopher like to add anything?

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — If I may say a few words to thank honourable Members who have spoken and given us some ideas, I note that the suggestion has been made that there should be a meeting of the Political Affairs Committee and of the Committee on External Economic Relations to discuss this matter. I hope that at one point in it they might invite me along and we can discuss these subjects together. Some propositions have been put forward this afternoon, some of a political character and others of an economic character, on which I do not think that the House would expect me to comment directly now. Perhaps that would be a good moment when we might take that up in more detail and discuss it together.

Meanwhile there will be a meeting of the Joint Committee, between the Community and Portugal, in November and contacts at senior official level between the Portuguese Government and ourselves in advance of that. Perhaps after we have had that Joint Committee meeting we might be in a position to take that up again. I should like to take up a point which was made by Mr Lange. It is not simply a question of what relationships there may be and what conversations there may be between the Commission and the Government of Portugal. It is also a matter of what is thought by the people of Portugal, what the Community thinks of the road along which they are travelling, and the extent to which we wish them well in this difficult period which lies ahead of them.

I believe that nothing could have been more useful than for this short debate to have been initiated. We regret that Mr Corona was not present, but Mr Della Briotta introduced it effectively. We have had a good little debate and discussion, and I am quite sure that this will be heard in Portugal far more, to a far wider extent, than will any meetings between officials. I think that this has been a good beginning.

President. — Thank you, Sir Christopher.

I have no motion for a resolution on this debate.

Does anyone else wish to speak?

The debate is closed.

President. — The next item on the agenda is a debate on the report drawn up by Mr Broeks on behalf of the Legal Affairs Committee on the proposals from the Commission of the European Communities to the Council for

- a first directive on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (Doc. 313/73);
- a directive abolishing restrictions on freedom of establishment in the business of direct life assurance (Doc. 351/73).

(Doc. 254/74)

I call Mr Broeks, who has asked to present his report.

Mr Broeks, rapporteur. — (NL) Mr President, these directives are a sequel and supplement to the directives which regulate direct Insurance business with the exception of life insurance. We were therefore concerned with what we describe as indemnity insurance. The previous directives were accepted by the European Parliament in March 1968 and have in the meantime even been approved by the Council, i. e. in July 1973.

The task of the present rapporteur was made a lot easier by the excellent report of the then rapporteur, Mr Deringer. The last-named report, which is in part highly technical, is enclosed with the present one. The directives we are discussing today concern the business of direct life insurance. The document enclosed with the proposal for coordination contains a list of the sectors affected.

Let me begin by thanking Mr Schwörer for the very interesting advice he has produced on behalf of the Committee on Economic and Monetary Affairs. Before going any further, however,

Broeksz

I should like to put a question to the European Commission. Is the directive abolishing restrictions on the freedom of establishment for the business of direct life insurance still necessary after the recent decision of the Court of Justice in Luxembourg involving a Dutch solicitor wishing to practise in Brussels?

In view of this verdict, which involves the applicability of Article 52 of the EEC Treaty, would it not be better to drop this directive and take up some of the stipulations, such as, e. g., those on business ethics, in the directive on coordination when the transitory arrangements are made? I should be glad to learn the Commission member's view on this matter.

As regards the directive on coordination, a number of points call for our attention. The whole idea is that freedom of establishment must be subject to inbuilt safeguards—both to protect the interests of the insured and to ward off unfair competition. This is provided for in the first place by two-sided recognition of the supervisory powers exercised by the appropriate authorities in every country.

Moreover, the financial trustworthiness of all life insurance concerns is subject to strict requirements; their financial reserves have to meet the following conditions:

- A. Technical reserves (mentioned in Article 17 of the directive);
- B. A solvency margin (mentioned in Article 18) to cover particularly heavy risks;
- C. A guarantee fund, equal to one third of the solvency margin, subject to a minimum of 600 000 u.a. (mentioned in Article 20).

The stipulation on the calculation of this very important solvency margin is taken up in Article 19, but in this article we are up against our first clash with the Commission.

This directive indeed concerns companies engaged in direct life insurance and has nothing to do with so-called re-insurance. Nevertheless, Article 19 takes up this item of re-insurance against A (the so-called primary calculation) and against B (the second calculation).

The Legal Affairs Committee considers that this is not fair to the insured. Every contract underwritten by a life insurance company must provide 100% cover for the risk of the insured. The insured is not concerned whether a certain percentage of the amount involved in the contract is re-insured. This applies to all insurance companies in the nine countries of the EEC affected by the directive.

It is true that account needs to be taken of any re-insurances these companies may contract for in relation to companies outside the Community, and we therefore propose to somewhat reduce the percentage mentioned under (A) and (B), to base the definition on the company's full answerability to the insured, and to take account only—as I have already said—of the re-insurances which life insurance companies in the EEC take up of companies outside the EEC.

A further difficulty concerns Article 22 in the matter of the practice, now surviving only in Italy, of a kind of co-insurance. This is certainly not a re-insurance as referred to in the proposal. I said 'surviving only in Italy' because this practice once existed in France, where it has since been abolished.

We do not regard this proposal as of topical importance. We therefore suggest that this question be settled—should this still prove to be necessary—through a later directive governing freedom of operation for life insurance. Before I come to the main point of the discussion in the Legal Affairs Committee and in the co-advising Committee on Economic and Monetary Affairs, let me point out that I have made a few more proposals, chiefly editorial.

The principal discussion in both committees was about the proposal on so-called specialization. This means that a life insurance company is not permitted to do business in combination with an indemnity insurance company. This system of specialization already exists in Germany, France, Ireland and the Netherlands. In Denmark and Italy, where it is not obligatory, it is not encouraged. In Belgium, Luxembourg and Great Britain they are familiar with the so-called combined system.

Theoretically, the system of specialization is the best and we regard it as indicated that new life insurance companies will need to change over to that system under the directive. However, as frequently happens in life, theory and practice may not square.

In the five countries where combined concerns exist, this works very well and no harm to the interests of the insured client results. With this in mind the European Commission has looked for a compromise solution which would take full account of the fact that the specialization system is considered safer for the insured since it involves no risk to them in the event of losses being sustained on the indemnity insurance side.

The Commission achieved a compromise by recommending that combined concerns should introduce completely separate managements for life insurance and indemnity insurance respect-

Broeksz

ively. This is defined in Article 13. This would have to involve separate bookkeeping, separate balance sheets and profit-and-loss accounts and separate assets, so that, as long as the regulations are obeyed in the matter of reserves, guarantees for the insured are present to the necessary extent.

It is also stipulated that supervision be exercised both by the supervisory body in the country where the Head Office is registered as well as that of the country where the company has set up a branch office. As an example of this, should a Belgian life insurance company which runs a combined business set up a branch in Germany, both supervisory bodies, i. e. the Belgian and the German respectively, must exercise supervision.

In the Netherlands, where specializaiton is compulsory, foreign companies are operating the combined system in accordance with the more liberal regulations obtaining at home, without this giving rise to any difficulties.

In Germany, where in principle the system of specialization has been in force for many years, ten companies have none the less been operating for donkeys' years (the information was supplied on the 31st December 1971) on a combined system, without this having caused any trouble at all.

Of the ten companies operating a combined insurance of some sort in Germany, six of them are what over there they call 'öffentlich-rechtliche Wettbewerbsunternehmungen' (competitive concerns operating under public law). A number of these Firms are operating under private law, one of these even being a foreign private law company which has been doing business in Germany since 1845.

These ten companies are by no means unimportant in Germany, because in 1971 they accounted between them for not less than one eighth of all life insurance premiums, representing an amount of 409 million u. a.

Let me repeat it: this form of insurance has never led to any complications in Germany. It is therefore understandable that the Legal Affairs Committee should take the view that the European Commission had discovered an acceptable compromise, but the proposal of the rapporteur of the co-advising Committee on Economic and Monetary Affairs, Mr Schwörer, has taken over, by expressly stipulating that, wherever the specialization system exists, this should not be endangered by the action of companies operating a combined business.

This, then, is what appears in paragraph 8 of our resolution. Supervision must then also be exer-

cized by the supervisory body in Germany, France or Ireland as well as by the supervisory body in the country where the company has its head office. Moreover, any life insurance concerns which may be set up in the future are required to abide by the stipulation on specialization.

We applaud these directives and look forward with interest to any further directives which may follow. There certainly is a need for a directive on the distribution of profits. Life insurance is not exactly the kind of business which has a struggle to get by. Most of its premium rates were laid down years ago on the basis of life expectation figures for men and women calculated at the time. In most countries people tend to live to a greater age as time goes on, although there may have been a setback in this recently due to heavy smoking in both sexes. Also, these rates are calculated on an interest percentage which is quite a bit lower than that of today.

Both these factors operate in favour of the life insurance companies, which make very good profits. This has created a growing need for distribution of profit involving the insured, and this goes on increasing, sometimes with added pressure from the authorities, as is the case in my country. This pressure is a good thing, although lower premiums and lower distributions of profit to the insured—with the concomitant of more modest profits for life insurance concerns—are more essential to the insured. And it is primarily the interests of the insured which concern us. Obviously, care must be taken to rule out unfair competition, but it is not our business to worry about the interests of the insurance companies.

(Applause)

IN THE CHAIR: MR BEHRENDT*Vice-President*

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

Lord Mansfield. — On behalf of my group, I give a qualified and fairly cautious welcome to the first directive, that on the coordination of laws, regulations and administrative provisions. I understand that because of a legal difficulty the directive abolishing restrictions from the freedom of establishment in the business of direct life assurance will be withdrawn by the Commissioner. I see him nodding assent. Therefore, I shall confine myself to the first directive.

Lord Mansfield

Whilst my welcome is qualified, because the directive represents a compromise, and one cannot give an unqualified welcome to any compromise, I give a wholly unqualified welcome to Mr Broeks's report. I hope that he will not think me condescending or impertinent in saying that nobody has mastered the somewhat intricate technical details of the world of insurance quicker than he has. I say that as someone who has to declare a direct financial interest in the world of insurance. Mr Broeks made his mark in our committee, mastered the subject very quickly, and piloted his report through with the minimum of fuss.

In the light of the report and the way in which Mr Broeks presented it, there are few matters upon which I need to comment or should comment. The principal issue is, as Mr Broeks said, the protection of policy holders against the effects of possible insolvency in the area of non-life in which their company may indulge if it is a composite.

This is a matter where the first part of the compromise comes in. In some parts of the Community life insurance companies are allowed to carry on their work as composites, and in others they are not. The British viewpoint, and that of my group, is that there is no reason why a composite should not give policyholders as good protection as a specialist life office, always provided there are adequate safeguards in the form of segregated assets. There must also be strict rules as to the investment of the assets contained within the company. There is a complete dichotomy within the Community as between these two forms of company.

For the reasons that I have given, the United Kingdom insurance interests were for some time opposed to any form of compromise. However, they have now come round to accepting the compromise proposed by the Commission. But I need hardly say that if an amendment, such as that tabled in the names of Mr Schwörer and others, were to be carried, that would throw the whole compromise out of balance. I say that for this reason. It is not only the interests of the depositor or beneficiary of the life insurance policy whose needs have to be protected. The whole purpose of being in the Community and the purpose of our legislation is that where it is necessary, suitable and applicable, the cool, keen wind of competition should blow through every corridor within the Community.

It is my point, and that of my group and that of the insurance industry, that, all things being equal, the composite company is probably better able, because of its greater resources and better use of facilities, to provide a cheaper, safer and

more profitable form of insurance for the individual policy holder. That is why on this matter of composites we accept the document as it is and Articles 12 and 13 as a form of compromise.

The other matter about which there has been a good deal of discussion and perhaps some anguish concerns the solvency margins mentioned in Articles 18 and 19. There is a basic difference here between most of the Community and the United Kingdom and Ireland, and it concerns the form in which solvency is to be calculated, that is to say, whether resources are to be calculated gross with re-insurance or net. I will not detain nor bemuse the House with a laboured explanation of the difference between these two forms of rather complicated calculation. But for the United Kingdom the form of re-insurance and the solvency margin calculation adopted by the Commission are slightly unfair, in that they make it a duty to provide a higher margin for the United Kingdom company than for one within the rest of the Community. But this is part of what I might call the package, and for that reason I daresay that it is to be welcomed.

What is to be welcomed—and I say this at this point and it may relieve me from saying it on the next occasion—is the amendment in the name of Mr Scholten. We are now discussing Article 19 which concerns term assurance, that is, assurance on death. If there has to be a period in this matter of solvency margins, to put the matter in one sentence, it is very much better for technical reasons as well as for common sense that it should be a period of ten years rather than five.

That is all I need say at this moment. I have said that this is a matter that is technical and intricate and I hope that I have not made it more difficult to understand. My group gives this compromise a guarded welcome and as such we are happy to see it.

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

Mr Riverez. — (*F*) Mr President, as has just been said, this affair is extremely complex and all Mr Broeks's talents are needed to make it understandable to the layman.

I will not go back over the very complete explanation given by the rapporteur. You know that there are two difficulties: the difficulty of the principle of specialization and the difficulty of solvency margins.

As regards the principle of specialization, that is to say the complete specialization of activities

Rivierez

for composite companies, we know that this means prohibiting companies practising life assurance from engaging in indemnity insurance, since these two activities can only be carried out by distinct legal persons. And this is the system, as Mr Broeksz recalled, which is applied in France, Germany, Ireland and the Netherlands.

The Commission and the Legal Affairs Committee have adopted a compromise solution, that is to say that the obligation of specialization for companies to be set up from the date of entry into force of the directive should be accompanied by the possibility for existing composite companies to continue to practice as composites, provided they adopt strict rules of management and distinct accounting systems (separate accounts, separate management, separate assets).

Clearly this is a compromise. But it seems difficult to me to accept that a single legal person can possess two separate sets of assets and that each of those be unavailable to certain creditors because of a separation carried out by the company itself. This seems to me, on the legal level, extremely strange.

Agreements on the attribution of assets should be approved by creditors. This will be a decision of the owner of the company itself which decides to attribute its assets to certain creditors on the one side and certain creditors on the other. This needed to be stressed.

