

Annex

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## Debates of the European Parliament

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1977-1978 Session

Report of Proceedings  
from 16 to 20 January 1978

European Centre, Luxembourg

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NOTE TO READER

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

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

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IN THE CHAIR : MR COLOMBO

*President*

*(The sitting opened at 5 p.m.)*

**President.** — The sitting is open.

1. *Resumption of the session*

**President.** — I declare resumed the session of the European Parliament adjourned on 16 December 1977.

2. *Tribute*

**President.** — Ladies and gentlemen, our Parliament has been dealt another heavy blow, this time by the death of Mr Schwabe during the night of 3 January. Mr Schwabe had been a Member of the European Parliament since January 1970. During the whole of that period, he took an active part in our work, in particular as a member of the Committee on Regional Policy, the committee on the Environment the Committee on Agriculture and the Social Affairs Committee and of our delegations to the EEC-Greece Association Joint Parliamentary Committee and the Consultative Assembly of the ACP-EEC Convention. On behalf of this Parliament, I have sent messages of condolence to the family of our deceased colleague. As a mark of respect, I ask you to observe a minute's silence.

*(The House rises to its feet and observes a minute's silence)*

3. *Resignation of Members*

**President.** — Mr de Koning and Mr Van der Meij have informed me of their resignation as Members of the European Parliament following their appointment as Minister and Under-Secretary respectively of the Dutch Government.

While thanking them for their active participation in our work, I wish to congratulate them on these nominations and wish them every success in the new and responsible functions they are called upon to fulfil.

4. *Appointment of a Member*

**President.** — On 15 December 1977, the Bundestag of the Federal Republic of Germany appointed Mr Rudolf Luster as a Member of the European Parliament to replace Mr Kunz, who has resigned.

Mr Luster's credentials will be verified after the Bureau's next meeting, it being understood that, pursuant to Rule 3 (3) of the Rules of Procedure, he will take his seat provisionally in Parliament and on its committees with the same rights as other Members.

I offer him a cordial welcome.

5. *General budget of the European Communities for 1978*

**President.** — Following the vote in Parliament on 15 December 1977 on the draft general budget of the European Communities for the 1978 financial year, I noted on 21 December that the procedure laid down in paragraph 7 of Articles 78 of the ECSC Treaty, 203 of the EEC Treaty and 177 of the EAEC Treaty had been completed. Consequently, I declared the budget finally adopted. It will be published in the Official Journal.

6. *Reference to committee*

**President.** — At its sitting of 14 December 1977, Parliament rejected the motion for a resolution contained in the report by Mr Van Aerssen on company taxation systems (Doc. 291/77). The Commission's proposal has now been referred to the Committee on Economic and Monetary affairs.

7. *Documents received*

**President.** — Since the last adjournment of this session, I have received the following documents :

a) from the Council, requests for an opinion on :

— the proposals from the Commission to the Council for :

I. a directive amending Council Directive 72/159/EEC of 17 April 1972 on the modernization of farms ;

II. a directive amending Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas ;

III. a directive amending Council Directive 72/160/EEC of 17 April 1972 concerning measures to encourage the cessation of farming and the reallocation of utilized agricultural area for the purpose of structural improvement ; and

IV. a directive on the programme to accelerate drainage operations in the less-favoured areas of the West of Ireland (Doc. 459/77),

which has been referred to the Committee on Agriculture as the committee responsible and to the Committee on Budgets and the Committee on Regional Policy, Regional Planning and Transport for their opinions ;

— a proposal from the Commission to the Council for a Decision on financial participation by the Community in respect of inspection and surveillance operations in the maritime waters of Denmark and Ireland (Doc. 460/77),

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

## President

— a proposal from the Commission to the Council for a regulation amending Regulation (EEC) No 1192/69 on common rules for the normalization of the accounts of railway undertakings (Doc. 462/77),

which has been referred to the Committee on Regional Policy, Regional Planning and Transport ;

— a communication from the Commission to the Council on the guidelines concerning the development of the Mediterranean regions of the Community, together with certain measures relating to agriculture (Doc. 470/77),

which has been referred to the Committee on Agriculture as the committee responsible and to the Committee on External Economic Relations, the Committee on Regional Policy, Regional Planning and Transport and the Committee on Budgets for their opinions ;

— the communications from the Commission to the Council on the reorganization of the Community shipbuilding industry (Doc. 471/77),

which has been referred to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Social Affairs, Employment and Education, the Committee on Budgets and the Committee on Regional Policy, Regional Planning and Transport for their opinions ;

— the proposals from the Commission to the Council on the fixing of prices for certain agricultural products and on certain related measures (Doc. 479/77),

which has been referred to the Committee on Agriculture as the committee responsible and to the the Committee on Budgets and the Committee on the Environment, Public Health and Consumer Protection for their opinions ;

— a draft resolution of the Council on a Community action programme on safety and health at work (Doc. 480/77),

which has been referred to the Committee on the Environment, Public Health and Consumer Protection as the committee responsible and the Committee on Budgets for its opinion ;

— a proposal from the Commission to the Council for a regulation amending Regulation (EEC) No 2727/75 and (EEC) No 1418/76 as regards the export refunds for cereals and rice exported in the form of goods not covered by Annex II to the Treaty (Doc. 481/77),

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

— a proposal from the Commission to the Council for a directive on the approximation of the laws of the Member States concerning the general requirements of construction and certain types of protection for electrical equipment for use in potentially explosive atmospheres (Doc. 482/77),

which has been forwarded for the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on the Environment, Public Health and Consumer Protection for its opinion ;

— a draft recommendation from the Commission to the Council for a recommendation to the Member States

regarding methods of evaluating the cost of pollution control to industry (Doc. 484/77),

which has been forwarded to the Committee on the Environment, Public Health and Consumer Protection ;

— a proposal from the Commission to the Council for a directive amending for the fifth time Directive 73/241/EEC on the approximation of the laws of the Member States relating to cocoa and chocolate products intended for human consumption (Doc. 485/77),

which has been referred to the Committee on the Environment, Public Health and Consumer Protection ;

— a proposal from the Commission to the Council for a directive (EEC) on statistical returns in respect of carriage of goods by road, as part of regional statistics (Doc. 486/77),

which has been referred to the Committee on Regional Policy, Regional Planning and Transport as the committee responsible and to the Committee on Budgets for its opinion ;

— a proposal from the Commission to the Council for a regulation amending Regulation (EEC) No 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories (Doc. 487/77),

which has been referred to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture and the Committee on Budgets for their opinions ;

### b) from the committees, the following reports :

— report by Mr Aigner, on behalf of the Committee on Development and Cooperation, on the Communication from the Commission to the Council on the supply of food aid in the form of skimmed-milk powder and butter oil to India for the second phase of 'Operation Flood' (Doc. 461/77) ;

— report by Mrs Cassanmagnago Cerretti, on behalf of the Committee on the Environment, Public Health and Consumer Protection, on the proposal from the Commission to the Council for a decision adopting a concerted-action project of the European Economic Community in the field of physical properties of foodstuffs (Doc. 463/77) ;

— report by Mr Fuchs, on behalf of the Committee on Energy and Research, on the proposal from the Commission to the Council for a multiannual programme of research and development in the European Communities on paper and board recycling (indirect action : 1978-1980) (Doc. 464/77) ;

— report by Mr Prescott, on behalf of the Committee on Economic and Monetary Affairs, on the proposal from the Commission to the Council for a directive on aid to shipbuilding (Doc. 465/77) ;

— report by Mr Klinker, on behalf of the Committee on Agriculture, on some aspects of the final version of the common fisheries policy with reference to amendments tabled to the report by the Committee on Agriculture on the proposal from the Commission to the Council for a regulation laying down a licensing

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system to control the fishing operations of non-member countries in the maritime waters coming under the sovereignty or falling under the jurisdiction of Member States and covered by the Community system for the conservation and management of fishery resources (Doc. 466/77);

- report by Mr Ligios, on behalf of the Committee on Agriculture, on the effects of the Mediterranean policy on Community agriculture (Doc. 467/77);
- report by Mr Baas, on behalf of the Committee on the Environment, Public Health and Consumer Protection, on the First Report by the Commission of the European Communities on the State of the Environment (Doc. 468/77);
- report by Mr Liogier, on behalf of the Committee on Agriculture, on the amended proposal from the Commission of the European Communities to the Council (Doc. 504/76) for a regulation on the common organization of the market in ethyl alcohol of agricultural origin and laying down additional provisions for certain products containing ethyl alcohol (Doc. 472/77);

## c) the following oral questions with debate :

- question by Mr Nyborg on behalf of the Group of European Progressive Democrats to the Council on shipping and shipbuilding (Doc. 473/77);
- question by Mr Glinne on behalf of the Socialist Group to the Foreign Ministers of the nine Member States of the European Community meeting in political cooperation on compliance with UN sanctions against Rhodesia (Doc. 474/77);
- question by Mr Bass on behalf of the Liberal and Democratic Group to the Commission on trade relations between the EEC and Japan (Doc. 475/77);
- question by Mr Cousté, Mr Power, Mr Jensen, Mr Inchauspé, Mr Kaspereit, Mr Liogier, Mr Terrenoire and Mr Nyborg on behalf of the Group of European Progressive Democrats to the Commission on the future of craft industries in the Community (Doc. 476/77);
- question by Mrs Squarcialupi on behalf of the Committee on the Environment, Public Health Consumer Protection to and the Commission on the Community policy against smoking (Doc. 477/77);
- question by Mrs Dunwoody, Mrs Dahlerup, Mr Dondelinger, Mrs Krouwel-Vlam, Lady Fisher of Rednal, Mr Adams, Mr Lezzi, Mr Kavanagh and Mr Albers to the Commission on the implementation of the Directive on equal pay for men and women (Doc. 478/77);

d) for *Question-time* on 17, 18 and 19 January 1978 (Doc. 483/77) :

questions by Mr Cousté, Mr Dalyell, Mr Fioret, Mr Evans, Mr Noè, Mr Pintat, Mr Normanton, Mr Seefeld, Mr Edwards, Mr Spicer, Mr Martinelli, Mr Osborn, Mr L'Estrange, Mr Feit, Mrs Ewing, Mr Dondelinger, Mr Albers, Mr McDonald, Mr Ryan, Mr Schmidt, Mr Jensen, Mr Nyborg, Mr Früh, Lord Bethell, Mr Power, Mr Terrenoire, Mr Brosnan, Mr Herbert, Mr Cifarelli, Mr Price, Mr Kavanagh, Mr Edwards, Mr Dalyell, Mr Kaspereit, Mr Cousté, Lord Bessborough, Mrs Ewing, Sir Geoffrey de

Freitas, Mr Patijn, Mr Nyborg, Mr Terrenoire, Mr Osborn, Mrs Ewing and Mr Normanton ;

- e) from the EEC-Turkey Association Council, the twelfth annual report of the EEC-Turkey Association Council (1 January to 31 December 1976) (Doc. 469/77).

This document has been referred to the delegation to the Joint Parliamentary Committee of the EEC-Turkey Association.

*8. Texts of Treaties forwarded by the Council*

**President.** — I have received from the Council certified true copies of the following documents :

- agreement in the form of an exchange of letters extending the trade agreement between the European Economic Community and the Argentine Republic ;
- agreement between the European Economic Community and the Republic of India on trade in coir products ;
- agreement in the form of an exchange of letters between the European Economic Community and the Republic of India on trade in coir products ;
- agreement between the European Economic Community and the Republic of India on trade and commercial cooperation in jute products ;
- agreement in the form of an exchange of letters between the European Economic Community and the Republic of India on trade and commercial cooperation in jute products and approving a communication from the Community ;
- agreement extending the interim agreement between the European Economic Community and the Kingdom of Morocco ;
- agreement in the form of an exchange of letters between the European Economic Community and the People's Democratic Republic of Algeria concerning the import into the Community of preserved fruit salads originating in Algeria ;
- agreement in the form of an exchange of letters between the European Economic Community and the People's Democratic Republic of Algeria on the importation into the Community of tomato concentrates originating in Algeria ;
- agreement in the form of an exchange of letters between the European Economic Community and the Republic of Tunisia concerning the import into the Community of preserved fruit salads originating in Tunisia ;
- agreement extending the interim agreement between the European Economic Community and the Portuguese Republic ;
- agreement in the form of an exchange of letters between the European Economic Community and the Portuguese Republic regarding prepared or preserved tomatoes falling within subheading 20.02 C of the common customs tariff ;
- agreement in the form of an exchange of letters between the European Economic Community and Turkey fixing the additional amount to be deducted from the levy on imports into the Community of

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untreated olive oil, originating in Turkey, for the period from 1 November 1977 to 31 October 1978.

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

*9. Order of business*

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

At its meeting of 13 December 1977, the enlarged Bureau prepared a draft agenda, which has been distributed. In the meantime, the following changes have occurred :

- Mr Houdet, chairman of the Committee on Agriculture, has requested that the Klinker report on the common fisheries policy (Doc. 466/77), at present figuring on Thursday's agenda, be postponed to a subsequent part-session.

This request is automatically granted, and the report is consequently withdrawn from the agenda ;

- the authors of the oral question on the pharmaceutical industry (Doc. 177/77/rev.) have asked that this be postponed to a subsequent Part-session. Pursuant to rule 47 (7) of the Rules of Procedure, the question is automatically withdrawn, but may be immediately taken over by any other Member.

Does anyone wish to take over this question ?

The question is accordingly withdrawn.

Mr Houdet, chairman of the Committee on Agriculture, has requested that the report by Mr Liogier on ethyl alcohol (Doc. 472/77) be taken as the first item on Thursday, 19 January, and not as the second item, as originally intended.

Are there any objections ?

I call Mr Bangemann.

**Mr Bangemann.** — (D) Mr President, I should like to make a request on behalf of the Legal Affairs Committee which I consider important if we are to give this report on ethyl alcohol by Mr Liogier the attention it deserves.

The Legal Affairs Committee was seized by the Committee on Agriculture of the question whether the proposal was compatible with Protocol No 19, and, having examined this question, the Legal Affairs Committee found that this proposal for a new organization of the market raises some very difficult legal problems which I cannot spell out in detail here. I can, however, assure you, Mr President, that the members of the Legal Affairs Committee were unanimously of the opinion that these legal problems must be resolved before the report can be discussed by the whole House. It was for this reason that the chairman of the Legal Affairs Committee, who unfortunately cannot be here today and who has asked me to represent the Legal Affairs Committee, asked you in a letter for authorization to make this legal examination.

The Committee of Agriculture assented to our request but gave us only 14 days, and this was in December,

so that because of the work-load which the Legal Affairs Committee has, it was not possible to carry out this examination. I therefore ask on behalf of the Legal Affairs Committee for this report not to be put on the agenda of this part-session but for the Legal Affairs Committee to be given another opportunity to examine these serious legal questions and to issue an opinion on them.

(Sporadic applause)

**President.** — I call Mr Klepsch.

**Mr Klepsch.** — (D) Mr President, I should like to say something on this point. A proposal has been made to reserve the order of the Ligios and Liogier reports. I cannot support this and would rather the agenda agreed by the Bureau were retained. I say this because I believe that the effects of Mediterranean policy on the agriculture of the Community is of primary interest to the public, and therefore a debate on this subject should not be held late in the evening. We can, of course, discuss the question of ethyl alcohol after that, just as the Bureau has arranged. For this reason I would ask that the sequence of the agenda should be maintained. As to the question of deferring the report. I can say that we shall of course respect the decision of the House, but my group is prepared to deal with this matter this week.

**President.** — Mr Klepsch do I understand you as saying that your group agrees with Mr Bangeman's proposal ?

**Mr Klepsch.** — (D) Mr President, perhaps I was speaking too quickly. I said that my group is prepared to deal with the Liogier report his week. That is to say we are prepared to discuss it and to vote on it. We shall, of course, follow the wishes of the House.

**President.** — I call Lord Bruce.

**Lord Bruce of Donington.** — Mr President, may I ask you and, through you, the House, to note and approve the view expressed by Mr Bangemann that this report should not be considered at this part-session ? The Committee on Budgets took the *prima facie* view, when beginning its consideration of this particular report, that it did, in fact, run contrary to Protocol 19 of the Accession Treaty and deferred considering the matter further until after the report of the Legal Affairs Committee had been received. This means that, as of now, the Committee on Budgets has not, in fact, had an opportunity of considering this problem in the necessary detail within its correct legal context. I do think, therefore, that it would be unfortunate if it were discussed in a plenary sitting before the Committee on Budgets had fully considered it. I would therefore urge you and, through you, the House, to support Mr Bangemann's view that this item should be withdrawn from the agenda.

**President.** — I call Mr Rippon.

**Mr Rippon.** — Mr President, I would like to support the view expressed by Mr Bangemann. There can be no doubt that this matter raises very grave and difficult legal issues which could not possibly be considered adequately in the fortnight that was apparently all the time provided. I hope therefore the House will accept the argument that he has put forward. If, on the other hand, this matter is to be debated this week, then I am afraid I cannot agree with Mr Klepsch that it would be right for it to be the second item on Thursday's agenda. I think it should remain the first item, because it will be a long and controversial debate and, as things stand at present, there will undoubtedly be votes at the end of it. It would be much more convenient for those votes to be taken on the Thursday afternoon rather than left over until Friday. I would strongly submit that this is one of the most difficult matters now before Parliament. It would be very much better to postpone it, as Mr Bangemann has suggested. However, if it is the wish of the House that the debate should be held, it should be the first item on Thursday's agenda.

**President.** — I call Mr Giolitti.

**Mr Giolitti, Member of the Commission.** — (F) Mr President, I merely wish to say that the Commission does not object to postponement of this report until the February part-session.

**President.** — I call Mr Houdet.

**Mr Houdet.** — (F) Mr President, I am very surprised that the Legal Affairs Committee is asking for this important question to be postponed until the next part-session. The Committee on Agriculture has in fact studied the report of the Legal Affairs Committee on the application of Protocol 19 of the Accession Treaty which accepts the document we are submitting. What is more, during its sitting of 20 and 21 October 1977, the Committee on Agriculture heard an expert from the Legal Service of the Commission and I had invited the Chairman and draftsman of the opinion of the Committee on Budgets to attend the meeting. So I do not see why this important question should be held up.

I must also point out that this new proposal on ethyl alcohol has been before Parliament since 5 January 1977, the original proposal having already been considered before the enlargement of the Community, when it was laid before the Committee on External Economic Relations, the Committee on Economic and Monetary Affairs and the Committee on Budgets as well as the Committee on Agriculture.

I should also like to remind the House of the situation in which we are now placed. We have been in a

somewhat illegal position since 1 January 1978, because we are failing to comply with the judgment of the Court of Justice of 10 December 1974 in the *Charmasson* case as regards alcohol, mutton and lamb and potatoes. At the request of the Council, Parliament has already given its opinion on mutton and lamb and potatoes: the question of ethyl alcohol is all that remains. I therefore request that we keep the question on the agenda of the current part-session.

Mr President, I asked you to take the Ligios and Liogier reports in reverse order on the agenda for next Thursday. My purpose in doing so was to enable the Ligios report on Mediterranean agricultural policy to be taken in conjunction with the Vitale report on the organization of producer-groups in Italy.

I therefore request that the debate on this report remain on the agenda of the current part-session.

**President.** — I call Mr Hughes.

**Mr Hughes.** — Mr President, with the greatest deference to Mr Houdet, I think he may have misled this House as to the nature of the vote in the Committee on Agriculture. Because of the uncertain legal position, a number of members of that committee decided not to take part in the vote. Therefore his statement that it was passed unanimously by the Committee on Agriculture, while broadly true, omits the important fact that the whole of the Socialist Group, as well as a number of others, chose not to vote during the later stages of the debate in that committee because they were not clear as to the legal position. I would therefore urge my colleagues to support Mr Bangemann's view that it should be put off until February, particularly as the Commission agrees that it can be put off until February without difficulty.

**President.** — I therefore have two proposals: one, by the Committee on Agriculture, that the Liogier report be taken as the first item on Thursday's agenda, and the other, by Mr Bangemann, that the Liogier report be postponed to a subsequent part-session.

I put to the vote the request which departs furthest from the draft agenda — namely, that by Mr Bangemann, that the Liogier report be postponed to a subsequent part-session.

The proposal is adopted.

Are there any other comments?

I call Mr Klepsch.

**Mr Klepsch.** — (D) Mr President, I have an observation to make concerning the question with debate (Doc. 476/77) on the future of craft industries in the Community.



**Klepsch**

Our practice hitherto has been that when a committee report on a particular subject is being prepared for the next part-session of Parliament, an oral question with debate on the same subject should not be included in the agenda for the current part-session. I have made enquiries and learned that the Committee on Economic and Monetary Affairs will adopt the final paragraphs of the report by Mr Notenboom at its meeting on 1 February so that a report from that committee on this subject will be available during the February part-session. My group is well aware that the initiator of this question is Mr Cousté and that this topic is indeed an important one and one which we should discuss. But I would strongly recommend that agreed among the political groups and link the oral question with debate to the consideration of the Notenboom report during the next part-session.

I should like to add one thing. Some one may reply that the Rules of Procedure make it quite possible to proceed as has been suggested here. I have nothing against this, but it would mean that this principle would hold good in the future. Almost all the political groups of this House have followed the principle that if a report on a particular topic is on the agenda for the next part-session, an oral question with debate on the same subject should not be tabled during the current session. If the House decides today to depart from this principle, this in my opinion, would be tantamount to agreeing not to respect it in future.

**President.** — I put Mr Klepsch's proposal to the vote.

The proposal is adopted.

I call Mr Aigner.

**Mr Aigner.** — (D) Mr President, you will have received a letter from the chairman of the Committee on Development and Cooperation, Miss Flesch, informing you that the Commission has asked Parliament to deliver its opinion as soon as possible on the Commission's communication to the Council on the 1978 food-aid programme in order that a decision by the Council shall not be delayed by Parliament. As a consequence of this, the Committee responsible met this afternoon and adopted my report on this food-aid programme. Miss Flesch therefore asks you to remove my report (Doc. 461/77) from the agenda this evening and to discuss it together with my report on the food-aid programme for 1978.

I should therefore be grateful if these matters could be discussed as the first item on Friday — that is to say, on the final day.

**President.** — I put Mr Aigner's proposal to the vote.

The proposal is adopted.

The order of business would therefore be as follows :

*this afternoon :*

- procedure without report ;
- Commission statement on action taken on the opinions of Parliament ;
- Johnston report on the European Regional Development Fund ;
- Van Aerssen report on import duties ;
- oral question, with debate, to the Commission on safety at sea ;

*Tuesday, 17 January 1978 :*

*10.00 a.m. and in the afternoon :*

- Carpenter report on aeronautical research ;
- Schwörer report on direct insurance other than life assurance ;
- oral question, with debate, to the Commission on Community policy against smoking ;
- oral question, with debate, to the Commission on equal pay for men and women ;

*3.00 p.m. :*

- Question-time (questions to the Commission)

*3.45 p.m. :*

- vote on motions for resolutions on which the debate has closed ;
- Commission statement on economic and monetary union (followed by a debate) ;

*Wednesday, 18 January 1978 :*

*10.00 a.m. and afternoon :*

- Council statement on its work programme (followed by a debate) ;
- Scelba report on the obligations contracted at the Helsinki Conference ;
- Blumenfeld report on European political cooperation ;
- Oral question, with debate, to the Foreign Affairs Ministers on Rhodesia ;
- Joint debate on an oral question, with debate, to the Council and the Prescott report on shipping
- McDonald report on the 1977 Nobel Peace Prize

*3.00 p.m. :*

- Question-time (questions to the Council and the Foreign Affairs Ministers)

*4.30 p.m. :*

- Vote on motions for resolutions on which the debate has closed ;

*Thursday, 19 January 1978*

*10. a.m. and afternoon :*

- Ligios report on Community agriculture ;
- Vitale report on producer-groups ;
- Hoffmann report on agricultural structures policy
- Guerlin report on feeding-stuffs ;

**President**

3.00 p.m.:

— Question-time (questions to the Commission)

3.45 p.m.:

— *Vote on motions for resolutions on which the debate has closed;*

Friday, 20 January 1978

9.00 a.m.:

— Procedure without report

— Possibly, continuation of the previous day's agenda

— Fuchs report on paper recycling

— Oral question, with debate, to the Commission on state aid in the EFTA countries

— Oral question, with debate, to the Commission on EEC-Japan trade relations

— Baas report on the state of the environment;

— Cassanmagnago Cerretti report on the physical properties of foodstuffs;

— Joint debate on the two Aigner reports on food aid;

*End of sitting:*

— *Vote on motions for resolutions on which the debate has closed.*

Are there any objections?

The order of business is adopted.

### 10. Limitation of speaking-time

**President.** — I propose that Parliament limit speaking-time on all reports and motions for resolutions included in the order of business for this part-session, with the exception of the debate on the Council statement on the work programme of the Danish presidency and the debate following the Commission statement on economic and monetary union, as follows:

— 15 minutes for the rapporteur and for one speaker on behalf of each group;

— 10 minutes for other speakers.

At its meeting of 22 December 1977, the enlarged Bureau decided, pursuant to Rule 28 of the Rules of Procedure, to limit as follows speaking-time in the debate on the work programme of the Danish presidency:

— Socialist Group: 25 minutes

— Christian-Democratic Group: 20 minutes

— Liberal and Democratic Group: 15 minutes

— Group of European Progressive Democrats: 10 minutes

— European Conservative Group: 10 minutes

— Communist and Allies Group: 10 minutes

— Non-attached Members: 5 minutes.

As regards the statement by Mr Jenkins on Economic and Monetary Union, I propose that the debate on this be limited to one hour without any allocation of speaking-time. Naturally I rely on all Members to show their cooperativeness and goodwill.

Are there any objections?

I call Mrs Ewing.

**Mrs Ewing.** — Mr President, am I not right in thinking that there has been a departure from all previous custom with regard to non-attached, or independent Members — call them what you will? Up to now they have always had an allotment of time. Do I understand correctly that you have introduced a new system in a major debate by which non-attached Members will not have an allotment of time? I think you indicated there would be — I don't remember your phrase — a free-for-all.

**President.** — Mrs Ewing, the Chair will show all due consideration.

Are there any other objections?

That is agreed.

### 11. Procedure without report

**President.** — Pursuant to Rule 27a (5) of the Rules of Procedure, the following Commission proposal has been placed on the agenda for this sitting for *consideration without report*:

— proposal from the Commission to the Council for a regulation amending Regulations (EEC) Nos 1059/69, 1060/69 and 2682/72 on the trade arrangements for processed agricultural products not covered by Annex II to the Treaty (Doc. 430/77),

which has been referred to the Committee on Agriculture as the committee responsible and to the Committee on External Economic Relations for its opinion.

Unless any Member asks leave to speak on this proposal or amendments are tabled to it before the opening of the sitting on Friday, 20 January 1978, I shall at that sitting declare this proposal to be approved pursuant to Rule 27A (6) of the Rules of Procedure.

I call your attention to the fact that the Committee on Agriculture, as the committee responsible, has requested the application of Rule 27A of the Rules of Procedure to the consultation of Parliament on the trade arrangements for these processed agricultural products; in fact, however, the Committee on External Economic Relations, which has been asked for its opinion, will not be meeting until Wednesday. In view of the urgency of the matter, I presume that the House will agree — provided the Committee on External Economic Relations does not oppose the request made by the Committee on Agriculture — that this procedure should be completed at next Friday's sitting.

Are there any objections?

That is agreed.

12. *Action taken by the Commission on the opinions of Parliament*

**President.** — The next item is the Commission's statement on the action taken on the opinions and proposals of the European Parliament.

I call Mr Giolitti.

**Mr Giolitti, Member of the Commission.** — (1) During its last part-session of 1977, the European Parliament delivered sixteen opinions on the Commission's proposals to the Council. Twelve of those opinions were favourable; the European Parliament suggested amendments in the case of four proposals, and the Commission found them acceptable in three of the cases. As Mr Ortoli stated during the December part-session, the Commission was, for reason which have been clearly explained to you, unable to adopt the amendments proposed in Mr Scott-Hopkins's report on a regulation for the organization of a 1979 survey into the structure of agricultural holdings.

In Mr Corrie's valuable report on four regulations and a directive on the fishing industry, he suggested some changes in the wording proposed by the Commission, some of which Mr Gundelach found it possible to accept. Mr Gundelach will make himself personally responsible for presenting the opinions expressed by Parliament when he takes part in the negotiations on fishery questions which begin in the Council today.

The Commission has already forwarded to the Council two proposals as amended as the result of Mr Jahn's reports on colouring-matter used in food for human consumption and on fluorocarbons and the environment. These documents were sent to you for information.

There is still one file which is pending. This is the one on the European Exports Bank, and, after Mr Nyborg's report, Parliament will be aware that this is a very complicated issue. Because of the importance of the amendments proposed by the European Parliament and of all the problems to which the creation of such an organization gives rise, the Commission has not yet reached any conclusion on the subject.

13. *European Regional Development Fund (debate)*

**President.** — The next item is the report by Mr Johnson (Doc. 452/77) on behalf of the Committee on Regional Policy, Regional Planning and Transport, on

the Second Annual Report by the Commission on the European Regional Development Fund (1976).

I call Mr Johnston.

**Mr Johnston, rapporteur.** — Mr President, I started the explanatory statement to this report by saying that reports about annual reports are seldom, by their very

nature, the most instructive of documents. I am afraid that events have made this particularly true of this report, since I am now, in 1978, asking the Parliament to consider the Regional Development Fund in the year 1976, at a time when the future is still unclear, although it seems certain that the sum allocated for the next three-year period will be less than the Commission looked for but, on the other hand, a little more than the Council first offered.

This, of course, brings me directly to the motion for a resolution and to paragraphs 2, 3 and 4 of that motion. These paragraphs point out the inadequacy of the size of the Fund in 1976 to remedy by itself the regional imbalances of the Community. They urge therefore that the Commission should continue to make the strongest possible efforts to coordinate all Community financial instruments which have a regional impact; also we stress the need to protect the Fund from the effects of inflation and insist on an increase in the size of the Fund in absolute terms if it is to become a really effective instrument in remedying the imbalances between the regions of the Community. The fact that we have not achieved this aim of an increase in absolute terms does not, I think, in the least invalidate the truth of the proposition that the Fund must ultimately be increased in absolute terms, and this is a truth with which, I think, the Council of Ministers are going to have to come to terms. While we had a setback this year, there is no reason whatever why we should not persist in our efforts to remedy this situation in the future.