I am told that this is a question of compromise. However, I think that since the Commission and the Legal Affairs Committee have decided to adopt the principle of specialization, account should be taken of the suggestion made by Mr Schwörer and his colleagues stressing that if a subsidiary is set up in a state applying the principle of specialization, this principle should be respected.

It will be, I am told, applied to new companies, but new insurance companies are not set up every day and consequently it will be wise, if this principle of specialization is to develop—and we hope it does—to take into account the recommendation made under the form of amendment No 2 by Mr Schwörer and his colleagues.

These are the remarks I wish to make on the strictly legal level, as regards the first point. On the second point, dealt with by the rapporteur, that is to say the famous solvency margin, let me make simply some very brief remarks.

The basis for calculating reserves should be in my opinion laid down on a Community level, since each State in the Community has the right to have the system it wants. Moreover, it does not seem right to me to include in the margin, as an additional guarantee, anticipated profits, as

these profits will not exist if the company goes into liquidation; moreover they can be reduced or become inexistent if the company is in difficulties. Finally, we in the EPD Group think that the percentages of 3% and 4% adopted by the Commission for calculating the solvency margin are not excessive, but we will not oppose a reduction. On the other hand, we agree that the 4% should operate on the mathematical reserve without deduction of reinsurance, since the financial risk is borne entirely by the direct insurer.

These, Mr President, are the very brief observations which my Group asked me to present on its behalf.

I would like before finishing to offer once more all our congratulations to Mr Broeksz for his excellent report.

(Applause)

President. — I call Mr D'Angelosante to speak on behalf of the Communist and Allies Group.

Mr D'Angelosante. — *(I)* Mr President, ladies and gentlemen, having reached this point in the discussion, there is not much more to say, and as far as I am concerned I shall concentrate on Article 22 as it was before the changes proposed by the Legal Affairs Committee and as it should appear today.

Let me point out at once that although my group has proposed changes in committee, we have not tabled any amendments; this was partly because we thought we would be pushing ourselves forward too much in doing this, and also because, juridically speaking, this is a directive, we shall have plenty of channels through which to make our opinions known.

From preceding speakers I have heard about a compromise or compromises made with an eye to or, even, proposed by the Legal Affairs Committee or the executive Commission. It is not clear to me how the term 'compromise' is to be understood and I am therefore not insisting on the point.

As far as the Legal Affairs Committee is concerned, I am not aware of any particular compromise. If the compromise refers to meetings between national representatives held at an informal level during the phase when the Commission prepares its proposals, I must express misgivings as to the appropriateness and legitimacy of any such compromises.

Mr President, ladies and gentlemen, you have all had the opportunity to listen to a number of remarks and reservations put forward by earlier orators, and you will hear a few more from me.

D'Angelosante

This is unavoidable because we are dealing with a category of legislation which aims at bringing about a certain uniformity where the practice is now divergent under different national legislations, but it is trying to achieve this without explaining the general criteria with which the executive Commission approaches its task in the field of legislative action.

In a number of spheres of varying importance the Commission has during recent years put forward a series of proposals intended to harmonize systems of legislation, clear the ground for certain businesses and occupations, regulate freedom of establishment, place the exercise of skills and professions within an orderly framework. Now it may well be that the confusion is in my own mind rather than in that of the Commission, but all this seems to occur on an esoteric level remote from the approach of our Parliament, the national parliaments and the populations at large seeking to understand what lies behind the Commission's proposals.

What are the priorities? At this juncture we happen to be concerned with this problem of insurance; two years ago we had not heard about it and in two years' time we shall have forgotten about it. The discussion makes me ask in the first place: which legislative model is the prevailing one, that of the German Federal Republic or that of the United Kingdom of Great Britain? It would be idle rhetoric to bring up the practice of the Italian Republic, which scarcely comes into the picture as a model for Europe. But we may well ask: if in this sector the prototype is British or German, what adjustments are called for elsewhere?

During less portentous discussions than the one now in progress there have been arguments over the disciplines imposed on certain trades and professions. Should hairdressers be subjected to arduous written examinations before being permitted to follow their occupations? Are they subject to the laws of the host country? In this high matter of Insurance, on the other hand, we learn that the law of the country where a foreign company decides to operate 'does not in fact apply, that the general rule is to depend on standards laid down by the Community—under examination right now—which leans towards certain national provisions rather than towards others' without the motives and purpose of such choices being explained to us.

Mr President, the proverbial fogs of London are nothing compared to this. And the chief victim of this confusion is the European Parliament itself, which is not a body set up for negotiation between States: it is a congregation subjected in principle to the rules which govern national assemblies of a similar kind. It therefore gets

into hot water whenever there is a haggling between States—a process which always rebounds to the advantage of the strongest; these arguments are never apparent at the final stage of the discussion of a proposal, that is to say, in the Council of Ministers—it is in the Commission that they arise.

If possible I would therefore urge that we hold a discussion about the whole department of legislation we are at present concerned with, so as to give us a grasp of the programmes (not for the next decade or two but for the immediate future) and of the reasoning behind the adoption of certain programmes rather than others.

In Article 22 of this draft directive, the Commission recommends the abolition of a system which is operated in my country, the Italian Republic. The system in question has been faultily described as 're-insurance'.

What it consists of is this: in Italy a public institution, the 'Istituto Nazionale delle Assicurazioni (INA) was set up for the purpose of guaranteeing the solvency of Insurance Companies. All private concerns operating in the Insurance sector are required by law to transfer a proportion of their profits to this public body, which in return provides a re-insurance guarantee (*de facto*, not *de jure*); this arrangement is explained at the signing of any private or re-insurance contract involving the Insuror's liability. As I have said, the point of this transaction is to cover the insured party against possible financial failure, bankruptcy or improper handling by insurance companies.

The wisdom or otherwise of such a system may well be open to argument; I am quite willing to discuss it, without holding any particular brief for the idea. All I say is that every one of the nine States of the Community has some analogous regulation aimed at guaranteeing Insurors.

Do not the regulations in force in the German Federal Republic, which require that any life insurance be divorced from all indemnity insurances, also aim at the protection of the insured? Is their purpose not to prevent the money of a person with a life insurance from being used to cover the constantly soaring indemnity claims?

When a national legislation requires that a certain proportion of the company's capital be invested in real estate, or that its investments in real estate should not exceed a certain limit, or that it must maintain reserves at such or such a level, et cetera, what is all this for, if not to stop the insured being taken in and swindled by crooked or insolvent Insurance companies—depending on the strategy adopted by the national lawgivers? This is what entitled me to ask

D'Angelosante

why Italian law in this respect should have offended the susceptibilities of the executive Commission. Let's have the answer.

In this matter of freedom of access for Insurance business, which has its juridical basis in Article 57 of the Treaty, it would have done for the executive Commission to say that in Italy all Community Insurance companies, Italian or foreign, operate under the same conditions. Saying more has given people the wrong idea. All they should have said is that in Italy a German company will pay the same as an Italian one; just as the Italian concern pays in proportion to the length of time it has been in business—say, 1.8%—a German company which has been operating for just as long will also pay 1.8%.

No need to think up any dogma or theoretical prototype to suit the intellectual idiosyncrasies of the executive Commission. This is something we cannot go along with at all. We see no place for these abstract panaceas and feel that at this stage of the Community's career the Commission should give its major consideration not to this or that State, but to the sovereignty of all the juridical provisions which make up the jig-saw of the Community.

Of course I agree that once we have managed to lay down rules to govern the untrammelled provision of services in this sector of Insurance, all the fences put up by national legislations, our own included, will have to be pulled down. But as long as all we are concerned with is freedom of access to markets, we are entitled to say no more than that in Italy all Insurance companies obey the same rules, be they our own concerns or companies belonging to other countries within the Community.

The Legal Affairs Committee has spotted the mistake and has accepted a compromise; this is a transaction we could have welcomed even without being legislators. The change recommended by the committee means in fact that we shall no longer be doing what the Commission suggested and that Italy is free to carry on with its present system in the matter of Insurance until such time as freedom of operation has been established.

This confirms what I have said, i.e. that as long as the talk is about freedom of access for companies to the Insurance market we can manage without changing the systems, but that once we come to freedom of operation this will no longer be the case.

But why should we be stating the problem in this way? This is the way two Firms will go about the business of drawing up a contract: smell out all the snags and get it watertight. Lawgivers do not proceed in that manner.

Because, one of these days, it will be said that the Italian Republic, though entitled by virtue of the last portion of the final paragraph of Article 22, to await the advent of future legislation in the matter of freedom of operation for Insurers, has failed in her duty under the first portion of that same paragraph which loftily asks Member States to progressively reduce the scope of the obligation.

No, Italy is not reducing anything, we don't want to know. In my view she is in no way compelled to do so and will wait until it becomes necessary.

For the reasons outlined I consider that under the present circumstances and in view of the criteria on which these proposals are based, it would be a lot more sensible to decide that the individual national markets should remain subject to their respective national regulations, that these regulations are not to make any distinctions and that they are therefore to be obeyed whether they stipulate combined life/indemnity Insurance or strictly separate Insurances; finally, that in countries where reserves or real estate guarantees are regulated by certain norms, such norms are to be respected, and that in Italy, where the INA contribution is required, that contribution should be paid.

Within these margins I go along with the proposal which has been submitted for our consideration.

President. — I call Mr Scholten.

Mr Scholten. — (NL) Mr President, may I begin by paying a compliment to the rapporteur. This is a very involved business we are dealing with now. Just you read Articles 18, 19 and 20. I think he has managed to produce a very lucid report.

After giving our approval to the directives on indemnity insurance, we have done well to make this big step forward in the field of life insurance. There will be rejoicing in Europe's business circles if not only the Parliament but the Council also reaches a decision within foreseeable time.

The financial restrictions set out in Articles 17 to 20 inclusive are really the kernel of the directive. Of these, Article 19 concerning solvency margins, is the 'pièce de résistance'. I take the view that the financial capacity of a life insurance company is determined in the first place and predominantly by the mathematical reserves, and the very mechanics of life insurance procedure see to it that this includes a clear safety margin.

Scholten

Obviously, reserves must be available for anything from a medium to a very long term if a contract for life insurance is to be covered. It is therefore quite essential that extremely cautious estimates be made for accrual of interest, mortality incidence and costs.

At the present stage we are not yet concerned with the coordination of national rulings governing the calculation of these mathematical reserves. In view of the widely divergent systems and the very different market conditions this would anyhow not yet be feasible.

I can appreciate and endorse the demand for an explicit margin, apart from the mathematical reserves. In this connection I should like to put a question, to the Commission rather than to the rapporteur, concerning one of the articles. In Article 20 of the regulations it says, with regard to the guarantee fund, that this is to be equal to a third of the solvency margin. What concerns me is the remainder of the article. Up to 50% of it is made up at least by the factors mentioned in Article 18, paragraphs 1 and 2.

I have sought very diligently for the reason for this restriction in the components. Nowhere could I find a reason for this restriction which makes practical sense. I have puzzled over this problem without getting anywhere. I should therefore greatly appreciate it if the Commission would, during this debate, explain the background to this restriction.

I am asking this because I have read a document which criticizes this restriction in unambiguous terms. The Committee on Social Affairs and Employment used some quite hard language about it. Among other things I find the term 'unacceptable' coupled with the allegation that the restriction would have the effect of compelling insurance concerns to create additional components of the free reserves which they would take out of funds which normally exist for the purpose of distributing profit to insured clients.

The committee calls this an unfair solution, since as a result older insured clients would suffer as compared with the younger generation of insured clients. I should like to hear what the Commission has to say on this argument.

In this connection I should like to put a question on procedure to the President. Would it be possible to cast a separate vote on this point of the directive, or can a change be proposed only through the channel of an amendment? Owing to the fact that I could not find any reason, I have not tabled any amendment and will await the Commission's reply before formulating a position.

With regard to a further important point which has played a big part in the debate, namely specialization, Mr Schwörer, a member of my group, has tabled an amendment.

In common with several other speakers I feel that acceptance of his line of thought would take away one of the cornerstones of the compromise worked out by the Commission. I have gained the impression that this amendment is inspired by the fear of unrestricted competition. Within the framework of free establishment, which is what we are aiming at with this directive, and also within the framework of a free European market we are certainly not entitled to opt for such a restriction if this be prompted by anxiety.

I was particularly struck by the last sentence from Mr Broeks, who brought out a report on behalf of the Legal Affairs Committee. He stated that it was not our primary concern to look after the interests of insurance companies. Personally I would prefer not to make this distinction between the interests of insurance companies and those of insured clients. In my view the interests of the insured can be properly looked after only in so far as proper care is also taken to see that the insurance companies themselves get a fair deal, so that they are able to conclude adequately guaranteed and solid insurance contracts with their clients. This directive is meant to contribute to that end.

President. — I call Mr Schmidt.

Mr Schmidt. — (D) Mr President, I deeply regret having to make you, my respected colleagues on the floor of the House and the interpreters have to put up with my voice, which is almost totally non-existent as the result of a heavy cold and my participation in the Bavarian elections. I shall therefore try to be as brief as possible, but beg your indulgence if what I have to say sounds too awful.

I want to refer to only one point in the Broeks report, and that is the question of division into branches. Together with a group of colleagues, I joined in tabling an amendment aimed at retaining, at least at national level, this division—and not only in the case of new insurers but also in the case of those where such a division already existed. May I explain my position.

Virtually everyone agrees that, in principle, the specialists are better than the composite insurance companies. Mr Broeks himself considers them theoretically better and the Commission apparently does so too; otherwise it would be pointless to make it a requirement for new insurance undertakings. Most of the countries expect, require or recommend that insurers implement

Schmidt

this division of responsibility. It goes without saying that where harmonization is undertaken everything has to be stirred up together.

However, I believe we should take a look at the initial situation. In those countries where functional division is practised, it is practised above all because considerably more is asked of life insurance, certainly as far as supervision, but also the management of capital, is concerned. This is essential in the interests of an individual who has worked for practically his whole life. After all, he is entitled to expect that in case of accident and in his old age he will receive an adequate income. An individual whose entire existence in a difficult situation or in his old age is dependent on such an insurance policy has the right to expect that this insurance is carefully controlled and that his financial resources are being expediently managed.