As far as the report itself is concerned, we start by congratulating the Commission on having kept to the prescribed date for presenting the report, and we emphasize the need to respect this date in order that Parliament may be able to assess the impact of the Fund as soon as possible, so that it can bear that impact in mind when it considers any Commission proposals modifying the Fund's activities.

This brings me to the committee's most serious criticism of the Second Annual Report. It is, as I say, in many ways an admirable document. It has clear and detailed breakdowns of the way in which the various Member States have allocated assistance from the Fund, but where it seems to us to be defective is that it really makes no attempt to provide — and I am now quoting from paragraph 8 of the motion for a resolution — 'any analysis of the impact and effectiveness of assistance from the Regional Development fund on the regions and sectors which are eligible for assistance.'

This, we feel, is an area where the annual report could be strengthened and its value greatly increased, and I shall look forward to hearing the Commission's comments on paragraph 8.

**Johnston**

To some extent this situation should be remedied by the biennial report provided for in the Commission's proposed amended version of the Fund Regulation. It seems to be the case that this biennial report is intended to provide just the sort of information we require. On the other hand, this means that, unless some attempt is made by the Commission to provide analytical information concerning the impact of the Fund in those years when the biennial report does not appear, we shall risk finding ourselves without adequate information every other year. This is a point which Mr Ellis particularly emphasized in committee, and I am grateful to him for that. Paragraphs 7 and 8 of the motion for a resolution are therefore introduced, and I am sure that Parliament will endorse them. The question of the impact of the Fund, apart from being related to its size, is clearly related to concentration, as we point out in paragraph 5. That in turn relates to complementarity, additionality and the coordination of Community financial instruments — matters dealt with, along with the concentration of assistance, in paragraphs 26 to 40 of the explanatory statement.

Among the questions clearly remaining outstanding for a decision of the Council is the proposal for a quota-free section within the Fund, and while this overlaps a little part of the Noè report on guidelines for a non-quota reserve and is welcomed at paragraphs 28 and 29 of his explanatory statement, perhaps Members will permit me a brief comment on it, because of its relationship to these questions of concentration and its fundamental long-term importance to the development of the Fund. Members will recall that the Commission's original proposal for the Fund for this year was 750 million EUA, of which one million would be quota-free. In fact the proposition was worded, as I recall, in terms of 650 million for the Fund with 100 million extra for non-quota purpose. That was equivalent to about 13 per cent. Now we have a proposition that for 1978 the Fund will total 580 million u.a. We also have a basic agreement that the quotas will be altered in order to give Ireland an extra 0.5 per cent and France 2 per cent more, but we do not yet know how the 2.5 per cent is going to be taken off. However, if a quota-free reserve is to be contemplated on the existing figures, it would mean a resources shift of round about 15 %. I think it would be much easier and much more in accordance with the need to consider adding 13 %, equivalent to approximately 75 million u.a., to the agreed sum as a non-quota supplement, and I shall be interested to hear the Commissioner's view on this. If this was successful, further proportional supplementary additions could be added to the 620 million in 1979 and the 650 million in 1980. While the national governments may continue to oppose any quota-free element, and I believe that the British Government is particularly resistant in this matter, this Parliament must, I believe, not merely support the idea but press

for its acceptance, for even if one does not believe in the development of the supranational aspect of the Fund, as I most certainly do, one can make a clear case for a quota-free reserve. Firstly, it would enable the Commission to act quickly to provide assistance in areas where difficult Community compromise decisions had created short-term difficulties which were not easily susceptible to treatment according to the normal guidelines — I am thinking, for example, of fishing, where necessary conservation measures probably will create problems whatever general solution may be reached, steel, energy and so on Community regional problems created as a by-product of other Community policies. Secondly, the general business of linking and coordinating regional assistance where the regional Fund seems the obvious catalyst but requires greater flexibility. If one is to contemplate such an experiment, it could only be really assessed if a sum of sufficient size were allocated to allow its usefulness to be properly tested. And one could not really go much below 75 million u.a. Finally, on this matter we must face the fact, to put it bluntly, that fixed quotas, particularly when set out for three-year periods, are an actual encouragement to national governments to circumvent and ignore the principle of additionality which we all claim, and they all claim, to support. National governments take Community allocations into account when fixing domestic budgets and so undermine the whole object of having a European regional policy. I refer to paragraph 31 of my explanatory statement. Lip-service is paid to this, but the reality is far different. Again perhaps, the Commissioner could say whether he sees any way forward on the question of additionality.

Mr President, I do not think at this stage I wish to say very much about 1976 itself. The report, I think, makes it clear: the most one can say in a positive sense is that without the intervention of the Fund things might have been even worse for the regions in 1976 than they in fact were. It is rather depressing to note that whereas the Commission estimates that 60 thousand jobs were created or maintained thanks to the Fund. As I point out in the explanatory statement, this decline is clearly related to the decrease in 1976 in industrial development, as opposed to investment in infrastructure. But while there is clearly a relationship between job-creation and the type of investment, it is not a problem which is necessarily solved — I would say with all deference to our German friends — by advocating more investment in industrial projects; firstly, because during this period of economic crisis it has been extremely hard to maintain, let alone increase, industrial investment; and secondly, because some countries of the Community, I think notably Italy, have a deliberate and necessary policy in favour of infrastructure investment, and this, of course, is a perfectly defensible policy for certain Member States of the Community.

## Johnston

One fact which emerges from the 1976 report, and it is a fact which I personally regret very much, is that — and I now quote again from the Commission report

The number of applications for tourist infrastructure has been small. The reason here is that discussions in the Fund Committee have not led to an agreed definition of eligible projects in this sector.

That the committee as a whole considered this unsatisfactory is shown by paragraph 6 of the motion for a resolution, and I elaborate on the importance of tourism in paragraphs 19 to 25 of my explanatory statement. I have no wish to take up your time today, Mr President, by repeating what is already in the report, but I would say that in certain areas the tourist industry can be of crucial importance to the development of a region. In my own part of Europe, the highlands of Scotland, the Development Director of the Highland Regional Council, Mr Gwyn Davies, said to me quite simply that 'even though tourism is seasonal it is of such importance to peripheral maritime regions that it does not matter if it is seasonal.' It would be undesirable if assistance to tourist projects was not forthcoming because the Fund Committee was unable to define projects which would be eligible for such assistance. However, I believe that some agreement is on the way to being reached on this definition, and I think I am right in saying that perhaps the Commissioner could comment that approval has now been given for assistance to certain tourist projects.

As far as the inspection of projects is concerned, it is satisfactory to note from the report that since the Fund was set up a total number of 131 inspection visits have been made, 87 of which took place in 1976. It is also, I think, satisfactory to note — and again I quote from the report — that 'no irregularity was ascertained in this respect in the course of inspection and checking in 1976'.

On the whole, Mr President, and I conclude, this is, I am afraid, a somewhat negative report, but perhaps that is inevitable, since it is a report on what was rather a negative year. I would, however, congratulate the Commission once again on the speed and the clarity with which this Second Annual Report was produced, but I would call on them to ensure in the future that more information is provided, assessing and analysing the impact that the Fund has made every year.

IN THE CHAIR: SIR GEOFFREY DE FREITAS

*Vice-President*

**President.** — I call Mr Yeats to present the opinion of the Committee on Budgets.

**Mr Yeats, draftsman of an opinion.** — Before I give the opinion of the Committee on Budgets I should like to thank the rapporteur for the excellence of his

report and for the clear and candid, though perhaps not unduly enthusiastic, way in which he presented this report on the Second Annual Report.

The opinion of the Committee on Budgets was adopted unanimously by that committee on 2 November last. We noted with satisfaction the improvement in the quality and presentation of the Commission's report, which has made it easier for the parliamentary committee to deal with this matter. And our conclusions coincide to a large degree, I am happy to say, with those of Mr Johnston and the Committee on Regional Policy. We draw attention to the need for continuing vigilance as regards the inspection procedures in order to protect the good name of regional policy.

Mr Johnston has already quoted the Commission's claim in its report that no irregularity was ascertained in the course of inspection and checking in 1976. This is indeed a bold claim, and if it is subsequently confirmed during our examination in the Committee on Budgets of the Report of the Audit Board for 1976, then certainly no one will welcome this more than the Committee on Budgets. For the moment I think we must suspend judgment. It does seem that the Audit Board has made some recommendations about the simplification of procedures, which have largely been taken up by the Commission in its new proposals for the Regional Fund. It is hoped that the Council will approve these reforms, which should certainly facilitate control.

On the subject of the on-the-spot checks carried out in 1976, it seems that the services of the Regional Fund came across some obstacles in the carrying out of that work. Certain national authorities seem to have taken a restrictive attitude as regards the rights of the Commission to examine the disbursement of funds. This is of course an important point, and it is one which should be taken up by the Control Sub-Committee of the Committee on Budgets. But I would be glad if the Commissioner has any comments to make at this stage which might perhaps allay some of our anxieties.

In my opinion we highlight the different instruments that are available for the Community in carrying out its regional policy. These instruments — the Fund itself of course, the European Social Fund, the Guidance Section of the EAGGF, loans from the European Investment Bank, certain provisions of the budget of the Coal and Steel Community — all need greater coordination, and of course the EAGGF and the Social Fund in particular have a considerable regional impact. However, I think it is necessary to stress that above all else one must not allow such coordination to do anything to weaken the Fund itself. There must be no suggestion, for example, that bring the EAGGF or the Social Fund into the regional sphere would mean any reduction of the funds available for regional policy as such.

## Yeats

Now, we welcome in connection with coordination the appointment of a Commissioner who is responsible both for the Regional Fund and for coordinating the other Community funds. The Committee on Budgets has expressed its concern that the projects approved under the heading of the Regional Fund should be of a significant size, that they should be genuinely new, and that they should be of real value. We have welcomed the fact that the proportion of grants made to larger projects has risen in the period covered by this report. Nonetheless, we are concerned, Mr President, that the Commission should indicate more clearly the quality of the projects that are submitted, since the previous Commissioner responsible for the Budget cast certain doubts in our minds as to the real value of these projects in the solution of regional problems. An impression was left that only items of lesser importance were submitted in many cases by national authorities. I would be grateful for some comment from the Commissioner on this point.

Finally, the Committee on Budgets aligns itself with the Committee on Regional Policy in calling for increased Community financial support. The Commission estimates — and this, again, has been referred to by the rapporteur — that as a result of the Fund some 55 000 jobs were created in 1976. One can only agree with the rapporteur in pointing out that one must relate this to total unemployment in the Community. It then amounted to no more than some 1 % of total unemployment. Since then, of course, unemployment in the Community has risen by a further million. As the Committee on Budgets says in its opinion, 'This underlines the self-evident fact that the meagre size of the Fund remains the principle obstacle to its effectiveness'. It is indeed an unfortunate fact — now, I think, accepted by all — that the gap between the richest and the poorest regions of the Community, far from narrowing, is in fact becoming wider year by year. As long as this situation continues, it remains impossible to say that in the Community there exists any real sense of a commitment to regional policy.

**President.** — I call Mr Giolitti.

**Mr Giolitti, Member of the Commission.** — (I) I have asked to speak at this juncture, reserving the right to do so again in reply to any questions or comments which emerge during the debate. I did so not only because the report and the opinions of the Parliamentary Committees impel me to make some immediate comments, some in reply to the questions addressed to me by the rapporteur and the hon Member who spoke on behalf of the Committee on Budgets, but also because I have some information to give Parliament about the state of the Commission's proposals under consideration by the Council of Ministers.

I should first of all like to thank the rapporteur, Mr Johnston, and the three committees, who submitted

in turn the resolution and the opinions, most warmly for their tributes to the Commission for the quality of its report. I feel under a special obligation to express appreciation for these tributes inasmuch as they obviously do not refer to me but to the work carried out in 1976 and therefore to my predecessor, Mr Commissioner Thomson, and the staff of the Commission.

I think these tributes are well deserved in that, as Mr Johnston rightly reminded us, 1976 was a difficult year for the management of the Regional Fund, because 1976 was a year of economic crisis in the Community, which was enough on its own to aggravate the regional imbalances, and because it was the running-in year of a Regional Fund suffering from a shortage of financial resources which was felt all the more keenly as the needs and appeals for help multiplied as a result of the crisis. In addition, the Regional Fund was handicapped, as it was in 1977, by the absence of a suitable blueprint of overall regional policy. I should like to emphasize yet again that regional policy is something far more complicated than just the Regional Fund, which is one, and only one, instrument of regional policy.

There can be no doubt that the situation which I have briefly described is responsible for many of the shortcomings which have rightly emphasized in the report and in the opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs. The Commission has in fact drawn attention to these shortcomings in analysing and evaluating the results achieved that is, the impact which the Regional Fund has had on the regional situations being dealt with.

Reference has also been made to certain doubts which arose concerning the validity of the projects in particular, to a view expressed by the Commissioner previously responsible for the Budget concerning the quality of the projects. Here again I must refer to the situation as it was at the beginning of 1976: it was an early phase of the Fund's activity when we were obliged to allocate funds for projects available at that time. As far as 1977 is concerned, however, I ought to say — and this will become clear from the next report — that this drawback has been eliminated, and many of the shortcomings complained of, especially in connexion with the analysis and assessment of results, will undoubtedly be made good once the new proposals now being submitted by the Commission for consideration by the Council have been approved and applied. And, in overcoming these difficulties and improving the management and results of the Fund, we are, of course, helped by the criticisms and suggestions made by the European Parliament in the form of reports and opinions.

I should now like to comment briefly on three or four points to which particular attention has been drawn. On the subject of tourism, the Commission shares the view that this subject is of enormous importance, and

## Giolitti

for this reason it has sought and suggested a widening of the concept of infrastructures eligible for assistance from the Fund. Of even greater importance is the development of tourism in regions whose structure is still predominantly agricultural. In this connexion we are encouraging projects under which the development of agricultural activity or the re-organization of agricultural structures would go hand in hand with action to encourage tourism. As I have just said, the definition of the infrastructures presents a problem, which is that of deciding whether those to be used for tourism are or are not eligible for an allocation from the Fund; however, the difficulties were largely overcome in 1977 and, in that year, it was possible to take a favourable decision in the case of a large number of projects of value to tourism. Moreover, thanks to the proposal submitted by the Commission, it should be possible to overcome difficulties as they arise by the straightforward application of the regulation and not just by *ad hoc* interpretations of it.

Another extremely important aspect is what is called complementarity and additionality. They are an essential part of the management of the Fund and, in general, of the development of Community regional policy, especially considering the efficacy we are aiming at and which will have to be measured later on the basis of a most careful analysis of the results. In my view, complementarity and additionality are the *raison d'être* of Community intervention. If Community intervention were to consist merely in substitution and amount to nothing more than a refund transaction in the budgets of the Member States, it would not be worth while setting up all this elaborate and complicated machinery. I believe that the demand for complementarity and additionality is justified by its powerful multiplier effect, and I am grateful to the rapporteur, Mr Johnston, for emphasizing that aspect.

And the regional development programmes which we shall at last be able to organize for the first time this year provide a valuable basis on which to assess the multiplier effect which projects can have in regional terms. In this connexion I ought in turn to stress the importance of the control procedures, their timeliness and the extent to which they can get at the facts.

I should now like to turn to the question, in which I realize Parliament has great interest, of the means to be used for getting the results of the analyses and assessments to which I have referred. In our proposals as a Commission, we have tried to create a new and better instrument for this purpose: and this instrument is the two-yearly report which will not merely cover the management of the Fund but will be a kind of report on the state of the regions in the Community and, consequently, on the results obtained by the

various instruments of regional policy for the correction of imbalances. Parliament has rightly urged that this information should not cease to be available in the 'empty' year, that is to say, the year in which the two-yearly report does not appear. While welcoming this suggestion, I must, however, point out at once that the need for an overall assessment can only be fully satisfied through the kind of two-yearly report which we have envisaged. An assessment of the results of the Fund can really only be made as part of a wider, overall analysis which, bearing in mind the actual resources available to the Commission's services for an operation of this size, can, in our view, be satisfactorily carried out only once every two years.

To turn to the question of coordination, which was the subject of particular attention in the opinion of the Committee on Budgets, the first point I must make is that when, a year ago, we suggested that coordination should be one of the major tasks of the new Commission, we were not thinking purely and simply of coordination in terms of regional policy. I want to make this clear to avoid any confusion between coordination and regionalization. Coordination is not concerned only with regional policy; we are thinking of coordination of the financial instruments for structural purposes in the pursuit of structural objectives and, among those objectives, the elimination of regional imbalances is of particular importance. So, in this field, the field of regional policy, coordination in the main takes the form of what we have called the 'regional impact assessment' of each and every Community policy.

I can give you some examples of the first applications of this criterion. When we drew up the proposals for amending the Social Fund Regulation we bore these requirements in mind; in fact, the proposals had, so to speak, a more regionalistic flavour than in the past. There is an even better example of regional impact assessment in the Commission's proposals on the subject of agricultural structures; when the proposals concerning the EAGGF (Guidance Section) were being prepared, special attention was paid to the needs of the Mediterranean countries, both now and when the Community is enlarged. A third example, and one which is of especial importance and topicality for the whole issue of industrial re-organization and re-development in relation to industries in a state of crisis (iron and steel, shipbuilding and textiles), is the increasing extent to which the Commission thinks in terms of coordination. In a few weeks I shall be submitting proposals on this point to the Commission.

Mr President and hon. Members, those are the main comments I had to make on reading the report and hearing your views on it.

## Giolitti

In conclusion, I should like to report to Parliament on the present position in regard to the Commission's proposals on regional policy and the Regional Fund which are before the Council of Ministers. As Parliament is aware, the Council of Ministers has already laid down the endowment of the Fund over the three-year period: 580m u.a. in the first year, 620 in the second and 650 in the third, making a total of 1850.

The Council has also decided on an increase by 2% of the allocation granted to France. We can say, therefore, that the Council has, so to speak, taken all *quantitative* decisions. As far as *qualitative* decisions are concerned, I can place on record that the Council of Ministers have agreed on a draft resolution noting the main proposals on the subject of regional policy guidelines, and especially the periodic review of the regional problems of the Community; the assessment of the results in the regions of the policies of the Community; and better coordination between Community regional policy and the regional policies of the Member States. These are, to my mind, the three most important points in the draft resolution which the Council is about to adopt on regional policy guidelines. On the other hand, three questions remain open. The most important of them — the other two are in a sense subsidiary — is that of introducing a 'quota-free' section. This is undoubtedly a major development, not so much from a quantitative standpoint (I don't want to be a pessimist but, assuming all goes well and we get the Council's approval in principle for a 'quota-free' section and for a 'quota-free' section to be introduced, the Council will keep the amount involved within very strict limits) as because it is important to introduce the principle or instrument which opens the way to action at Community level, and helps to remedy a situation in which the Regional Fund is a sort of passive instrument which can be brought into play only when applications for grants are submitted by the Member States. There is, of course, no intention of using the 'quota-free' section for anything without the consent and participation of the Member States, in particular the Member State immediately involved, but it does open up a new possibility, that of Community initiatives to undertake specific Community action which, under the Commission's proposal, ought to be financed through the 'quota-free' section. Reservations still subsist on this question, and we are using all our powers of persuasion to overcome the objections which, on this point, still exist within the Council.

The rapporteur canvassed the possibility that the endowment of the 'quota-free' section might be treated as additional to the endowment of the Fund which has been decided upon by the Council. Unfortunately, I think the suggestion is not a realistic one.

The 'quota-free' section will be a percentage of the endowment made to the Fund for the next three years, and, as I said, it is to be expected that the Council will keep it within rather strict limits: there

can be no question of its being regarded as additional, because this would mean an actual increase in the endowment of the Fund.

The other two questions on which decisions have still to be taken are, in my view, more technical than political. One is to find the best and fairest way of sharing out among the various Member States the cost of the 2% addition to the French quota, and the other is to lay down a clear and precise definition of the concept of infrastructures eligible for assistance from the Fund. As I mentioned in connexion with tourism, the Commission has suggested and believes that, in a situation like the present economic situation of infrastructures capable of being financed which are of value in connexion not only with industrial development but also with development in the wider and more general sense of the regions whose economic problems are particularly severe.

I should like to conclude with a final comment based not only on my own experience but, I think, on that of all of us in these times of economic crisis and on our anxious concern about the problem of unemployment. Again this morning, in the meeting of the Commission devoted to the problems of fishing, the Regional Fund was referred to as an intervention instrument to cope with difficulties which, as a result of Community fishing policy, may arise in some regions, just as we are thinking of invoking, in the near future, the help of the Regional Fund to deal with the problem of unemployment caused by the crisis in steel, the crisis in the shipbuilding industry and the crisis in textiles. We need to remember that, at the very time when the demands made on the Regional Fund are increasing, its financial resources are decreasing. Accordingly, although the Commission and I personally have undertaken to make this instrument as effective as possible, we must not forget that it is a far from powerful one and that, such as it is, it will certainly not be capable of coping with the increasing range of problems which face us in the Community. This is a sobering thought for Parliament as well.

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

**Mr Evans.** — Mr President, I am speaking on behalf of the Socialist Group as far as Mr Johnston's report is concerned, but, as chairman of the Committee on Regional Policy, Regional Planning and Transport, I am in some difficulties in relation to the statement that Mr Giolitti has just made. I am in no way criticizing the way our interpreters carry out their very difficult task, but I have a feeling that wrapped up within Mr Giolitti's announcement is a very important policy statement, and I would ask you, Mr President, or Mr Giolitti himself, to ensure that his speech of this afternoon is translated into the official languages



## Evans

as quickly as possible, so that we can examine some of the things he has told us this afternoon. I refer particularly to the general question of coordination of Community policies, because, quite frankly, I'm not sure whether I detected, as far as the Commission was concerned, a change of emphasis in this area from what we had previously understood. Obviously I am not going to go on at any length about that, Mr President, because I believe that it is far better to read the spoken word after the event than try to interpret it this afternoon when we have the language problem.

Turning to Mr Johnston's excellent report, my own view is that he has been a little over-modest in introducing it. I fully see what he means when he says that we are considering events which took place a long time ago. On the other hand, the Commission's annual report on the European Regional Development Fund is, potentially at any rate, an extremely important document in that it can help the Committee on Regional Policy and, indeed, the European Parliament as a whole to evaluate the results of the operations of the Fund and help us to put forward helpful proposals about the way in which the Fund can be improved in the future.

In this connection I am quite sure we appreciate the remarks Mr Giolitti made regarding tourism, particularly in some of the more badly affected regions. We all appreciate the problems involved in trying to define what we mean by tourism, and we recognize that the Commission have a difficult job. Nevertheless, in many areas which have to face the hard fact that they have little chance now, or in the foreseeable future, of attracting new industry, there is the potential of tourism, which is a service industry, to create some employment opportunities, because I think all of us now appreciate that it is in the service sector that any new jobs will be created. There is very little chance of jobs' being created in the manufacturing sector.

I think Mr Johnston's report is also valuable in that it suggests an area where the actual presentation of the annual report can be improved. Paragraph 8 of the motion for a resolution calls on the Commission to provide more analytical information concerning the impact the Fund has had on the regions in any particular year. Mr Giolitti did deal with this point also, but I would stress to him and to Parliament how essential it is that we do get facts, figures, statistics, based upon a common denominator, so that at least we in this institution can judge the merits of particular projects in the various regions on a common basis. In this respect I think the other important point which we have to put as strongly as we can to the Commission is that it is essential that the national governments provide the Commission with details of their own regional-policy programmes and that the Commission allow Parliament, through its Committee on Regional Policy, to view the aims and objects of

the national regional policies, because we are firmly of the opinion that there are many different sides to regional policy in different countries. We would like to feel that, if we were working towards a truly regional policy, we would at least be working from a common basis to a common goal, and it certainly does not appear that that is the case at the moment.

Like Mr Johnston, I don't think there is any need for me to say much about the actual details of 1976 itself, as far as the Regional Development Fund is concerned, beyond saying that the report shows, I think, that the Fund was efficiently administered and that Member States made full use of it, though it does, alas, also demonstrate how little the impact of the Fund was, given its small size, in reducing regional imbalances. Indeed, as Mr Johnston said, the most one can say is that without the Fund the position might have been even worse. It has certainly not made anything better, and again I would stress the importance of this general question of regional impact assessment. There are certain industries, some of which Mr Giolitti mentioned — textiles, shipbuilding, the steel industry, the boot and shoe industry — where we are faced with massive redundancies over the next few years. Hundreds of thousands of jobs are going to be lost in those sectors, and, in the main, those industries are placed in areas which are already in receipt of regional assistance. In other words, bad as the problem is at present, it is going to get worse in the future, and when the Commission puts forward proposals within those industries for restructuring, then it is essential that a regional impact certificate goes along with the proposals, because we must recognize that if the general trend of any proposals that the Commission are going to put forward in these industries is to restructure and retrain, we are going to be talking about thousands of millions of units of account.

I do not at this moment want even to put any prospective figures forward, but certainly — and I am quite sure that this is going to happen in the immediate future in these various industries — when estimates are put forward, on the basis of the amount of money needed to attract new industry and to train redundant workers, it will make the present Regional Fund look like very, very small beer indeed. There is also, of course, the more general question of inflation, the fact that inflation has eroded what was given to the three major recipient countries three years ago. Indeed, those countries are receiving less now than was originally allocated, largely because of inflation.

It is not surprising, therefore, that the motion for a resolution which was adopted by my committee on 18 November 1977 calls in paragraphs 2 and 4 for a greater real endowment of the Fund. Parliament took its decision in December in Strasbourg, and that decision did little more than endorse the halfhearted compromise between the position of the Council and

**Evans**

that which was evolved by the European Council. Despite our decision in December, however, I think nobody here can doubt that the great majority of Parliament was in fact in favour of restoring to the 1978 budget the sum originally proposed by the Commission for the Regional Development Fund in 1978, and most people felt that this was the minimum figure possible. I agree with Mr Johnston that the fact that we have accepted less for this year should not encourage the Council of Ministers to think that we be prepared to accept derisory sums of money in future years. And here I would appeal to the Commission either to maintain with all their strength the sum they propose in subsequent preliminary draft budgets rather than counselling us, as they did in December, to accept a far smaller sum, or else to put in the preliminary draft budget the true figure which they think the Council of Ministers will accept. I do not want again, Mr President, to raise this general question of overbidding, but some of us are in fact of the opinion that the Commission, or some Commissioners, were a little guilty of some overbidding. I know that there must inevitably be a considerable amount of horse-trading where the budget is concerned, but I would like to take this opportunity of urging on the Commission the fact that both the Committee on Regional Policy and the European Parliament as a whole are placed in an intolerable position if we continue year after year to defend the Commission's original proposals, only to find that the Commission itself subsequently abandons its first position.

Having said this, Mr President, I will conclude by endorsing this report and urging the Parliament to vote unanimously for the motion for a resolution, reminding you that we meet at a time when the Council of Ministers have still to take a final decision on the amended Fund Regulation after 1977, and reminding both this Parliament and the Council of Ministers that the general standpoint as set out in Mr Johnston's report still represents and will continue to represent the attitude of this Parliament towards the Regional Development Fund.

**President.** — Mr Evans, I can assure you that the Commission's speech will be translated as soon as possible into the other five languages, but I am sure you will agree on reflection that a President could not really ask the secretariat to provide a translation out of turn with the others.

I call Mr Noè to speak on behalf of the Christian-Democratic Group.

**Mr Noè.** — (I) Mr President, we are in a transitional stage of the application of the regional policy, which we discussed here a short while ago. This enables me to be extremely brief, as it is hardly worth while repeating what was said so recently. However, you must allow me to congratulate Mr Johnston on his

report, especially the content of paragraph 8 of the motion for a resolution, which invites us, in this interim period, to consider both the past and the future.

I am also grateful to Mr Giolitti for his zeal in this field and the action which he has described to us. But he must allow me to disagree with him when he says that the most important matter outstanding is the 'quota-free' section.

Let me make myself clear. I am in favour of a 'quota-free' section; I have said as much and I think it would be fine to achieve that objective. But, to my mind, this is not the most important thing. We have been talking for years of a Regional Fund without having sufficient information. The essential problem is the lack of analytical detail which will enable us to discuss regional policy *tout court* as a unified whole covering all the Community's policies affecting the regions. This gap has not yet been filled, and I think there is insufficient progress in that direction.

I regard paragraph 8 of the resolution as important because it suggests that the past must be kept in mind when planning the future; obviously, however, when looking forward to the future it is not enough to think in terms of the past: we must improve on it as we go along.

So I shall not feel content until we are provided with the means of effecting improvements across the board (and that is what I should have liked to hear Mr Giolitti talk about) and of covering all the different factors; we must try to identify the results of action in the past and then forecast what they are likely to be in future. I realize that this requires time and considerable effort, but this is the vital point, and I am convinced that the general policies of the Community have a greater effect on developments in some regions than aids from the Regional Fund, however substantial, generous and praiseworthy they may be.

I can quote an example. Mr Johnston emphasized that action for the benefit of tourism is too limited, and I agree with him. A few years ago I was studying aeronautical problems and I happened to learn something of which I was completely unaware, which was that 40% of those using airlines in Europe as a whole, not just the Community, go by charter flights direct to tourist centres, the highest percentage leaving from Great Britain, Germany and Scandinavia. At least two of those areas are in the territory of the Community. If those who are trying to encourage the development of tourism in certain regions of the Community, such as Southern Italy and the South of France, were to get together with those organizing these trips they might increase the number of tourists, assuming the centres concerned can take them. This is just an example; I am not, of course, claiming that *all* charter flights go to the regions mentioned.

Noè

I agree with Mr Evans, therefore, when he says that we have no hope of creating many new jobs in the manufacturing industry but that we can do so in the service sector. That is very true, because the world is moving into an era which can only be described as an industrial one in which the service sector is assuming greater importance.

I should also like to say that the myth of production on a massive scale is beginning to fade a little. Until ten years ago, production on the grand scale was believed to be more economic and this led to the construction of factories which are cathedrals in the wilderness, like the Ottana factory in Sardinia, for example. This myth is fading away and opinion is increasingly in favour of medium-scale or small-scale undertakings; this helps the depressed areas, because it is much easier to carry out modest plans than more ambitious ones in localities where, owing to the depression, there are none of the infrastructures necessary for big undertakings.

Having expressed my views once more on this subject, it remains for me to thank Mr Commissioner Giolitti for what he is doing and to assure him that this Parliament will give him unflinching support.

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

**Mr Nyborg.** — (DK) Mr President, allow me to be short because there is another member of our group who wishes to speak and in order not to make the debate too lengthy.