Lord Mansfield has stated that he is an expert on the subject. I am aware of that. He has already stated on frequent occasions that he is a member of the board of a large insurance company. He has pointed out that in other countries, where the so-called composite insurance exists, there are no major problems. I would not want to dispute that. All the same, we have seen that in an economically difficult period where businesses are almost uncontrollable, it is impossible even for the best supervisory board to be sure that everything is in order. There are examples of banks collapsing in spite of the supervisory board, and it is now being demanded that these boards be strengthened. In an economically difficult situation the same problem could occur among life insurance companies.

Lord Mansfield also spoke of a compromise. There were countries which had demanded that a division into branches should be introduced everywhere. Others were against enforcing functional division anywhere. It is my belief that what the Commission has proposed is somewhat illogical. It wants new companies to introduce functional division while existing ones will not be required to do so. For this reason a group of members put forward a compromise by which those countries where functional division already existed would have to enforce it in respect of insurance undertakings about to be established, recently established or indeed long established. Lord Mansfield referred to the necessity for a 'cool wind of competition' and others have used similar phrases. I have a suspicion that competition is often praised when certain initial advantages make it look somewhat easier rather than when genuine equality of opportunity exists.

I believe that equality of opportunity is part and parcel of healthy competition. Should there

be companies in certain countries which have to have two legal persons, and others which do not have to have them—admittedly, I have no overall view at the moment of the taxation and other aspects—it is immediately clear on the basis of the structure involved that the costs in the case of a complete division will of course be higher than for a composite company, which could possibly lead to a competitive advantage for those companies which do not need to introduce the specialist system.

Now it will be said that the fact that the accounting procedure would also be subject to a division also involved a compromise. A separation of this sort is, however—as my French friend has already pointed out—firstly extremely difficult to define legally and, secondly, it has not been logically carried out. It has been said that a division into branches should be made in the case of a writ of seizure upon the assets of an insurance company; but far more serious than the issue of the writ of seizure upon a company's assets is the possibility of an insurance company collapsing and going into liquidation. The functional division would in that case no longer be carried out but creditors would be paid according to a system of preference. To this extent it is quite clear that this system does not offer the insured the same degree of protection as could a company divided into branches. God knows we have no desire—and this, as I see it, involves a genuine compromise—that the branch system should be introduced in those countries where it does not already exist. What we do believe is that those countries which, for very good reasons, do prescribe a functional division should once again be able to require this division for all insurers, both new and old. However, we also believe—we are always very much in favour of competition—that this competition must take place in the framework of equal opportunity and that equal opportunity will exist when both branches have to be represented by a single legal person and accept all obligations connected with such a situation.

I therefore ask for your approval of the genuine compromise on functional division, which my colleague Mr Schwörer, I and several of our friends from various countries have moved here today.

(Applause)

President. — I call Mr Schwörer.

Mr Schwörer. — *(D)* Mr President, ladies and gentlemen, in view of the remarks made by my colleague Mr Schmidt just now, there is really very little for me to add; all the same, I would like to go over the main points once again. This

Schwörer

directive is intended to give formal freedom of establishment in a particular area, but it is in our opinion a freedom lacking in equal initial conditions.

I share the view Mr Schmidt just put forward that life insurance, for the very reasons that it does not simply cover a risk but also normally provides financial security for old age, should be subject to particularly good and severe controls and that safeguards should exist so that people who have spent a lifetime putting money aside for a life insurance policy do not run the risk of one day discovering that they cannot harvest what they sowed. This system, which is being proposed to us here for a multi-branch company with separate management and book-keeping instead of the independent company as we are recommending, is, after all, an experiment the outcome of which nobody knows. When one considers how impractical such an arrangement is, based as it is on a European competition law which does not even exist yet and for the implementation of which we have no date—I think that a great many problems remain to be overcome before it does enter into force—then we can also see that Article 13(c) of this Regulation is not easy to apply. Not for nothing did we in the Committee on Economic and Monetary Affairs approve this solution by the Commission only on condition that the superior system of specialist companies should not be put at risk as a result of the implementation of this directive. We made that point because we do not want this new arrangement to endanger the specialist system where it already exists.

We certainly do not want to endanger in any way the multi-branch companies which already exist, but we do want to ensure that wherever specialist companies are already in operation the principle of specialist companies is upheld in the countries concerned. So far no convincing argument has been put forward which could convince me that, in those countries where this superior insurance form—as the Commission itself says—already exists, the other, the inferior form should now also be introduced, bringing with it the danger that the superior form might well be crushed out of existence in the process. I should like to re-emphasize what my colleague Mr Schmidt has just said—competition yes, but taken from the same starting point, under the same conditions of competition. When one looks at the efforts being made here to get the arrangement, now being put forward as a compromise, accepted it is difficult to avoid the impression that, on the contrary, there is a desire to decrease the competitiveness of the companies already operating on a specialist basis. It certainly does not involve a restriction

on freedom of establishment. We are in full and complete agreement with the directive implementing freedom of establishment. This freedom is in no way endangered by the compromise we are putting forward.

May I make one final point, ladies and gentlemen, which I believe should not be disregarded in our discussions. On 30 May of this year we adopted a resolution calling upon the Commission, in the event of a harmonization of legal provisions in any way connected with consumer protection, to base them on the strictest legislation. 'The strictest legislation' is the specific term used in the resolution which this House adopted on 30 May 1974. (*Translator's note: the House in fact adopted this resolution on 13 May 1974.*) It is thus only logical that consumer protection in this case should be implemented in the best possible way—and that is, as the Commission itself says, by functional division. The Commission was quite unequivocal on this point, so that it is quite incomprehensible why these multi-branch undertakings should now nevertheless be set up in those countries where specialist companies are already in operation, even though that will involve the danger that these specialist companies will, in their own self-defence, abandon their own specialist branch system. Together with my colleagues who signed this amendment, I believe that by protection in this case should be implemented making paragraph 8 of our motion for a resolution more specific we shall remove this danger and thus create a genuinely fair basis for competition. I would ask you to approve this amendment.

(Applause)

President. — I call Mr Simonet.

Mr Simonet, Vice-President of the Commission of the European Communities. — (NL) Mr President, I thank Mr Broeks for his excellent report.

I will deal first of all with the legal comments which the rapporteur has made about the recent ruling by the Court of Justice.

(The speaker continued in French)

It is true to say that the recent decision of the Court of Justice has created a new factor and the Commission is quite well aware of this. It is also certain that because of the fact, recognized by the Court, that Article 52 is directly applicable, the proposal for a directive aimed at abolishing restrictions to freedom of establishment for direct life assurance becomes pointless.

Simonet

It is therefore my intention to ask the Commission to take a formal decision to withdraw this proposal which has been submitted to the Council and, apart from the specific problem posed by this directive, to reconsider all the problems raised by freedom of establishment. Of course I would add that this would imply later that certain special provisions aimed, for example, at maintaining or controlling the honour of the profession would be transferred into the coordinating directive.

Mr President, I would like to repeat here my thanks to Mr Broeksz and, through him, to all the Parliament's Legal Affairs Committee for the excellent work which has been accomplished.

I not think there is any point in my going back over what Mr Broeksz said. He recalled very clearly the aims and outlines of the directive we are examining today. I can thus immediately go on to deal with the content of the report and draft resolution before your Assembly, and to reply to certain special questions asked during this debate and also certain amendments which you are to discuss.

The Commission has judged it necessary and possible to accept a certain number of amendments suggested by the Legal Affairs Committee. In all there are seventeen to which we have no basic objections and which we are therefore happy to accept.

There is one I would like to stress in particular, that laying down the detailed rules for taking reinsurances into consideration in the margin of solvency, since this margin of solvency constitutes an additional financial safeguard which, according to the directives we are considering, the insurers must provide. This proposal avoids any duplication between the margin calculated from direct business and that calculated from reinsurance acceptances. It adopts a position against calculating the margin from net reserves, since this method of calculation presents many problems, most astutely noted in paragraph 18 of the explanatory statement to your Committee's report.

The problem I would like to raise above all is one which was discussed at length at meetings of the Legal Affairs Committee and at meetings of the Economic and Monetary Affairs Committee and which was dealt with specifically in the two speeches we have just heard. I mean of course the system resulting from the coexistence within the Community, on the one hand of four Member States who practise specialization, that is to say that in those countries, life assurance, as has been explained at length, must be practised by a legal person distinct

from the one who practises indemnity insurance, and on the other hand five states which accept both specialized companies and so-called composite companies.

I would like to stress first of all that your Legal Affairs Committee approves in principle the solution proposed on this matter. It is a difficult problem, on which, for ten years now, long discussions have been held with government experts, each one understandably giving in to a temptation to project his national system on to the Community as a whole. It is clear that the achievement of a common insurance market is no exception to the general rules. It can involve changes in longstanding habits. This is not easy and sometimes can raise serious problems of adaptation, but it seems to me to be one of the basic realities of Community cooperation. The solution proposed has also been approved by the Economic and Social Committee, I would add. That is not surprising, since this solution ensures adequate protection for the consumer, in this case the insured, and avoids any distortion of competition.

At the prior discussions with national experts which I have just mentioned, we came progressively round to the point of view that the governments of three of the four countries at present practising the system of specialization could accept the proposed solution. I would therefore like to address myself more particularly to those of you who have skillfully and enthusiastically defended the principle of specialization. You asked during the debates in your committee, that the strict system of specialization be preserved, as you know it at the present time, and, without wishing to extend it to the whole Community, hoped that in any case it be maintained on your national territory.

I think there is no point in going back over everything that was said. I think that this last solution, that is to say the preservation in a single Member State of a system different from the others would be difficult to accept, because it would be one way of hindering access to this market by foreign companies. Be that as it may, I am quite prepared to discuss this question and to show that the proposal made by the Members of Parliament would lead the composite companies in the various countries who wanted to move into the market in their country to adopt one of the two following solutions: either to move towards a separation of their company into two distinct legal persons, which would involve considerable expense in taxation in particular, and would constitute an indirect obstacle to true competition within a single common market or, decide to set up a subsidiary company in Germany, which would appear to be a com-

Simonet

plete negation of the principle of freedom of establishment, whereby a company with its head office in one Member State should be able to set up in business in another Member State through a simple agency or branch.

This then, stated clearly, is the position which I adopt on this first amendment.

I would like to come now to the speech by Mr Scholten, who has moved an amendment and asked a question on Article 20. I would begin by replying to his question which was very clear: he asked about the reasons why this article was drawn up with what seemed to be to him excessive prudence. I would reply to Mr Scholten that in drawing up the text of the article before you we based ourselves on the fact that national experts preferred to trust as much as possible to elements which were certain and to run no risks, so as to cover the insured against any possible accidents. It is for this reason that we have elected to adopt a solution which may seem too prudent but which seemed to us the most appropriate, in view of the opinion of the national experts.

As for my reactions to Mr Scholten's amendment, I would like to say first of all that I find it difficult to accept. The directive before us at the moment requires insurers to set up a financial guarantee to be added to the technical reserves and to be called the solvency margin. This is to be calculated on the basis of the technical reserves. However, the directive provides for an exception to this method of calculation for a special type of insurance, that is to say temporary insurance in case of death with a duration of five years or less and this for the two following reasons. Firstly the insurances have little if any mathematical reserves. The exception cannot however be extended to ten year contracts which have a sizeable mathematical reserve. Secondly, these insurances are often connected with credit sales of consumer goods, the credit not generally extending longer than a five year period.

I repeat therefore that I reject Mr Scholten's amendment to Article 19 but that, on the other hand, I accept Mr Broeks' proposed amendments to Article 19.

I would now like, Mr President, to deal with another problem. On the whole, as I have already mentioned and as Mr Broeks explained so well, your committee has accepted the proposals we have made. This permits me to say with all the more freedom that I was somewhat astonished at paragraph 8 of the motion for a resolution, which reads as follows:

'The Parliament gives its approval to both proposed directives'—here account must be taken

of what I have said to you on the second proposal for a directive—'on the understanding that the specialization system should not be jeopardized in practise by the *per se* lawful, even in accordance with the present coordination directive, operations of existing multibranch undertakings from countries which have them'. And if I am astonished it is because it seems to me that in this text, unless I have misunderstood it, there is at least the beginning of a contradiction. It seems certain to me that a country which has specialization would inevitably affirm that in practice this system is jeopardized.

There is a further point on which I would like to give a clear answer, particularly to the member who was keen on showing the unacceptable nature of Article 22. This article deals with the obligation to effect reinsurance. The first paragraph of this Article obliges Member States to reduce gradually the scope of the obligation imposed on undertakings to effect partial reinsurance, with agencies designated by national rules; so as to bring about the complete disappearance of this obligation within five years.

Paragraph 2 requires an immediate reduction of 25% in the ratio currently in force. In view of the present situation in the various Member States, this Article in fact refers to Italy, as has been often remarked, where life assurance undertakings are obliged to reinsure a percentage of the premiums of contracts underwritten with a public agency. This percentage varies between 10% for established firms and 40%, which is very large, for new firms.

Another Member State, France as it happens, which also provided for such an obligation, has abolished it, feeling that the situation was incompatible with a true common market in insurance. However, in view of the difficulties in applying this Article which could arise in Italy, particularly since it would reduce the income of the public agency in question, and since on the other hand it does not prohibit or discourage the establishment of firms from other countries in the Italian market, but simply creates less favourable operating conditions than in other Community countries, I can in principle support the position of the rapporteur on this point. The Commission, then, will re-examine this article we have been talking about, and I hope that as far as I am able I will be able to meet the objections which have been raised in this connection.

Mr President, in conclusion, I would like once more to thank Mr Broeks and the Legal Affairs Committee for the help which they have both afforded and thank you for your attention.

(Applause)

President. — I call Mr Burgbacher.

Mr Burgbacher. — (D) Mr President, honourable friends, I shall be as brief as possible. I am among the signatories of amendment No 2 and want to explain why I hold the view it contains, in the hope that a majority in this House shares it.