Firstly, I should like to congratulate Mr Johnston for the fine work he has done in this document which is presented to us today. I noted that one of his positive remarks in this document is in fact a very negative one inasmuch as he points out with great glee that the Commission has succeeded in publishing its report on time. It is correct that this is something positive, but it does show how inadequate the procedure is in so many other cases. I therefore feel that it was quite correct of Mr Johnston to draw attention to this as something extraordinary and as something welcome.

I should like to point out that this report is concerned with the operations of the Regional Fund, and therefore the question we have to discuss today is not whether we should have a Regional Fund or not or even what the size of this Fund should be. How does it in fact operate? My impression of a lack of effectiveness has been strengthened by reading Mr Johnston's report, because he also makes it clear that the resources of the Regional Fund are in many cases merely used to relieve the pressure on national budgets for funds for regional development. This means that conditions in the depressed regions are not being improved any more rapidly than they were

before — and in some cases they are not being improved at all. I would therefore like to suggest to the Commission that it should try as far as possible to establish supervisory organizations which could ensure that the resources of the Regional Fund are used in compliance with the Regional Fund regulations and are not used in place of, or so as to allow a cutting back on, national aid measures, because for as long as this takes place the whole *raison d'être* of the Regional Fund is nullified.

Inequalities among Member States' economies and those of individual regions have become wider since the Regional Fund was created. This is not the Regional Fund's fault and it does not mean at all that the Regional Fund has had no effect, but rather that its achievements have not lived up to its aims. While we must recognize that regional development has been one of the factors restraining unemployment in the areas concerned, we must also emphasize that it can only have a small effect on the unemployment situation.

We must, of course, welcome anything that can limit unemployment and its terrible effects. One question which has been raised is that of tourism; Mr Noè has described the importance of tourism to some areas and emphasized that it could have enormous importance if some tourist air traffic could be diverted to certain areas in France. This is correct, but we must always remember that it will only be of help if tourists are not merely flying from one European destination to another — and when I say European I am thinking of the Community. If it is to be helpful, they will have to be tourists from third countries or, alternatively, tourists who are at present leaving the Community to go to third countries who would instead be taken to areas which lie within the Community's borders. If one does not recognize this fact — this very fundamental fact — it will not be of very great help.

As I said at the beginning, I wanted to make this very short, and I shall finish by just congratulating Mr Johnston once again on his report.

**President.** — I call Mrs Kellett-Bowman to speak on behalf of the European Conservative group.

**Mrs Kellett-Bowman.** — Mr President, although I join the rapporteur in congratulating the Commission on the many admirable qualities in its report on the Fund, I really do not think that any of us in this Chamber today would dispute that this is in many ways a melancholy occasion; indeed, this aspect of it was stressed particularly by Mr Nyborg. I am one of those who welcomed the decision in 1974 to establish a Regional Development Fund, not only because it brought new hope to our declining regions, but because it was proof of Community solidarity in trying to overcome these very desperate problems.

**Kellett-Bowman**

Now what is the background to today's debate? We have continuing uncertainty over the Commission's guidelines for the future regional policy, on which only a little more light was shed by the 'best endeavours' of the Commissioner, with a Fund far short of our hopes and the Commission's own estimate of what is needed to make a real impact, and we have all too little evidence that we are beginning within our present very limited means to establish effective ways of helping those regions most in need. But despite this I wish to congratulate the Commissioner on as clear and helpful a report as the circumstances of the time permit and the rapporteur on bringing forward a very workmanlike report despite the obvious disadvantage of the overlap with the guidelines for the new Regional Fund and the fact that, of course, he was working retrospectively.

I would also like to congratulate the draftsman of the opinion of the Budget Committee for his excellent report. I was particularly interested in his remarks on page 7 about the size of projects submitted, where — and he referred to this in his remarks today — he points out that only items of lesser importance were submitted by national authorities.

As far as the UK is concerned, this was made almost inevitable by the Government's policy of leaving large areas of the country, particularly in the North-West, with only intermediate-area status, despite the fact that unemployment in many parts of the North-West and the problems of industrial dereliction and unemployment associated with it were worse than in many developed areas. As the Fund Committee at that time limited spending in such areas to only 20 % of the total, even one large project would have more than exhausted the amount of EEC aid available to the area. Now I am glad, and my whole group is glad, that this differentiation will not apply under the new rules and we hope for better things in the future.

However, Mr Yeats goes on to ask for greater coordination between all the instruments at the Parliament's disposal. I must say we have found that the European Investment Bank in particular is doing everything in its power to fill in the gaps which the Regional Fund, through no fault of its own — mainly because of its size — is at present unable to fill.

Paragraphs 2 and 4 of the Johnston motion for a resolution, drawing attention to the meagre resources available to the Regional Fund, will, I think, be echoed by all Members with bitter memories of the Council's savage cuts in the Commission's original proposals, and I echo the words of another Member when he said, 'We would really have rather liked the Commission not to give in on this particular point, we should have liked to have stuck to our guns on it!'

Paragraph 6 is of particular interest to many disadvantaged areas of the Community, and it is high time that some Member States woke up to the fact that a job is just as much a job if it is in the tourist sector as if it is in so-called productive industry — a point stressed very strongly by Mr Noè. The prosperity which could be generated by tourism in areas whose very remoteness makes them attractive to the city-worn business man and the city-worn worker is just as valuable as prosperity created in any other way, and in all probability it is environmentally a great deal less harmful. In the United Kingdom, many areas to which no tourist in his right senses would want to go are in fact eligible for tourist grants, whilst areas which depend substantially on tourism for their well-being and desperately need help to overcome their unemployment problems are not eligible for tourist grants because tourist projects in intermediate areas are excluded by the UK Government from national aid. This prevents the Regional Fund Committee from helping, however much it may want to do so — and the Commissioner made it very plain that it does want to help. But it is no use national governments' submitting such projects to the EEC unless the member government itself plays its part by bringing tourism within the range of national aid in order to enable it to qualify for EEC assistance. I would like the Commissioner to confirm once again that I am right in saying that in fact it is essential for there to be a contribution from the member government before the Commission if the Fund itself is to assist.

*(Interruption: 'Quite right!')*

The astonishing thing is that the Government, in its own regional development programme for the North-West of England, which it has submitted under Article 6 of the old Fund Regulation, admits that 'North Lancashire is relatively insulated, with a small and vulnerable employment base and high unemployment'. Yet one thing which could be so helpful to us — namely, help with the development of tourism — it denies to us and thereby prevents the Regional Fund from helping us either.

Mr Yeats in particular welcomes the fact that all projects from now on should be new projects, and relates this to the number of jobs created. Quite rightly, he points out that such a correlation is not possible with regard to infrastructure projects, but nevertheless such projects can have an enormously beneficial effect on an area, and my group welcomes particularly the abandonment of the direct-link criterion, which created such problems under the old Fund Regulation and to which the Commissioner referred in his comments.

But we would welcome considerably a greater say in the choice of projects by local authorities, who know the local problems thoroughly and have to live at

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close quarters with their successes or their failures. I am quite certain that, had it been left to local choice, the bulk of the money available would never have been spent on advance factories. We have, for example, in my constituency a large one of 15 000 sq. ft. which stands forlornly empty, and I gather that in Scotland the position of advance-factory occupation is even worse.

But perhaps the most shattering part of the report is to be found in paragraph 14, which reveals that in no region of the United Kingdom or Ireland or Italy has the product per head risen above the Community average at any time since 1974. Even regions which we of the United Kingdom are accustomed to think of as being prosperous such as the South-East of England are by EEC standards far from prosperous despite the influx of North-Sea oil money, which should give the United Kingdom such an advantage over countries which lack substantial indigenous energy supplies. Alas, as the report goes on to point out, the trend in unemployment largely follows that of the national and regional economies, and with production in the United Kingdom virtually level and the buying-power of wages down to the level of 1969, any sharp reduction in unemployment is unlikely for at least a year.

It is now generally accepted that job expansion can be more easily and rapidly achieved in small and medium-sized companies than in large ones, since many of the latter can afford to keep a pool of unemployed labour in anticipation of an upturn, whereas the small companies cannot. Therefore any increase in orders will mean immediate recruitment and have a substantial effect on unemployment. It is regrettable, therefore, as Mr Yeats points out in paragraph 25 of his opinion, that no Member State has made any use of the possibility provided by the Fund Regulation to grant interest rebates on loans. Indeed, my group persuaded the Regional Committee to recommend extending the principle further and to give an exchange-rate guarantee in order to persuade small firms to take up loans for modernization and expansion, but the Council does not appear to regard this proposal favourably.

But the real nub of this report, as of its predecessor, is the question of additionality. Some Member States such as Italy make it plain by legislation just how they are using the additional fund monies; others, such as the United Kingdom, do not. The Commission points out that the United Kingdom used the additional resources to enable an extension of the advanced-factory programme, most of which were already planned and not a high priority anyway. As far as local authorities are concerned, the Government has forbidden them to undertake any additional work because of any Fund monies they may receive in partial payment of

national aids. So the only benefit which local authorities get, in return for the very considerable trouble they go to in drawing up schemes, is the reduction of interest payments to the Public Works Loan Board but no extra schemes — which, of course, was the whole point of having a regional policy. It seems to me that this is the negation of the intention of the Fund, which seeks to bring extra resources to the regions afflicted by high unemployment and other disadvantages.

I cannot honestly see how this situation is going to improve merely by adding another budgetary heading. What is needed is a change of heart on the part of the Government and a determination in future to use the EEC money for the purpose for which it is intended — namely, providing extra help to the regions. Ironically, although some Member States are still backward in giving credit to the EEC for the money they receive from the Fund, the United Kingdom put up very large posters announcing to the world that an EEC contribution had been received for projects, even though the fact that the Government merely substitutes EEC aid for national aid means that the benefit is much less than it should be.

What does come out very clearly in the report, in Table 7 on page 64, is the highly political allocation of the funds. By far the largest share went to the North-East, although the North-East share of United Kingdom unemployment is only 12 % of the total, whereas the North-West share of UK unemployment is 14.6 %. This means that the aid per unemployed person in the North-East is £ 329 and in the North-West only £ 54. Similarly, the politically sensitive Scotland and Wales receive £ 174 and £ 205 per unemployed person respectively — nearly 4 times the North-West's allocation. In the up-to-date totals, including the allocations for the whole of 1977, the gap becomes even wider, with a total of 108m u.a. for the North of England and only 36m for the North-West.

The Commission's report draws attention once more in paragraph 69 to what has long been a matter of concern to the Parliament — namely, the lack of uniform statistics, and my group is glad to see that the rapporteur is seeking to prod Member States into remedying this situation.

In conclusion, Mr President, I can say that this is a good report by the Commission, even if not an especially encouraging one. Clearly it must be our task to continue to press for a regional policy backed by adequate financial resources along the lines of those suggested by Mr Noè in the report debated and endorsed warmly by this Parliament last October. We look forward to receiving the Commission's report on the Fund's operation in 1977, and I suppose that this is being prepared now. Let us hope that Mr John-

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ston's comments on the report before us today are borne firmly in mind and that the document, when it appears, is both more encouraging in content and, if it can be, a little more analytical in presentation.

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

**Mr Mascagni.** — (*I*) Mr President, several speakers have said that this debate, referring to facts and circumstances which have been overtaken by recent events, is taking place far too late. I should like to give just one small example which is of enormous significance, and that is the heading on page 11 of the Commission's report covering 'The outlook for 1977'. Surely an eloquent detail!

I fully agree with the criticisms in Mr Johnston's report. In it he has raised several particularly important issues, which he has rightly drawn to the attention of Parliament.

To return to what I was saying, the somewhat irrational task of debating the Commission's document and the Johnston report is liable to turn into a completely anachronistic exercise when one remembers the difficult, tortuous and bitter battle waged by Parliament and the Commission against the Council in pressing for reinforcement of the regional policy. Commission and Parliament were then asking for an assurance that there would be an increase, however modest, in the Regional Fund: this — and let us be clear about this — could now, unfortunately, no longer 'correct the main regional imbalances in the Community', as it says in the Fund Regulations, but it could at least do something to mitigate the constant widening of the gap between the rich and poor regions. Such is the parlous state to which we are now reduced.

The Council was unrelenting in its depressing short-sightedness, and although Parliament responded with an unequivocal demonstration of intent, it didn't have enough strength to fight for its own justified and responsible standpoint. The differences are not only concerned with the quantitative aspects but, as Mr Giolitti rightly pointed out, with certain qualitative aspects as well.

I disagree entirely with Mr Noè's view that the 'quota-free' section is not important. It is of enormous and vital importance, because it involves an issue of principle if we are really to go for a progressive development of regional policy and transform it from a policy which is actually nothing more than the sum of applications from individual states into a policy which enables the Community to take genuine Community action. I cannot understand how this issue — which, I repeat, is one of principle — can be described as comparatively unimportant.

I shall confine myself to a few brief and concise remarks on certain specific and, in my view, vital issues which are referred to in the documents now under discussion and which have been the subject of repeated statements by Mr Giolitti. Since he took office, Mr Giolitti has consistently emphasized his own views and working aims, and these have found the Parliament prepared inasmuch as they had the advantage of embodying previous efforts and experience in a truly organic programme of work.

I refer to the basic requirements in the field of regional policy, which in the main consist of coordination and concentration and which need to be viewed in terms of a policy of overall planning. Properly read and thought about, the report on the work carried out in 1976, containing data and information which are now of historic interest, may yet prompt, by indirect, inductive means, reflection on underlying issues of the kind I referred to, on open questions which, in the light of experience in 1977, will undoubtedly be of relevance to the year which has scarcely begun and will remain so in the future.

This kind of reflection enables us, more satisfactorily than mere assertions, to understand the vital need for coordination in the widest sense, that is to say, coordination of the instruments of intervention to achieve impact and efficiency and avoid contradictory interventions which seriously conflict with the objectives of the regional policy (even though, according to Mr Giolitti, steps are now being taken to reduce the extent to which decisions on the use of the Regional Fund and of the other funds are taken in isolation from each other). Coordination also implies the ability and the determination to harmonize national policies and regional development programmes with Community regional policy; and, in consequence, it also means, not over-ambitious centralization, but laying down a policy on a broad European scale which makes it possible to make comparative assessments in the light of the very great differences in regional conditions in the various states.

An approach on these lines is the basis on which to try and find the right way to resolve, not according to any set plan but in the light of individual circumstances, the complicated question of how best to combine the various interventions for the benefit of industry, the infrastructure and tourism, on which special emphasis has, rightly, been laid for some time. It is also the basis for a balanced appraisal of the specific problems of the outlying regions, coastal or otherwise. Again, this approach provides a basis on which to bring about a concentration of interventions which, in response to the actual needs felt by the individual states, can help to launch a genuine and comprehensive regional policy which bears the stamp of the Community.

**Mascagni**

It is equally imperative to make the best use of the various, hitherto badly coordinated, methods of enquiry and sources of information available to the Community. The rapporteur rightly referred to these questions and to the need for fuller information, especially the undoubted need for detailed information about what has been done, the analyses carried out and the statistical returns, and I should like to draw the attention of the House to the report of the Regional Policy Committee published in the Official Journal of 2 September 1977. It is a document filled with comments, references and planning ideas and contains far-reaching, indeed fundamental proposals for a coordinated development of regional policy. Even allowing for the authority which each of the institutions enjoys, one wonders why there is no liaison between Parliament, and in particular its Committee on Regional Policy, a policy body, and the Regional Policy Committee, a technical body. The latter's report, among other things, refers at length to studies; but our own Committee on Regional Policy, on its side, is also intending to take some steps in this direction. Why aren't their efforts coordinated, to their own advantage and everybody else's?

By way of conclusion, I return to the subject of the intervention policies, which have been amply covered in the two reports relating to 1976. We must not lose sight of the fact that more than 70 % of the Community's resources is used for the policy of supporting agricultural prices. It goes against all reason that a Community which ought to be trying to correct imbalances should have, within itself, in its institutional and financial structure, an imbalance of this magnitude. The agricultural policy, to which the Community devotes 70 % of its resources, has produced substantial results in the form of fairly stable prices and profits, but this in itself tends to perpetuate the previous market pattern and not to produce any radical or structural change in existing imbalances. So, after the Community has been in existence for twenty years, we are faced with this contradictory situation, which is certainly no accident: the instruments which ought to be helping to eliminate imbalances and further the harmonious development referred to in the Treaties represent a very small proportion of the financial assets in the EEC's balance-sheet.

The Community is now faced with the task of ending these economic absurdities at a time when the crisis makes it impossible to mobilize adequate financial resources and the stronger countries keep their purses closed. In these circumstances, coordination becomes an essential ingredient of a policy designed to achieve a correct balance and based on action which is comprehensive.

Mr President, unless I am mistaken, the Regional Fund, the Social Fund and the EAGGF (Guidance Section) have, taken together, at their disposal 1 500 000 million lire for distribution in the form of capital grants. To this must be added 1 000 000

million lire per year in loans from the EIB and another 1 000 000 million in ECSC aid, without taking account, although it is on the table, of the more liberal policy of obtaining loans on the financial market, which Mr Giolitti has vigorously pressed for and to which we also give our support.

There is, accordingly, a total of 3 500 000 million lire available. Good coordination and a concentration of aid in the sensitive areas of the Community can ensure that this considerable sum of money is put to the best use with a view to progressively eliminating imbalances and stimulating employment. It is vital for the Community as a whole that the funds should be better allocated and used. Although the structures will benefit only to a limited extent from this expenditure, it will be easier to acquire greater resources, it will enable us to make better preparations for the elections by direct suffrage, and it will facilitate the process of enlarging the Community to include the three applicants for accession, whose economies, we must not forget, are in competition with those of Southern Italy and the South of France. It is ridiculous to imagine a bigger European Community in which wars have to be fought over wine, tomatoes, olive oil and vegetables.

If Europe is, as has been rightly described, a battle, it must have a clear aim, and that is a strengthening of structural policies on the basis of a real coordination of resources, their use in a manifestly concentrated manner and a social and regional policy which is seen to be more and more involved in planning, which means an economic policy under democratic control. This specific aim is a feasible one, and we must be resolute in fighting for it.

**President.** — I call Mr McDonald.

**Mr McDonald.** — First of all I should like to compliment Mr Johnston, not only on the excellence of his report but also on the very interesting debate which he has started off here this afternoon.

I should like to refer very briefly to the report. Paragraph 3 of the motion for a resolution states:

Urges the Commission therefore to continue to give priority consideration to achieving a positive coordination of all Community financial instruments having a regional impact.

Now, on the one hand that is a good paragraph, and indeed a good priority, but we must also consider the particular circumstances of a grossly inadequate Regional Fund, a fund which was set up to correct the many serious imbalances throughout the Community. I think that if we were to keep the Regional Fund in isolation, its inadequate proportions would be more clearly seen, and there would be perhaps a sharper desire to bring it into line with the magnitude of the task which the Fund — and indeed regional policy in general — was established to carry out.

## McDonald

Now, many speakers throughout this debate have made many interesting points, and there was a common thread running through all the contributions here this afternoon. Mrs Kellett-Bowman referred to the regional agencies, and in my own country, for example, there are nine development organizations set up specifically for development in the Republic of Ireland. If those agencies were given a voice in the ordering of the priorities of their own regions as they think necessary, if the particular problems of industrialization in remote or underdeveloped regions are to get speedy attention, this would, I believe, expedite the creation of much-needed employment — not just the building of advance factories or the various infrastructures, but the permanent employment which derives from the development once it starts.

Now, the Regional Development Fund, it is agreed, is far too small and inadequate, but it nevertheless constitutes sizeable expenditure, though I would submit that it is sizeable anonymous expenditure. We need clear-cut policies that clearly identify the Regional Development Fund with new developments where the money is spent. I think that the Fund will never grow without political will. We must have a Fund that is seen to be spent if it is to be appreciated by our public and give hope and confidence in the future to our youth, so that they can understand that they are part of a great European Community — not just an economic community, but a community that cares.

We — and I think it has been mentioned many times here this afternoon — clearly need a redrafting of the regulations, and I am frankly disappointed that after three years of operating this Fund, the Commission has not come up with new regulations to correct the areas of the Fund where there has been a clear shortfall. To my mind, we need a new system which would mean one-hundred-per-cent aiding of projects by the Community instead of the present situation where there is no clear-cut definition. The former Commissioner, Mr Thomson, referred a few years ago to the situation where it is not possible to see whether governments have spent the Fund money in addition to the monies they had set aside in their own particular capital budgets.

Now, the regulations and guidelines, as I see them, are too complex, and in many areas not satisfactory. It is also, I think, just not good enough that firms in the Community who have been handsomely supported from regional development funds can simply say they don't want to have their names associated with the Fund. There are many areas, I know, in the Community where large hoardings are put up advertising the fact that development has been assisted from the Fund, but there are others where this is not possible. New regulations should be brought in to ensure that this will not happen in the future.

We shall get over the entire problem of clear-cut additivity if we can have the Commission on their own

selecting and supporting projects for aid, at the same time fixing the rate of support five, or ten, or twenty per cent higher than if the same firm had only received aid from their own governmental source. For instance, I think that there are many large and worthwhile projects throughout the Community to which the Commission could give a tremendous impetus. For instance, they might speedily tackle the problem of Rosslare Harbour, in the South of Ireland, where there is only one pier, although there is a good flow of traffic. By the provision of a second pier they would double the trade between France and Ireland through Rosslare in one fell blow. I think this kind of sharp development is needed if people are to appreciate the amount of money that has already been spent.

I agree with many of the excellent points made by my colleague Mr Noè, who raised the problem of tourism. This area, I regret, is not open to support from my own government, but nevertheless we should be able to open these areas of development to the regional development authorities, so that they could pick the areas where the shortfall is most acute. If we could have Regional Fund grants direct from the Fund, greater attention would be focussed on the Regional Development Fund, and by virtue of the Fund's being exposed to the limelight, I am convinced that it would grow and flourish more rapidly.

I am confident that the Commissioner has continued the impetus his predecessor has given, and I am also confident that, given the political will, the Fund will grow to sufficient proportions to give the less-developed areas the chance and the start they have been crying out for for so long.

**President.** — I call Mr Brosnan.

**Mr Brosnan.** — Mr President, as one of the underdeveloped countries we in Ireland have a vested interest in the Regional Fund. Indeed it has often been said that it was largely the great prospects held out to us of benefiting from the regional policy that attracted us to membership of this Community. We are therefore naturally disappointed that the Regional Fund and the regional policy generally has not lived up to these great expectations of ours, and of others as well, of course.

However, we are dealing here today with this report on the Regional Fund during the year 1976, the second year of its existence. We are all familiar with the troubled history of the Regional Fund and the problems which still exist relating to it. It was only in December last that the problem of the size of the Fund for the next few years was resolved, and even then that resolution did not meet with the satisfaction of the majority of the members of this House. I am quite sure that the problems relating to the existence and the application of the Regional Fund will continue for many years to come, despite the great need for a regional fund and a policy of significant and adequate resources.



**Brosman**

As I said, the report before us relates to the Regional Fund of 1976. The Commission has produced a very interesting and detailed analysis of the Fund's operation in that year. For this the Commission must be complimented, even though it is operating under severe restraints with regard to the Regional Fund, restraints for which it, of course, is not responsible. In fact, the information contained in the Commission's report emphasizes the inadequacy of the role played by the Commission in the operation of the Fund. There is something we have criticized in the past and now find unfortunately to be still true, namely, the fact that most Member States avail themselves of the partial repayment system, thus reducing substantially the role of the Commission in deciding the allocation of the Fund. This point was made by my colleague, Mr McDonald, a moment ago. I agree completely with him. Indeed, the Commission's role in carrying out inspection visits to recipients of Regional Fund money has proved very embarrassing from time to time. In the course of last year officials from the Commission were not well received when they visited certain firms in Ireland and announced that they were inspecting the books of the firm on the grounds that the firm had received a grant from the Regional Fund. These so-called beneficiaries were naturally annoyed because they had not received any money from the Regional Fund. What they had received was what Mr McDonald referred to. They had received a national grant which the government had used as a basis for partial repayment from the Regional Fund. That is just one example of the problems we have to face under the existing regulation governing the Regional Fund.

Mention has been made in the report and by many of the speakers here today of the increasing divergence between the economies of the Member States noted in 1973 and apparently still on the increase in 1976. This underlines the failure of the Regional Fund to correct the regional imbalances within the Community, and I would say the failure of the Regional Fund to make any impact on this problem, which was the primary object of the Fund, is a serious indictment of the whole regional policy of the Fund and of this Parliament.

The Regional Fund must be regarded as the only true Community weapon to overcome the high level of unemployment in the EEC at the present time. The report says that 60 000 jobs were created or maintained in 1975 because of the Regional Fund, while the estimate for 1976 was 55 000 jobs created or maintained. Despite the marginal decline between '75 and '76 we must not underestimate the value of the Regional Fund as a Community instrument in overcoming unemployment. Of all the other Community funds and policies none has such a direct relationship to the creation of jobs as the Regional Fund.

Many people are under the misconception that the Social Fund is the best way of attacking unemployment. They fail to realize that the Social Fund is aimed more at training for employment. It is not in itself a means of creating employment. In fact, many people have been trained with assistance from the Social Fund and have afterwards failed to find employment. The Regional Fund helps to create and maintain employment, particularly in industry and infrastructural development. While the latter jobs may be temporary — for example, in the building trade — they are nevertheless important. In Ireland, for example, we have the situation in which the building trade is one of the main indicators of the general economic situation. In industry jobs are more permanent, and following the recent economic recession extra investment incentives are needed to give industrialists the necessary boost to expand and create further employment. This in itself is a justification for a substantial increase in the resources of the Regional Fund.

Looking at the figure of 55 000 jobs created or maintained in 1976, we must realize that that number is not very large. It amounts to about half of the total unemployed in Ireland alone, and indeed it is very small compared with the six-million-plus unemployed throughout the Community today. If the Community is to have an active role in the fight against unemployment, then its best way of doing so is through the Regional Fund. However, unless the Regional Fund has adequate resources it cannot overcome the problems facing us, particularly in the less-developed regions of the Community like my own country.

I would like to conclude by joining with my colleagues in congratulating and thanking the rapporteur for his candid and critical report, and I want to assure him of my support for the motion for a resolution *Go raibh míle maith agat*.

**President.** — I call Mr Schyns.

**Mr Schyns.** — (*F*) Mr President, I too would like to thank Mr Johnston, who did not have an easy task in drawing up his report, despite the fact that he was able to get the available material from the Commission in good time. I, too, want to avoid going over old ground, as some of our number have done this evening; so I shall confine myself to a few cable-style comments, which are none the less relevant, for the ear of the Commission.

The Regional Fund is the latest of our European funds to be born and, as it has been in existence for only three years, it still suffers from teething troubles. It is at present helping certain members of our Community to carry out plans conceived during the economic optimism of the 1960's. At that time, people became aware that, in one region or another, there was chronic unemployment, manifest under-em-

## Schyns

ployment and no infrastructure, and it was thought that the Regional Fund might help to meet requirements by using the resources of the Community.

This is the first point that calls for comment. Are the current projects still relevant to the overall economic needs of the Community? I have a strong impression that the value of some of these projects has been exaggerated and that, in any case, in the regions where they are being applied, they could never ensure full employment, as the region and the country hoped. In view of this, I need only emphasize that, while in some regions of the Community people have thought big, which is a good thing, in others they have thought very big, which is not so good, because in the end the infrastructure which has been created will remain unused in the years to come, although its cost to the Community must run into billions.

The second comment I have to make is that some countries submit a series of projects to the Community relating to regional economy and, in so doing, get their hands on some nice little sums from the Community. Unfortunately, the Community is unable to satisfy itself in the first place whether the projects are justified or, secondly, to what use the credits allocated are put. If proof is wanted, I can supply it. Certain countries in the Community try to use the Regional Economic Development Fund to recover the charges they pay elsewhere, and that is a situation we can no longer tolerate.

Finally, Mr President, I ought to add that, in November, Mr Noè was asked by the Committee on Regional Policy, Regional Planning and Transport to prepare a fresh report defining a new regional development policy for the sake of those who have need of it. I am sorry that the Commission has not yet let the Council have the necessary papers in order that this new policy, which gives the Commission the right of supervision, can be translated into something positive. I hope this will not take long, because we must put a stop to grants being frittered away and so preventing regions who are in real distress from carrying out a vigorous regional policy. I hope the Commission will take note and that we shall soon get the necessary documents and instructions so that, on the basis of the European Regional Fund, we can go forward with a new policy.

**President.** — I call Mr Ellis.

**Mr Ellis.** — Mr President, I would like to thank Mr Johnston for his report. It is a good report, and although on a comparatively narrow front — the Fund and the expenditure of the Fund in 1976 — it does nevertheless act as a peg many people have taken advantage of to talk about regional policy in a broader perspective. I am very grateful to the Commission and to Mr Giolitti for himself extending the discussion somewhat and taking it away from, to use his words,

'this slender instrument'. I want to do the same, but I shall certainly keep within the Rules of Procedure.

I should like, first of all however, to agree with Mrs Kellett-Bowman that in many respects this is a melancholy occasion, and perhaps the reasons why I agree with her will become apparent during the course of my speech. But now I've mentioned her, perhaps I ought to be allowed to do two things. First of all, to congratulate her most sincerely. She gets ten out of ten from me for reading; she's an excellent reader, perhaps a little bit on the fast side, but I do congratulate her most sincerely. And the second point — and I must say I find this an interesting trait, although I'm not sure whether it's an endearing trait to the House as a whole — is that the European Conservative Group is almost always concerned exclusively with United Kingdom problems. I'm not sure how interested the House in general is to know precisely what is happening in British domestic politics, but to be quite frank, I think they would be well advised occasionally to start talking in more European terms than in strictly British terms.

Well, to get back to the point of the debate. I shall take this by texts, if I can put it that way. A number of people have referred to paragraph 8 of the motion for a resolution. Mr Johnston himself spoke about it, and Senator Noè referred a great deal to it. It calls for some kind of analysis of the effectiveness of the Fund — exactly which way the Fund is taking us with our regional policy, if it is taking us anywhere at all.

And to try to flush it out, as it were, I want to recall some of the phrases that have been used during the course of this debate. I could have taken twenty or more phrases, but I'll content myself with just taking four or five of the phrases that people have used to try to illustrate the fact, as I see it, that to a great extent we are going through some kind of exercise in double-speak, as if we were in some kind of 'Walter Mitty' situation. This is the impression I get from some of the phrases.

Before I do this, I would like to pose a general question. The centralist response to the regional problem is, as we all know, to set up a development area. That's what we now call it in my country; they used to call it a depressed area. I wish they'd stuck to the name 'depressed area', because euphemisms are designed simply to conceal the realities — the harsh realities — and I wish we talked not so much about 'development areas' as about 'depressed areas', so that people really know what the position is.