It is immaterial whether it is a British or a German system, all that is important is which type of life assurance offers, relatively speaking, the best security and the best return. That is all this House should be concerned about. And I now want to permit myself something which I have until now not heard in this form, and that is a brief look at the problem from the point of view of business economics. This House does not in general deal with business economics, but it is necessary in this case.

Anyone who has ever managed a diversified undertaking knows the problems involved in apportioning expenditure amongst the various branches of the company. There are always at least three major groups of expense positions: in the case of the first, which involves only one branch, the thing is easy; that branch is debited; in the second case, which involves two branches, the problem begins to get serious; every director is faced with the problem of what percentage of this item of expenditure he should debit to the one branch and what percentage to the other—we are all human, and that's something I shall come back to; the third type of expenditure are the so-called overheads, which affect everything and which are most difficult of all to apportion.

Now, we are all human, and in apportioning costs anyone responsible for an undertaking, whether he wants to or not, is bound to think that the more profitable branch is better able to bear a little more than the less profitable one. I am not talking about bankruptcy, and I am certainly not talking about fraud, I am not talking about insurance directors—I am talking about quite normal people in such positions. A life insurance company does not necessarily need to go bankrupt, that is not what I am thinking of, that is something which a capable management will be able to avoid—but what one simply cannot see in a multi-branch undertaking and what the life insurer cannot recognize and cannot test is whether expenses are properly apportioned. I have had some painful experiences with cost apportionment in other areas, in the energy supply sector—as far as gas, water, and electricity is concerned, total chaos prevails. It is this insidious and unrecognizable disadvantage of multi-branch life insurance undertakings that I am talking about.

The only natural and reliable solution is the specialist company. Nothing can go wrong there. (Applause)

President. — I call the rapporteur.

Mr Broeks, rapporteur. — (NL) Mr President, I am sorry I was distracted when Mr Simonet referred to the proposals for modification he could accept and those he could not accept. I have understood that he accepts 16 out of the 17. Is he not accepting the proposal for modification to Article 19, or to Article 22, or to both?

About Mr Scholten's proposal I shall say no more. I understand that the Commission is not willing to accept this. I, too, think it would be better not to accept it. If I have understood it properly, the supervisory bodies in all countries would also prefer not to accept it.

I have understood that they all call for a year's grace. By now, five years have elapsed. If it took a further five years there would surely be objections.

May I begin by replying to the last speaker? Mr Burgbacher was anxious about the apportioning of costs and adds that, alas! we are all heirs to the sins of Adam. Rather comforting to hear. How right he is! He cannot however get away from the fact that in a normal business which has nothing to do with life insurance, the Board of Directors of the Auditors have the final say. Here this is not the case, but that is a matter Mr Burgbacher has not alluded to.

Who, then, will be supervising—even, presently, in Germany? The official supervisory boards are there to see to it that everyone plays cricket. The rules are there to keep us on the straight and narrow and they can be trusted to do it.

As always, I have listened with great interest to Mr Rivierez's remarks. I think Mr Rivierez is worrying without good cause. Obviously, when somebody goes bankrupt there are legal complications, whether the business involved is combined or not. In this special case, however, we are well prepared for the contingency defined in the final sentences of Article 17, paragraph 2. This makes clear what portions of the firm's assets belong to one section of the business and what portions belong to the other.

Mr D'Angelosante has made various observations. I have had plenty of discussions with him on this topic. He is right when he says the same rules must apply to all, also, that is, to any foreign companies who come to operate in Italy. But if in addition to this we are also subjected to the stipulations of this frame-law the burden begins to weigh heavy. In the Legal

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Affairs Committee we reached a compromise with our Italian friends and everybody was happy about it. This was not queried by Mr D'Angelosante. He has, indeed, opposed the Commission's proposal, in my view with justice.

Mr Schmidt's remarks about the aged cut no ice with me. If Messrs Schmidt and Schwörer are so deeply concerned with the lot of the aged, why have they not taken steps to alter the legislation in Germany? Why do they tolerate the continued existence there of 11 companies which, in their view, represent a danger? Why have they not attempted to introduce a stricter ruling in Germany if they believe the old to be running such great risks? No, they are quite safe—in Germany as in Belgium, Luxembourg, Denmark and Italy.

Of course things can happen. I am reading an order which was issued by the Minister Apel with regard to an insurance company, Messrs Gerling. The Minister Apel was of the opinion that this concern should deposit an amount of ten million because it was putting the insurance sector at risk. That occurred in Germany, not in Great Britain, although I would admit without further ado that events of the kind can crop up anywhere. In Germany, however, there is a body which exercises supervision, and the Minister Apel rightly asked that body to take action, which is its job.

Mr Schwörer's amendment does not impress me either. In Germany the system of specialization exists only in theory, not in fact. When some time ago the law was approved, it was stipulated there also that specialization was to be promoted if one were to go into business in life insurance. Those, however, who were running a combined business were allowed to carry on.

That is still on the book, but Mr Schwörer's amendment says: '... wherever the system of specialization was imposed.' This is the case in Germany, but it is not fully applied, a fact which is simply disregarded in the amendment we are considering. For this reason I oppose the amendment; it is in my view incorrectly worded. If they want to do something about this on the German side, let them first do it at home. There is still plenty to be done there in this field. I would not however advise it, because it would be quite superfluous and would do nobody any good. The insured would be no better protected as a result than they are at present.

Mr Simonet has said that he does not understand paragraph 8. I have embodied this in the resolution at the request of the Committee on Economic and Monetary Affairs. This does strike me as a somewhat arbitrary statement, but all

it says is that the system of specialization is not to be jeopardized. Although I cannot see this happening I have no objection to the point being reiterated.

(Applause)

President. — I call Mr Simonet.

Mr Simonet, Vice-President of the Commission of the European Communities. — (NL) Mr President, I only wanted to reply to the questions Mr Broeksz put to me. In principle I can accept his amendment to Article 22. We shall find a formula which, I trust, will give him satisfaction.

The amendment to Article 19, as proposed by Mr Scholten, I cannot accept. I can however accept the alterations recommended by Mr Broeksz.

President. — Does anyone else wish to speak?

The general debate is closed.

Before we proceed to vote on the motion for a resolution, we shall consider Amendment No 1, tabled by Mr Scholten and worded as follows:

Proposal for a first directive

Article 19

In subparagraph (b) of this article, replace the words
'not exceeding five years'
by the words
'not exceeding ten years'.

I call Mr Scholten to move this amendment.

Mr Scholten. — (NL) Mr President, just one word. It has struck me that the Commission has not in any way made use of the point which forms the basis of my proposal, namely that the five year limit can lead in practice to particularly great difficulties. From the side of the business circles concerned, however, the point has been underlined with great emphasis.

We raise no objection to the principle as such, but there is an anxiety that the proposal on the five year limit in the draft directive may raise insoluble problems in practice.

This is the background to my amendment. It does not attack the principle itself. All I wanted to do was to forestall the likelihood of excessive difficulties cropping up in practice. I am already grateful for the support I have had on this argument from people like Lord Mansfield.

President. — What is the rapporteur's position?

Mr Broeksz, rapporteur. — (NL) Mr President, I should like to ask Mr Simonet whether the supervisory bodies in fact raise any objection to

Broeksz

the extension of the five year limit. Should this prove to be the case in all countries, I would ask Mr Scholten to withdraw his amendment.

President. — What is the Commission's view on this?

Mr Simonet, Vice-President of the Commission of the European Communities. — (F) It is true that most of the supervisory authorities object to the extension of the period from five to ten years. This is why we supported the opinion of the supervisory authorities.

President. — Does anyone else wish to speak?

I put Amendment No 1 to the vote.

Amendment No 1 is adopted.

We shall now vote on the motion for a resolution contained in Mr Broeksz's report.

On the preamble and paragraphs 1 to 7 I have no amendments or speakers listed.

I put the preamble and paragraphs 1 to 7 to the vote.

The preamble and paragraphs 1 to 7 are adopted.

On paragraph 8 I have Amendment No 2, tabled by Mr Schwörer and others and worded as follows:

Paragraph 8

Add the following text to this paragraph

'8. ...; therefore considers it necessary that Member States in which the specialization system is already obligatory should be able to provide that the life assurance business may be carried out only by a legally independent undertaking;'

This amendment has already been moved.

I call Lord Mansfield.

Lord Mansfield. — I should like to speak briefly against this amendment. I need scarcely do so in view of, if I may say so, the marvellous performance of Mr Broeksz. Until he spoke, one would have thought — if I am not being too rude to Mr Schmidt and Mr Schwörer—that as good German socialists they had ranged themselves against a filthy British capitalist beast. Mr Broeksz, however, more than redressed the balance.

I want to say only one thing on the question of composites and I will put it in the form of a question. How do the movers of this amendment claim that a policy-holder would be protected one whit better if this amendment were accepted and if their ideas were put into practice

than happens at present in the case of composite or multi-branch companies?

First, a multi-branch or composite company has to keep its affairs under completely separate management. Secondly, it has to keep its cash in separate accounts. Thirdly, it has to bear constant and severe supervision as to the investment and management of the funds which relate to the life insurance part of its business. Fourthly, and arising from that, if anything goes wrong with that part of its business which is not concerned with life insurance, that part of its business which is concerned with life insurance is as fully protected as any specialized company. I am afraid that what those two gentlemen and those who support them have not overcome is my allegation that those who proposed the amendment are frightened of fair competition. This is why my Group and I very much hope, the majority of the House will vote against the amendment. This compromise will provide all the protection needed by the widows and orphans who have been so movingly spoken about. It will also, I am afraid, provide something of a shock for some parts of the insurance industry within the Community who, I dare say, will not welcome it.

President. — I call Mr Schmidt.

Mr Schmidt. — (D) Lord Mansfield, you have no idea what you have just done to Mr Schwörer in calling him 'a good German socialist'; that is going to keep him awake at night for months to come. Just because he came to the aid of insurance holders, you describe him as a good German socialist. Mr Schwörer, I think you are going to have some difficulty in forgetting that. (Laughter)

Mr Broeksz, since you always refer to Mr Gerling in the debate, let me make one thing clear: no insurance company in Germany has collapsed; someone who plays an important role in an insurance company was also shareholder in a bank, and this bank went bankrupt. So your example, dear Mr Broeksz, simply will not hold water; you use it time and again but until now I have failed to make the relationships involved clear to you. But now I am having one last try, even if it has not been easy up to now.

One more thing: I can certainly understand you, Mr Broeksz, when you say: there exists in the Federal Republic of Germany a highly peculiar set-up, namely public law institutions and bodies. I freely admit that it is difficult for outsiders to understand this; however, I must explain why one excludes and may exclude these institutions.

Schmidt

It is simply because in practice, the State takes responsibility for them. It can also apply to banks—for example the Hessische Landesbank. This can sometimes have great advantages. The insured enjoy the virtual protection of the State, which must shoulder the responsibility if such a company collapses.

I am sure, Mr Broeks, that we still have not cleared up our differences of opinion; to do so, I would have to speak for a good deal longer, and I have no wish to annoy the House by doing so. I just wanted to try to clear up two misunderstandings at the last minute, so as to keep our friendship intact.

(Applause)

President. — I call Mr Broeks.

Mr Broeks, rapporteur. — *(NL)* Mr President, the measures which were taken, at the instigation of the Minister Apel, against the Gerling concern, did not refer to the Herstatt Bank where Mr Gerling plays an important part; they concerned the Gerling Insurance Holding. I have indeed on one occasion addressed the group on this subject, and this has apparently impressed Mr Schmidt so much as to leave him with the impression that I have talked about it several times. This is not possible. The last time we met in committee was last July, and at that time the Minister Apel had not yet taken that action.

Lord Mansfield is apparently still expecting a reply. If the gentlemen knew why, in practice as well as in theory, one thing is so much better and the other so much more dangerous, they would have told us as much long ago. So Lord Mansfield need not wait for an answer. He will not get one.

President. — Does anyone else wish to speak?

I put Amendment No 2 to the vote.

Amendment No 2 is rejected.

I put paragraph 8 to the vote.

Paragraph 8 is adopted.

On paragraphs 9 and 10 I have no amendments or speakers listed.

Does anyone wish to speak?

I put paragraphs 9 and 10 to the vote.

Paragraphs 9 and 10 are adopted.

Does anyone else wish to speak?

Thank you, Mr Simonet.

I put to the vote the motion for a resolution as a whole, incorporating the amendment that has been adopted.

The resolution is adopted.¹

9. Verification of credentials

President. — At its meeting of 17 October 1974, the Bureau examined the credentials of Mr Broeks, Mr Schuijt, Mr Hartog, Mr Berkhouwer, Mr Notenboom, Mr Baas, Mr Scholten, Mr Geurtsen, Mr Laban, Mr De Koning, Mr van der Gun, Mr Patijn, Mr van der Hek and Mr Albers, whose appointments by the First and Second Chambers of the States-General of the Kingdom of the Netherlands as members of the European Parliament had already been announced during the sitting of 14 October 1974.

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.

10. Agenda for the next sitting

President. — The next sitting will be held tomorrow, Friday, 18 October 1974, with the following agenda:

9.00 a.m. to 12.00 noon:

— Report by Mr Lange on the definition of the origin of petroleum products;

— Report by Mr Lange on Community loans;

— Report by Mr Artzinger on competition policy;

— Report by Mr Boano on the customs treatment of certain goods (without debate);

— Report by Mr de la Malène on delivery periods of imported goods (without debate);

— Report by Mr Klepsch on the value of goods for customs purposes;

— Report by Mr Thomsen on the external trade statistics of the Community (NIMEXE).

The sitting is closed.

(The sitting was closed at 7.15 p.m.)

¹ OJ No C 140 of 13 November 1974.

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IN THE CHAIR: MR BEHRENDT

Vice-President

(The sitting was opened at 9.00 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 of proceedings are approved.

2. *Documents received*

President. — I have received a report drawn up by Mr Lange on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council for a regulation concerning Community loans (Doc. 307/74).

3. *Regulation on the definition of the concept of the origin of petroleum products*

President. — The next item is the report drawn up by Mr Lange on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation on the common definition of the concept of the origin of petroleum products (Doc. 268/74).

Mr Lange does not wish to present his report.

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted¹.

4. *Regulation concerning Community loans*

President. — The next item is the report drawn up by Mr Lange on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council for a regulation concerning Community loans (Doc. 307/74).

I call Mr Lange, who has asked to present his report.

Mr Lange, rapporteur. — (D) Mr President, ladies and gentlemen, at the Council's request we have attempted to deal in a relatively short time

with a matter which has in fact been the subject of discussion for several months now. The question is how help can be given to Member States in balance of payment difficulties due to the increases in the prices of raw materials and in particular oil. We know that these countries have already tried on their own to overcome these balance of payment difficulties by raising loans. We also know that this has resulted in some instances of bilateral action between Member States.

I should like to point out that we do not find this bilateral action between Member States adequate. Such bilateral agreements may in fact prove to be a disintegrating element. It is of course right that a Member State able to help should in fact help another in need of such help. But such measures must form an integral part of Community action. Basically, an attempt should be made to convert this assistance into Community action.

But that is not the problem. The problem is how to obtain on the capital market funds deriving in particular from petroleum transactions with the oil-producing countries and how to re-use these funds in a manner beneficial to us.

The origin of these funds is, however, not the only relevant factor; it is also important for us to be able to make use of the capital market where necessary.

We therefore welcome the Commission's proposal to the Council for a basic regulation on Community loans, an instrument which may produce desirable results for some of us. I will outline what I mean.

If the European Monetary Cooperation Fund were already in operation, we should not need a regulation of this kind since the Fund could then take on the task of issuing loans or raising debenture loans and passing them on to the central bank of the Member State in need and all the conditions for short and medium-term assistance would then be met within the framework of the Monetary Cooperation Fund. As it happens, this instrument, this basic regulation on Community loans, must be used instead.

The Committee on Economic and Monetary Affairs discussed this question on Tuesday. We would have no objection—and I hope Parliament as a whole feels the same—if the Monetary Cooperation Fund could after all be put into operation by this means.

This Fund already has an independent legal personality and must now be given substance and life. We therefore feel that when its proposal for a regulation comes up for discussion in the Council, the Commission should once

¹ OJ No C 140 of 13 November 1974.

Lange

again make particular reference to this fact. This would appear to us to be useful since a step would thus be taken which in Parliament's view should originally have been taken last year.

This basic regulation does not of course go into any detail: it merely sets out to establish the principle. We agree with the Commission—as was revealed by the very intensive discussions we have had—that this instrument should only be applied at the request of a Member State which believes it needs Community aid. In other words, nobody is obliged to accept such loans and the attendant conditions that have to be complied with by the borrower in any credit transaction. But if a Member State expresses interest in such a loan and the Council—we also think this is the right way—states its opinion at the Commission's suggestion and fixes appropriate conditions, then the Member State concerned must accept those conditions. If this procedure is adopted, it is our belief that the resulting economic conditions will also provide a boost for the development of economic policy, the striking deficiencies in which have in the last few months very frequently given rise to criticism.

To this extent, too, this instrument, the Community loan, might in the view of the Committee on Economic and Monetary Affairs help to achieve further integration in a relatively effective manner.

In committee—where a whole series of questions were raised and answered by Mr Haferkamp—we felt that there should in fact be special precautions for safeguarding loans within the Community. These safeguards, in other words ensuring repayment of the principal and the payment of interest, would have to be guaranteed by the Member States in some way since the Community itself is not able to provide the necessary securities. The Member States would therefore have to come to some arrangement among themselves, and for the Community this guarantee would have the effect of assuring the lender of repayment under the conditions to which he has agreed, which is of course important.

As regards securities or the extent to which Member States commit themselves we have assumed—without naming any definite figures—that the commitments arising out of monetary support should form the basis of the security, in the knowledge that this commitment, which would, for example, be 22% for the large Member States, could in an emergency be doubled to 44%. This means that the ceiling on monetary support could be doubled as well as the commitments entered into by the individual Member States. In addition, the Member States would

naturally have to bear this burden less the commitments of the borrowing country or Member State granted the concession.

It seems to me that this is a means for the Member States to agree through the Council on the necessary economic conditions I have just quoted for the Member State concerned to accept the loan. The Member State itself could be involved so that nothing would be done against its interests. As the acceptance of a loan of this kind, of such Community aid, would, as I have said, be voluntary, there would be no reason to complain that anyone was being forced to do things that he did not want to do or that he was sacrificing some of his sovereignty in these matters. I would stress that I am not speaking in terms of international law. The country concerned would be free to decide. But having once committed itself to a loan, to this aid, it would have to go through with it to the bitter end. We therefore feel, Mr President, that the basic regulation is definitely something which we should support and something which we feel will represent a little progress in many fields. A definite advance could be achieved which would bring the Community countries closer together again and might possibly put the Community itself on a somewhat firmer footing.

Now, Mr President, I feel I must make a few remarks on matters which have not exactly made our work any easier. I appeal to the Commission and to its translation service to translate texts to be forwarded to Parliament and the Council more carefully in the future. We have discovered inaccuracies and errors in some of the texts, particularly the Danish, when compared with the original French document. This naturally makes the discussion not only of a body such as this Parliament, but possibly also of the Council more difficult, since if the texts in the various official languages are not identical in content, there may have to be long discussions on the differences with an attempt to agree on what is actually meant. This could—and I am now addressing Mr Haferkamp—be avoided if the Commission's translation service worked more carefully. This is not the first time that we have said this.

It may of course be difficult in certain circumstances to employ people able to find the right words in their native languages and thus to translate correctly. We would therefore be grateful to you, Mr Haferkamp, if you could pay particular attention to this point and if we did not have to complain about this again in the future. You will probably be receiving a letter from some of my colleagues on this subject. The Dutch and we Germans have refrained from putting our thoughts in writing; we will limit our-

Lange

selves to expressing them here, but feel that account should be taken of our words.

Mr President, the thoughts I have outlined led the committee to decide to keep its motion for a resolution as brief as possible. The committee felt the rapporteur should reiterate in this Chamber what had been said at its meeting that was of importance for an appraisal of the regulation on Community loans and that the motion for a resolution and the oral explanatory statement should then be forwarded to the Council. This has happened in the past when we had to work equally quickly. There are, in other words, a number of precedents, and so this should not cause too much difficulty.

But now to the motion for a resolution itself: we approve—without restriction subject to the conditions I have mentioned—the Commission's proposal and naturally expect the Council to take a positive decision without delay. But I should like to stress again that the committee is not so concerned with whether this regulation is adopted—by which I do not wish to brush it aside; on the contrary—or whether the Monetary Cooperation Fund is given this task. At present it would surely not be worth Parliament's time to argue on this subject. On the contrary, Parliament would undoubtedly be highly pleased if the Monetary Cooperation Fund were activated in this way, after the opinions that Parliament has delivered in the past.

In addition, the motion for a resolution asks Parliament to instruct the Committee on Economic and Monetary Affairs to obtain information from the Commission on the further political and legal measures that the proposed regulation would entail.

Mr President, this is not a new procedure. We have acted in the same way in other important questions. To give but one not insignificant example, we did the same with the proposal for controls on concentrations. At the same time, it will give us an opportunity to discuss in the required confidential atmosphere such delicate questions as the raising of loans and similar subjects which cannot be easily talked about in public. The Committee on Economic and Monetary Affairs therefore requests Parliament to adopt the resolution as it stands.

Mr President, that is all I have to say in presenting this report. I am grateful to you for your attention to my observations.

(Applause)

President. — I call Sir Brandon Rhys Williams to speak on behalf of the European Conservative Group.

Sir Brandon Rhys Williams. — The House, I think, owes a debt of gratitude to Mr Lange, acting as rapporteur in this instance, because he has said what we all feel in giving a warm welcome to the initiative by the Commission in pressing ahead with the proposal for a system of Community loans. This is something which has been discussed in our committee for a number of months. It has now taken a positive form. I am sure all members of the Committee and, I hope, all our colleagues in Parliament, will be delighted to welcome the Commission's move, although the form in which it comes before Parliament is reticent almost to the point where it is hard to assess the real significance of this move.

The Commission in my view is very wise to make a humble beginning. That does not mean that here in Parliament when we discuss these matters we are not aware of the enormous significance which could ultimately attach to this particular development. We shall learn with the passage of time in the very difficult economic situation in which we find ourselves how much is possible and practical along this line. However, if I may speak for myself and, I believe, for all my colleagues in the European Conservative Group, we hope that this will turn into a significant departure and that it will make a real contribution to the solution of the difficulties which we foresee, particularly as a result of the oil crisis.

We shall be tabling an Oral Question with debate in the hopes that further analysis of the matter can be undertaken by Parliament in coming weeks. However, for the moment I think it is necessary only to echo the welcome which Mr Lange gave to the proposal and to deal briefly with one or two questions of principle and one or two questions of practice which emerge at once.

As to principle, I think we have to ask ourselves at once in what way the Community is actually involved in the Community loan concept. The extent to which the Community as a whole, or any particular country in the Community, is accepting an obligation to guarantee the loans is, from the document, obscure. That, in my view, is as it should be, because we are going to have to learn as we go along how these matters can best be handled. The individual recipient Member State involved will, no doubt, be required to extend some system of guarantee to the Community, so that the Community in its turn can offer that additional measure of security to the lender which is the object of the whole operation.

Rhys Williams

The sums involved are, of course, at this stage difficult to estimate. I imagine that in the beginning they will be relatively humble ones. The giving of a guarantee, therefore, may not raise very large issues.

In general principle, what we are seeking to do here is raise money so that we can maintain a high level of activity, not only in our trade as a Community with the rest of the world, but in our relations with each other. If any particular Member State of the Community comes under very serious balance of payments strain, if no help is forthcoming from outside, then its only remedy is to reduce its imports.

Those imports will be not only from oil-producing countries but also from other members of the Community and other trading partners in the rest of the world. This is precisely the type of disaster that we seek to avoid. Therefore this proposal for Community loans will, we trust, have the effect of maintaining a high rate of activity in intra-Community trade as well as with the Community's trading partners outside.

Bringing funds into the Community from outside will not place as much strain on our own resources as regards credit as if we required to generate our own funds to come to the rescue of Member States that get into difficulties from time to time.

What will the Member States accepting the loan be required to do at this stage? I think we can only give the answer that where small sums are concerned, small commitments will be required, but that where big loans are involved, as eventually they may be, appropriately larger undertakings will be required and, no doubt, will be given, because this is a matter for commercial negotiation as much as anything else, and a country that is in need of help must recognize that undertakings must be given to the lenders for those transactions to go ahead.

Where questions of practice are concerned, some important points have to be considered right away. Where will the funds come from? Will they come from the Eurodollar pool or the Euro-bond market, as it is termed, or will they be derived by direct negotiation from individual countries, possibly in the Middle East or elsewhere, where surpluses are arising from the oil situation?

I would prefer the loans to be taken from the world market rather than from individual countries, but I recognize that the circumstances are not right for that. The state of the Eurobond

market is not strong enough to sustain regular recourse to borrowing by the Community, and therefore, certainly at first, the funds will have to be derived by direct negotiation, probably from Middle Eastern states.

Who, then, will handle the negotiations? The Commission, I think, have it in mind that they might be prepared to tackle these negotiations themselves. I would like to say with the strongest emphasis that I hope they will not do so. The temptation is obvious. I feel, however, that it would be wrong for the Commission to usurp the function of the Community's economic bodies which we have set up but which have not yet grown to the stature which we require.

I very much welcomed Mr Lange's references to the European Monetary Cooperation Fund. We set this up eighteen months ago and yet it scarcely exists as a serious body. My belief is that the negotiation of the investments, which is a highly delicate and skilled matter, should be handled by the European Investment Bank. I see the attractions of the European Investment Bank regularly deriving funds for the support of regional projects and so on within the Community in due course by raising funds from outside, rather in the way that the World Bank does. I recognize, however, that that is not what we are discussing here; that is something for the future. But in dealings with oil exporting countries, I think that the Investment Bank has the expertise which perhaps we do not have elsewhere in our institutions. If they do not have it, they should have it. It would be right for the Commission to use the European Investment Bank as their agent in the negotiations for these important loans.

If, however, the money is not to be handled subsequently as a series of capital projects but rather to sustain an import programme by a Member State, it would be appropriate for the European Monetary Cooperation Fund to handle the relationships between the Member State borrowing the funds and the Community.

I hope that the Commission will take seriously what I am saying, because if these financial institutions are to grow in stature, they must be given work to do. This is obviously work which it is appropriate to give to our financial institutions, and I hope that the Commission will not make the mistake of seeking to handle this themselves.

The oil crisis is helping us to grow together and to develop new forms of cooperation based on mutual trust and the acceptance of a common code of practice in economic and monetary

Rhys Williams

affairs. Parliament must place its weight behind this movement and should give wholehearted approval to the Commission's proposal.

President. — I call Lord Reay.

Lord Reay. — It is regrettable that we received the Commission's proposal such a short time before it has come to Parliament for debate. In the few days we have had, there has not been time, in view of the overcrowded agenda this week, for a proper discussion, in our group at least, nor has Mr Lange had the opportunity to produce a report which fully examines the proposal before us. However, we had a useful discussion in committee with Vice-President Haferkamp on Tuesday, and I should like both to state some clarifications of the text, as I understand them to have been given in committee, for public confirmation by the Vice-President and to request clarification of other parts which I do not yet understand.

I submit that the Commission's proposals suffered from an excessive brevity, so that important elements are omitted, and, as Mr Lange has pointed out, from mistranslation, so that parts are open to misunderstanding.

Article 1 states that funds will be raised 'either directly by private investment with financial institutions'. I understand this to mean that funds may be borrowed direct from private financial institutions as an alternative to the capital markets, but it seems a curious way of putting it. Perhaps the translation is at fault.

In Article 2, the provision that loans may only be negotiated and concluded during a period of five years does not mean, as one might have supposed, that loans may only have a term of less than five years but that the instrument giving the Commission its new authority will have a life of only five years.