That's the centralist approach. We set up the development area, we have our carrots and our sticks, the monetary incentives on the one hand and the industrial development certificates on the other and so forth, and we sit back and think: well there we are, now we have a regional policy. Then from the

## Ellis

periphery, the response is a little different I think, because what we see — and I say 'we' because I live in a depressed area — is the failure of regional policy to fulfil its promise, and a number of speakers have made this point. We ask why still, after forty years, we have got to have a regional policy. After forty years! And it's an important question. Governments ought to be obliged to answer it. Those are the questions we ask. We ask: why has the state not specified what will constitute a solution? And we then go on to ask — and we ask it very sincerely: is the regional policy merely designed to keep disparities within politically acceptable limits rather than to make a serious attempt to remove them? Is it not after all just a bit of powder and lipstick and rouge, just to pretend that things are a lot better than in fact they are? *That's the question we ask.*

Having made that introduction, I'd like to come back now to the Fund, to the debate and to the various phrases that people have used in the course of the debate. Mr Johnston said, for example, congratulating the Community — and rightly so — that we have had actually more this year than appeared likely at one time: we've not had what we wanted, but we've had more than the Council first offered. And I was intrigued at the words 'what the Council offered'. I'm not a psycho-analyst, I'm not Sigmund Freud, and I'm not accusing him of a 'Freudian slip', but I think subconsciously he was thinking: oh yes, the Council are offering a little bit of charity, and that's about the sum of it: *a little bit of charity.*

It struck me that this is the approach of the Community to the whole question of regional policy. Mr Johnston said that the Fund was down now in real terms and he made the point that, of course, in truth, in time, the Fund must be increased. Well, I wonder: must it be increased? You see, I'm a bit ambivalent about it. In some ways we might say: let's call a spade a spade, let's do away with the Fund! I don't want powder and paint and lipstick. It doesn't follow necessarily that the Fund must be increased. If you accept it simply as a cosmetic, then it must be increased; we've got to have the powder and paint. But if you want a real regional policy, it might pay you sometimes to have *a real head-on collision*, and I'll come to the point at the end of my speech. But that was the second phrase he used.

Mr Yeats, for example, spoke about the coordination of the various funds in the Community — the Agricultural Fund, Development Fund and so on. And he said that this coordination mustn't weaken the Regional Fund. Well, for my money, if I could have a magic wand and just wave it so that I could do all the coordination of all the Funds of the Community, I'd trade in the Regional Fund ten times over, because as George Thomson, the former Commissioner, Lord Thomson now, told us last year, more harm has been done to regional policy by the other funds than can be done in ten years by the Regional Fund as we've

now got it. That was again a phrase that made me feel we hadn't quite grasped what the position was.

Mr Yeats also made the point that the size of the Fund was the main obstacle to its effectiveness. Well, coming back to the point I made to Mr Johnston: is that the main obstacle? Really how important is the Fund? Is it political will that's lacking? Or is the Fund just a little bit of mechanics to put a gloss on things? When he did speak — and I was a little intrigued — he spoke about protecting the good name of the Fund. Well, of course, Mr Yeats was referring in an auditing sense to the good name of the Fund, and of course I agree with him on that. But I cannot help feeling that this 'protecting the good name of the Fund' is going on in a much deeper and more political sense than in the straightforward auditing sense that Mr Yeats meant.

So, coming back to my point about paragraph 8, I am glad to hear from Mr Giolitti that the biennial report will probably, despite the problems of staff and all the rest of it, contain some kind of assessment, because we have now got — and this is one of the heartening things — considered and important contributions from a range of economists such as Myrdal, Perroux and Hirschmann.

*(The President urges the speaker to conclude.)*

I was going to make the point that the Fund is more important in the political sense than in the straightforward arithmetical sense, and I would advise the Commission occasionally to say, we are going to use the Fund, however small it is, as a weapon of Community policy, no matter what the nation-states say, and if the Council rejects it, well, so be it, let's have a fight, because it's only through fighting on a political basis, with the political content which must be in the Commission itself, and using the Fund for that purpose that we are ever going to succeed in getting any regional policy in this Community.

**President.** — I call Mrs Ewing.

**Mrs Ewing.** — Mr President, I do not think the Regional Fund has many enemies in the whole of the EEC set-up. It is, if you like, the goody of the scene, and that is because its aims are beyond doubt in the interests of all disadvantaged areas. I should like to congratulate the rapporteur and come immediately, as my time is short, to paragraphs 41 and 45, where we say that we need an analysis of the information to indicate the impact of the Fund and that we must have an assessment more than at two-year intervals, because no matter what we think of the inherent goodness of this idea, if the rich keep getting richer and the poor keep getting poorer, and if the centralization of Europe seems to get worse at the expense of the peripheries and if, no matter how ideological, people are inclined to do the contrary, then the Regional Fund has difficulty in surviving the facts despite the aims.

## Ewing

The aims seem to me to be widely divergent from the facts. If I may quote from the opinion of the Regional Policy Committee on the Commission's document, the committee attaches great importance to the operation of a Regional Fund as a means of bringing about a convergence of Member States' economies and therefore a balanced economic development in the Community, and points out the present economic crisis of certain regions with a particularly high level of unemployment. We all know that is the position, and here we have a fund aimed at correcting these imbalances. It is a very ambitious aim, and I would like to make one or two points. First of all, as a Scottish Member I obviously am aware of the problems of the so-called regions in the United Kingdom, but British governments of various colours, have spent quite a large proportion of the tax-payer's money in trying to cure regional imbalance I am neither congratulating nor criticizing them; I am saying that their budget for this purpose is much larger than anything that the EEC is offering or is likely to offer, and still the problems remain unsolved. As a Member from the North of Scotland, I may see the situation a little more clearly than those in the central belt see it. The EEC Regional Fund is a drop in the bucket in proportion to the problems of Scotland which the UK governments, for all that my party has criticized it, has tried to solve over past generations. So sums of money alone are not going to solve the problem. It has got to be sums of money combined with some degree of impact and imagination.

The unemployment situation in all the regions of the EEC Community is again becoming very dramatic, and even within the UK it appears fairly dramatic in Scotland if compared with the statistics for, for instance, the South of England.

This is not new, it is not original; it is just a fact. It is no different, perhaps, in other parts of the EEC. Perhaps we can learn from one other. Let us take tourism. I think Scotland, for example, could learn from Ireland, where a highly disadvantaged area with very few natural assets except space, beautiful landscapes and charming people — although I like to think that we have all these things in Scotland — has been able to develop the tourist trade much beyond what we have achieved in Scotland. And that is perhaps directly related to the amount of aid that has been poured into the industry. I am not saying that could do it by itself — not at all, but it has been helpful. If you were to compare the budgets of the Scottish Tourist Board and the Irish Tourist Board, that might speak more eloquently than anything I can say. Tourism is certainly one way to help a peripheral area like Scotland, where we have, once we get the tourists there, very satisfied customers, despite the weather, which is often much better than they expect, and with all the other advantages which are becoming all too rare in the world of today and with natural life in abundance.

Mr President, it will never be right if a regional fund can ignore the possibility that this Community, by failing to develop that fund adequately, may end by causing regional death. I know that the fishing industry does not really come under the Regional Fund, but then what does it come under? In a sense, it is one of the largest industries in a whole peripheral area of the Community in which there is little alternative employment and where tourism is a natural concomitant or alternative on which the same community lives at the same time as on fishing; and yet, by virtue of the policy of the Community, although the Scottish fishing industry hasn't asked for any extra money, it has had to face a threat of regional death. If the Community is seriously going to deal this out — and this is not a subject for this debate — it will really have to reconsider the tourist industry of Scotland. I don't think there is a lack of good voices from the Highlands and Islands Development Board, the Scottish Development Agency or the Scottish Office, but I believe more could be done by the Community to achieve closer collaboration here, because if fishing is going to be in any sense at risk — and it is at risk, as we all know: I think unnecessarily, but that's a subject for another debate — I really feel that this area in Scotland, which is one of the least spoilt areas in the whole of the Community, where people can really come against nature in the wild — open spaces, mountains, beaches, wild life, everything nature has to offer — should be considered more closely by the Regional Fund. I don't think that the avenues of contact are sufficiently good, although I am not blaming the Commission or the Council here, I lay part of the blame on our own organization. Recently, the main stand at the Boat Show was taken by a combination of the Scottish Highlands and Islands Development Board, the Strathclyde Region of the Scottish Development Association, and the Scottish Tourist Board: this was the main part of the Boat Show, to which thousands of people from all over the world came. So there is a certain degree of enthusiasm here, and if only the two could get together — the Regional Fund and this enthusiasm — there is obviously a fertile field.

On the subject of additionality I agree with my colleague Mrs Kellett-Bowman: it was totally against the idea of the Fund that whatever came should be added in without being separated from whatever was otherwise available.

Oil and infrastructure also really belong to another debate, but I would just say that there would very little point in the Regional Fund's paying money into infrastructure unless there was a very long-term plan for the employment of people in oil-related areas.

**President.** — I call Mr Johnston.

**Mr Johnston, rapporteur.** — Very briefly, Mr President, I would simply like to say that I was grateful for the remarks of those who spoke, and also for the posi-

## Johnston

tive response made by the Commissioner, Mr Giolitti. So, like Mr Evans, I should like to look at his comments more at leisure.

I think the fact that there have been no amendments to my report indicates that the view which the Committee on Transport and Regional Policy worked out finds acceptance throughout Parliament. Of course, it is obvious that there is a great deal to do — the Fund remains inadequate, national governments continue to resist the common guidelines, and their recognition of additionality, I suppose, is open to cynicism. But in a narrow sense what we were debating today was what the Commission did within its limitations in 1976, and the view of Parliament quite clearly is that they did the best they could within their limitations. Rather as my headmaster used to say, a fair year has possibilities. Naturally, most of the Members who spoke dwelt on the possibilities, but I think it would be inappropriate at this time of the evening for me to follow them, particularly in the fairly narrow scope of the report. The message from Parliament to the Commission and the Council is simple and clear: it wants to see the Regional Fund, and regional policy generally, strengthened and made more effective.

### 14. Regulation on import or export duties

**President.** — The next item is the report (Doc. 418/77) by Mr Van Aerssen, on behalf of the Committee on External Economic Relations, on the

proposal from the Commission to the Council for a regulation laying down conditions for the post-clearance collection of import duties or export duties which have been underpaid on goods entered for a customs procedure involving the obligation to pay such duties.

Since no one wishes to speak, the debate is closed.

### 15. Safety at sea

**President.** — The next item is the oral question, with debate (Doc. 369/77), by Mr Fellermaier, Mr Prescott, Mr Seefeld, Mr Giraud, Mr Albers, Mr Evans and Mr Hamilton, on behalf of the Socialist Group, to the Commission, on safety at sea:

Wide concern has been expressed by workers' organizations and experts that safety at sea is not adequately protected by international agreement.

What special studies has the Commission made of this problem?

Will the Commission consider an action programme to improve safety standards?

This programme should include:

- international safety standards for ship construction;
- common standards for crew qualifications and training;
- joint research projects on development of navigational aids;

- common rules with regard to the shipping of materials which can damage the environment, in particular, oil tankers;

- the introduction of compulsory sea-routes and designation of certain areas where shipping of certain products would not be allowed.

What action does the Commission propose to take following the recent declaration by OECD concerning sub-standard ships?

When will the Commission make proposals for minimum safety standards for maritime transport, as requested by the Council of Ministers in June 1977?

Why has the Commission not taken action to set up a joint committee to examine social problems in sea transport?

I call Mr Prescott.

**Mr Prescott.** — Mr President, we are rather pleased to have reached this item, because we as a group have had to ask for it to be taken off the agenda on one or two occasions, largely owing to votes that were taking place in Parliament at home, for which we have had to leave the debate. I therefore fully understand that the Commissioner, Mr Burke, who was here last time to deal with it is not able to be present this evening. One appreciates the difficulties of getting these times to coincide.

The question gives us an opportunity to debate the concern being increasingly expressed about safety at sea and inter-related matters. It reflects the expressions of concern that we as a political group have been receiving from our comrades inside the trade-union movement, particularly the maritime unions, about the increasing lack of safety and the failure to enforce existing standards that have been agreed internationally.

We appreciate that since the time we put the question down in November, a number of events may have taken place; we are certainly aware of one or two dramatic incidents that have occurred. For example, on the very day that we should have had the debate, two tankers belonging to the same company managed to collide in broad daylight off America, causing injuries and a tremendous pollution hazard.

We are aware also, as we have complained in previous debates in this House, of matters such as the *Globtik Venus* incident, where safety and manning and wage conditions were the legitimate concern of a trade union attempting to help seamen from another country, in this case the Philippines, who were being exploited, in this case on a British ship by the owner of the company, to such an extent that when men refused to work, as is to be expected in these conditions, he hired a pirate gang in Britain which stormed the ship, threatened the men with axes and subjected them to a violent attack which created considerable publicity.

### Prescott

Workers in this industry have to look to governments, particularly international action, to assist them in their struggle to ensure at least reasonable conditions of manning and health on ships, and reasonable conditions of pay. And it is almost inevitable that these incidents are on quite a considerable and dramatic scale, particularly as vessels have now grown to such a size that when two tankers collide today, you are talking of ships of many hundreds of thousands of tons and cargoes of similar dimensions being released into the sea with considerable threat to wild life and the pollution of the sea itself. To that extent we are legitimately aiming to reflect the concern of the maritime unions here today and hoping that we can reflect it accurately enough for them to feel that their voice is being heard in this Assembly on matters of grave concern to themselves.

But, as you will see in the question, it is not just the seafarers' conditions that concern them, it is also the consequences for passengers on the ships. We note, for example, that liners from Europe have been condemned in American ports under health regulations, and are not adequately inspected here. As a man who has spent ten years serving on liners, I know fully what they mean by that; we do lack adequate standards of hygiene on these vessels. I think the Americans are much stricter, and correctly so, and this is to the advantage of the consumer, the passenger who sails on them, if we take as evidence the comparative amount of food-poisoning one witnesses in different vessels. Therefore we are reflecting not only what they feel about the problem, but also what we have already expressed here in debates. Two reports have been passed by this House, the report by Mr Seefeld, of the Socialist Group, and my own report dealing with the shipping industry some while ago. They reflect our concern about safety developments and the threat of pollution of the environment.

I was earlier referring to a number of dramatic incidents, in particular to the *Globtik Venus*, a ship under my own country's flag. This incident led us to make strong protests to the government at how people use a national flag to their best advantage. But there was another incident with a Community ship, of which I have a report here, published in *The Times* last year, which clearly shows that it was a German ship. This incident is of concern to the International Transport Workers Federation, a union that does excellent work in this field. It is a union of unions, in which all the maritime unions come together with all transport workers' unions and attempt to enforce conditions where owners have sought to use the flag of a foreign country to avoid their obligations to pay decent wages and ensure safety on vessels. This particular ship, a German ship of the Oldendorf Line, which has twenty vessels in its fleet, called at Liverpool owing over a million marks in wages to its crew. What it did to avoid the pressures of the maritime unions through the ITF was that when it was in a port where the ITF

was strong, it used to bring out one agreement, and show what the crew were being paid, and as soon as the ship sailed and got outside the port, it used to change the crew agreement. The crew complained bitterly that they were ostensibly being paid the ITF wage-rate, which is an international rate that we enforce on these ships, and yet as soon as they got to sea, were being made to work excessive overtime for very, very low wages indeed.

Now that is one of the difficulties of organization in this industry. Ships that are international can pick up crews in any part of the world. I can recall as a trade union official going on board one ship that came into our area, in Hull in England, from Africa, where the captain was actually carrying a spare crew down in the hold, because the crew used to desert on the first opportunity they got to a port. So he carried two crews — as good a modern example of slave labour as you are ever likely to get in these conditions. And therefore the maritime unions, the people concerned about these men, who have no way of organizing their conditions, are right to act on their behalf. And this we have attempted to reflect in our oral question.

The unions have shown considerable concern for the loss of vessels, and the records show quite clearly an increase in the loss of tonnage, particularly in the fleets, known as flag-of-convenience fleets, of countries, who sell their flags to companies who wish to avoid the traditional conditions of service and safety on board. Some ships have literally disappeared, and these countries have never held enquiries into the fate of these ships and their crews. Some countries, particularly Liberia or Panama, have never enforced inspections or enquiries into the loss of a ship, and indeed I note that since two tankers collided in December no enquiry has yet been held into the circumstances. These countries sign the international conventions but do not enforce them. I readily admit that they are difficult to enforce, because the ships never go to Liberia, they are just registered as a company operation, in order to avoid taxes: it is almost blood-money paid to purchase the advantage of flying the flag concerned and no effort is made to see that any standards are enforced. Is it therefore any wonder that America is taking action as the coastal state to enforce standards? All the enquiries that we have had concerning these large Liberian and other flags-of-convenience tankers have pointed to one conclusion, that they are inadequately manned and their crews of dubious competency, even though many of these ships have had the best of equipment.

Therefore we are concerned, if I may finish on this point, to say that Europe can enforce standards: it has to do so collectively and use our port state control for the purpose. We are very concerned that apparently the unions are complaining that there is no adequate consultation with the Commission about the enforcement of ILO standards, even on ships belonging to

**Prescott**

the Community who are not observing them. So I hope the Commission can assure us this evening that they will give the unions adequate opportunity for consultation, because we have been informed that if Europe does not do something about these problems the unions will have a coordinated strike in the summer of 1978. I hope the Commissioner can assure us that he is prepared to take some action by way of consultation with the trade unions and will assure them that we are going to give the question of safety for seafarers its proper priority. All too often seamen are forgotten, even though they work in one of the most dangerous occupations.

In view of the time, Mr President, I am not able to say everything I wanted to say, but I hope we can receive some assurance from the Commissioner on these matters.

**President.** — I call Mr Giolitti.

**Mr Giolitti, Member of the Commission.** — (I) Mr President, the Commission attaches great importance to questions involving safety at sea, because this is an area in which the Community can and must take positive action. It is equally important that progress on the subject of safety at sea should be made over as wide an international area as possible. The bodies most suited to perform this task are without doubt the Inter-Governmental Maritime Consultative Organization of the United Nations (IMCO) and the International Labour Organization. Because of this, the Commission feels that the Community should adopt a common attitude whenever the international instruments for safety at sea are under discussion at international level and, in specific cases, should become a party, as a Community, to the Conventions to which they give rise.

For example, the Commission is at the moment looking into the possibility of adopting a common attitude at the forthcoming IMCO conference, which takes place next month and will deal with the problems of the safety of tankers and the prevention of marine pollution. Nor is the Commission opposed to the idea of specific action by the Community to promote safety at sea. As honourable Members will be aware, a group of coastal states on the North Sea are in the process of considering how best to interpret and apply Convention 47 of the International Labour Organization, on the minimum rules to be applied to merchant vessels, and ensure that it is uniformly observed. The Commission proposes that the Community should take part in these discussions, consider the results and, if possible, adopt them or adapt them in terms of Community legislation. The Commission believes that this will constitute an appropriate and prompt response to the Council's request of June 1977, which was referred to in the question.

Finally, on the subject of setting up a joint committee for sea transport, the social partners have not yet

reached agreement on the committee's terms of reference. This does not, however, prevent *ad hoc* meetings from being held between the social partners and the Commission. The first meeting of this type took place in Brussels on 18 November 1977; others will follow. The atmosphere at the first meeting was evidently encouraging: a vast number of subjects were discussed, among them the final details of an enquiry into the position on seamen's employment in the Community, questions relating to sub-standard shipping, and vessels flying flags of convenience. At the meeting, it was agreed that there should be further meetings on subjects of common interest, like training. So I can report that on this subject, to which the honourable Member who put the question rightly drew attention, the Commission is committed to organize a series of meetings, and the meeting on 18 November 1977 was the first concrete example.

**President.** — I call Mr Hans-Werner Müller to speak on behalf of the Christian-Democratic Group.

**Mr Hans-Werner Müller.** — (D) Mr President, ladies and gentlemen, I welcome the initiative which our colleagues of the Socialist Group have taken in the House, and I should like to make a few remarks to identify the principal points of this debate.

The question of safety at sea is of great importance from several points of view, particularly since in recent years there has been an increase in hazards to safety. The first of these aspects is the prevention of accidents. The continuous increase of sea traffic and the increasing size of boats poses an increasing threat to the safety of passengers, crew and property. There is, secondly, the social aspect, which Mr Prescott has already clearly outlined. The question of safety concerns, on the one hand, crews' working conditions and, on the other, it requires a continuing improvement of training and checks on the crews' technical knowledge. The continuous modernization of sea-transport technology makes it necessary for measures to be taken to provide further training for all crews.

Thirdly, there is the problem of the environment. The increased size of boats means there is greater danger to the environment from the pollution of the sea following shipping disasters, particularly when oil-tankers are involved. Examples of this have already been given in this debate.

The fourth aspect is that of competition. Shipping companies which do not observe the safety regulations may acquire considerable competitive advantages, since they can obviously save considerably on costs by undermanning their ships, employing underpaid and unqualified seamen, saving on equipment and possibly not coming up to standards when the boats are being constructed. In recent years, there has unfortunately been an increase in the number of sub-standard boats. Examples of this have also been given in this debate.

**Hans-Werner Müller**

The measures which are indicated here must lead to an international harmonization of safety standards and also to the international supervision of safety standards.

As has been said already, this task has been tackled by the IMCO and the ILO. In addition, the OECD is dealing with all these questions, although so far it has been mainly only the competition aspect which has received attention.

We should demand that the Community make a contribution by means of a common effort both in the IMCO and the ILO to have agreements at world level improved, jointly ratified and better supervised.

According to our enquiries, a total of 21 international conventions concerned with safety at sea have so far been concluded. A number of these conventions have not yet been ratified by all nine Member States. This might be a good opportunity for the Commission to harmonize all these matters.

I am referring to only one of the aspects of the question tabled by the Socialist Group, the one which reads: 'When will the Commission make proposals for minimum safety standards for maritime transport, as requested by the Council of Ministers in June 1977?' One cannot really blame the Commission for the fact that so far no proposals have been submitted. A period extending from June to December is scarcely sufficient for such proposals to be drawn up. In any case the Council, at its meeting of 5 November 1976, decided on a consultation procedure on relations between Member States and third countries in the field of sea transport.

The final part of the question reads: 'why has the Commission not taken action to set up a joint

committee to examine social problems in sea transport?' I noted the Commissioner's failure to point out in his answer that the legal basis of the Community is at present not adequate for this. There are, according to our researches, joint committees at Community level for social problems in road transport, inland navigation and railways. These committees were created by decisions by the Commission; their legal basis is the 1965 harmonization regulation. A committee for social problems in maritime navigation can nevertheless not be introduced on this legal basis because, as I have said, this is only valid for railways, road traffic and inland navigation. A suitable legal basis must therefore be created.

**President.** — The debate is closed.

*16. Agenda for the next sitting*

**President.** — The next sitting will be held tomorrow, Tuesday, 17 January, with the following agenda:

*10 a.m. and in the afternoon:*

- Carpentier report on aeronautical research;
- Schwörer report on direct insurance;
- Oral question, with debate, to the Commission, on Community policy against smoking;
- Oral question, with debate, to the Commission, on equal pay for men and women;

*3 p.m.: Question Time*

*3.45 p.m.: Vote on motions for resolutions on which the debate has closed;*

- Commission statement on economic and monetary union.

The sitting is closed.

*(The sitting was closed at 8.30 p.m.)*



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## IN THE CHAIR : MR COLOMBO

*President*

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

**President.** — The sitting is open.

### 1. *Approval of 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. *Petitions*

**President.** — I have received the following petitions :

- petition by Mrs Rosenzweig, on behalf of the Mondiaal Alternatief Foundation, on the approach to the migratory birds question and its incidence on Community decisions to grant financial aid to Italy

— petition by Mr Osio and 17 other signatories on the free use of aqualungs in underwater fishing permitted by the Italian State

— petition by Mrs Rosenzweig, on behalf of the Mondiaal Alternatief Foundation, on a new international ecological order

— petition by Mrs Rosenzweig, on behalf of the Mondiaal Alternatief Foundation, on the significance of Euro-African migratory birds for the ACP countries

— petition by 609 officials and other staff working in the European Institutions in Luxembourg on the construction of a nursery centre in Luxembourg.

These petitions have been entered under Nos 15/77, 16/77, 17/77, 18/77 and 19/77 respectively in the register provided for in Rule 48(2) of the Rules of Procedure and referred to the Committee on the Rules of Procedure and Petitions, pursuant to paragraph 3 of the same Rule.

### 3. Action Programme on aeronautical research

**President.** — The first item is the report (Doc. 454/77) by Mr Carpentier, on behalf of the Committee on Economic and Monetary Affairs, on

the communication from the Commission of the European Communities to the Council concerning an Action Programme for Aeronautical Research.

I call Mr Carpentier.

**Mr Carpentier, rapporteur.** — (F) Mr President, Commissioner, ladies and gentlemen, the report I am submitting on behalf of the Committee on Economic and Monetary Affairs relates to a Commission communication to the Council on an action plan for aeronautical research.

It will be realized from the title of the report and especially from the reference to action plans for aeronautical research that it is somewhat restricted in scope. It does not provide an opportunity for a debate on industrial aviation policy as a whole but, with this report as a basis there is nothing to prevent us from looking beyond the medium term and discussing some of the prospects for the long-term future.

This is not really a new problem. The Commission is to be congratulated on its steady perseverance, for its communication is a follow-up to its previous communication of 1 October 1975 in which it set out the broad lines of an action programme for the European aviation industry. An excellent interim report, packed with information, was submitted by Mr Guldberg on behalf of the Committee on Economic and Monetary Affairs and was adopted on 6 July 1976. In its resolution, the European Parliament stressed the need to pursue a common industrial policy in order to make the European aeronautical industry more competitive on the international market, thus ensuring full employment and the development of research and production in this sector.

It will perhaps be said that there is nothing really new in this in that Community countries have already cooperated in the construction of certain aircraft such as the Anglo-French Concorde and the Franco-German airbus. But these projects involved cooperation between individual countries, whereas what we are proposing today is the wherewithal for a common industrial policy in the aviation sector. And the big difference is that it is the Community itself that will assume responsibility for this policy. The communication before us seeks to introduce the principle of a common, jointly-financed programme of technological research. Since we must build a European aviation industry, the Commission in its wisdom took the view that we must start with research on which so much depends. Is it necessary to go into the arguments in favour of a common industrial aviation policy? I do not think it is, for you are all familiar with the technical and technological arguments. We know that

both civil and military aviation belong to an advanced industrial sector. One economic argument is the importance of the aeronautical construction sector in a good many Community countries. There is also a social argument which must be heeded: the industry employs some 500 000 workers and, counting their families, therefore supports several million people. A further argument is the need to ensure our independence in such important areas as air transport and defence. We cannot allow ourselves to be permanently tied to the United States or accept that the European market should depend on the American aviation industry which, as you know, controls between 90 and 95% of the world market. I shall mention yet a further argument: change is everywhere the order of the day and the emergence of the Third-World market also implies change in civil aviation. The potential is therefore already there and will very probably develop into something tangible, meaning that a new market may open itself to Europe.

What does this plan of action comprise? The Commission has attempted, and I think succeeded, in laying down objectives and criteria. The plan had to be staggered so that research will initially be carried out in two areas, helicopters and airframes.

Why helicopters? The answer is that four Community countries already manufacture helicopters and have decided to coordinate their efforts which, to my mind, is an excellent thing. One of the weaknesses of the aviation industry at present is the dispersion and division of effort which results in overlapping or in the untimely discontinuation of certain projects. In a word, what is lacking is coordination, and manufacturers have realized that they must pull together rather than compete with one another. One of the aims of Community action will be to promote such coordination in the construction of helicopters and airborne equipment, the ultimate objective of the research programme being a new generation of aircraft after the nineteen-eighties.

But the Commission has not started just anywhere. It has also laid down a certain number of criteria, the first of which concerns the environment. It applies particularly to helicopters, which are noisy craft. We must therefore act against nuisances in general and noise in particular. Security is the second criterion, particularly when it comes to the study of the materials used in airframe construction. The third criterion is cost-cutting through lower energy consumption and the fourth is that of guaranteed outlets for production. I believe that in this area too, the Commission's judgement has been sound.

There remains of course a further side to the problem, and that is the financial side. How are we going to fund a plan of action on this scale, even if it is spread over several years? The Commission has drawn up a financial plan with a time-table showing the appropri-

**Carpentier**

tions required each year. The total cost of the programme will be 36.7 million u.a., with 22 million going to airframes and 14.7 million to helicopters. There was a minor disagreement on this point between the Committee on Budgets and the Committee on Economic and Monetary Affairs. Through its chairman, the Committee on Budgets suggested that we make an amendment. Given the vagueness of the figures and the difficulty there was in pinpointing costs, the Committee on Budgets felt that these could not be expressed in firm figures for a period of several years and requested that the budgetary authorities should be allowed to enter the appropriations they considered necessary. I understand the view of the Committee on Budgets. The financial plan is perhaps too rigid and it may be that the funding procedure should be made more flexible. The Committee on Economic and Monetary Affairs realized this and accepted the amendment. But there was also a risk involved. If the budgetary authorities were given a free hand to enter the amount of appropriations required to continue the programme, we might well lose control over these appropriations. We might run the risk of seeing the programme slowed down or, with the financial authorities arguing in terms of difficulties caused by an awkward economic situation, stopped altogether for lack of funds. The amendment submitted by the Committee on Economic and Monetary Affairs was further amended. In paragraph 4, where it said that it was for the budgetary authority to decide each year on the funds required to continue the programme, we added that this should be done 'on a multiannual basis', in order to secure a commitment. In this way, we are assured of continuity. This is not to suspect the intentions of the Committee on Budgets, it is simply a precaution.

These were the comments, Mr President, I wished to make to the House in my capacity as rapporteur. I should like to add a further remark on the subject of Paragraph 5. Someone will have to do the research work, and someone will have to build the aircraft. In order to ensure that the Commission's choice of companies met the requirements of equal competition, the committee proposed adding the phrase concerning equally qualified contender firms in the Member States. We would also suggest that the Commission see to it that, through the companies or sub-contractors involved, all the countries of the Community derive benefit from what is to be a Community effort.

With your permission, Mr President, I should like, in winding up, to attempt to rise a little above this debate and illustrate how a united Europe can be built. There are two ways of looking at European construction. Either we try to do the most that can be done in all areas or we wait before building until some miraculous spirit moves us. It is the first course that we are choosing today. I take the view that in the present situation at any rate, this pragmatic approach

is the right one since with it, we can concentrate what is in the interests of the peoples of the Community around specific projects. Like the Committee on Economic and Monetary Affairs, the Committee on Energy and Research and the Committee on Budgets, who adopted it unanimously, I feel that the House as a whole should now express full agreement with this report. Any hesitation or delay would have dire consequences for the economic, political and social future of the Community. Coming just or a little before direct elections, our approval would serve to illustrate to quite a few minds the image we should give to Europe and what it should be. What we have this morning, then, is a fresh opportunity to assert our vitality, our determination to push ahead and also our belief in the future of European construction.

*(Applause)*

**President.** — I call Lord Burce of Donington to speak on behalf of the Socialist Group.

**Lord Bruce of Donington.** — Mr President, my group would like to congratulate Mr Carpentier on the excellent report he has made on this most important series of Commission proposals in the aeronautical-research sector. Indeed, my group has been interested in this matter for quite a number of months now, extending back to October 1975 when the Commission produced its initial proposals. What indeed is amazing, what indeed almost amounts to a public scandal, is the inertia which has been shown by the Council in relation to the proposals initially made by the Commission.

Mr President, the objects of the European Economic Community were not solely those of ensuring the establishment within Europe of free competitive conditions, the encouragement of free competition, the creation of a common agricultural policy, they were also fundamentally concerned with European activities in those fields of industry and research which individual Member States found beyond their financial capability. Much indeed was made of this. Much was made of the fact that Europe as a continent could not possibly hope to compete with the economic activities of the United States, or even look them in the face, unless some fundamental effort was made to ensure that in those fields where, by reason of their own financial resources, national states could not possibly develop, then the Nine, and earlier on the Six, should get together to see what could be done. And nowhere was this more important than in the field of aeronautics and, in particular, in aeronautical research, which has been so ably dealt with by Mr Carpentier and which has been dealt with so exhaustively by the Commission itself. I refer to Document 246/77 produced by the Commission, and I invite Members to go through it and ponder well the tremendous detail in which the Commission has put forward a perfectly logical programme in continuation of its

**Lord Bruce of Donington**

earlier proposals, covering not only, as Mr Carpentier has said, activity in the field of helicopters, but also vertical take-off and landing planes (VTOL) and airframe construction.

At the present time in the United States, owing in particular to the activities of their Space Agency, and also because of their massive defence expenditure, there can be no doubt that the aeroplane industry has a massive advantage, reflected in its very great share of the market, very largely the result of the indirect or even direct subsidies made possible by the devotion of a very large proportion of the finances of the United States this purpose. Now, how do we compare in Europe? Mr President, in another capacity, I have often pointed out that the total Community funds made available for the conduct of the entire Community activities amount only to 0.7 % of the gross domestic product of Europe. The total devoted by Europe at the moment to energy and research, including new projects, is rather under 0.02 % of the gross domestic product of Europe, and in so far as these very modest proposals of the Commission are concerned, the figures are not even significant to two places of decimals and are therefore not worth expressing as a percentage of the gross domestic product of Europe. So, can it be that we are troubled by money? No, this cannot be. The proposals put forward by the Commission have already been the subject of detailed and exhaustive examination by Parliaments' Committee on Budgets, which has suggested minor modifications and made requests for clarification. Nevertheless, Mr President, that committee has in general expressed itself in complete sympathy with the aims and objectives of the Commission. So too has the Committee on Energy and Research, and I'd like to draw the attention of the Assembly to the excellent opinions that were produced, not only by the Committee on Budgets, but by the Earl of Bessborough, on behalf of the Committee on Energy and Research.

The will, Mr President, of Parliament is here, the will of Parliament has been often expressed. Indeed, towards the end of 1977, Parliament expressed its dismay that even the eight million u.a. which had been voted in the 1977 budget had not yet been spent because of the inability — or inertia — of the Council to bring any constructive consideration and decision to the proposals made to it by the Commission. Indeed, for the greater part of this debate, the Council was in fact unrepresented on its own front bench. This itself is a significant indicator of the interest the Council has expressed in this matter.

Mr President, I don't want to hammer the point *ad nauseam*. The views of Parliament are known. The views of my own group in the matter are emphatic. They are that the Commission and Council should proceed as quickly as they can with all those constructive proposals relating to new projects that will help to make Europe a far greater economic force than it is at

the moment, that will help to ease the regional disparities that exist only too glaringly at the present time. My group takes the view that the Community should give its support to this, and nowhere is their view more emphatic than in this field. We want to see the European aeronautical industry begin, at any rate, to look that of the United States in the face, so that we can begin to build up our own industry in Europe. We sincerely hope, Mr President, that Parliament will give overwhelming and emphatic support, not only to the report and proposals of the Commission, which, I repeat, have been logically and thoroughly drawn up, but also to the excellent report that has been made to it by Mr Carpentier on behalf of the Committee on Economic and Monetary Affairs.

*(Applause)*

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

**Mr Müller-Hermann.** — *(D)* Mr President, I can add but little to what the rapporteur and Lord Bruce have already said. I should first like to remark that my Group approves the report and strongly supports the Commission's intention to pursue a coordinated and forceful aviation policy to enhance our position in international competition.

It has been rightly pointed out that in the field of aviation, the European Community finds itself in an extraordinarily unfavourable situation compared with the United States. What we have here is virtually one-way trade. We are on the receiving end, and even where there might have been opportunities for German manufacturers on the American market, these have been stifled by the American Act and customs restrictions. This is a highly unsatisfactory position and we must counter it by joining forces to produce attractive products at reasonable prices.

It is often quite rightly said in the Community that we must restructure, that, in some sectors of the economy — in relation to state-trading countries and the Third World — we are on the defensive, that we must look all the more to the development of what are called the industries of the future, of which aviation is undoubtedly one. Everything that can be done in this sector will have the support of my group.

I must now add a second, slightly more personal comment. I do so because my home constituency is in Bremen where, a few weeks ago, we suffered the misfortune of seeing an end put to a development project by a German-Dutch concern in which the public authorities have invested some 800 million Deutschmarks over the last few years. This happened despite the opinion of experts that there should be a world-wide demand for the product, and just a few days ago, the chairman of a French airline company which is opening a new route using the aircraft in question said that it was a good plane, even if it had teething troubles.

**Müller-Hermann**

And here I turn to the Commission. I do not wish to spark off a debate here and now on this specific case, but I shall shortly be tabling a question on the matter. It shows that there is a great contradiction between good intentions and strong talk and the sad reality, which is that we expended great public effort in developing a model which we feel would sell on the international market, but must now, because of inadequate coordination within the Community — and perhaps too because of production mistakes for which, rightly or wrongly, the management is blamed — we must see the project discontinued.

I shall confine myself to those remarks and say that we support the Commission in principle but that we shall have to discuss this special case, Mr Davignon, on another occasion.

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

**Mr Cifarelli.** — (*I*) Mr President, the Liberal and Democratic Group fully approves the motion and appreciates the clarity and consistency of the report and opinions so admirably outlined and explained by Mr Carpentier.

In preparing my few remarks, I thought back to the celebrated Spaak Report which led on from the meetings in Messina to the signature of the Rome Treaties in March 1957. The Spaak Report said that our national states — including the largest of them from the point of view of area, economic weight and industrial structures — were now unable to assert themselves fully in today's technological and economic world, special reference being made to civil air transport and the aviation industry.

More than twenty years later we must qualify what was a positive outlook on the future by a negative judgement on the unfortunate consequences of inaction, of which we have a number of highly significant cases.

Mr Müller-Hermann referred a moment ago to the experience of a German aircraft company in Bremen but I believe that we should not go into too specific cases; it is enough to take the larger and impressive example of two countries which were world powers and possessed empires up to a few years ago. The United Kingdom and France joined forces to meet enormous production costs and produce Concorde, and we all know that it took almost divine intervention to obtain landing rights in New York. No one can tell me that ecological considerations were involved; I myself am an ecologist and have every respect for ecology, but not for demagogy and extremism: it clearly does not require a particularly keen mind or a particularly pessimistic view of human motives to discern behind the vicissitudes of the Concorde the manoeuvrings of American big industry which would like to restrict — and has so far been largely successful — the impact of Concorde on world production to the extent that it has been

brought about by the aviation industry in France and the United Kingdom.

This is an example which we should bear in mind, not to draw inferences based on a sterile Community nationalism, but as a strong impetus to action. I therefore agree with the criticism of the Council expressed by Lord Bruce, and we in turn should criticise the nine national parliaments. Because the Council is a ghost; it is our bureaucracies, our industries and our national particularities and weaknesses that are the stuff of reality.

The action programme for aeronautical research, which goes back to a Commission initiative in 1975, has already been discussed and warmly welcomed by this House, and we must now fight new battles to ensure that decisions are taken at Council level. There can be no discussion with a ghost — the empty Council bench will bear me out — we need practical discussion in our national parliaments; it would be shameful to begin discussions in this House with a ghost when we should be discussing in an effective manner at national level the opportunities there are for action.

I should also like to say that we agree with the choice of the two proposed programmes. We agree with the helicopter programme which includes among its objectives the saving of energy, noise abatement — a proper ecological requirement — greater security — a functional requirement of prime importance — and also increased operating capacity — also an economic requirement. We also agree with the choice of the airframe programme with its twin objective of increasing airframe life and reducing maintenance costs.

There is nothing amazing about the sum that is to be spent during this phase over a five-year period. But I would not say it is simply a token amount. When money is spent on serious research worthwhile results can be achieved: we do not wish to see more paperwork, but more technology and experimentation; we wish to see full use made of available talent and of the opportunities for cooperation in the Community context. Referring from this point of view to the 36.7 million u.a. over five years, we attach great importance to the 20% to be charged to industry and producers organizations in the various countries, for this, we believe, guarantees that something practical and worthwhile will be done. Not being an advocate of the state but agreeing — like everyone else — on the present need to bring the strength of the state and the public authorities to bear in areas of advanced technology, I consider it appropriate that private interests should also be involved, for the public sector never goes bankrupt, whereas the private sector may, which means that every dollar and every penny should be most carefully spent.

Finally I should like to stress that the report we expect from the Commission should call a spade a

**Cifarelli**

spade and say exactly what progress has been made, so that this House and public opinion in the Community can strive to further this vast project of building a European Community aviation industry and build on the sound suggestions that have been put forward today in this House.

I now confirm that my Group will vote in favour of the motion before us.

*(Applause)*

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

**Mr Cousté.** — *(F)* Mr President, I shall begin, on behalf of my Group, by stressing the importance of the remarks made by Mr Carpentier as rapporteur for the Committee on Economic and Monetary Affairs. His report and the seriousness with which it is written reflects the constant concern he has already shown in the National Assembly in Paris as to the future of the aviation industry and aviation research. I should like the House to know that his efforts have not been confined to the European field, but that in the National Assembly he has always shown this same concern, which is shared by my group, as can be seen from the highly pertinent questions put by Mr Debré in March of last year.

This debate concerns a matter of fundamental importance, Mr President. The reason is not simply because research, and hence the future, is at stake but because it involves a substantial number of men and women employed both in research and also in the aviation industry; it involves some 200 000 in the United Kingdom, some 100 000 in France, 50 000 in the Federal Republic of Germany and, in other countries like Benelux and Italy, a considerable number of workers and scientists in what is an area of high-level research and advanced technology. In other words, there is not only a technical side to today's debate but also an extremely important human side at a time when we are all concerned with employment.

For this reason we approve the report and resolution which Mr Carpentier as admirably presented, and I should like to stress how right he was to say that this research programme had to be a multiannual programme. There can be no research without continuity and there can be no research in advanced technologies, whether in aviation today, shipbuilding yesterday, electronics tomorrow, data-processing in the near future, without continuity, sustained effort and the requisite facilities. I should also like to say how much I am looking forward to what Mr Davignon will say when he takes the floor in a moment about the questions raised by the Committee on Economic and Monetary Affairs as to the real intentions of the Member States and the research and manufacturing companies. This point is dealt with in Paragraph 6 of our motion, and I can hardly overstress its importance.

Having opened on this approving note, I consider it essential, Mr President, to make a number of other

points. The gist of them is that in the last analysis, manufacturers, whether nationalized or not, are fairly interested in seeing research shared out, for this is what ultimately determines their future and, in some way, the worth of their undertaking itself. From a Community point of view, there is no doubt that we, the European Parliament, have provided the Commission with the means of doing a job. But it very soon became clear that manufacturers were reluctant to pool their studies, and on this point I should like Mr Davignon to be clear when he comes to reply and tell us whether, in the helicopter and airframe sector and tomorrow in the power plant sector, we shall really achieve the kind of cooperation and common policy we are talking about. There is also reluctance in another quarter — I refer to the national authorities — for we cannot forget in this House that there is a close connection between the civil and the military — defence, that is, in the final analysis — for a common research policy involves entering a highly delicate field where the repercussions of civil research — even basic research, to say nothing of applied research — are paramount in the field of European security.

The work areas proposed by the manufacturers are, as far as I am aware, clearly some way removed from the immediate problems on their minds relating to the production of new aircraft in the very short term. In this connection it should be asked whether the AECMA — the manufacturers's association — in taking the view that all companies should derive benefit from these funds, does not, in the last analysis, raise the basic fear that these funds will be allocated out in a way that runs completely counter to efficiency. We often speak in this House of the American model, the model of efficiency, which is essentially the way of applied research, applied in a form that produces helicopters, aircraft, missiles and space shuttles, in short, in the form of everything that is ultimately controllable and profitable.

I believe that we should be extremely careful in this respect and as the rapporteur said, we should perhaps take a more modest approach and pay more attention to noise, security and cost reduction rather than seek to plunge all of Europe into a basic research programme whose ultimate objective — always an aircraft or a helicopter or a space vessel — would not be discernible. And I believe that it is in this spirit, without haste and with the flexibility allowed by the size of what you have available for the job, Commissioner, that we should begin. I would add that this basic research must never stand in the way of the other forms of research that are already carried on between British and German manufacturers and between Italian and American manufacturers, and that, in this industrial sector, we must always remain in close touch with reality. Mr Davignon has already shown us how sharply he is attuned to industrial reality; he did so recently in the case of artificial

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fibres and more recently still in the iron and steel sector with which I am especially familiar. But this cautious attitude should not work against our purposes. We must always remember that this Europe in the making, with its ambition to be a major industrial power, must start from what we have in our businesses and undertakings. It is in this sense that Mr Carpentier's report was intended and it is in this sense that we approve it.

*(Applause)*

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — Mr President, on behalf of the European Conservative Group, I should like to offer the congratulations of the group to Mr Carpentier for the excellence of his report and also for the excellence of his presentation.

Today we are debating the first positive step towards the rebirth of the Communities foremost added-value industry, aerospace. In its excellent proposals for projects in airframe and helicopter development the Commission is offering the Communities coordination and financial support for work of fundamental importance in establishing and maintaining technological leadership. My friend and colleague, Lord Bessborough — unfortunately he is unable to be here this morning — would certainly wish me to thank Lord Bruce for the very generous observations made by him on the opinion prepared by Lord Bessborough for the Committee on Energy and Research. And, bearing in mind his former experience as a Minister of State for Aviation, I know that Lord Bessborough would have wanted me to stress the committee's support for the programme and his political judgment that, given the Council's wholehearted approval, this and succeeding programmes, particularly the very large transonic wind-tunnel, could vitally assist the performance improvement of future aircraft.

Indeed it is, and was, his hope that the Commission will not await the expiry of this programme before communicating a proposal for the construction of the Communities' first very large transonic wind-tunnel in a second action programme.

It is worth perhaps recalling the extent of the Community's last position as a manufacturer of aircraft, if only to reinforce the determination of this Parliament to establish conditions in which Europe's aerospace industries could be pre-eminent for generations still to come. During the First World War Member States manufactured 166 000 aircraft, the United States a mere 14 000. At the end of the Second World War the production figures were: Member States of the Community — 63 000 aircraft, the United States — 95 000. At that time the Italian aircraft industry alone was employing in excess of 600 000 people. In 1975 the Community's aerospace industries were employing 437 000 people, while the United States' aerospace industry was employing 942 000; the

Community's turnover was 6 430m u.a. and the United States' turnover was 17 649m u.a. In other words, Mr President, the United States' industry achieves 27 % more turnover per man than the Community's aeronautical industry.

However, these statistics conceal the fact that incomes in the Community are significantly less than those in the USA and that social factors and union structures impose, regrettably, peculiar cost penalties relative to competing with the United States. For example, annual United States helicopter production is similar in value to the Community's helicopter production, approximately 600 m. u.a., but the Community's helicopter production is approximately 700 units a year by comparison with United States production which is double that figure, i.e. between 14 and 15 hundred units a year, and both industries export around 50 % of their production.

The United States and European helicopter firms have been forecasting that for the period up to 1980 world demand for helicopters, excluding Comecon, will be between 11 300 and 12 700 military helicopters and 2 260 to 2 450 civil helicopters. The United States' market is expecting to account for 58 % of this vast business, but it is worth noticing and recording that MBB (Messerschmidt, Bölkow and Blohm) and Aero-spatale have already achieved significant sales in the rich market of the United States. The Community's helicopter industry has demonstrated a unique ability to associate for specific and precise objectives, such as, for example, this helicopter research programme which we are being asked to approve today. For those whose political life is formed or has been formed in the commercial world it requires little imagination to visualize the cut-throat, murderous competition for the helicopter market, the size of which I have indicated. This Parliament should urge upon the Council the need to make a rapid decision on this element of the programme, so that the established competitive position of the Community's helicopter industry may be strengthened with speed and determination, even though the immediate beneficiaries are, or will be for the foreseeable future, only four of the nine Member States.

The airframe industry is vital to the Community's capability to fulfil its civil and its defence aircraft needs. Is it really tolerable that the Community's aerospace industry should now be losing, even in its own domestic market? In one particular category of aircraft, large civil aircraft, the Community's aerospace industry sold 3 airbuses and 6 F 28s in 1975. Boeing alone just one of all the American companies, sold 113 Boeing 727s and 36 Boeing 737s. The Community retained at one time 9.5 % of its own market. In 1970 this had fallen to 7.8 % and the Community's industry is today covering only 2.4 % of the Western market for long range aircraft and 13 % for medium and short range aircraft. How can the Community's aerospace industry measure up to world competition



## Normanton

while that situation obtains? For civil aircraft it is estimated that the figures are 70 000m u.a. over the next 8 years, and just as importantly, the Community market for defence aircraft is estimated at 94 000m u.a. over the next years. It is essential, Mr President, this European industry for establish a policy of long runs of significant aircraft.

The Community's position is stronger in defence aircraft, fulfilling 67 % of the needs of Member States. For France and the United Kingdom, defence aircraft are major export earners. Defence equipment is therefore a major factor in the employment of 437 000 Community citizens, to which much reference has already been made. This is surely a fact of economic life, quite apart from any considerations of Community industrial policy.

The extent to which the United States' prosperity is catalysed by government support is best measured by the extent of support for research and development. Member States of the Community spent 400m u.a. on civil and defence aerospace research and development in 1975, or actually 857m u.a. if space research is included. The United States Government spent 1 528 u.a. for similar objectives in that same year. Today we are debating in this forum the wisdom of the Community giving support of a mere 22m u.a. spread over four years. We must admit that this is pathetic.

Mr President, I have referred to the 400m u.a. spent by the Member States, but this Parliament has little understanding or appreciation of the extent to which there is duplication. There is duplication in the various multi-sectors of the industry — radar, engines, circuitry, avionics and the like. These are but a few of the areas in which that money has been expended. There can be little doubt that not only duplication but triplication and, indeed, quadruplication are taking place in order to build aircraft for a relatively small domestic market. The Community therefore, as I see it, has but two alternatives to consider: either the Community can be given the coordination and financial authority to organize the civil and defence aircraft markets or markets of the Member States, or, and this is the tragic alternative, the Community can satisfy itself with a diminished and diminishing market among Member States for civil and defence aircraft.

In the absence of action by the Community and by member governments, the latter situation has obtained since the inception of the Community. It is, indeed, thanks to the Community firms in this sector, and at the expense of other overall profitability, that the Community possesses even a capability to develop and manufacture aerospace equipment greatly in excess of demand and greatly in excess of the ambition of Member States, who alone do not have the specific capacity to acquire such equipment. That is to say, it is only by sacrificing other aspects of economic and social policy that individual Member States could

achieve the same objectives and results as United States firms do, scientific and engineering skills being equal on both sides of the Atlantic.

However, Community firms must survive in this open and highly competitive situation. They were not helped by the decision of the three Member States to acquire the 348 F 16 aircraft, and I say bluntly and frankly from this platform, Mr President, that Denmark, Holland and Belgium should have taken the political, commercial and technological decision to purchase the French aircraft being considered at that time. If the Community were to sell MRCA and Mirage aircraft to the United States, for instance, let us not forget that they would have to face a tariff barrier of up to 50 %, and yet, on the other hand, we are being asked to give free and unfettered access to this market to spare parts and accessories for the F16 project. If these Member States had paused for one moment, even having decided to purchase the F16, they might well have achieved reciprocal entry to the United States market for Community manufactured defence aircraft at a reduced tariff. They might also have achieved a similar result for the Community's civil aircraft. The chairman of the Dutch aerospace firm VFW Fokker only recently called upon European governments to protect their domestic aircraft industries, if Europe is to increase its small share of the world market. But why did he not make that same statement before the F16 purchase decision? Why, I ask the House, did not Danish, Dutch and Belgian firms consider the longer-term political, technological and commercial implications of their views known then? European industry, Mr President, is singularly to blame for the deafening silence on this subject.

I say to the Council and to the Member States that they must never allow an F16-type deal to happen again. I urge the Community's aerospace and defence industries to be vocal and forceful and organized like their United States competitors. I would ask Community firms with American associates whether they have ever enjoyed a genuine transfer of original core technology, and the answer will be an unquestionable 'No'.

Our business in this Parliament is to face the facts of market life in the aerospace industry and to ensure its success. The Community's research and development project is partly assured of success. But only if it is followed by further concurrent action programmes, and the long-term objective must be a soundly based European aircraft programme, which will compete on merit and win direct entry to the United States market. Given good will by Member States and there are hopeful signs that the studies by French, German and British firms on three civil aircraft projects will bear fruit — there is scope for rationalization of product development, which should provide further opportunities for Community coordinated research and development programmes. All — I repeat, all — Member States have to accept some degree of specialization and all will ultimately be the beneficiaries.

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It is certainly to be hoped, Mr President, that in the wake of current discussions on civil aircraft further discussions about defence aircraft will ensue. It certainly is to be hoped that the Commission will forward proposals to assist the rationalization of R & D and also of production. Possibly the European Investment Bank has a role to play in this field. I want to stress how modest and yet how essential this start to a Community R & D programme really is. The process of aerospace restructuring in the Community has been painful. The Community's aerospace industry is still characterized by competitive attrition, whereas what this Parliament wants of Community aerospace industry is competitive capability. In the meantime engineering and scientific progress, and job opportunities are being frittered away.

I only hope that this Parliament will support the resolution in Mr Carpentier's excellent report and that from now on the leadership of the European Community will be determined to achieve a strong and profitable Community aerospace industry. The Council must play its role, a key role, by starting with the establishment of a working group to prepare the way for a speedy decision in this crucial industrial area.

The European Conservative Group strongly endorses and supports Mr Carpentier and the notion for a resolution contained in his report.

*(Applause)*

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

**Mr Veronesi** — *(I)* Mr President, ladies and gentlemen, I should like in my turn to stress the great importance and interest of this debate, and would add that the high standard of the speeches made so far shows how important a matter this is for Europe. This may seem a trite and superfluous thing to say, but I feel it needs to be said and repeated at this juncture.

We wish to stress that the aviation sector is one in which the European Community can and should assert its presence in the world, just as it should in the energy sector, in data processing, electronics and petrochemicals, in other words, in all those areas of advanced technology that will decide the lines of development of our future society. Europe possesses the scientific, technological and production potential to share a leading role on the world market, and the Community must see itself as a major instrument of future change. This is a point which has been made before, and the premise on which it rests is the *de facto* situation in which the European Community finds itself, which is based in turn on the internal resources that it possesses.

Having said this, I should like to make a few general comments before discussing the substance of the report submitted by Mr Carpentier.

We must always remember that one of the protagonists on the market in this sector is another large indus-

trial and economic power: the United States. As Mr Cifarelli and other speakers have already pointed out, there can be no doubt that a collision with this major industrial power is inevitable. It will not be the first: only recently, there was a clash in the nuclear-energy sector and another over Concorde in the aviation sector. I stress this point because these disagreements have not always been noted for any evidence of mutual comprehension and friendship; the argument over fast breeders, for example, led to the suspension of deliveries of uranium. The story of Concorde was punctuated by a wholly incomprehensible and unwarranted veto on landing, to say nothing of other incidents in the aviation sector, like the Lockheed affair which sparked off debate everywhere in Europe.

The world market has been saturated by the United States, who have pursued a deliberate and sustained course of action, often applying standards and systems that were not always orthodox. Today, as Mr Normanton reminded us, we have a situation where order books are steadily swelling and the number of aircraft in service keeps on growing, but the market share of the European civil aviation industry continues to decline. Compared with that of the American aviation industry, the market share of European industry is decidedly insignificant as regards both long-haul and short and medium-haul aircraft. And all the signs point to a continuation of this trend which cannot be arrested or reversed unless Europe acts decisively.

Another factor to be borne in mind when it comes to the aviation industry — and indeed to all advanced technology sectors — is that it is closely linked with the military sector. This is a factor in the aviation sector. You need only recall what happened in the electronics and data processing industry in Europe to understand what I mean.

Having said this, I should like to stress that I find it inexplicable — Lord Bruce made the same point in slightly more lively terms — that this measure should have taken so long to reach Parliament and the implementation stage. This is a dangerous delay, and cannot be tolerated if we wish to make our presence and our competitive potential felt on the market. Allow me to give a few facts and figures. The first steps were taken on 3 October 1975, two and a half years ago, when the Commission put forward its action programme for the European aviation industry; on 3 November 1975 there was the Commission communication to the Council specifying the objectives, priorities and the means required for a common policy; the Council came out in favour on 25 December 1975 and the Economic and Social Committee delivered its own opinion on 25 February 1976. Finally, Parliament gave its approval on 7 July 1976. It took until 14 March 1977 for the Council of Ministers to issue a declaration specifying the objectives, technologies, the future

## Veronesi

generations of aircraft, the resources required and the necessary cooperation between the Member States! Expenditure of 8m u.a. was planned for 1977 and, in my understanding, this was an initial commitment for feasibility studies as a basis for subsequent specific action. Unfortunately, these 8 million have not been spent and once again, it is because procedures are so slow.

The document submitted by the Commission, which proposes a five-year plan with a higher funding level than in 1977, is satisfactory only in part. We find that the general section is wholly inadequate as a statement of the main lines of effort and the commitment of the Community as such. I shall not speak of the section dealing with the programme, for it has been very skilfully drafted, as is always the case, by experts and puts forward for implementation a plan that is beyond criticism and shows keen and deep knowledge of the subject. It provides the general framework for something we find highly unsatisfactory! For instance, reference is made to air transport prospects and requirements in the nineteen eighties. Well then, unless there are previous documents I have been unable to discover, what seems to me to be missing is an analysis of the salient characteristics of those requirements in the nineteen eighties. The strategy adopted does not emerge clearly from the Commission's report but only as something axiomatic, unsupported by analysis and convincing argument.

Having said this, we would add that we shall be voting in favour of the motion. We must point out that the funds provided are limited and that the sectors covered are marginal, but I do realize that, as has already been pointed out, investment on a huge scale would be needed to expand the Community's commitment in this area. Realizing this, I appreciate that it is not easy to tackle a problem of this kind; however, I feel that by accepting a subsidiary role and choosing sectors of marginal importance, the Community certainly cannot help Europe to make its presence felt incisively on the world market.

A final comment on cooperation. It is a point which crops up every time we discuss plans of this kind: cooperation between countries, agreement, the transcending of national feeling and sectorial interests are arguments we often repeat, and I believe the spring from conviction and an inner persuasion that this is what Europe's future will necessarily be made of. But we must realize that this kind of cooperation is at a very low ebb, as can be seen whenever more specific problems come to be tackled. I shall not recall, as is always done, the sad case of Euratom; there are many other similar examples to show that statements of principle are not always followed by a coherent approach capable of consolidating Community action. Although we are not against bilateral agreements, we are convinced that they ought not to be concluded from any other than a Community point of view. These

bilateral agreements have been praised, and it has been said that they are extremely important and have produced satisfactory results; I for my part wonder how these agreements can reflect the requirements of the Community 'philosophy' underlying this document!

This is why I believe that we must think about those problems and that the Commission should keep this type of bilateral cooperation under review to make sure that it fits into the Community context.

Our modern society advances from a scientific and technological base which can only be provided by major powers or through open international cooperation. If we forget this fact of modern life, this truth of scientific and technological development, we shall be sowing in sand and preaching in the desert. While, therefore, we confirm our support for this initiative, we call for a careful review of progress made with this plan and invite those responsible to report periodically to Parliament.

*(Applause)*

IN THE CHAIR: MR ADAMS

*Vice-President*

**President.** — I call Mr Spicer.

**Mr Spicer.** — Mr President, I do not have the privilege of serving on the Committee on Economic and Monetary Affairs and, having heard the speeches that have been made in this House this morning and on other occasions on the future of the European aircraft industry, I feel that my contribution can only be a very humble one. But it is, I hope, an opinion, and the thoughts behind it are thoughts that come from my own particular circumstances, living, as I do, almost on the doorstep of Westlands, in the West Country. All the thoughts that have come from Mr Carpentier today and have been backed up by Mr Normanton and others about the future of the helicopter industry and the fears within that industry at the moment, I share to a very large extent. All I can hope to do this morning is to dot one or two i's and cross a few r's, and in particular back up some of the statements that have been made by my colleague, Mr Normanton, on behalf of our group.

We all know that future economic prosperity, with all that can mean for our Community and its political cohesion, requires us to sow the technological seed today which will be harvested by future generations. The aerospace, the informatics and the electronic component industries can certainly be singled out as the most important single sector where we can forward such advance, and we should never lose sight of that fact. If we need any proof that this view is shared by other leading countries, then we only have to look at the United States and Japan and see that

### Spicer

they give the aircraft industry and technology not only a high priority, but, I would say, first place in their investment programme.

My hope is that the Council will not be found wanting in following up the proposals that have been put forward by the Commission and supported by this Parliament. There are very few members of this Parliament, and indeed of many other Parliaments, who have working experience of the aircraft industry. I feel that is a great lack and I much regret it; but, as I have already said, those who have spoken in this debate today have applied themselves to the problems of the industry, their knowledge is there and it certainly should be listened to.