In Article 3 the sentence 'the operations of borrowing and lending shall be carried out in the same currency and on the same terms with respect to repayment of the principal and payment of interest' is very compressed. I do not know what 'on the same terms' means. 'In the same currency' means, I understand, that loans will be taken out and repaid in the same currency. I wonder whether the Vice-President can say if this resolution actually rules out the possibility of using this instrument to raise and repay loans in a common Community currency.

Article 4 provides that loan agreements are to be concluded by the Commission following a decision of the Council. In the first paragraph of this article it provides that the Council shall authorize the opening of the negotiations without

specifying which institution is to receive the authority. Like Sir Brandon Rhys Williams, I should like to hear a little more about this. Is this to be the Commission? If so, why is this not stated in the proposal? If it is not to be the Commission, which institution is to conduct the negotiations?

Article 6 in the English text refers to provisions to ensure that 'loans are served in all circumstances'. Many things are 'served', but loans, I feel sure, are serviced, not served.

This article deals with the question of how the Community can guarantee a loan. I wonder whether the Vice-President can tell us how far the Council has now got in working out a way for the Member States to apportion the guarantee for each other's loans under such an instrument as this, and what problems still remain.

This could turn out to be a proposal of historic importance. Nothing could be more important and more natural at the present time than that the Community should adopt the means to take collective action to secure funds to finance balance of payments deficits of Member States. Only if this possibility is created are we sure that funds could be made available not only to those Member States in the strongest payments situation and therefore by definition in the least need, but to those who, in need of funds, are unable to attract them. We must remember that the survival of the economic activity of the weakest of us is something on which even the strongest depend.

We have every reason to suppose that it will be attractive to the external lender to lend to the Community as a whole rather than taking the risk of choosing which debtors to have among the Member States. We shall have to discuss this matter further, but I hope that nothing will impede the Council from rapidly adopting the Commission's proposals and that Parliament will approve Mr Lange's motion, which he has just introduced in an admirable manner.

President. — I call Mr Burgbacher.

Mr Burgbacher. — (D) Mr President, ladies and gentlemen, I should just like to say a few words, beginning by agreeing with the chairman of the Committee on Economic and Monetary Affairs and also recommending the adoption of the motion for a resolution.

In the Committee on Economic and Monetary Affairs I made a few remarks on the text of the proposal in the presence of the Vice-President. I do not want to repeat those remarks here because the Council will be discussing the proposal on Monday. I feel that we should not

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overload a ship which has just been launched before it has reached a safe harbour. I will therefore refrain from commenting on the text and trust that on Monday Mr Haferkamp will take everything into account that he has heard Members say here.

I should, however, like to make two appeals as it were, firstly to the Council as regards its discussions on Monday. I would urge the Council to treat this as a proposal of historic importance—as Lord Reay has rightly just called it; it is not one yet, but it could become one—by finding a solution which corresponds to the magnitude of the problem and is not so petty that the experts can only smile or feel that they are being hoodwinked into thinking the problem is serious. The magnitude of the problem requires solutions of equal magnitude.

Nothing else that concerns the text is as important as the question of whether the proposed solution takes account of the size of the problem. For we want to impose the condition on the borrowing country that it undertakes to put its balance of payments in order, and it is not possible to get to grips with a 20 000m balance of payments deficit if only 2 000, 3 000 or 4 000 millions are made available. That is my appeal to the Council.

My appeal to the Member States is a very serious one. Having seen the proposal, which they will probably read attentively and with enjoyment, the Member States will not of course feel that they can now sit back because the Community is taking over the whole mess. That would be the worse thing that could happen. And, ladies and gentlemen, we all know very well—after all we are all members of a national parliament—how reassuring it is for a national parliament to hear the relevant minister say: 'Don't worry. The Community has taken over now'. If this were the effect of the proposal, it would be a step backwards.

That is all I wish to say today.

(Applause)

President. — I call Mr Normanton.

Mr Normanton. — I wish to make three brief points only, because there can be no doubt that in this session, and certainly in the Committee on Economic and Monetary Affairs, a universal welcome is given to the proposal in the name of Vice-President Haferkamp.

I see in the proposal probably the best hope for progress towards European Community monetary union that we have seen in the years to date. In fact, I think that it is the only hope of achieving that progress.

In wishing the proposal success, I ask Vice-President Haferkamp whether he proposes to establish clear and precise rules according to which the loans shall be made to Member States. I hope that he will not be precise and definite in laying down rules, but that he will ensure that the scheme is operated with the maximum flexibility.

However, on one matter Vice-President Haferkamp should be inflexible. There is a danger that Member States will see in the availability of funds of the magnitude proposed a chance to continue with domestic economic policies that have, in effect, contributed substantially to the economic imbalance in Europe. Therefore, I hope that when loans are forthcoming, there will be insistence upon conformity inside Member States with the common-sense rules that a normal banker would impose when lending to one of his customers. A banker who lends with a view to stimulating consumption is on a loser. I hope that Vice-President Haferkamp will insist upon the line taken by a banker who lends with a view to stimulating prudence and caution in the management of his client's affairs.

Will the Commission undertake to report to Parliament at regular intervals on the progress of the operation of the scheme? That would be a way of making public information on this important project. Will Vice-President Haferkamp also consider holding what I might describe as confidential, on-going discussions with the Committee on Economic and Monetary Affairs before firm commitments to loans are authorized? Such a dialogue in advance of firm commitments could be to the mutual advantage of Parliament and the Commission. The members of the committee, as members of their national parliaments, would have a valuable contribution to make towards helping the Commission's proposals to be effective and to be acceptable in Member States.

With those two questions, I endorse all that has been said by Mr Lange and our colleagues this morning, and wish Vice-President Haferkamp every success in the vital project to which he has put his hand.

(Applause)

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, ladies and gentlemen, I should like to thank the House for dealing with this matter so quickly: within a few days of its receiving the proposal, the latter is being debated here and an opinion delivered. In particular I should like to thank the committees concerned and

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above all Mr Lange, chairman of the Committee on Economic and Monetary Affairs, who has managed to present his report on our proposal to Parliament under difficult conditions in a very busy week.

I should first like to go into Mr Lange's remarks on the translation of the texts. I am sorry about the difficulties and mistakes that have occurred. We will do everything to prevent this happening in the future, but I should like to add one remark. It is definitely not easy to work in all the languages of the Community and from one language into another. This poses considerable problems as regards the quality both of interpreters and of translators. There are just not enough people in the world with all the combinations of languages that we need. I do not want to bother you with details, but if we could concentrate on just a few languages in the Community—I do not intend to make any formal proposals or to tread the very thin ice of national prestige—some things would be made much easier. Perhaps this will be discussed in the future at some time; it is not a proposal on these documents. But it would make work a great deal easier for us.

As to the proposal itself, it has rightly been pointed out that it is of considerable importance. It is naturally important as regards its direct field of application, the economic and finance sectors. If we obtained so significant an instrument for the Community, that in itself would be important enough. In addition, the political importance of what we propose has rightly been pointed out. The point is in fact that the Community is creating for itself an instrument to enable it to act as a Community in its contacts with the outside world in a very important field.

Secondly, it is an instrument of Community solidarity, with all the Member States doing something together in the face of extreme difficulty.

And thirdly, it is so extremely important for this solidarity to be linked with the appeal to each Member State to bow to a measure of discipline within the Community and Community policy. In other words, this solidarity will be achieved only if the Member State concerned makes an effort now and if it participates in a policy agreed at Community level.

I feel that it is very important to point out these few principles once again because the text, as has been said, is extremely short. It has been kept short deliberately because what we are trying to do is to create a legal basis for this Community instrument. It is quite clear that practically every single article will necessitate considerable thought on how it is to be imple-

mented and solutions to the technical problems, which have incidentally been under discussion for a long time now and which we will be able to submit shortly.

The problem here was simply that a legal basis has to be created. As regards the extreme brevity, I should like to say that our text is far longer than, for example, the provision in the ECSC Treaty of 1952, where the legal possibility of the Community raising loans is dealt with in half a sentence. I do not intend trying to discover if it would not have been possible to solve the problem with a shorter text than that contained in the ECSC Treaty, since the point is simply that the legal possibility is to be created for such operations.

We have now gone somewhat further because we had to provide the legal basis with some clarification, which will affect implementation.

I thus come to the various questions that have been raised on this text. It has been asked where the funds are to come from. Will they be obtained directly or indirectly? Mr President, the wording of Article 1 leaves every possibility open. The funds can be obtained directly from a state or a central bank, by issuing debenture loans on the capital markets or even indirectly through banks. Any method is therefore possible. Which method we decide to use will depend on the given market situation, our needs and what can be offered.

Lord Reay has interpreted Article 2 correctly. We are not thinking of loans with a term of five years. We want to issue loans which, where possible, have a long term. This instrument will be available for the period of five years mentioned here. We want a longer term because, for one thing, arrangements will have to cover a longer period and, for another, because we want to offer an instrument that helps to remove the dangers of roll-over operations—short-term giving and long-term lending.

The 'same currency' in Article 3 means that we will pass on the funds to the Member State on the terms on which we obtain them. A loan raised in currency X would be made available to the borrowing Member State in currency X. In other words, there will be no conversion. The same applies to the repayment of principal and the payment of interest. Whether a common Community currency can be used in these operations in due course primarily depends on whether, when and how it is created. You know what has been said about the unit of account. In the past we have discussed in this House the Commission's proposal for monetary reserves to be amalgamated. In this connection, we have discussed in detail the question of the unit of account, which would have a reserve basis. This

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proposal has not as yet got any further in the Council. A discussion on the Community's unit of account will not be worthwhile until we have it available for a use such as this.

As regards the negotiations, it must be remembered that they will be political in content and concern technical questions. The Commission does not intend to take over these technical banking matters. Nor does it intend, on the other hand, to be excluded in any way from the political parts of these operations. I would like to make that quite clear.

With regard to the technical questions, it is debatable whether they should be dealt with by the European Investment Bank or the Monetary Cooperation Fund. To be honest, I find the latter solution better since the Fund has had a legal personality for over a year. After a long discussion it was even agreed—the Governments agreed, surprising though it may sound—to decide where the legal person should have its seat. But they have not so far agreed to give this legal person an actual task. Only if it is given such a task does a legally constituted Community institution really come to life and do we have an additional instrument for our Community policy.

As regards the guarantee, we have merely included the provision that loans must be serviced in all circumstances. That is the legal obligation we enter into vis-à-vis the lender. Everything else is an internal matter. But in this case, too, we have provided rules and procedures which consist, for example, in all the other Member States raising the funds to cover a debt or a repayment that cannot be made by a borrowing state at a given time. In other words, foreign currency is made available to the other Member States to meet the debt. The sum concerned is raised by all the other Member States by reference to the short-term monetary assistance scale. Internal preparations have even been made for the event that one or even more of the remaining eight Member States cannot pay its share. In that case its share would be apportioned to the other Member States. I feel we have reached the limits of what is intellectually and politically possible and admissible. It goes without saying that the internal arrangements are such that loans can be serviced in all circumstances.

However, Mr President, I should perhaps inform the House on the technical details of these questions through its committees, in the very near future, of course. We are planning to propose to the Council implementing regulations for a number of matters. I feel that it will then be far easier to discuss quite a number of problems.

Mr Normanton has raised a number of questions that I should like to answer. He asked about the rules according to which loans will be made to a Member State. I imagine that he was referring to the conditions under which such loans will be passed on. We do not intend setting definite rules for this because such economic conditions will depend on the position of the Community and the economy of the Member State involved at the time concerned. Furthermore, these conditions will naturally be based on what we in any case constantly discuss in connection with matters other than loan and credit questions, such as the economic reports, the annual economic report, the recommendations made in the short-term economic reports, the Council decisions on, for example, the budget and similar material. The rules will of course be permanent, and they will undoubtedly be referred to in individual cases; in other words there will not be specific rules from the outset for such cases. I can confirm that I and the Commission intend to insist that the rules and conditions governing a loan are applied and implemented. We also intend to demand that the Commission and the Monetary Committee check that these conditions are being fulfilled throughout the term of a loan. This seems necessary to me so that a case where the guarantee has to be applied can be recognized in good time. To this extent we are in line with what has been said here.

With regard to information, Parliament and the public will of course receive as much as is compatible with the confidential nature of political and technical preparatory work in monetary questions. This concerns above all the negotiation phase, initial contacts, discussions on interest rates, terms and such things. I do not think that we can be expected to make public statements in the middle of negotiations, for example. But I can assure you that we will naturally find ways of keeping you informed as long as matters of the type I have just mentioned are not concerned.

To be frank, we can only discuss details of financial negotiations if the utmost secrecy is preserved. This, I think, goes without saying. Mr President, I should like to conclude by thanking Parliament once again and by hoping on behalf of the Commission that now that Parliament's opinion and the opinions of other bodies consulted on matters of detail are known, the Council will take a decision on Monday which will enable us first to have this instrument available soon and second to use it in the interests of a policy of Community solidarity.

(Applause)

President. — I call Mr Lange.

Mr Lange, rapporteur — (D) Mr Haferkamp, in my presentation just now I pointed out that any further discussions would, where necessary, be absolutely confidential.

A second remark I should like to make is that it has been said today that the European Investment Bank should possibly take over these tasks because it is a bank. From earlier discussions I believe that it is the will of the Committee on Economic and Monetary Affairs and also the will of Parliament which has adopted the resolutions and proposals of this committee, that we should not recommend the European Investment Bank as the instrument to be used by the Commission but to place the emphasis on the European Monetary Fund. I am thus repeating what I said just now and what Mr Haferkamp also stressed. I feel that life must be put into this instrument. The European Investment Bank should not be encumbered with such tasks.

President. — Does anyone else wish to speak? We shall now consider the motion for a resolution.

On the preamble and paragraph 1, I have no amendments or speakers listed.

I put these texts to the vote.

The preamble and paragraph 1 are adopted.

Mr Bousch has tabled on behalf of the Group of European Progressive Democrats Amendment No 1 aiming at the insertion of the following new paragraph after paragraph 1:

'1a. Notes that financial obligations resulting for the Community from the implementation of this regulation must in due course be suitably identified, notably by the inscription 'p.m.', in the budget of the Communities.'

I call Br Bousch to move his amendment.