We have no great supply of raw materials within our Community. There are, of course, notable exceptions, which we would perhaps not wish to go into today; but in general terms our treasure lies in our ability to maintain a lead in high technology. If we do not do this, then we shall our economic development continually on the downward trend; and that will not affect just us within the European Community, it will also play a major part in what we can pass on to other people — in the help, for example, we can give to the Lomé countries. The spin-off, that well-worn phrase, is always there, and unless we achieve a premier place in aircraft technology, then we shall not have that spin-off and inevitably we shall lose out to the Americans. Mr Normanton has referred quite rightly in his speech to the way in which all American institutions are geared to pour more and more money into the aircraft industry, including research and development of that industry. I do not need to labour that point; we all know what the position is there. He and other speakers have also mentioned the way in which some Member States hope, through association with American companies, to achieve some standing and to get some spin-off from American firms. But the fact is that American firms are jealous of their technology, and even when results are achieved in collaboration with others, as in the case of the F16, which Mr Normanton so clearly pointed out, in local processing and assembly, this does not result in the transfer of core technology. In the high-pressure system of a jet engine, for instance, there has been the occasional case of peripheral technology being passed over, but there are examples without number where European firms have collaborated with American firms and have hoped that they would get this spin-off as a result, but has it really come to anything at all? For example the French aircraft manufacturer SNECMA has a manufacturing licence agreement with General Electric, but I wonder whether, those people, including Mr Carpentier and Mr Cousté, who know the French aircraft industry, would not agree with me that, given the appropriate financial backing and the research and development resources, that French firm could probably have produced a much better result working on

its own. The ability is there but it has not been allowed to develop to the full because it is constricted by that licence agreement. We could go on to talk of our own Rolls Royce and their collaboration with Pratt and Whitney: whether very much has come out of that, I do not know. Mr Normanton has already mentioned the question of Denmark, Holland and Belgium and the F16. What have they really acquired as a result of that? No high technology whatsoever. The work on the F16 was basically carried out some 15 years ago, and that is all that is being passed on. They may acquire some new skill in production techniques, but no more than that.

I mentioned a lead time of 15 years from the date of sowing of the seed until it bears fruit in hardware. There is, of course, a certainty that such a lead time is required in the aerospace industry; but for machinery it can be very much shorter — perhaps only five years, which compares with that in the ordinary motor-car world of two to three years. What is vital is that the European aerospace industry should contribute a regular sowing of technology and that we in this House should encourage it to do so.

On the future projects that we may be involved in, I do not want to labour this point very much, but Mr Normanton did mention the need for a transonic wind-tunnel, and I think that is something that we should be considering if we are to remain in the business of producing large passenger-carrying aircraft. We all know that the United States have moved beyond that and are working on plans for a cryogenic wind-tunnel, which is a development of that.

I said that I would be brief and brief I will be. My view, and it's a view that comes to me from people in my own constituency, is that there is a major fear within the European aircraft and helicopter industry that they will be pushed to the wall. Everyone here has mentioned that we are moving into an increasing area of competition between the United States and Europe. There is absolutely no doubt that we in this House are completely behind the Commission in their proposals, but the fear that we all have — and I wish that someone from the Council were present this morning to hear this fear expressed yet again — is that the Council will fail us in this matter. Time and time again, we have had expressions of goodwill, of intent to do more for the aerospace industry; but there are rumours around today — and I am sure most rumours are unfounded — that when the Council finally come to consider the proposals that have been put forward, they are thinking of cutting right back on the aeroframe proposals and cutting the helicopter proposals by half. Now, if that sort of rumour is about, I hope it will be killed stone dead very quickly indeed, because what we should really be seeing is not a cutting back on these proposals, which, as Mr Normanton has said, are minimal for our

**Spicer**

requirements, but a doubling up, and until we reach the stage where we can really think as a European Community in these vital areas the future really seems to me dismal. I know the Commissioner and those who work with him have very strong views on that. As I have already said, those fears have been reinforced in this House today. I can only speak for my constituents, who in five or ten years time will be out of work and out of this vital area of employment and high technology unless action is taken by the Council to coordinate their efforts and to give them a lead which we would support and we know the Commission supports.

I would congratulate Mr Carpentier on his report and wish it well.

*(Applause)*

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — *(F)* Mr President, I feel that the Commission's first task should be to thank Parliament, because it was Parliament and the Commission who persevered and, technical and political difficulties notwithstanding, decided that Europe should not default in the aeronautical sector. My sincere thanks go to Mr Carpentier and to the two other Committees which looked into that aspect of the Community's aeronautical policy covered by the research programme.

We must make a clear distinction between the research programme covered by the resolution and the wide range of other basic questions that have been raised about a Community aeronautical policy. I should like to confine myself to research, and after making a few observations suggested by what previous speakers have said, I shall put to the House a suggestion on procedure, for if we are right in persevering, we would be wrong to show resignation. To the extent that the Council persists in heaping difficulty on difficulty while appealing to necessity, it is perfectly clear that we shall have to leave behind this dialogue of the deaf if responsibilities are to be spelt out unequivocally. If the beginnings of a Community policy for the aviation industry fail to emerge, responsibilities will have to be clearly demarcated.

Mr President, Mr Carpentier very succinctly pointed to the principles on which the Commission's position is based. First, we must provide enough money to carry out a coherent programme in the sectors concerned. I cannot agree here with Mr Veronesi: the sums involved are not marginal. They will be marginal if there is no coordination on the other aspects of the matter. It would be a serious mistake to believe that a Community policy means that the Commission or the Community does everything and that the Member States and their enterprises do nothing. That would be a caricature of Community action; what it does mean is that everyone works with the means at his disposal to achieve an objective laid down at Community level. This is what Community policy is about!

It is quite clear that industry, for commercial and economic reasons, the Member States, taking into account what they are doing in their research centres and in the context of their military efforts, and the Commission, in submitting proposals to the Council, each has a part to play. It is this overall effort which constitutes Community action and not simply that part of it which is reflected in the Community budget. Even if we had the satisfaction of seeing the Council clear the items of business under consideration or pending, that does not mean — and let us not confuse the two things — that we should necessarily have an adequate research policy in the aviation sector if we had not made any progress through concertation and cooperation.

The second point is that this programme must be multiannual. We fully agree with the way in which the Committee on Economic and Monetary Affairs dealt with the suggestions of the Committee on Budgets. Some flexibility is certainly needed and there must be no lingering doubt as to the continuity of the programme. In the research field, nothing is ever over and done and we must therefore be sure that we can continue and if necessary, increase the money available. This is vital.

I come to my third point, Mr President. There can be no question of the Commission providing funds for programmes to which the manufacturers or the Member States themselves do not attach sufficient importance. Too often in the past, proposals have been made to provide Community financing for some project which the proposer was not sure enough about to pay for himself. We have done with that! This is why we confined our proposals to helicopters and airframes, as it was only in those two areas that we had adequate assurance that the programmes discussed with industry were sufficiently coherent and realistic to produce results. But we cannot separate the two things, and Mr Spicer was right: we cannot say that we are going to confine ourselves to helicopters because it suits certain people and that we are giving up airframes because other forms of cooperation would be better. This would be in contradiction with the overall concerted effort I spoke of earlier.

Finally, we are engaged in talks with the Member States and undertakings to find out whether the project for the construction of a large wind tunnel for research purposes is really necessary to the development of the aviation industry. Such projects are inordinately expensive and we must be certain that it is required for the furtherance of the industry before we agree to the expense. We shall have the opportunity to state our views on this matter before the year is out. So much, Mr President, for the start of this project; but it is quite clear — and this is why so many Members wished to have the floor, that we cannot separate research from what it is intended to promote, in other words both industry and a coherent and independent Europe.

**Davignon**

I should like to add a few remarks on this point. The Council asked us to submit a programme on development sectors for its meeting in April. Aeronautics will obviously be one of those sectors. We cannot ask Community industry to make an effort to restructure sectors that are in difficulties if their number is constantly being increased by the Member States' failure to act. If the aeronautical sector runs into difficulties — something that cannot be ruled out — it will be clear where the responsibilities lie. It would mean that the Member States and industry prefer a putative national or industrial advantage to a policy of cooperation in order to cling for a short time to a negligible advantage. This is what is at stake in the debate, and I say this without mincing my words. The whole current programme of further aircraft construction is faced with precisely this difficulty. Are they prepared to cooperate with others when they have a slight commercial advantage or must they wait until they run into difficulties?

Why should others agree to cooperate with someone in difficulty? This is the vicious circle that constantly faces us. When certain countries or companies have a lead over the others they are not attracted by cooperation. When they no longer enjoy a lead, their partners are not interested in having them. That is why *à la carte* cooperation and purely national cooperation never work: circumstances change. What is needed is a basic policy, and we shall have the opportunity to discuss this on another occasion.

A second point is that we must clearly determine what we need at demand level and what we can produce. We cannot produce everything and we must not disperse our efforts. What we therefore need is a policy of liaison with the airlines in order to find out where the commercial gaps are and how we can best fill them.

Finally, this raises the problem of cooperation with the United States which is an extremely tricky problem in that most aircraft regarded as European contain a good many American parts. I do not wish to start a debate with Mr Normanton on the percentage of American technology in the F16 and the percentage of American technology in the aircraft that was not bought. European industry does not always come out well in this sort of debate. Do not ask me for figures on Concorde for they are sufficiently well known. As Mr Veronesi rightly said earlier on, let us not speechify but let us try to see exactly what the situation is. In some sectors, the American aerospace industry has acquired a lead over European industry. To ignore that would prevent us from pursuing a realistic policy; to conclude from it that no European aeronautical policy is possible would be equally absurd. We must take the problem as it really is.

I shall make one last point, Mr President. I was delighted to hear certain Members say that at a time when we wish to lend impetus to the European avia-

tion industry, it was not very reasonable to overlook the commercial problems that this raised. Neither is it tolerable that Community preference under our customs tariff should be automatically set aside or not observed, as is the case with certain military supplies. The Commission has taken the initiative of warning the Member States against a practice that is not in line with our interpretation of the Treaty and against introducing such considerations into commercial negotiations, whether with the United States, Japan or other countries. I feel that this is the time to plan for a debate in this House towards the end of the first six months of the year on all aspects of a European aeronautical policy. Such a policy is vital, for otherwise a new industrial sector with potential for development will find itself in difficulties.

The budget appropriations have been assessed, the European Parliament has given its opinion, we have put forward proposals that have met with the approval of industry and its technicians and these proposals form the basis for the development of a policy. If we run into substantial political difficulties, those who are convinced that the course we have charted is the right one will have the duty when that time comes, Mr President, to make this policy and acid test of our will. Such is the Commission's intention and I hope it will also be Parliament's.

*(Applause)*

**President.** — The debate is closed.

#### 4. Agenda

**President.** — I call Lady Fisher of Rednal on a procedural motion.

**Lady Fisher of Rednal.** — Mr President, could I ask you whether item No 319, the oral question with debate on equal pay for men and women, could possibly be postponed until February? I do apologize to the Chair, but may I say that it is no fault of mine that the matter was not raised yesterday as part of the order of business. It must have been because of some administrative or political confusion that this request was not made yesterday. There also appears to have been some further confusion which prevented this from being raised as the first item this morning. I apologize to Members for asking at this late stage for the item to be removed, especially those Members who have come prepared to speak in this debate — and those Members include myself. But the first point would be incorrect if we took the debate today. We say in our question: 'In view of the fact the required two years have elapsed since the entry into force of Directive 75/117 ...' That is incorrect, because the directive itself is dated 10 February 1975 and, as I have already said, the item should have been on the February agenda. If we take it today the Commission's answer may well be that at the present moment the

**Lady Fischer**

deadline for receiving documentation from the Member States is not yet applicable, because the directive is dated 10 February. I do apologize, Mr President, for raising this point of order but I hope that Members will agree to this item being postponed until February.

**President.** — Are there any objections to Lady Fisher's request for this oral question with debate (Doc. 478/77) to be postponed until the February part-session?

That is agreed.

**5. Welcome**

**President.** — On behalf of the House, I have pleasure in welcoming to the official gallery Mrs Hamm-Brücher, Government Minister in the Federal Republic of Germany.

(Applause)

**6. Directive on direct insurance other than life assurance**

**President.** — The next item is the report (Doc. 381/77) by Mr Schwörer, 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 second directive on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services.

I call Mr Schwörer.

**Mr Schwörer, rapporteur.** — (D) Mr President, ladies and gentlemen, the report I submit to you today as Document 381/77 on behalf of the Committee on Economic and Monetary Affairs has been most carefully considered by the Committee over quite a long period of time. The Committee's debates were at times keenly contested and a good many votes were taken which shaped the report before you today. I will not hide the fact that I do not agree on all points with the decisions the Committee reached, but I can say that compromises were reached on important points with which we feel the Commission should be able to agree.

In view of the detailed discussions that took place in committee I feel I must attempt today to explain to the House the thinking behind our proposed amendments instead of following the usual practice of taking the individual provisions and sections of the motion paragraph by paragraph.

The main purpose of the Commission's proposal is to facilitate the freedom to provide services in certain branches of insurance. I should like to stress that increasing freedom to provide services is a matter which, if properly handled, will greatly benefit not only the insurance companies but also policy holders.

The Committee is convinced, however, that freedom to provide insurance services in the Community can be properly furthered only through the coordination of the individual provisions applicable in the Member States. Many of the Committee members therefore took the view that the Commission's proposal was getting things the wrong way round, meaning that national provisions should really have been coordinated first and freedom to provide services implemented thereafter. We fear — and several Committee members made this quite clear — that if the directive is introduced unchanged, it will subsequently be impossible or extremely difficult to bring about the required coordination and harmonization of national insurance provisions.

Ladies and gentlemen, the chief purpose of insurance regulations in all Member States is to protect the policy holder. By a very large majority, we therefore took as a criterion for this directive that policy holders should enjoy at least the same protection under Community provisions as under the national provisions they are intended to replace. During the discussions on this proposal the Commission did not succeed in removing the doubt that in a number of specific cases, the directive as it stood might well actually reduce the protection afforded to the policy holder; we therefore adopted the basic concept that competition in the insurance sector should be decided by the quality of the services offered but that, in view of the difficulty of the subject matter, particularly for the small policy holder, he should be protected in cases where he cannot foresee the consequences of this action so that he is not induced by a favourable offer to conclude a contract which subsequently proves disadvantageous. We therefore take the view that in many cases, the free choice of law of contract can be detrimental to the policy holder and not only to him but also to third parties who work with him in any way whatsoever. Furthermore, we took the view in committee that distortions of competition might occur. I am especially grateful to the Legal Affairs Committee for having drawn our attention to this point which you will find in Paragraph 25 of the Legal Affairs Committee's opinion. We on the Committee on Economic and Monetary Affairs were well aware of the great difficulties which the Commission will encounter if it wishes to coordinate insurance provisions. This is why we adopted the provisions referred to in Paragraph 11 of the motion for a resolution and laid down in our proposed amendment to Article 4 (1), which say that the Commission should be required to submit proposals within three years for the coordination and harmonization of the law relating to insurance contracts. We made a further amendment to the Commission's proposal, which keeps to the principle set out in Article 60 of the EEC Treaty under which freedom to supply services is recognized but — and this is the vital point — under the law of the country in which the service is provided, in other words the country in which the

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policy holder lives. This proposed amendment to Article 4 (1) is undoubtedly the most important one. On the other hand, we had to concede that in some branches of insurance, such as transport, credit and fidelity insurance and with other large risks of a commercial and industrial character, there was not such a great need to protect the policy holder.

Greater freedom in the choice of law applicable must be allowed here and this is reflected in our proposed amendment to Article 4 (2).

A comparison of the Commission's and the committee's versions of Articles 4 and 6 makes our proposed amendments easier to understand. Article 4 concerns the law applicable, while Article 6 concerns supervision. Article 4 (1) of the Commission version establishes the principle of the free choice of the law applicable. Articles 5 and 9 list the major exceptions, most of which are to be found in the field of compulsory insurance and bulk business. The Committee, on the other hand, established the basic rule that insurance contracts should be subject to the law of the land in which the risk is situated, in other words, where the policy holder lives. The exceptions should lie in those areas where a greater freedom in the choice of the law applicable is dictated by genuine financial and business interests and — a particularly important point — where the party concerned is fully aware of the implications of the decision taken. Grossly simplifying, we could perhaps say that the committee makes the Commission's exceptions the rule and the Commission's rule the exception.

I would repeat that it is extremely important to ensure through these proposed amendments that the Community provisions should offer the policy holder at least the same protection as the national provisions that apply at the present time. The crucial question, of course, is where the dividing line should be drawn between insurance contracts that are subject to the law of the land in which the risk is situated and contracts where the choice of applicable law is left free.

In Article 4 (2) we have listed the branches of insurance which were exempted from supervision under Article 6 of the original Commission proposal. They comprise transport insurance, credit and fidelity insurance and also large industrial and commercial risks. In the case of industrial and commercial risks, the amount insured is an important factor. Large business concerns have obviously no difficulty in ascertaining the consequences to themselves of taking out an insurance contract of this kind. Smaller businesses do not have the same opportunity and they require protection to ensure that the insurer follows the basic legislation normally applied by the policy holder. Where should the dividing line be drawn? Various views were put forward in committee. Some members, including myself, wished to set the amount at a fairly high level, while others took the opposite view. Any

upper limit is undoubtedly arbitrary or at any rate, the committee was unable to find an objective basis for a decision. What we finally did was to agree on the Commission proposal favoured by a majority of the committee members, but with one amendment, namely that in future the amount should be expressed not in units of account but in European units of account. In this we have followed normal practice in this House of applying, instead of the old parities, the new European unit of account based on the basket we have already adopted for other recent regulations. I frankly admit that for some countries this will mean lowering the limit indicated in the Commission's proposal and raising it for others. This may well raise additional problems of implementation.

Mr President, I know that my time is running out so I shall say no more than a brief word on the other amendments. The proposed amendment to Article 1 is intended to make it clear that certain types of compulsory insurance such as fire insurance do not come under this directive on freedom to provide services. The deletion of Article 5 follows on logically from our proposed amendment to Article 4 (1). The stipulation in Article 4 (1) that insurance contracts are subject to the law of the land in which the risk is situated makes the provisions of Article 5 superfluous. And as a logical consequence of the deletion of Article 5, reference to the three-year period has been included in the amendment to Article 4 (1).

The proposed amendments to Articles 6, 9 and 10 also follow from the proposed amendment to Article 4. This leaves only one amendment of some importance and that is the one concerning reciprocity in insurance matters. Here we opted for a clear wording which says that the Community will only accept insurance companies from third countries if they also allow Community insurance companies to do business in those countries. I feel it is no more than fair that reciprocity should apply here.

Mr President, ladies and gentlemen, I believe that the compromise we have reached holds water. However, I would again stress three points in the motion that have an especially important bearing on future developments in this sector.

First we must ensure that distortions of competition between insurance companies are avoided. The best way to do this is for the Commission to make every effort to complete the harmonization of insurance regulations within three years. The important thing here is to align the regulations governing reserves and supervision.

Secondly, there must be proper cooperation between the supervisory authorities, particularly when it comes to licensing companies and also to the free choice of the law applicable to bulk business. In this area, consumer protection must be maintained and I would



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say quite frankly to the Commission that if supervision proves to be inadequate or negligent, we are prepared to put forward an amendment to Article 8 of the directive which, in its present form, is extremely liberal in the matter of supervision.

Thirdly, if the limit specified for large risks proves to have been set too low, it will have to be raised. In other words, if this directive allows contracts to be concluded that prove detrimental to small and medium-sized undertakings, the limit will have to be raised to a level where freedom to choose the law applicable will be restricted to concerns that have insurance departments of their own.

The committee has approved this report by a majority vote and it is my task as rapporteur to recommend its acceptance. I hope that it will prove an effective step towards greater freedom in the Community services sector.

*(Applause)*

**President.** — I call Lord Ardwick to speak on behalf of the Socialist Group.

**Lord Ardwick.** — Mr President, first of all I must congratulate Mr Schwörer on bringing the infant to term after such a long gestation. On behalf of the Socialist Group I wish to give two cheers for his report. We wish to give it a restrained welcome. His proposals represent, I hope, a universally acceptable compromise. They are a good pace forward towards the attainment of a common market in insurance, as was visualized in the Treaty of Rome.

But the achievement which is now on hand has not been made with the speed of lightning. The story begins back in 1961, sixteen years ago. The goal then was to achieve a common market in insurance by 1969. The Community gave itself eight years to reach that goal, and that deadline was passed more than eight years ago. We progress, but we progress very slowly. In this Community, I fear, patience is the first of the virtues.

Looking back I think that the Committee on Economic and Monetary Affairs made rather heavy weather of the problems. The conflict was ostensibly between the need to give genuine freedom to provide services and the need to safeguard the policy holder, as Mr Schwörer has of course been explaining. One of the needs is to see that the policy holder does not have to pay too much for his insurance. We not only want to give him a safe investment, we also do not want him to have to pay too much for it, and the more competition there is, the more probability there is that he will get a fair price.

In the end, the conflict was resolved, but it has taken this Parliament almost two years to reach a conclusion, and yet we are the people who continually reproach the Council for their delays. I am not blaming the committee collectively, or blaming any individual. I think it is the system itself that we have in this Parliament which is responsible. To begin

with, we have not yet found ways of presenting subjects which are technically difficult in layman's language. Could I suggest to the Commission that the explanatory memoranda which accompany the Commission's draft directives, etc., should be adequate in substance and instantly comprehensible to those who have no technical knowledge of the very wide range of technical subjects coming before this Parliament? The same of course applies to explanatory statements by rapporteurs. They mean a lot to those who sit on the committee and who have some knowledge of the subject, but for other Members of Parliament, however clearly they are expressed, they do not come down to their level. I also think it is essential that each committee should provide not merely formal minutes of each meeting, but also an *aide mémoire* to the discussions. When a technically difficult subject such as this one is before the committee so long, there are great intervals between the discussions, and frequently we seemed to be going over the same ground. Frequently we *were* going over the same ground, because a number of people in the committee were not present at the previous discussion, and did not know exactly what happened. So the arguments go on, they get repeated, or we forget ourselves what was said so long ago. I am making these particular observations about the way in which the committees might be reformed on behalf of myself, and not on behalf of the Socialist Group. I should step aside from my position there, though I did outline these views in my speech to the group.

My group supports the measures because it is in accord with the fundamental principles of the Community that a business should be able to operate throughout the Community unhindered by national frontiers. When a business provides services, as the insurance business does, it should be able to provide them in Member States where it is not established. But problems are created, as Mr Schwörer has explained, to the exercise of such freedom. There are natural obstacles to the exercise of such freedom. In every State protection has to be given to the consumer to ensure that, as far as possible, the insurance company has ample means of meeting its obligations and that its policies are fair and make good sense. And then each State has its supervisory authority operating under various State laws and regulations, and such restrictions make it virtually impossible for undertakings not established in a country to pursue business there. So in this directive, the Commission has tried to get over this difficulty, not by weakening the safeguards but by making them accord with the aims of the Community.

Now, one of our long, arcane discussions in committee was on the subject of what law should govern insurance contracts. Should it be the law of the State in which the risk is situated, or should it be the law which the parties to the contract themselves freely chose? And it was after very many long hours of discussion that the committee came to a slightly less liberal conclusion than the Commission proposes.

### Lord Ardwick

The committee felt that, in principle, in order to protect the consumer and to create equal conditions of competition, the law applying to contracts should be that of the country in which the risk is situated, but there is an important exception. The committee accept that in areas such as transport insurance and where very large risks are concerned, then the parties themselves should choose which law should apply. The exception is made in the last case because insurers of large risks are sophisticated users of insurance and can employ expert advisers. In fact, without this provision for these large insurers to buy services across frontiers, there would not have been very much freedom to operate services across those national boundaries. The other compromise was on the financial size of the contract. What is large? At one time we seemed to be holding what we call in England 'a Dutch auction', that is, we start at the top and work down. Some of the committee wanted lower limits, other ones wanted higher ones. The figures you see represent agreed sums, and I hope that they are universally acceptable.

Nevertheless, the progress that we have made is welcome. Some insurance, when this directive is implemented, will be cheaper and I hope it will be no less soundly based. Can the progress continue? I'd like to ask Mr Tugendhat when he takes part in this debate if the Commission will give an undertaking to pursue further liberalization in a practical and a resolute way? Will they work on the problems of coordinating the laws and regulations of insurance so that smaller businesses may have the opportunity of buying insurance abroad without any fears? I would also like Mr Tugendhat to tell us what he thinks is the future of compulsory insurance, which is practically protected from external competition today, particularly motor car insurance? Perhaps, in replying, the Commissioner can say something concrete and specific about the future of this class of insurance.

*(Applause)*

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

**Mr Deschamps.** — *(F)* Mr President, it has already been pointed out that this proposal for a directive touches on an important and complex subject: important because it concerns a great many citizens and a large number of public or private organizations in our Community; difficult because it involves highly specialized technical aspects. That is why I want to begin with a tribute to our rapporteur, Mr Schwörer. He has not only convinced a high level of technical competence throughout our discussions and in his report, but also shown an open-minded attitude to the points of view — sometimes differing from his own — which were propounded and discussed in committee.

Speaking on behalf of the Christian-Democratic Group, I must also state that our group is not entirely satisfied with the compromise reached by the Committee on Economic and Monetary Affairs. Like all compromises it gives full satisfaction to nobody, but a large majority of the members of our group felt that the resolution should be accepted for the time being; a few of our members will nevertheless be abstaining because they do not see how a compromise can be possible or effective in the area of insurance. The favourable vote which will be cast by most of our members does not imply a belief that extremely careful attention need not be given to the reservations expressed — in particular by the rapporteur. The Commission and the Council must take account of them. We shall be voting in favour of the motion because we felt that after a lapse of two years the Parliament must deliver an opinion — even if a reserved opinion — so as not to leave the Council, as Lord Ardwick has just said, with a pretext for saying that the Parliament has failed to act on this matter. It will be for the Council to decide and it will do so with a full knowledge of the facts, with reference to the resolution and opinions put forward during this debate.

Mr President, ladies and gentlemen, I have explained the position of the Christian-Democratic Group and do not propose to embark upon a detailed technical examination of this proposal for a directive. That was the task of the rapporteur, and he has discharged it with great ability. I want simply to stress three points which our group unanimously believes to warrant the attention of this Assembly; these three points seem essential to us because they are associated with the underlying principles of the Treaty.

The first point is the need for harmonization of legislation. That is a basic principle which has always been applied and to which we shall have to refer in future. We have had to concede that this principle could not be applied immediately in this specific area of insurance, but this in no way constitutes a precedent. That is why we attach particular importance to the affirmation that harmonization must be introduced within a period of three years. Some consider that an optimistic target and others maintain it to be totally unrealistic. Experience will show who is right. At all events we would stress the need for harmonization to be achieved at the earliest possible date by all possible means; harmonization is a general rule applicable to every sector in which free competition must exist within the Community.

The second main principle is that of the free movement of services. That too is one of the cornerstones of our Community, like the free movement of workers, the free movement of capital and the free movement of goods; it is therefore altogether appropriate for this principle to be applied to the important sector of insurance, even through a text as imperfect as that submitted to us. While we may regret the fact

## Deschamps

that the Commission has been unable to arrive at a text guaranteeing that there will be no distortion of competition in the context of harmonization and that consumers will be adequately protected, we can, I think, support the position as defined and presented here because it enables the Community to move ahead in the important sector of insurance on the basis of respect for the essential principle of free movement of services.

The third principle to which I want to refer is that freedom of competition must not run counter to the fundamental concept of consumer protection to which the Christian-Democratic Group attaches vital importance.

Christian Democracy here and in our national parliaments is characterized by constant concern for protection of the weaker members of society, whose vital interests are liable to be the most easily threatened. This risk is particularly serious in the insurance sector. I have already pointed out that this is a technical area in which the legal texts are often difficult to interpret. The consumer, that is to say the insured party, must be able to arm himself against all clauses and provisions which he is unable to understand and which may — without his realizing it — threaten his vital interests. Where that difficulty is further heightened by a frequently almost illegible reference to legislation foreign from that of his own country and not in any way harmonized with the latter, protection of the consumer becomes almost illusory.

The amended text of Article 4 stipulates that insurance contracts — as the rapporteur has reminded us — are governed by the legislation of the State in which the risk is situated. But this basic principle is accompanied, in point 2 of the same Article, by so many exceptions that the real scope of its application as an element of consumer protection appears doubtful. The Christian-Democratic Group therefore stresses the central importance which it attaches to the incorporation in the text itself of the principle that the legislation of the country in which the risk is situated shall hold good, and secondly, its desire for everything to be done to ensure that the period of three years provided for in the same Article 4 for the coordination of contractual provisions is respected; in the same context our group wishes to point out also that the figures chosen — to which the rapporteur and Lord Ardwick referred at some length — are the result of a compromise, as regards the freedom of the contracting parties to opt for a particular legislation, both within our group and in the Committee on Economic and Monetary Affairs.

Like any compromise, that cannot give full satisfaction to those who would have preferred to see higher figures or to those who would have liked them to be lower. But the great majority of the members of our group will approve them and the remainder of the resolution in the spirit of mutual understanding and

concession which we consider necessary if this proposal is at long last to be implemented by forcing the Council to take up a position. The period we have allowed for coordination should enable experience — if only brief — to show who was right and who wrong; we hope that the corrections which appear desirable will in fact then be made. In that spirit, Mr President, a very large majority of members of the Christian-Democratic Group will give its support to the proposal now before us.

*(Applause)*

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

**Mr Nyborg.** — *(DK)* Mr President, the proposal for a directive under consideration today on the basis of the excellent report by Mr Schwörer is one of fundamental importance, as is clear from the lengthy discussions held in the Committee on Economic and Monetary Affairs. The present proposal is a temporary measure, and must be regarded as a transitional arrangement, since the relevant legislation applies only to insured sums of no less than 7 or 10 million units of account. This will considerably limit the number of possible clients. This point is also made in paragraph 11 of the motion for a resolution which states that there is a need for the Commission to submit proposals for coordinating the law relating to insurance contracts as soon as possible. From the insured person's point of view, the granting of the freedom to provide services means that he can purchase insurance anywhere in the Community. The Group of European Progressive Democrats fully recognizes the advantage of protecting the consumer in this way and therefore welcomes the proposed measures and hopes that they will be accepted by the Council.

This proposal introduces an element of genuine competition among insurers which cannot fail to be of interest to the consumer. The aim is to set up a single market in place of the nine existing separate insurance markets by applying to all transactions the laws and methods of supervision in force in the country in which the insurance company is established. An insurer from country A will thus be able to offer a contract meeting the conditions applying in that country to a client from country B, irrespective of where the risk is situated, and a client from country B will be able to take out a policy under the same conditions as the citizens of country A. This is the ultimate objective to which we subscribe.

Harmonization measures to eliminate distortions of competition and to achieve a genuine liberalization of insurance transactions should be introduced by means of Community directives. In the interests of the consumer, a system of coordination should be set up as soon as possible but confined to a number of essential areas, particularly contract law. For this reason, our group fully subscribes to the liberal principles on

**Nyborg**

which the proposed directive is based. Any form of harmonization which involves more extensive constraints could very easily make Community legislation extremely cumbersome, thus putting its insurers at a disadvantage compared with rivals from third countries with the ability to act quickly. However, we feel that inasmuch as it fails to provide for adequate coordination, this proposal calls for reservations from the point of view of genuine competition between insurers and effective consumer protection.

If the principle of freedom in the choice of the law to be applied to contracts, which is the key to genuine freedom in the services sector, is not backed by the necessary coordination measures in respect of contract law, policy holders will often be confronted with foreign — and therefore unfamiliar — laws, since insurers with freedom to provide services will naturally tend to make their policies subject to their national laws. It should be noted in this connection that paragraph 6 of the motion for a resolution endorses the Commission's proposal to make use of the principle of freedom to provide services or the freedom of establishment, provided this facility does not reduce the protection of the policy holder. This, taken together with paragraph 10 of the motion for a resolution which states that the freedom to provide services may be exercised under the conditions imposed by the State in which such services are provided, leads to some confusion. We first say that insurance undertakings are free to decide which system to use and then we say that a departure from the principle of Article 69 of the Treaty is defensible in only a few exceptional cases. Have we then any clear definition of where insurance services may be provided?

The difficulties the courts might face as result of freedom of choice of the law to be applied to contracts in the absence of adequate coordination are outside the scope of the Convention on Jurisdiction. In the case of conflict between a Belgian policy holder and a Dutch insurer who had opted to draw up the contract under Dutch law, the court with jurisdiction in the matter, in this case a Belgian court, would have to base its judgment on Dutch law which, in the absence of adequate coordination, could and possibly would lead to serious complications. It nevertheless appears that the directive proposed by the Commission represents a possible compromise between full and immediate application of the freedom to provide services, as called for in the Treaty of Rome, and the maintenance of the laws, regulations and administrative provisions which currently hamper application of this freedom to provide services in the various countries. In this particular field, there is a need to speed things up, and this means that we must adopt a method which, although not perfect, is more pragmatic. The Community must introduce measures to remove restrictions between the Member States that are immediately felt by the citizens in their daily lives.

After expressing our group's reservations on the proposed directive we recommend that, with the amendments proposed by Mr Schwörer in his report, it be adopted.

*(Applause)*

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — Mr President, on behalf of the European Conservative Group, I would like to compliment my honourable friend, Mr Schwörer, on the intensity with which he has concentrated on preparing this report and the tenacity with which he has put forward the views which I know, on a personal basis, he holds very dear to his heart. In accordance with custom, at least as far as my own House of Parliament is concerned, I must declare an interest in the subject matter of this report, and from the standpoint both of the industry and also from the point of view of the European Conservative Group, commend this report for approval by the House.

Having said this, however, I am bound to remind myself and my colleagues in the Committee on Economic and Monetary Affairs, that I consider it essential to enter a few caveats. The Schwörer report is a compromise — a point which has been made by two of the previous spokesmen for the political groups already. At best it recognizes the merit in principle of the Commission's proposals, proposals which have as their objective the creation and development of a true Community market in and for the transaction of insurance business. It does recognize that there is, however, a political need to consider consumer protection. When it falls short of perfection — or, may I suggest, a true sense of realism — is in the identification and the delineation of the demarcation between those consumers — so called — who need to be protected, and those who have the commercial expertise and business acumen to negotiate their own terms and conditions in a competitive insurance market. If SNECMA, MBB and Rolls Royce, for example, need consumer-protection legislation in negotiating insurance cover, then the better, because that would be the hallmark of sheer crass commercial incompetence, and they are not. But when the butcher and the baker and the small garage proprietor require insurance cover, then it may well be much more relevant, indeed it could be a very different matter. But I venture to suggest that consumer protection in the insurance field should concentrate much more on such matters as insurance companies' solvency and liquidity ratios and the like, than on the establishment of interventionism in the relations between insurer and insured. Most Member States have, I am quite convinced, reasonably satisfactory legislation. It is already adequate, and I know that the Commission has some useful and quite interesting proposals currently under consideration for future submission to the Committee on Economic and Monetary Affairs and to this Parliament.

## Normanton

I will not therefore dwell unduly on the Commission's proposal for a directive, but would warn the House, and through this House Member States, against the growing pressures for individual Member States to promote their own legislation, legislation ostensibly aimed at protecting consumers, but in reality aimed at building protective walls around their own insurance industry. This will make increasingly difficult the Commission's task of making progress towards the objective to which the Commission and this European Parliament are, and I hope will remain, committed — the creation of a truly competitive Community market.

Time, as Lord Ardwick has so clearly spelled out by recounting the rather sordid history of the case, is not on the side of the Commission or this Parliament. The implementation of the directive is long overdue. Though far from adequate — and I do assure my honourable friend, Mr Schwörer, that I am not being in any way personal when I say that — the sooner the Commission's proposed directive is implemented, the better it will be for insurer and insured alike, even though the directive itself may be slightly modified by the contents of the motion in the Schwörer report. The European Conservative Group will support the adoption of the Schwörer report when we come to vote on it in this House.

*(Applause)*

**President.** — I call Mr Tugendhat.

**Mr Tugendhat, Member of the Commission.** — Mr President, this is an important stage in the progress of a very important draft directive. As the Commission has said many times in the past, we attach a very considerable importance to bringing this matter to a speedy but also a satisfactory conclusion, and I would therefore like to take this opportunity to thank the committee for all the work it has done. I thank in particular Mr Schwörer for the immense amount of effort he has had to put into what is, as his speech, I think, indicated, in many ways not only a technical but also quite a controversial proposal.

We all believe in the creation of a common market in services as well as in goods, but the way in which one proceeds and the precise details of an individual piece of legislation often arouse very strong feelings, which stem from different points of view, different experiences, different fears, as well as a different appreciation. I think the fact that we have now reached this stage is an indication of the way in which these difficulties can be overcome. In that connection, Mr President, I would like to say to Lord Ardwick that I think his suggestion that we should look at ways of improving presentation of these matters and making the fundamental points more readily comprehensible is a very good one and something we should certainly take up.

The amendments we are discussing, which have been put forward by Members of this House, are relatively few, which shows, I think, that the committee has taken a very similar view of the problem to that taken by the Commission, particularly with regard to the difficulties encountered and the sort of solution which would be appropriate. It really is extraordinary and intolerable that 20 years after the signature of the Treaty of Rome we don't have free competition in this area. It's not in the interests of the insurers, it's not in the interests of the policy holders and it certainly is not in the interests of the creation of Europe. It is extremely important that, now that we have reached agreement, the Council should take action on these matters as quickly as possible.

The main concern of the House, Mr President, has always been to maintain the protection to which policy holders are entitled. This was a theme which ran through a number of speeches.

This concern is met in various Member States by applying a number of specific provisions, and I can assure you that this concern is shared by the Commission as well as by the Parliament. In our view the proposal submitted to you contains a whole range of measures which will guarantee extremely effective protection for policy holders. We would not bring before this House, or lay before the Council, proposals which we felt in any way overlooked the interests of the policy holders. They are of fundamental importance, and that concern which ran through so many speeches is very much shared by us. We would also like to remind the House of the solution adopted with regard to the choice of law applicable to the contract, the special rules adopted in respect of compulsory insurance, the distinction made between minor risks on the one hand and major industrial and transport risks on the other, and finally the protection afforded to third parties. These again are all matters where our views and those of Members of this House, although not always the same in detail, are inspired by very much the same concerns and by very much the same desire to safeguard those who need safeguarding, to ensure protection where protection is needed, as well as to provide a greater degree of opportunity.

Perhaps, Mr President, I might now comment briefly on the proposed changes to the Commission's text, which affect mainly Articles 4, 5 and 6, that is, the provisions relating to the law applicable to the contract, and Article 15; which deals with the question of agencies and branches whose head office is situated in a non-member or third country. As far as the first point is concerned, the Commission considered it necessary to lay down as a basic principle that the contracting parties should be free to choose the law applicable to the contract. At the same time the Commission accepted that, pending subsequent coordination of the national laws, certain mandatory provisions in force in the Member States where the risk was situated would continue to apply. Nevertheless, the

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Commission considered it necessary from the outset to introduce such freedom of choice without restriction where the contracts involved covered transport risks or certain major industrial or commercial risks. Moreover, contracts covering such risks, which have been carefully defined, were also exempted from any prior approval, as far as their specific terms and premiums and conditions were concerned.

However, you have opted for a different approach which may be summarized as follows. Pending coordination of the national laws — and here I would like to confirm that the Commission intends to see this accomplished within the three-year limit, a point raised by a number of speakers in the debate — the principle is maintained that the law applicable to a contract is that in force in a Member State in which the risk is situated. There is, however, one exception. There is complete freedom of choice in respect of transport risks and major industrial and commercial risks. In the case of these risks the requirement of prior approval of general and specific terms and conditions and premiums is entirely waived. The Commission's original text has therefore been amended, in particular through the removal of the obligation to apply certain mandatory rules of the Member State in which the risk is situated, since the law of that Member State continues to apply pending coordination, which should, as I said earlier, be carried out within three years.

I should like to say straightaway, Mr President, that outside the House and outside the circle of those who have been following these matters in the committee, this change in approach is certainly likely to arouse certain doubts about the principles involved. Nonetheless, in my opinion the approach which the committee has chosen — and I understand very well the reasons that underlie its choice — ties in perfectly well with the dual concern of the Commission to protect small policy holders while enabling major policy holders to deal in greater freedom with the insurers of their choice. The solution that the committee proposes produces exactly this result, which leads me to believe that it will, in all probability, be adopted by the Commission, especially since it makes it possible to circumvent the real difficulty arising from the solution proposed by the Commission, which would have resulted in the application of two different laws to the same contract, namely the law chosen by the parties and certain mandatory provisions of the law of the Member State in which the risk is situated. So I think we have overcome a real problem here, and I am confident that the Commission will be able to adopt the proposal which has been put forward. So far as the definition of major industrial and commercial risks is concerned, I note with great satisfaction that you have also judged the criteria adopted by the Commission to be reasonable. This will be a great encouragement to us in defending the position during the discussions in the Council.

On the last point, which relates to remarks made by Mr Nyborg, I do not think I can accept that this legislation does not apply in a clear way the principles of the Treaty of Rome. A clear definition of the place where the risk is situated is contained in Article 2 of the directive, which was only very slightly amended by the committee.

I should like to pass, if I may, very quickly over the changes of detail requested in connection with Articles 1 to 9, which in all probability will also be accepted by the Commission, and come to the new text of Article 15 which lays down the rules applicable to agencies and branches established within the Community and belonging to firms whose head office is outside the Community. Here too I think it is worth pointing out that the Commission had envisaged that the provisions of the directive should apply automatically to such agencies or branches, provided they satisfied the specific conditions laid down in Title 3 of the first coordination directive of 24 July 1973. In your view this amounted to a solution which offered firms from non-member countries established within the Community by means of an agency or branch a gratuitous and therefore unjustified advantage. As a result it was considered advisable to tighten up the Commission's text and to provide that the directive should apply to such agencies and branches only where the third country in whose territory their head office is situated has signed an agreement with the Community on the basis of Article 29 of the first coordination directive. Such an agreement is being negotiated with Switzerland and in fact it affords guarantees on the basis of reciprocity with regard to the treatment of Community agencies and branches established in Swiss territory. Although I am as yet unable to adopt a position on this point on behalf of the Commission, I therefore believe that such a proposal is reasonable and should consequently prove acceptable.

I hope, Mr President, that these few remarks will have demonstrated the very great importance attached by the Commission to this report, an importance which I emphasized at the beginning of my speech. I should also like once again to say that I am convinced that the changes which will be made in the present text of the draft directive as a result of Parliament's opinion will help to speed up the procedure for its adoption now in progress. They represent therefore yet another of the many examples where proposals submitted by us to Parliament have led to something which in the end is perhaps better fitted for the real world as well as better fitted to go through the Council than at the beginning. Two minds, as we say in English, are often better than one, and I think that the cooperation between the Commission and Parliament proves the truth of that old adage.

**Tugendhat**

The implementation of this directive constitutes a very important step towards the effective exercise of freedom to provide services in the field of insurance, to the greater benefit of policy holders, insurers and indeed the Community as a whole. The pressures of a protectionist character which the Community faces were underlined by Mr Normanton in his speech at the end of the debate, and I entirely agree with him and undertake that the Commission will nevertheless continue to pursue further liberalization measures. We shall certainly do so in this field about which we are talking today, but also in others, because our views and our ambition in this field are, of course, part and parcel of our views in other fields and form part of a coherent approach to commercial as well as to industrial problems. On that note Mr President, I would like to conclude.

*(Applause)*

**President.** — The debate is closed.

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

*(The sitting was suspended at 1.00 p.m. and resumed at 3.00 p.m.)*

IN THE CHAIR : MR BERKHOUWER

*Vice-President*

**President.** — The sitting is resumed.

7. *Question Time*

**President.** — The next item is questions, pursuant to Rule 47A of the Rules of Procedure, to the Council and the Commission of the European Communities and to the foreign ministers of the nine Member States meeting in political cooperation (Doc. 483/77).

I remind Members that questions must be put in strict accordance with the provisions laid down in the Rules of Procedure.

We shall begin with questions to the Commission. I ask the Members of the Commission responsible to answer these and any supplementary questions.

Question No 1, by Mr Cousté :

Since the footwear industry appears to be in a parlous state and is threatened by the unenviable fate suffered by the textile industry in the absence of resolute action at European level, does the Commission intend proposing in the near future an industrial and commercial policy aimed at checking the economic decline and growing unemployment in this sector ?

**Mr Vouel, Member of the Commission.** — *(F)* The situation in the European footwear industry has certain points in common with the situation in other Community industries to the extent that growing

competition and protectionist measures on its export markets go hand in hand with increasing penetration of the home market by imports.

The Commission keenly regrets the protectionist attitudes adopted by certain industrialized countries which are our partners, and will be making appropriate representations to the governments of those countries in an attempt to persuade them to review their policy. The Commission will not hesitate if need be to resort to the measures permitted under the GATT agreements.

The Commission is also studying the effects of imports on the Community market and has observed a tendency for imports to increase. It has therefore recently proposed to the Member States the introduction of an advance monitoring system to enable the situation to be brought more effectively under control. The Commission is also examining, in close contact with the parties concerned, the structure of the European footwear industry, so as to restore the competitiveness of this industry on the world market.

**Mr Cousté.** — *(F)* Will the Commission take account, in working out its policy, of the first meeting last November of the joint committee, which very fortunately numbers the social partners — that is to say trade unionists and workers representatives together with the employers in the footwear industry — among its members ? Precise proposals, perhaps going beyond what the Commissioner has just said, were put forward.

**Mr Vouel.** — *(F)* The Commission does not wish to go further than what I said in my answer. It is true that negotiations are still in progress within the joint committee, and if its deliberations show other measures to be desirable, the Commission will take them.

**Mr Evans.** — Does the Commissioner not agree that this is another case of an industry's reaching a crisis before the Commission reacts ? Would it not be far better if the Commission, instead of reacting to a crisis, attempted to work out a Community industrial policy which did not allow these crises to arise in the first instance ?

**Mr Vouel.** — *(F)* Mr President, I have drawn this Parliament's attention to the fact that we have taken measures going beyond what existed previously. We had a system of retrospective checks and we have now set up a system of advance monitoring. We believe that these measures will give concrete results. But in answer to Mr Evans I must point out that the Community does not stand alone in the footwear sector. It must be very cautious in taking these measures because it is the world's largest exporter of shoes. Prudence is essential, especially if certain protectionist measures are to be taken.

**Mr Spénale.** — (*F*) Mr President, I already put a question to the Commission of the Communities on this subject on 6 May. It stated in reply that the Community was the world's largest exporter and that it had set up a system to monitor imports.

Is the Community still the largest footwear exporter and is it a net exporter?

Secondly, how is the situation developing?

Thirdly, are there not already sectors in which protection against the present developments is necessary?

Finally, we note that the raw material is disappearing and being processed in Third World countries. Without leather there can be no footwear industry. What kind of conversion — I think the time has already come to consider this — has been envisaged for certain footwear and leather sectors?

Have there been applications from certain Member States who would like the Community to study this problem and encourage conversion?

**Mr Vouel.** — (*F*) There have of course been such applications but, as I said just now, I do not want to go into all these details at this stage. I have just told Mr Cousté that the whole problem, in every aspect, is being considered by a joint committee set up between the Commission and the social partners. When the Commission is in a position to indicate exactly what measures are needed to counter the crisis facing us in the footwear sector, it will not fail to inform the Parliament in detail.

**Mr Fletcher-Cooke.** — Is the Commissioner aware that the very success of the Commission with the Multifibre Arrangement, on which I congratulate the Commission, will inevitably drive the Third World into developing its footwear industry, and will he undertake to consider, in the study he has mentioned, that success in one field very often produces a crisis in the next?

**Mr Vouel.** — (*F*) I cannot say at this stage whether the solutions adopted by the Commission in the textile sector can be transposed as they stand to the footwear industry. I should be grateful if Parliament would leave the Commission time enough to study this problem in detail, after which a full discussion can if necessary be opened here.

**Mr Brown.** — While I can understand the Commissioner's view when he says we must be very careful before we introduce any form of protective measures, may I draw his attention to the example of the button industry, where in 1974, 60 % of the buttons in the United Kingdom came from outside, in 1975 63 % came from outside and in 1976, 64 % came from outside? There is increasing penetration by buttons

from outside the EEC, and would he, having answered my friend by saying that you have to be careful, perhaps tell me when you are too careful? When the industry has gone? Button manufacturers' associations in Europe want to know where they are going, and we have now nearly lost the industry. I merely say to the Commissioner that while he was right to answer my friend by saying you have to be careful about protection, I'm asking him: when does he consider that it is time to have some protection? After the industry has gone?

**Mr Vouel.** — (*F*) I note the fact that there is apparently also a crisis in the button sector as well as in the footwear industry. I shall certainly bring the matter to the attention of the Commissioner responsible for industrial problems.

**President.** — Since its author, Mr Dalyell, is absent.

Question No 2 will receive a written answer.<sup>1</sup>

Question No 3, by Mr Fioret:

In a recent article in *Europa Archiv* Mr Haferkamp, Vice-President of the Commission, lent his support to the argument in favour of having working documents translated in three languages only: English, French and German. Would not the Commission agree that this proposal is prejudicial to the work of the European Parliament and likely to have an adverse effect on public opinion, especially if adopted on the eve of direct elections to the European Parliament.

**Mr Tugendhat, Member of the Commission.** — The Commission maintains and applies the language rules fixed by Regulation No 1 of the Council of 15 April 1958 as modified by the Treaty of Accession. Within these the Commission tries to limit the number of translations to certain kinds of internal documents for reason of economy.

**Mr Fioret.** — (*I*) Does the Commission not feel, as a collegiate body, that it would be better not to approach this matter in an extempore fashion, as Mr Tugendhat has done, and to allow the directly elected European Parliament to deal with this delicate subject? It will be able to arrange its own work according to functional criteria and with due regard to the numerical importance of the various Members making up the future Assembly.

**Mr Tugendhat.** — There is no question of approaching the matter in an extempore fashion, as the honourable Member said. I particularly referred to the fact that we work within the rules fixed by Regulation No 1 of the Council of April 15 1958 as amended by the Treaty of Accession. We are governed by law, just

<sup>1</sup> See Annex.



**Tugendhat**

as everybody else in the Community is governed by law, and there is no question of any extemporization on these matters.

**Mr Price.** — Does the Commissioner realize that 70 % of the expenses of this Parliament at the moment are due to its linguistic and geographical momentum, that this situation cannot go on and that many of us feel that getting down to three working languages will be inevitable, especially if the Community is to be enlarged?

**Mr Tugendhat.** — It is not for me to interfere in the internal workings of this Parliament, even so far as giving an opinion on geographical momentum is concerned. I appreciate certainly in the Commission the difficulties which apply over languages, though it is of course always easier for those of us whose mother tongue is very widely spoken, to lay down rules for people whose mother tongues are less widely spoken. In the Community, I think it is important that people whose languages are not quite as widely spoken as some others should have equal rights of expression and equal rights to read what is produced.

*(Applause from certain quarters)*

**Mr Nyborg.** — *(DK)* The first answer given implied that it was a question of saving. Since the Commission is so sure that it is a question of saving, it has no doubt also considered what savings can be made. If the views put forward by Mr Haferkamp are put into practice, how much does the Commission think we can save a year by not using Italian, Dutch and Danish in the Community?

**Mr Tugendhat.** — No calculations of that sort have been done, Mr President.

**Mrs Dahlerup.** — *(DK)* I have put a similar Written Question to the Commission but I would nevertheless like to ask the Commission today what it thinks this will mean in terms of missed opportunities. Does Mr Haferkamp's move reflect the Commission's intention to reduce the European Parliament to a technocratic stronghold and has it no desire to establish contact or obtain advice from people who have perhaps not had the time or the chance to learn one of the three main languages — I am thinking in particular of industrial and agricultural workers — in countries other than those in the main language groups?

**Mr Tugendhat.** — As I made clear in an earlier statement, those people who speak languages which are not so widely spoken as some others have equal rights, both to express their views and to read what is produced. I think that is a very important principle of the Community. Of course if one cut down the number of languages one could save money and perhaps even gain in efficiency, but there are other considerations in a Community such as ours, and I

think it is very important that the Commission should work within its Treaty obligations. The Commission does work within the Treaty obligations and will continue to do so, in this matter as in others.

**Mr Veronesi.** — *(I)* Having regard to the future enlargement of the Community, does the Commission not think that it would be better to approach this matter in a more calm spirit by setting up a working party made up of members from the various countries to examine the possibilities of solving this problem, given that the Member States may have to take more far-reaching measures in this context?

**Mr Tugendhat.** — I certainly agree that in the context of enlargement and the very considerable increase in the volume of interpretation and translation that will be required, this is an important question that has to be looked at. It is also a very sensitive question, and it is one in which a number of other considerations, quite apart from pure efficiency, have to be taken into account.

**Sir Geoffrey de Freitas.** If we are to have a committee of enquiry and all that, which I hope we won't, must we not recognize the fundamental point that if we are to have a democratic European Parliament, we must be prepared to have men and women elected here who don't know one single word of a foreign language?

**Mr Tugendhat.** — Well, speaking for myself, Mr President, I may say that if people were appointed or elected on the basis of a linguistic ability, some of us would not get very far.

*(Laughter)*

**President.** — You are speaking on behalf of the Commission!

*(Loud laughter)*

Question No 4, by Mr Evans:

Can the Commission state what institutions and organizations it has consulted during its review of the ceilings for State aid to investment which were set in 1975?

**Mr Vouel.** *Member of the Commission.* — *(F)* The ceilings to which the honourable Member has referred were fixed in February 1975 by the Commission after consulting the Member States. Similarly the review of these ceilings, which falls within the context of the coordination of general regional aid schemes, will be carried through in close contact with the Member States. These consultations are at present in progress.

**Mr Evans.** — Will the Commission be consulting the relevant committees of this Parliament before arriving at any conclusions on the limitation of State aid, rather than presenting the committees with a *fait accompli*, and if so, when will they start those consultations?

**Mr Vouel.** — (*F*) I think it is wrong to speak of a *fait accompli* in this area. I would remind the House that the Commission submits a detailed report on competition to Parliament each year; that report also refers to these thresholds and ceilings. Parliament therefore has an opportunity every year to discuss these ceilings and to give indications which can be very valuable to the Commission.

I have also drawn the honourable Member's attention to the fact that we consult national experts on these thresholds and ceilings. We are doing so at this very moment and I can see no difficulty in coming before the responsible parliamentary committee to discuss these ceilings if Parliament so wishes.

**Mr Mitchell.** — Would the Commissioner ensure that state aids to investment are not tied too closely to regional policy? Will he accept that it very often makes sound economic sense to give financial aid to industries in areas which do not qualify for regional assistance?

**Mr Vouel.** — (*F*) If I have properly understood the honourable Member he would like the Commission to stipulate that State aids should not be too closely linked to regional policy. If that is indeed the sense of the question, I must unfortunately reply to the Honourable Member that, contrary to what he thinks, it seems to me that there must be some correlation between permissible State aids and the regional policy pursued in single countries or in the Community.

**Mr Normanton.** — Would not the Commission agree that with regard to fixing any ceilings the reality of the situation is that many Member States have already, metaphorically speaking, gone through the ceilings and the roofs above those ceilings?

**Mr Vouel.** — (*F*) I would not like to say that certain Member States have already broken through the ceilings on regional aid. But we must accept the fact that there are certainly countries in which the ceiling has been reached. That is why the Commission is working on a new solution of coordination. That is why it would like these aids to be more transparent.

**Mr Brown.** — May I ask the Commissioner to review his answer to my honourable friend, because there are errors, for example in my own country, where London is now going down and down because it does not come within a defined regional area, and yet it desperately needs the investment we are talking about. So I do ask him to see the facts rather than the fiction.

**Mr Mitchell.** — Hear, hear!

**Mr Vouel.** — (*F*) I have noted the information given to me by the honourable Member but I would draw his attention to the fact that the ceiling on permissible regional aids cannot be considered in the light of

a single region but must always be examined with reference to the facts and reality of the Community.

**President.** — Question No 5, by Mr Noè:

Does the Commission not agree that it would be advisable, not least for the purpose of obtaining a reliable assessment of the costs of making greater use of Greenland's hydroelectric resources at a later stage, to promote as part of the Community's regional policy the construction of an initial hydroelectric plant of about 100 megawatts power, and of a plant to use the electricity generated, for instance for the production of hydrogen by electrolysis?

**Mr Brunner, Member of the Commission.** — (*D*) It is true that Greenland has a large hydro-electric power potential. We have commissioned a study to determine the economic and social consequences of exploitation of that potential. We have also decided to participate financially in a study by the Danish Government. Utilization of hydro-electric potential is very costly. That point must be remembered. At present it seems unlikely that economic exploitation will be possible in the immediate future.

**Mr Noè.** — (*I*) The present studies can usefully help to determine the annual generation capacity in kilowatts; but does the Commission not think that, given the diversity of working conditions in Greenland, a plant of a reasonable size could serve the dual purpose of promoting regional policy aims and determining the real cost of hydro-electric generation?

**Mr Brunner.** — (*D*) As things stand at present it is too soon to comment on that point. Our studies have not progressed far enough. It is, however, already clear that any power station of this kind would be far more expensive than the normal level of economic viability. The same holds good for the construction of a hydrogen plant.

**President.** — Question No 6, by Mr Pintat:

How does the Commission propose to reduce the surplus oil refining capacity in the nine countries? Does it not consider that, in order to prevent any distortion of competition, it would be advisable to grant aids for oil exploration and to publish price lists?

**Mr Brunner, Member of the Commission.** — (*D*) The refinery industry in the Community is facing difficult times. We recently observed that we have a surplus capacity of 140 million tonnes. The industry is currently working at only 60% of its full capacity. There has been a small improvement; capacities have been reduced and production has fallen by about two-thirds of the surplus. That is not enough. We hope to obtain decisions from the Council on 21 March. I intend to get together with the industry in order to make sound recommendations to the Council before 21 March.

**Brunner**

We must see to it that the surplus capacity is eliminated and that the structures are adjusted to the market. We require greater market transparency and we must monitor imports. That will be done in the next few weeks. I hope that the Council will not deny us its support.

As regards transparency of the market, we are already analysing the market in Rotterdam. We want to see during the next six months how prices develop here and thus gain a better insight into the very difficult market situation in this sector in Europe.

**Mr Pintat.** — (F) Should not such measures be accompanied by prohibition of the construction of new refineries in Europe if old plant has to be shut down?

**Mr Brunner.** — (D) That is a very important point. We have opened consultations to prevent new refinery capacity from being opened in or outside Europe by the oil producers in the present situation. That would only disturb the market.

**President.** — Question No 7, by Mr Normanton :

In the event of an energy crisis how does the Commission propose that the selling price for oil should be determined?

**Mr Brunner, Member of the Commission.** — (D) The possibility of price distortions is indeed an important problem. The Commission itself has no legal powers to fix prices. However, the 1973 directive laid down that in such an eventuality the governments should authorize national authorities to fix prices so as to avoid distortions.

The Commission has the right to be consulted in that event and it would use that right in a crisis situation.

**Mr Normanton.** — Has the Commission as such, made contingency plans outside the International Energy Agency — it is required to do so under the IEA — and if so, have they been tested and evaluated? And if not, why not?

**Mr Brunner.** — (D) In December the Council of Ministers adopted the second part of the crisis plan. The plan provides for such measures. We intend to test the mechanisms and procedures to be followed in a crisis. That will be done in the course of this year and I shall report back to Parliament when the time comes.

**Mr Jensen.** — (DK) Does the Commission not think that in a crisis situation it is essential to propose ways of regulating the internal oil market that will guarantee solidarity between the Member States?

**Mr Brunner.** — (D) There is provision for such arrangements. They form part of the crisis plan adopted by the Council of Ministers.

**President.** — Since they are both on the same subject, I shall put Question No 8 and Question No 19 jointly.

Question No 8, by Mr Seefeld :

The President of the United States and the General-Director of the International Air Transport Association have recently been quoted as expressing contradictory views with regard to competition in the field of air passenger transport. What views has the Commission formed on the issue of the extension of competition in this sector as called for by the President of the United States?

Question No 19, by Mr Ryan :

The present structure of trans-atlantic air fares puts European air lines at a competitive disadvantage in relation to US air lines. As a result, a number of European air-lines now find that their viability is threatened. Will the Commission take action to ensure that the fare structure is improved, so as to safeguard an important sector in European industry?