Mr Bousch. — (F) Mr President, honourable Members, I should like to say that our group is in favour of the initiative taken by the Commission. It considers that the procedure proposed is valid and necessary in order to begin a recycling of the capital which is currently leaving the industrialized countries of the Community in order to cover the costs of energy supplies.

So we support this initiative, particularly since we already asked an oral question with debate on this matter some time ago. We shall therefore vote in favour of the proposal submitted by the Commission.

In tabling my amendment, I should simply like to point out that the Community loan, as a Com-

munity financial procedure, must come under the control of Parliament. That is why I suggested that such loans be included in the budget, since the Community is a guarantor of their reimbursement. Furthermore, they come within the framework of budgetary estimates, the initial stage of the budget. The term *pro memoria* means that the amount to be included to cover this loan will be determined at a later date.

Consequently, ladies and gentlemen, I would ask you to adopt my 'supplementary' amendment, which merely aims to show our desire to take part at any early stage, through the parliamentary institution, in controlling the utilization of these funds.

President. — What is the rapporteur's position?

Mr Lange, rapporteur. — (D) Mr President, I am really very sorry that after the discussions we have had in committee — where these questions were dealt with, and I deliberately refrained in my presentation from bringing up the subject of the budget — the Group of European Progressive Democrats should table this amendment.

I would urge you, M. Bousch, to withdraw your amendment. We should not introduce the budget into this matter, not even with the formula *pro memoria*. There is no point in doing so since these funds are not intended as budgetary funds or to increase the budgetary funds of the Member States or for the Community. Commitments and the commitment machinery within the Community are surely quite different from the budgets of the Member States. We should not therefore refer to the budget of the Community, either.

If, Mr Bousch, there should be an unexpected development which forces us to discuss this question again, we would do that. But I do not think that we should from the outset refer to the possibility of making use of the budget. For even the formula *pro memoria* is a possible danger for the budget, and as the Community's budgetary funds are limited, we should not allow this. It must be done in another way such as outlined in the presentation, in the debate and in Mr Haferkamp's reply.

I would be very grateful, Mr Bousch, if you could withdraw your amendment. If you cannot do so, I must recommend the House to reject it.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) I intend to be brief and not get involved in discus-

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sions of a complicated budgetary nature. The discussion on this field has been going for a very long time. We have also refrained from including this subject in this legal text for the following material reason. The purpose of liability and guarantees is merely to ensure that the foreign currency can always be paid. Loans will be raised in other currencies. If a Member State cannot pay its interest or its share, the foreign currency must be made available to it. The Community budget cannot be used for this. The Community budget is expressed in the currencies of the Member States of the Community.

In the case under discussion here there would be no point. We might also extend the debate to a sphere which is not concerned.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — Mr Bousch has done a useful thing in emphasizing the need for Parliament not to lose control of what may evolve from this new development, but I agree with Mr Lange that the precise form of words that he has used would not be constructive at this time. So I should like to join in saying that while we thank Mr Bousch for emphasizing the necessity for Parliament to retain contact with what is happening, it should not be done by this particular method.

President. — I call Mr Bousch.

Mr Bousch. — (F) Mr President, I would say to Mr Lange, and to Mr Haferkamp, that I do not wish to complicate their job. We all know under what circumstances the Commission's proposal was discussed, we sat for more than two hours to discuss this problem which had already been discussed in committee, and I am authorized by my committee to note this in the report on the economic situation in the Community where, in paragraph 7, we had already pointed out that we supported the project aiming to create a procedure to allow Community loans to be placed on the international capital market. Consequently, it will be clear that I am in favour of this project. And in order to avoid complicating your work, I withdraw this amendment, stressing nevertheless that my aim was to insist that parliamentary control should be placed at some stage on the conditions pertaining to these loans and the conditions for their utilization by the Member States.

President. — Amendment No 1 has been withdrawn.

On paragraphs 2 and 3 I have no amendments or speakers listed.

Does anyone else wish to speak?

I put paragraphs 2 and 3 to the vote.

Paragraphs 2 and 3 are adopted.

Does anyone else wish to speak?

Thank you, Mr Haferkamp.

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

The resolution is adopted.¹

5. *Tabling of a motion for a resolution*

President. — I have received a motion for a resolution tabled by Mr Bourges on behalf of the Group of European Progressive Democrats on the necessity of a Community regional development plan for the areas along the border of the Republic of Ireland and Northern Ireland. This motion has been printed and distributed under No 306/74. It will be referred to the committee responsible together with Amendment No 1 tabled by Mr McDonald, Mr Creed and Mr Dunne.

6. *Third report of the Commission on competition policy*

President. — The next item is the report drawn up by Mr Artzinger on behalf of the Committee on Economic and Monetary Affairs on the third report of the Commission of the European Communities on competition policy (Doc. 290/74).

I call Mr Artzinger, who has asked to present his report.

Mr Artzinger, rapporteur. — (D) Mr President, the report of the Committee on Economic and Monetary Affairs on the Third Report of the Commission on competition policy covering the year 1973 is a report on a report. I cannot now again report on a report, and I therefore see my task as explaining the motion for a resolution tabled by the Committee on Economic and Monetary Affairs.

We point out that the competition policy is the only policy of the Commission which made substantial progress in 1973. The clearest indication of this progress is the Commission's proposal for a regulation on the control of concentrations between undertakings.

This House has approved the Commission's proposal, and in paragraph 11 of the motion for a resolution the Council is urged to adopt that

¹ OJ No C 140 of 13 November 1974.

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proposal by the end of this year, as it has assured us it will do.

As regards competition policy towards enterprises, the report points out—in line with the Commission's report—that the practical treatment of cartels has been consolidated by the practice of the Commission and the jurisdiction of the European Court of Justice to such an extent that the economy is today being guided by the Community's cartel law, i.e. Articles 85 and 86 of the Treaty. This is a very pleasing development, which your committee would like to see extended to the whole field of competition policy.

So far this appraisal of the concept that has been developed does not apply to the whole field of competition policy. We would urge the Commission to fill in the missing gaps soon. I would remind it of the cooperation agreements and selective distribution systems, where it has taken a very courageous step forward. I would draw the Commission's attention to licensing contracts for patents and know-how and of restrictive export practices. These matters are mentioned in paragraph 5, 6 and 7 of the motion for a resolution.

With Mr Lange in the chair, the committee had talks with the Federal German Cartel Office in Berlin. It was again clear that the relationship between a national cartel authority and a Community cartel authority was excellent. We therefore agree when the Commission says in its report that it is initially seeking a more informal relationship between the two legal systems — national and Community. I am convinced that coordination in individual cases will produce satisfactory results.

But we feel that in the long term the relationship between these two forms of legislation must be put on a more formal basis, and we therefore ask the Commission to make efforts to this end in paragraph 2 of the motion for a resolution.

The visit to the Federal Cartel Office and the insight gained into national competition policy there have led us to request that the reports made by the Member States to the OECD on the development of their individual competition policies be made available to the Committee on Economic and Monetary Affairs. We have included this request in the motion for a resolution.

Finally, we feel that competition policy also covers consumer protection since competition policy forms a major part of consumer protection. We have heard from the Commission that things have changed insofar as consumer policy is no longer the responsibility of the Directorate-General for Competition. In paragraph 4 of

the motion for a resolution we urge the Commission to ensure that the report on competition policy and that on consumer protection policy are submitted as nearly as possible at the same time. That deals with the whole subject of competition policy towards undertakings.

I should now like to say a few words on competition policy as regards state measures. We take up the well-known distinction made between aid with a regional objective and aid with a sectoral objective. With regard to aid with a regional objective, we support the excellent opinion delivered by the Committee on Regional Policy and Transport. Mr Delmotte has produced a very readable text. We regret that regional policy is still at the stage of wishful thinking and has not yet taken on a definite form as a Community policy.

Our only request in connection with this regional policy is that it should provide transparent and measurable aid. We are thus simply including a request by the Commission in paragraph 10 of the motion for a resolution. We feel that this effort need not obstruct an activation of the regional policy; on the contrary, it should speed things up. But we cannot forego this request because here, too, competition policy has its requirements.

As far as aid with a sectoral objective is concerned, the present situation is unfortunately very obscure. The rulings are hard to find and hard to understand. We therefore urge the Commission in paragraph 9 of the motion for a resolution above all to submit reviews so that we can see a little more clearly. We are not necessarily concerned with the abolition of this aid. There may well be good reason for granting it. But here again we appeal in particular for transparency so that action can be taken against distortion of competition caused by such aid.

Mr President, ladies and gentlemen, I feel that I have sufficiently explained the basic content of the motion for a resolution and would recommend the House to adopt it.

(Applause)

IN THE CHAIR: MR McDONALD

Vice-President

President. — I call Mr Borschette.

Mr Borschette, Member of the Commission of the European Communities. — (F) Mr President, ladies and gentlemen, it is very often said that traditions are being eroded; but traditions are also being created, and I think we are at present creating such a tradition in that every year the

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Commission draws up a report on the competition policy it is pursuing and also in that here, in the plenary sitting of Parliament, we have a frank discussion on the Commission's policy, in addition to the almost permanent dialogue between your Committee on Economic and Monetary Affairs and the Commission. I would add that since this is a sector in which the Commission has power of decision and in which it is subject to the control of the European Parliament alone, I think that it is twice as important to hold these discussions in order for Parliament to be able to exercise its control on the Commission fully.

Also, we are extremely encouraged by the motion for a resolution which has been submitted to continue the realistic and efficient policy which we have pursued together so far. I readily recognize with Mr Artzinger that there are still a number of blanks and omissions and that a great deal remains to be done in the field of competition policy. However, allow me to take the resolution point by point and give you some detailed information.

First of all, as regards the relationship between national legislation and Community legislation, I fully agree that this problem is of very great importance, but I should like first of all to stress that the jurisprudence of the Court of Justice has already given us two guiding principles — the precedence of Community standards over national standards and, secondly, the full and uniform application in all parts of the Common Market of those Community standards.

These principles imply essentially that authorization given under national law cannot contradict a Community prohibition aiming, under the terms of the Treaty, to ensure the maintenance of fair competition within the Common Market, and a national prohibition under national law cannot oppose the fundamental principles of a Community decision — a decision taken pursuant to Article 85 (3) — considered as an essential instrument in the implementation of the aims of the Treaties.

However, in order to avoid as far as possible differences which might appear in the application of national law and Community law, the Commission intends to propose initially rules of procedure aiming to obtain an improvement in the Commission's information on national procedures for administrative authorities and tribunals and also to organize consultation between national authorities and Community authorities so that the Commission may deliver opinions — and I stress opinions — in case there should be any conflict, and thirdly the setting up in the long term of genuine cooperation between the various authorities with a view to the more

complete and more uniform implementation of Community competition law.

The second theme of your resolution is consumer protection. The consideration of the consumer's interests is a constant concern when developing competition policy. Particularly, Article 85 (3) also aims to protect consumers and makes this a condition for the granting of an exemption to the principle of prohibition. As to the principle of prohibition itself, the Commission has made every effort to apply this first and foremost in cases where the interests of the consumer are seriously threatened.

In the present circumstances, where the main object of economic policy remains the struggle against inflation, an active policy must be pursued particularly as regards prices on the basis of an efficient competition structure. In fact, competition policy does not make it possible to fight inflation directly but rather to maintain a degree of fluidity in the market allowing a certain latitude for competition, particularly in prices. It is in this light that I see the two decisions taken by the Commission recently.

First of all there, is a prohibition affecting major producers of glass packaging in five Member States, forbidding them to follow an agreement curiously entitled 'rules of loyal competition', which really aimed to suppress normal competition in the prices sector and general trading conditions.'

The second case concerns a decision recently taken by the Commission to fine the manufacturers of wallpaper in one Member State for having organized a collective boycott of a tradesman who did not obey the rules of the cartel, particularly in pricing.

I now come to selective distribution. After deliberations within the Commission with the national experts, I think that we are currently drawing up certain basic guidelines regarding the problems raised in Community competition law by systems of selective distribution in two sectors, the car industry and the cosmetics industry.

As to the car industry, I think we must realize that in the interests of the consumer and for his security there must be some link between the producer and the dealer, but I also think that this means that it should not be permitted for anyone at all to become a car dealer. This means that we must realize that the need for certain connections may limit the number of dealers under a producer.

In any case, in order for the Commission to be able to authorize such a system, the buyer must be sure not only of being able to buy his car in

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any country of the Community but also of being able to get his car repaired.

As to limited distribution in the perfume sector, the Commission has also consulted the profession and experts from the Member States. In any case, I can already state that the fact that this is a luxury product could not alone bring the Commission to authorize a system of selective distribution. The Commission has already told your Economic and Monetary Affairs Committee that eventually it would like to hold a thorough discussion on this matter of selective distribution. I think this could be done quite soon.

The Commission could also meet your request on licencing contracts for patents. I should like to say right away that the Commission is prepared to devote a large section of its next report on competition to this extremely important matter which is also very complex and highly technical. This matter will also be dealt with at a conference bringing together Commission representatives and experts on competition from the Member States. This conference will take place at the end of the year.

In any case, I can already announce that for the Commission there can be no doubt that genuinely patented products must be allowed to circulate freely within the Common Market, which means that all prohibitions against sale in certain parts of the Community and all restrictions having an equivalent effect included in agreements on patenting are forbidden under Article 85. The Commission has already announced to your Committee on Economic and Monetary Affairs that in the near future it will be consulting it on this question, and in my view Community law must be used to bring innovations into this field.

As to the problem of free internal trade and imports within the Community, the motion for a resolution before you stresses the need to put an end to agreements between manufacturers and buyers with a view to preventing the exportation of products within the Community. I have already had occasion to say here in the Assembly, since the well-known decision laid down in the Grundig-Consten affair, that the Commission pays unceasing attention to this matter. The rules adopted on exclusive distribution agreements aimed to organize the distribution of products within the Common Market so as to concentrate sales efforts of dealers on their territory of principal responsibility allotted to them, but without setting up barriers which would grant them absolute protection. Similarly, selective distribution systems cannot be organized on a national basis against the objectives of the setting up of a single market between them and the States.

In this context I should like to mention two recent affairs which the Commission is currently dealing with. They concern the publishing sector. This sector deserves particular attention from the Commission in view of its importance for the cultural and political education of our citizens. The Commission is also attempting to analyse the origins and causes of price distortion noted between the various Member States of the Community for books and newspapers and periodicals. An exhaustive enquiry has been opened in order to assess the production and distribution procedures for these products with regard to the rules of the Treaty of Rome. This enquiry has not, I stress, been limited to the activities of a single group, but in this sector a very large group does occupy a predominant place in distribution and international trade in books and papers. At the present time the enquiry is virtually complete, and the Commission will not have to assess the behaviour of the group with regard to the articles of the Treaty.

The second affair in this sector concerns the exportation of Dutch books to Belgium, pointed out to the Commission by your former colleague, Mr Vredeling. It concerns prohibitions on export imposed by several Dutch publishers on Dutch retailers. Their aim was to protect the territory granted to the exclusive representatives of those publishers in Belgium. Contacts have already been established at professional level with the union of Dutch publishers in order to speed up the handling of this matter.

The maintenance of efficient competition in trade with the rest of the world is also one of the main concerns of the Commission. Thus as to various particular cases, I shall shortly propose to the Commission that it confirm by decisions the position taken in principle in October 1972, in its opinion on the importation of Japanese products. Private agreements between undertakings, even if they are concluded to promote what is known as 'orderly marketing' should not escape the application of Article 85 of the EEC Treaty.

Here, I should like to mention, if you will allow me, something which is not touched on in your resolution in order to give you some details on checks kept. More and more markets are escaping the procedure laid down for efficient competition given the dominant position of certain undertakings. Since these are tempted to profit from their dominant position, strict control of potential abusive practice on such markets by important undertakings becomes daily more necessary.

Of course, the examination of such situations raises legal and technical problems of great complexity. Thus to contest a dominant position and

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to delineate precisely the market involved presents very often enormous difficulties. This is certainly the case for the major affairs being examined, under Article 86, within the Commission's department on competition. I should like, however, to point out that the opening of an enquiry does not mean that there is any presumption of an infringement of Community rules. But I consider that Parliament has the right to be informed of the main problems currently arising in competition policy.

In this context, the enquiry into the behaviour of IBM has drawn the attention just recently of the press and public opinion. The enquiry aimed to check on certain behaviour by IBM in Europe pointed out to the Commission, and at the same time to note whether the grievances against IBM in the United States also applied in Europe. Given the importance of the data-processing sector and the dominant position of IBM, the Commission considers that a thorough analysis of this matter is absolutely necessary.

As to tranquillizers, that is to say valium and librium produced by the Hoffmann-La Roche group, the Commission is currently examining the result of studies carried out into the delineation of the market of the products concerned, which will allow it to assess the position of this group on the market precisely.

In the Radio-Luxembourg affair, the Commission is examining the activities of this undertaking on the musical publishing market in connection with broadcasting companies. As a commercial radio station, Radio-Luxembourg holds a very important position in the musical publicity sector. The aim is to determine the conditions required of music publishers for publicity given to their material.

Finally, an enquiry has also been opened into the complaints made about the dominant position of the European branch of the American United Fruit group as regards the importation of bananas into the Community.

I shall now pass on very briefly to state aid, and I should like to recall that by the end of 1973, the Commission had announced to the Council its intention of defining coordination principles for regional aid which would be valid for all regions of the Community. I shall not conceal the fact that the work of the Commission in this matter has been held up to some extent by the political situation in the Community, the political situation in certain Member States and also by the technical nature of the problems which have to be solved before this matter of coordination can be decided upon by the Commission and subsequently submitted to the Member States.

However, I have every hope that before the end of the year we shall be able to propose the coordination solution. It will perhaps contribute to the smooth running of the negotiations of the British Government regarding regional aid, and will facilitate the setting up of the Regional Development Fund.

Also, and here I recall what Mr Artzinger has just said, we are currently examining the possibility of drawing up a complete inventory of all aid granted in various regions of the Community, mainly in order to make such aid clear and measurable, but also to avoid reducing or eliminating such aid, and above all on behalf of investors who have occasionally noted the sorry lack of such an inventory.

In conclusion I should like to say a few words on the situation in the oil market which your Committee on Energy also mentioned in the opinion which it forwarded to the Committee on Economic and Monetary Affairs.

Clearly the energy and oil crisis has significantly altered the situation in the market in petroleum products. That is why the Commission, in a communication of 21 December last year, had already warned the oil companies against certain actions on the oil market.

Subsequently, the Commission began a general enquiry into the situation on the petroleum market and also, on the basis of independent complaints, began to examine certain special cases.

As I have already told this Assembly, the Commission will in any case draw up a report on all that it has ascertained regarding the petroleum market even though in certain cases Articles 85 and 86 were not applicable.

Furthermore, the Commission is currently examining several matters, and I can tell you that in one case following complaints submitted by independent distributors, the Commission only ten days ago sent a list of grievances to eleven oil companies dependent on international groups in connection with their total or partial refusal to supply petrol to an independent company, or if deliveries were carried out, their prices which, given the prices in force in the company's country, made it impossible for the latter to carry out its activities normally.

Mr Artzinger also spoke of the treatment by the Council of the proposal concerning the control of mergers.

As to this, I should like to say that I am not very optimistic. The Council, or more precisely, its working parties, has so far discussed these matters on two occasions, but it did not discuss a precise proposal for a regulation. It discussed

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major questions, very general questions, namely the convergence between regional policy, social and short-term economic policy with competition policy; so far unfortunately this is all that has been done.

And so I regret to have to state that, probably, the Council will yet again be unable to meet the deadline it laid down for itself in its resolution on industrial policy, i.e. the end of this year.

This does not mean that when the time comes the Commission will fail to produce new measures and I shall not fail myself at that time to inform your Parliament and its responsible committees.

There you are, Mr President, I have finished. Please excuse me for taking so much time, but I think you will agree that there are many possible variations on the theme of competition policy.

(Applause)

President. — I call Mr Normanton.

Mr Normanton. — I know it will be the wish of everyone in the House, although I shall not do so on their behalf, to thank Mr Borschette for a very far-ranging summary of the last aspect of his portfolio.

Much that has been said on this subject—and Mr Artzinger himself has said so—is by way of repeating what has been said many times in plenary session on the subject of competition policy.

I wish to make one point again, and one point only, on merger controls. If mergers do not take place between companies inside Member States and between companies in the Community and companies in non-Community countries, then the European Economic Community will be an economic and industrial eunuch.

I therefore entreat the Commission, as I have done many times before, to avoid at all cost initiating statutory or any other measures and above all to avoid at all cost adopting attitudes of mind which might inhibit progress towards making Community industry more efficient, and that means more competitive. The only criterion by which one can judge the ability to be competitive is the ability to compete in the one and only market of importance, the world market.

If the Commission will keep this objective firmly and constantly in mind, then I am certain that it will be progress worthwhile promoting and stimulating and will be for the benefit of the peoples of Europe in particular and the world in general.

President. — I call Mr Lange.

Mr Lange. — *(D)* Mr President, I should just like to make a few remarks on Mr Normanton's observations. I do not want to see Parliament's opinion on the control of concentrations between undertakings distorted. In other words, I find it important that it be stated once again that Parliament has approved the proposal for a regulation on the control of concentrations between undertakings; Parliament has, on the other hand, also approved the Statute of the European Company. The question remains to what extent European undertakings will be regarded as multinational or European in the development of a domestic market in Europe, i.e. in the European Communities. In addition, the necessary instruments must naturally be created for world-wide trade in goods and services. But these undertakings must be prevented from abusing the market position they may attain. That is all we want. In other words, I should like to prevent misunderstandings arising as regards the opinions hitherto expressed by this Parliament.

President. — I call Mr Borschette.

Mr Borschette, Member of the Commission of the European Communities. — *(F)* Mr President, I should simply like to tell Mr Normanton that the Commission is not obsessed with concentrations. It has already pointed out in several documents submitted to Parliament that it is also an institution which does not contradict itself. We are in favour of rational and efficient concentrations; we shall authorize those if the regulation is accepted by the Council, as we authorized them in the ECSC where the Commission already has the power to authorize or prohibit such concentrations.

I should also like to recall that the Commission accepted in plenary sitting an amendment tabled by the European Parliament which made clear that in assessing mergers, the Commission should take into account competition on the world market in its judgement of concentration between undertakings. I think that this was what Mr Normanton had in mind.

President. — Does anyone else wish to speak?

Thank you, Mr Borschette.

I put the motion for a resolution to the vote.

The resolution is adopted.¹

¹ OJ No C 140 of 13 November 1974.

7. *Regulation on the customs treatment of certain goods*

President. — The next item is a vote without debate on the motion for a resolution contained in the report drawn up by Mr Boano 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 customs treatment of goods imported for testing (Doc. 281/74).

Does anyone wish to speak?

The resolution is adopted.¹

8. *Regulation on the delivery periods of imported goods*

President. — The next item is a vote without debate on the motion for the resolution contained in the report drawn up by Mr de la Malène on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council (Doc. 224/74) for a regulation amending Regulation (EEC) No 803/68 concerning delivery periods of imported goods (Doc. 279/74).

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

9. *Regulation on the value of goods for customs purposes*

President. — The next item on the agenda is the report drawn up by Mr Klepsch on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 803/68 concerning the value of goods for customs purposes (Doc. 257/74).

I call Mr Klepsch, who has asked to present his report.

Mr Klepsch, rapporteur. — (D) Mr President, ladies and gentlemen, this report deals with the proposal from the Commission to the Council for a regulation amending the regulation concerning the value of goods for customs purposes. This amendment is necessary because of the basic treaty on relations between the Federal Republic of Germany and the GDR and because the EEC countries have in the meantime established diplomatic relations with the GDR.

As a result the trade relations between these countries and the GDR had to be adapted. The GDR had to be included in the list of state-trading countries and put on a par with them, although it should be noted that the Council and Commission share the view that the special status of internal German trade pursuant to the appropriate protocol to the EEC Treaty will retain its validity unchanged.

The adjustments concerned here result in the deletion of Article 8 (4) of Regulation No 803/68. The question which perhaps arises in that connection is covered by the wording on the maintenance of the special status of internal German trade. I should just like to point out that the Community will consequently be receiving as revenue the levies and customs duties received from trade with the GDR and that refunds will in future have to be financed through the European Agricultural Guidance and Guarantee Fund.

On one point which I have not particularly stressed in my report I should like to add that the deletion of Article 8 (4) of the regulation may cause difficulty if the special position of West Berlin is not taken into account. I feel that the common view of the Council and Commission may well necessitate the rewording of Article 6 (2) so as not to cause West Berlin additional trouble.

As I assume that this will in fact be done, I can say with satisfaction that the Committee on External Economic Relations unanimously approved this proposal, which will further harmonization of the Community's external trade policy, and I would ask the House to adopt the motion for a resolution.

(Applause)

President. — I call Mr Borschette.

Mr Borschette, Member of the Commission of the European Communities. — (F) Mr President, I should also like to thank Mr Klepsch and point out to him that the Commission intend to take into account the special situation of Berlin in an implementing regulation.

President. — Thank you, Mr Borschette.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

10. *Regulation on the nomenclature of goods for the external trade statistics of the Community and statistics of trade between Member States (NIMEXE)*

¹ OJ No C 140 of 13 November 1974.

President. — The next item on the agenda is a debate on the report drawn up by Mr Knud Thomsen on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation modifying Regulation (EEC) No 1445/72 concerning the nomenclature of goods for the external trade statistics of the Community and statistics of trade between Member States (NIMEXE) (Doc. 258/74).

I call Mr Thomsen, who has asked to present his report.

Mr Knud Thomsen, rapporteur. — (DK) Mr President, one could well say that this subject almost falls outside the topics for debate in this Parliament. It ought to have been dealt with under the simplified consultation procedure or without debate.

However that may be, I can fully recommend the Commission's proposal on behalf of the Committee on External Economic Relations.

I shall confine myself to explaining to Members of this Parliament that NIMEXE is an itemized nomenclature of goods, the aim of which is to ensure uniformity of statistics of the external trade of the Community and trade between the Member States. From this point of view it is a good thing.

One proposal was put forward in 1972 and the Commission is now proposing that the NIMEXE system should be fully implemented in 1976 in the six original Member States and in 1978 in the three new countries. I have no objection to this. But I do have a remark to make to Mr Borschette.

I have been informed by sources in my own country, Denmark, that Danish nomenclature is already fully convertible to the NIMEXE system. From this point of view, things are also in order.

Denmark is a special case in that Danish nomenclature applies both to foreign trade and to our own production statistics, and it is naturally very useful if these sets of statistics coincide. This would be impossible if we switched to the full NIMEXE system.

At the same time, Mr Borschette, a completely new system known as 'the harmonized commodity description and coding system' is emerging from international negotiations; this system of coordination happens to be based on the same principles as the Danish nomenclature. It may therefore be rather difficult and expensive for Denmark to switch for perhaps one or two years, only to go back in the end to the new system, which is identical to the one Denmark previously had.

My suggestions is merely that there could perhaps be some flexibility on this point at a later stage in consultations.

(Applause)

President. — Thank you, Mr Thomsen.

I call Mr Borschette.

Mr Borschette, Member of the Commission of the European Communities. — (F) Mr President, I have noted the remarks by Mr Thomsen concerning the Danish situation. The Commission, which is always present at the meetings of the Council for customs cooperation, will take into account that situation and attempt to adopt a certain flexibility in order to avoid too many modifications.

President. — Thank you, Mr Borschette.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

11. Dates of the next part-session

President. — There are no other items on the agenda.

The enlarged Bureau proposes that our next sittings be held at Strasbourg during the week from 11 to 15 November 1974.

Are there any objections?

That is agreed.

12. Adjournment of the session

President. — There are no more items on the agenda.

The House is adjourned.

13. 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 this sitting, which were written during the debates.

Are there any comments?

The minutes of proceedings are approved.

The sitting is closed.

(The sitting was closed at 11 a.m.)

¹ OJ No C 140 of 13 November 1974.