**Mr Burke, Member of the Commission.** — The Commission is aware that the international system of aviation tariffs is under pressure in many ways and in particular on the North Atlantic. In connection with his approval of low transatlantic fares, the President of the United States has indicated that his aviation policy involves a commitment to low fares and competitive air services. As a result of this, the Civil Aeronautics Board of the United States intends also to liberalize the regulations controlling competition with respect to air-charter passenger transportation. The Commission also notes that the Director-General of IATA — the International Air Transport Association — while not opposing the aims of President Carter, has insisted upon the necessity of international cooperation. Because of the international aspects of civil aviation, the Commission will, of course, in its approach to the whole question of Community policy in the field of air-passenger transport, take fully into account, not only the various views to which I have referred, but also the views of other international bodies, notably the European Civil Aviation Conference.

With respect to the rules of competition in the Treaty of Rome, the Commission confirms, in line with the opinion of the European Court of Justice, their applicability in the field of civil aviation. The Commission is at present preparing a regulation for the application of these rules in this field. In developing its approach, the Commission is obliged to examine the economies of the air transport system in such a way as to give due weight both to consumer and to business interests and to strike a balance between scheduled and charter services.

Seeing that these various matters are at present under consideration by a number of international agencies, it would clearly be premature for the Commission to take a final position.

**Mr Seefeld.** — (*D*) Mr Burke, may I take it from your comments that you consider greater competition to be desirable in principle for the benefit of the consumer — that is to say the user of commercial aircraft — and that you are prepared to work more actively towards that end in future, while exercising the necessary caution?

**Mr Burke.** — As the honourable Member will appreciate from his membership of the Committee on Transport, I have the responsibility in the Commission both for transport and for consumer affairs. So it is relatively easy for me in my own mind to establish the necessary balances. However, I would like to point out to the honourable Member that the Commission has, at this stage, not yet been put in a position of being able to elaborate a policy: as he knows, this matter is being studied in the Transport Questions Group. I will, however, have the opportunity in the next few weeks of discussing these matters directly with the Civil Aeronautics Board and with the Secretary of Transportation, and perhaps we can renew an exchange at a later stage.

**Mr Mitchell.** — Would the Commission take a close look at the artificially high fares maintained between one Community country and another — for example, between London and Copenhagen, which is probably the worst example of all — to see whether they offend against the competition rules of the Community?

**Mr Burke.** — Since we have had a complaint in this regard we are bound to look at the question, so I can assure him that we shall do so.

**Mr McDonald.** — Would the Commissioner not agree that the initiative taken by Mr Freddie Laker has not only been of great benefit to the air traveller, but also represents a great forward step, and perhaps a breakthrough, in eliminating the price-fixing of the air-fare structure by IATA, an arrangement that surely cannot be taken as compatible with the principles of the Treaty of Rome?

**Mr Burke.** — I am aware of the developments referred to as the 'sky train operation', but I would remind the House and the honourable Member that there are other consumers involved in air travel than those who use that particular airline. I would want to tell the House that in this matter easy solutions aren't to be sought if one also has regard to all the geographical circumstances and the sometimes unprofitable lines that must be kept going by scheduled airlines. It's not an easy answer, but I have noted this operation without committing the Commission to a particular view in public at this stage.

**Mr Cifarelli.** — (*I*) With reference also to question No 19, does the Commission not think that European consumers should be made aware of the rules by

which fares are determined, including charter-flight fares, to prevent dumping practices from being added to monopoly structures?

**Mr Burke.** — Yes, this is an interesting suggestion but it is for the respective associations of the various Member States so to occupy themselves as to find out this information and make it available to the citizens of their own countries.

**Mr Ryan.** — Mr President, would the Commission bear in mind and bring to the attention of our American friends Europe's very deep concern that United States carriers should be receiving a considerable subsidy from United States public funds by means of payments to carriers engaged in military charters? Will it bring to the notice of the US authorities European concern that public monies in the United States have been used to subsidize civilian charters by an indirect way or by making, in respect of military charters, double the payment made for the civilian charters?

*(The President reminds the speaker that he may put only one supplementary question).*

There is an annex to that question, and with respect sir, I think the Commissioner would be glad to hear it. Is the Commissioner aware of the need for extremely urgent action to resolve the present stalemate between the US Civil Aeronautics Board and the governments of Europe?

*(The President again reminds the speaker that he may put only one supplementary question).*

It's Question Time, and a question is being put. And if I have to put it bluntly, I will put it this way. Does the Commission consider that urgent action is necessary, when, over a period of six years, international flights across the Atlantic have lost £ 2.6 billion? That means something, and I suggest that urgent action is called for, and with respect, sir, I think it is unfair that my question should have been curtailed in the manner in which the chair has curtailed it.

*(Mixed reactions)*

**Mr Burke.** — In answer to the first part of the honourable Members' supplementary question: the Commission is aware of the importance of the military aspects of chartering by the United States airlines. I would point out to the honourable Member that IATA has in fact done a study of this showing up the effects of the military aspects on the charter and scheduled services. In reply to the second part of his supplementary question, about the urgency of action, I can assure the honourable Member that as far as the Commission is concerned, we are urging, through the transport working group, that the Council give us at the earliest possible moment a sufficiently wide mandate to bring about a concerted European approach to this problem. Because it is quite obvious that if the European coun-

**Burke**

tries can in fact, pool their resources, then they would be in a stronger position to deal with this problem.

**Mr Radoux.** — (*F*) In its concern for the interests of consumers, will the Commission also give attention to safety problems with particular reference to the problem posed by the use of different fuels?

**Mr Burke.** — I can assure the honourable Member that other Commissioners whose responsibilities cover safety and energy conservation will advert to what he has just said and take due account of it in the formulation of policy.

**President.** — Question No 9 by Mr Edwards :

To ask the Commission whether, in future meeting of the EEC-Sri Lanka Joint Committee, they will bear in mind the serious problems faced by the Sri Lankan tea industry and whether they envisage measures being taken to improve this situation.

**Mr Tugendhat, Member of the Commission.** — If the Sri Lanka authorities request the inclusion of tea in the agenda of the next session of the EEC-Sri Lanka Joint Commission, which is expected to take place in the spring of 1978, the Commission will be happy to discuss constructively the difficulties confronting the tea sector that country and consider favourably any measures consistent with the objectives of the Commercial Cooperation Agreement and with the Community's trade promotion policies which might help to improve the position.

**Mr Edwards** — I wonder, since we are among the largest consumers of tea from Sri Lanka, whether we might take the initiative ourselves and put this on the agenda, because the plight of the plantation workers is a very sorry one indeed. They are still among the poorest working people in the world and they need our assistance urgently and desperately.

**Mr Tugendhat.** — Certainly, the terms of trade for tea from Sri Lanka have moved in a very unfavourable fashion as far as Sri Lanka is concerned, but the commodity comes from that country, the export is derived there, I think therefore it is for them, if they feel it is appropriate, to raise the matter. This subject is under discussion in a variety of other fora, the FAO and UNCTAD for instance, where no doubt the Sri Lanka authorities are taking into account what is happening there, as well as opportunities elsewhere.

**Lord Bessborough.** — Would the Commission be able to tell us what measures they are proposing to ensure that India and the People's Republic of China enjoy continued access to the Community's market for their tea products?

**Mr Tugendhat.** — I regret that I will have to write to the honourable Member on that subject. Without notice, I cannot answer on a matter so far removed from those with which I am usually concerned.

**President.** — I declare the first part of Question Time closed.

8. *Welcome*

**President.** — I now have the privilege of welcoming, for the first time in the history of the European Parliament, a delegation from the Maltese Chamber of Representatives, led by Mr Joseph Brincat.

(*Applause*)

I am sure that the Maltese delegation will realize from that applause that its presence here is very highly appreciated by this House.

9. *Votes*

**President.** — The next item is voting on motions for resolutions on which the debate has closed. I put to the vote the motion for a resolution contained in the report by *Mr Johnston (Doc 452/77) on the Regional Development Fund.*

The resolution is adopted.

I put to the vote the motion for a resolution contained in the report by *Mr van Aerssen (Doc. 418/77) on a regulation on import or export duties.*

The resolution is adopted.

I put to the vote the motion for a resolution contained in the report by *Mr Carpentier (Doc. 454/77) on the Action Programme on aeronautical research.*

The resolution is adopted.

I put to the vote the motion for a resolution contained in the report by *Mr Schwörer (Doc. 381/77) on the directive on direct insurance other than life assurance.*

The resolution is adopted.

10. *Commission statement on economic and monetary union*

**President.** — The next item is the statement by the President of the Commission of the European Communities on economic and monetary union.

I call Mr Jenkins.

**Mr Jenkins, President of the Commission.** — Mr President, I am very glad to begin this new year of, as I hope, cooperation between Parliament and the Commission with a debate on a really fundamental issue, that of economic and monetary union. I can think of few more important issues for the future of our Community. It falls, I think, naturally into place beside the two others perhaps most on our minds: direct elections to this Parliament and the prospect of the further enlargement of the Community.

## Jenkins

European monetary union, European direct democracy and the inclusion within the Community of three European nation states who have contributed so much to our common civilization but have not hitherto been part of our Community constitute a challenge to our institutions which could make or break them. This challenge may be different from the challenges which faced our founding fathers; but it is just as real, and if we proved unable to meet it, or, as is sometimes the temptation, refused to admit that it exists, then I would indeed fear for the future of a Community which, if it does not go forwards, will in time inevitably go backwards.

The links between monetary union, direct elections and enlargement are real. Monetary union will require a strengthening of our Community democracy. A directly-elected Parliament must clearly engage itself on such an issue which involves so much for the citizens of Europe, as well as for the other institutions of the Community. As for enlargement, one of its major purposes is to support democratic institutions where they have recently been non-existent or fragile. There is no better way of doing this than the inclusion of these countries in the Community's own directly elected Parliament. In addition, we are nearly all, I think, agreed that enlargement must not have the effect of diluting or weakening the Community.

There is no surer way of preventing this than by establishing the framework of a monetary union.

But if these issues are linked, this does not preclude the separate discussion of each, provided that we do not lose sight of our overall perspective. And today I want to put the case for monetary union, which stands by itself.

In taking its present initiative, the Commission has always recognized that although the first step should be to establish more clearly the objective and thus the direction in which to go, the next immediately following step must be to reorient the current operational responsibilities of the Community. This means looking again at our efforts to improve coordination of economic policy, to enlarge and make better use of the financial instruments at our disposal and to develop our industrial and other sectoral policies. These points, as well as the objective, were set out in the communication presented by the Commission to the European Council last December.

The Commission then attempted to show that progress towards economic and monetary union would make a decisive contribution to achieving growth and stability. We also said that it would strengthen Community cohesion at a time when it was vitally necessary to do so and that it would be an essential factor in reordering the international monetary system. As you already know, we received the fair wind from the European Council for which we had asked. Such Community institutions as the Monetary

Committee, the Economic Policy Committee, the Central Bankers' Group are now to re-examine our proposals. We shall also be putting forward our ideas about what should be achieved in the first year of our five-year rolling plan. During this process Parliament will, of course, be fully consulted and its opinions sought.

I now turn, Mr President, to the objective itself. No one can pretend that the idea of economic and monetary union is new. Here I pay tribute to those who, in previous governments, parliaments and commissions, did so much work upon it in the past. But I think that many of the arguments for it are relatively new and that, in addition, the old arguments are, if anything, reinforced by recent developments. Let me briefly outline what I believe these arguments to be.

First, monetary union would favour a more efficient and expansionary ordering of industry and commerce. I know of few businessmen who, whatever may be their doubts about the political will, do not believe that the removal of exchange rate risks and relative inflationary uncertainties between Member States would have a major confidence-giving effect.

Second, union would bring all the advantages to Europe of possessing a major international currency, backed by sufficient economic diversity and strength to make it an asset and not a burden. The United States, even with a weak balance of payments, derives many advantages from that position. For the first time for many years, Europeans would be freed from excessive dependence upon the dollar, still the only effective international medium of exchange, although an increasingly unsatisfactory one.

Third, monetary union would help us to control inflation and provide us with the means collectively to recover the control over prices and demand which most governments have individually lost.

Fourth, union would give a major new stimulus for growth and thus for employment. By lowering barriers and giving a greater sense of assurance and opportunity to our people, it could constitute a means for the unleashing of energies on the scale that followed, say, the beginning of the railway age over a century ago or the rise in mass living standards during the past few decades. A historic impulse on such a scale is greatly needed today if we are to restore the employment levels and the confident growth of the sixties.

Fifth, monetary union must be combined with moves to promote better regional distribution of work and wealth in Europe through measures to accelerate the flow of public finance. The poorer regions of the Community will need assurance that their economic difficulties will not be aggravated. The richer regions must know that they will have more stable and secure markets. Europe will, in my view, take major steps forward only when this can be shown to bring bene-

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fits to both the strong and the weaker economies within the Community. One of the great advantages of progress towards economic and monetary union is that it can achieve these twin and balanced objectives.

Sixth, economic and monetary union would be part of that process by which we seek to balance the need, on the one hand, for some decisions to be taken, if they are to be effectively taken at all and not merely responses to processes over which we have no control, at a level higher than the national one with, on the other hand, those tendencies, those desires, in favour of decentralization of political and economic power which are seen throughout many of our Member States at the present time.

There is, in my view, no contradiction here ; there is a possibility, a real possibility, of reconciliation. Some decisions need to be taken at a level above that of national governments and parliaments. Some can be appropriately taken at a level much closer to the people in their everyday lives. If union logically requires concentration of monetary powers, so our experience since the war suggests on the whole, in my view, a dispersal of choice between the uses of public expenditure, and it will be our intention to propose to give the Community only those functions which can manifestly be best performed by it.

Last of the seven reasons, Mr President : I believe that no proposal for political union can make practical sense without the underpinning of economic and monetary union, and without this, enlargement will almost inevitably mean a weakening of what we already have.

Now, of the seven arguments which I have summarized very briefly in order to leave time for this debate to develop itself, only the first and the last, the first and the seventh, now look as they did at the beginning of this decade of the seventies. Moreover, the approach route has also changed. Seven years ago the map showed a fairly straight upward road of narrowing exchange rates which could finally merge into each other. Now we have to manage a floating rate system with one group of countries grouped around the currency that is at present the strongest in the Community, with that group in total a minority of our Community as a whole. The approach must therefore naturally be different.

Now, this is not, I think, Mr President, the occasion for developing in great detail all the ways in which the technical arguments for monetary union or the approaches to it have changed, though it will be perhaps within the knowledge and recollection of some Members that I have endeavoured to use some recent speeches in order to go into these arguments in further detail. I think, however, that it might be of value if I concentrated for the remaining part of my words to you today on three areas which I believe are of particular interest to Parliament and where certainly the views of Parliament will be of the greatest importance and value : first, the international

monetary side ; secondly the nexus of problems of growth, inflation and employment ; thirdly the institutional aspects and implications for the Community.

First a word on the international monetary system. The Bretton Woods system served us all on the whole very well for a generation. In 1968 it began to crack. In 1971 it broke in its essentials. Since then there has been no real system, and in this field, as elsewhere, without a system — and sometimes indeed when you have one too — the power goes to the big battalions. Few things are more frustrating for those who believe in the effectiveness of Europe than to see that we, who also have big battalions, seem unable in this monetary field to organize them, deploy them and put them under central command. Without such reordering of the European monetary system, Member States will continue to be subject to all the short-term hazards of exchange rate problems affecting those with strong as well as weak balance of payments, with their profound consequent implications for internal economic policy. In a union those problems could be borne with much greater equanimity in a larger perspective. I have already referred to the advantages of creating a new and strong international currency. In this way we could help to create order out of current international disorder. The Community is, believe, the right size of unit for this purpose and would by its own weight impart a new stability to the international monetary system.

Now on growth, inflation and employment, rather than repeat what are perhaps fairly familiar generalities, I would like to turn the argument round by inviting us all to put ourselves in the shoes of individual finance ministers of our Member States confronted with the current problems of day-to-day economic policy.

We would see confronting us record levels of unemployment. We would see little immediate prospect of an employment upturn. We would know that between now and 1985, there are nine million more young people expected to join the Community's potential labour force than there are old people who are likely to leave it. By all the rules of traditional post-war economic management, this would be the moment to pump extra purchasing power into the economy so as to bring unemployment down to a more tolerable level. The first instinct in any of us as a Minister conscious of the human and social costs of unemployment, would be to do exactly that.

But as things now stand we would find it quite difficult, as we can see from many experiences around us, to follow our instinct. Before taking action we would have to ask ourselves and our advisors : what would be the effect on prices and on real economic activity of such expansionary action ? And the answers would be somewhat discouraging.

In Member States with weak or vulnerable currencies the assessment would probably go something like this. A major expansion expansion of the fiscal deficit, or a

## Jenkins

major expansion of aggregate demand would risk provoking an exchange-rate crisis. A sharp drop in the exchange rate would cause inflation to accelerate once again. It would also increase inflationary expectations and make stable wage bargaining more difficult. Last, but by no means least, it would unsettle the financial climate and damage both consumer confidence and business investment. In short, expansion in aggregate demand — a rapid expansion at any rate — would be likely to produce a speedy and adverse effect on the price level, coupled with only dubious and retarded effects on output and employment.

So much for a possible diagnosis of the situation in countries with weak or relatively weak currencies. But in countries with strong currencies the position is not much better. The strong economies of Europe, unlike the United States, depend very heavily on exports for the buoyancy of their economies. This means that the levels of investment are determined at least as much by the state of demand beyond their frontiers as by the state of their own domestic demand. Measures to stimulate domestic demand are likely to have only a limited effect on employment. Even in the strong economies, therefore, governments are deterred — we have all heard the arguments many times — from taking action substantially to expand their economies, whether by increasing public expenditure or by easing credit conditions, by the fear that the effects on employment will be doubtful and slow, while the effects on prices will be rapid and damaging.

It is not because governments are indifferent to high unemployment that the Community is still in the grip of recession. It is because, in the Community as it is at present, each finance minister feels caught in a trap which is at least partly one of scale. If those from weaker countries thought they could survive exchange rate pressure, and those from stronger ones knew that demand would continue to be strong elsewhere in the Community, then each would feel better able to do what he knew was right in the longer term. Monetary union does not offer an automatic way out of that trap. But I am convinced that it represents the best way by which the trap in which we are all imprisoned, the strong and the weak and those between the two, might be sprung at the present time.

Finally, Mr President I turn to one or two of the institutional aspects for the Community. It is clear that monetary union would necessarily involve a bigger and more redistributive Community budget. According to the report of the group of economists called the MacDougall Group on the role of public finance in European economic integration, monetary union would require Community expenditure of about 5 to 7 % of total Community GNP, compared with the present Community budget of less than 1 % of total Community GNP. Much of the additional expenditure, — though I would never suggest that it should be additional in the sense of totally additional

public expenditure — would be a transfer from national to Community budgets. Much of this additional expenditure would need to be redistributive. Its purpose would be to direct resources into the poorer parts of the Community so as to ensure, not only an approach to equality of economic performance, but a reasonable share-out of the greatly increased wealth which economic and monetary union should make available. The existing processes by which Member States distribute, on a far larger scale than this, resources between their own stronger and weaker regions would thus be carried out on a wider Community scale.

Such changes would represent a formidable challenge to our institutional inventiveness. At 5 % of total Community GNP — it could even be 7 % — the Community budget would be incomparably smaller, of course, than the central budget of any of our Member States, or than the central budget of existing states with federal institutions. The notion that monetary union would necessarily involve the creation of a Federal Europe on the model of the United States or the Federal Republic of Germany is misconceived. So also, in my view, is the idea that it would involve the creation of a huge, new and cumbersome bureaucracy in Brussels. Here it is worth recalling that one of the reasons for the size of the central government machine and the budget of countries such as the United States is that it carries substantial responsibility for social and welfare expenditure. I see no need for such centralization in Europe.

At the same time, there is no question that the creation of a monetary union would involve a significant transfer of power from member governments to the Community. But that is inevitable if we mean what we say about creating a European Union, and I repeat what I said on a previous occasion: that I have no words to say, I have no power of conviction, I make no attempt to convince those who would prefer to fail alone rather than to succeed together.

*(Applause)*

But to those who want to succeed together, but who need, and who need quite reasonably, to be convinced of the methods by which we can do it, then I believe that there are very hardheaded, practical arguments in favour of the course which I have been endeavouring to outline.

But there would indeed be a limited but significant transfer of powers involved. Two of what are generally regarded as the more important functions of a modern government — control over the exchange rate and control over the money supply — would be exercised by a central Community institutions instead of by governments. But it is perhaps worth asking how much control over such functions member governments today really exercise ...

**Mr Prescott.** — What is the effect on unemployment?



**Mr Jenkins.** — ...What is the effect on unemployment? well, I have seen countries — and my honourable friend, for whom I have a great respect, interrupts me — including that from which we both come, and from which we are both proud to come, which tried for a period to go own way not subject to any very close monetary disciplines. It appeared to me that the effect on us was that we did not increase our growth rate, that we did not reduce our unemployment, but we did see our exchange rate go down, and we did see our inflation rate go up. We did, I believe, get the disadvantages, but not the benefits and I, as a former Chancellor of the Exchequer, cannot help thinking that national governments which, perhaps understandably, instinctively prefer to try to do these things entirely on their own, perhaps tend to get the worst of both worlds: the appearance of responsibility without the real power. Be that as it may, what we are proposing — and I would not attempt to disguise it — would be a radical institutional as well as psychological change, and we must recognize it as such.

The ideas of us all about exactly what sort of institution would be required have not yet been worked out. We shall have to consider how it should be with other Community institutions, and in particular the Parliament; to whom it should be accountable and how. There is clearly a wide range of possibilities: at one end, a body under the continuing and permanent surveillance of finance ministries; at the other something like the Federal Reserve Board which, I add in passing, is responsible to Congress rather than to the Executive of the United States. My own feeling is that just as the Community has no parallel in other modern institutions or indeed in the models of the text books of political theory, so whatever we create, in this field would have to be tailor-made to our own constitutional national institutional requirements, and would probably fit into no exact pattern which has previously existed.

In my judgement, Mr President, the two issues I have just been discussing, the size and shape of the Community's future budget and the nature of the new institutions we shall need are issues supremely suitable for analysis and debate in this Parliament in the period which lies ahead. I hope very much that the Parliament will make the contribution to the debate which is its right, and which we eagerly await. Indeed, this is indispensable. In this area as in others there must be a more intimate and sophisticated play of ideas between the Parliament and the Commission, as between all the Community institutions.

The subject of our debate today is so wide and carries so many implications that I do not pretend I can do more than open the questions. A little later in this debate — I think towards the end, because it is a shorter debate than I thought at first — Vice-President Ortoli will speak to you about other aspects of it,

but I begin the debate with the thought I expressed to you a year ago very much in my mind: namely on a central issue of Community policy, we in the Commission should treat this present Parliament today as if it were the directly-elected Parliament of tomorrow.

*(Loud applause)*

**President.** — I would remind the House that the debate on the statement by Mr Jenkins is subject to a time-limit of one hour.

Each speaker will be allowed a maximum of seven minutes, and Mr Ortoli, who will follow the speakers on behalf of the political groups, will have about ten minutes. I call Mr Prescott on a procedural motion.

**Mr Prescott.** — Mr President, as you are aware of the difficulty of holding this debate, let us be clear that it cannot be a debate. The tremendous ideas being raised by the President of the Commission are something I would not begin to attempt to answer in such a short time. So I hope the Bureau will set aside time for a true debate on these ideas in the future.

**President.** — I call Sir Geoffrey de Freitas on a procedural motion.

**Sir Geoffrey de Freitas.** — I just want to make it clear that I understood that because the time was so short, most of us would put questions. That is what I intend to do, and it will not take anything like seven or eight minutes.

**President.** — Let us begin the debate. I call Lord Ardwick to speak on behalf of the Socialist Group.

**Lord Ardwick.** — Mr President, quite obviously, as my colleague, Mr Prescott, has said, this is not an occasion for any attempt at debate in depth or indeed at the analysis of which Mr Jenkins has spoken. On behalf of the Socialist Group, may I thank the President of the Commission for his address today. In another role, that of rapporteur for the Committee on Economic and Monetary Affairs, I congratulated him recently on his lecture at Florence, and said that I hoped that he would favour us with his further thoughts very soon. Now the President of the Commission I am glad has taken advantage of this annual occasion to do just that, and he has today come down from his high plain of philosophy to some of the practicalities.

Of course, I cannot give at this stage any indication at all of the possible reactions of the Socialist Group. We have not in our group discussed the question of economic and monetary union since Mr Jenkin raised it from the dead. But I should imagine that like almost any group, any family group, we shall find there are those who are against the whole idea; those who think it desirable, but not feasible; and those, who like Mr Jenkins himself, consider that it is both desirable and feasible.

### Lord Ardwick

We shall find out, Mr President. For one assurance I can give today is that over the next few months the Socialist Group will go into these problems in depth and, I hope, with some expert guidance.

Not that such guidance will be monolithic or unanimous. Didn't the Werner Committee experts split into two groups — the monetarists, those who thought that monetary discipline would compel economic coordination, and the economists, who believed that monetary union is the reward for economic coordination. Then there are the minimalist and maximalist views of monetary union. The Minimalists believe that stable exchange rates for Europe and the acquisition by the Community of a monetary personality is all that is required. The Maximalists think in terms of the romantic phrase that Schiller did of Europe living in a union of elysian harmony.

But history will be a poor basis for the discussion of economic and monetary union. Europe and the world are very different places from the places they were in 1970. There is one parallel however. Some of the enthusiasts for economic and monetary union in those days thought that it was a way of preventing the Community from disintegrating into a mere free-trade area after the entry of Britain. The same arguments are being used today to deal with the possible disintegrating effects of a new expansion of the Community.

One of the points of Mr Jenkins's address today was that economic and monetary union would mean a major transfer of power away from the member nations towards some new institution or the Commission, and this would provide a major role for this Parliament, and a lesser one for the Parliaments in the capital of Europe. What then happens — and I think this will be one of the questions raised in the Socialist Group — to the political struggle inside the nations, when the very heart of it, the strategic monetary and economic development, is transferred to Brussels?

I think that most of us would welcome the hope that the monetary system will be less anarchaic; I think that we shall want some factual answers later on, some factual proof of the possibility that economic and monetary union would be the road to escape from unemployment and inflation, and we shall want to know more about the re-distributive consequences towards the new under-developed nations that are coming to us. We want to know not only what it will imply for them, but what it will imply for the nations which are on the giving side.

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

**Mr Müller-Hermann.** — (D) Mr President, on behalf of the Christian-Democratic Group, may I begin by thanking Mr Jenkins for his speech. It coincided broadly with our own views, although I am sceptical on one point at least at this stage.

Unfortunately, the Commission had not defined in sufficiently concrete terms what it means by the revival or continuation of economic and monetary union. All that exists is a document which was forwarded to the European Council in November — i.e. to a body which does not in fact exist under the constitution of our Community. I should therefore be grateful if the Commission would notify Parliament officially of its ideas.

Mr President, this morning my own group adopted a wide-ranging document on the revival of economic and monetary union which was submitted to you today after detailed internal discussions extending over a period of several months. This paper tries to take account of the responsibility which we feel for the integration of our Community; of course we do not seek to prejudice the views of Parliament. We hope, however, that the substance of our document will provide the Committee on Economic and Monetary Affairs with a basis for determining the common position of this House.

I stress again that we consider new efforts to be particularly necessary at this stage, firstly because we think it is important for the Nine to make further progress in their integration before the Community is enlarged. Secondly, we are experiencing developments tantamount to a crisis in broad areas of Community life causing the Member States to 'go it alone' more and more often and to adopt protectionist measures even though we must all basically recognize that our present problems can only be solved by joint action. Thirdly, I want to stress that we in the Community with our exceptional economic potential, also carry a responsibility to the third world and for international economic and monetary order. We can only do justice to that responsibility if we work out joint proposals and take common action. Solidarity in the Community is of course severely shaken and our own view is that we cannot overcome our problems unless the countries with a strong economic potential and stable currencies are ready to give their assistance and agree to a transfer of resources. But that can only be effective if the Member States which have large balance of payments deficits and weaker currencies are prepared to make an effort of their own, requiring a high degree of discipline.

We should like to see activities developing simultaneously in three areas — and here I do not entirely agree with Mr Jenkins' remarks. We need a greater effort to achieve inflation-free growth if the problem of the Community are to be overcome. Secondly, we also need a greater cohesion of economic policy and joint efforts to overcome regional disequilibria. That will not be possible in the shape of a uniform general economic policy in all the Member States because the underlying conditions differ from country to country. But we need joint objectives and coordinated

**Müller-Hermann**

measures in the Member States so that we can work together towards our goal. Closer cooperation in monetary policy will also be necessary. I want to stress at this point that we consider the continued existence of the snake to be the central core of a future monetary union; it is also urgently necessary for the internal consultations within the snake to take place in future with the participation of the Commission and of the Member States which do not belong to the snake. We shall require a better coordinated exchange rate and money supply policy together with joint guidelines for floating and the target zone for exchange rates.

I do not want to go into the subject in detail today but nevertheless wish to touch on one point, Mr Jenkins: we must guard against illusions, and it would be illusory to suppose that a monetary union can also solve all other problems. We can only attain monetary union progressively and then only if progress is made in our economic policy efforts and in the cohesion of economic policy. That is the underlying principle of our document: parallel efforts by the Community and the Member States are essential and hold promise of future success.

That brings me to the end of my speech, Mr President. Allow me to stress once more the need for a great new effort to make progress towards economic and monetary union, in the interests both of the citizens of our Community and of the third world. But, ladies and gentlemen, let us guard against a feeling of euphoria. I think the time has now come to overcome our resignation and make it clear to the citizens of our Community that those in position of political responsibility are resolved to take the action which we all now consider necessary and right. That should be the goal of the efforts of this House in the weeks and months to come.

## IN THE CHAIR: MR ADAMS

*Vice-President*

**President.** — You referred several times to the motion for a resolution distributed on behalf of your group. You will appreciate that this may not be the subject of a debate today, but must first be referred to the Committee on Economic and Monetary Affairs.

I call Mr Müller-Hermann.

**Mr Müller-Hermann.** — (D) I formally request that this motion for a resolution be referred to the Committee on Economic and Monetary Affairs.

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

**Mr Damseaux.** — (F) Mr President, Mr President of the Commission, Members of the Commission, ladies and gentlemen, on behalf of the Liberal and Democ-

atic Group I want first of all to thank Mr Jenkins for putting the Commission's view on economic and monetary union to us. The fact that he has done so reflects the need for our Assembly to be kept informed of all important matters relating to European unification and for the Community institutions to be strengthened, in particular through parliamentary control of the Executive.

The statement made to us today follows action taken by the Commission over a period of months and the information we have been given demonstrates the Commission's resolve to work further on this subject which is so vital to European integration. However, it requires detailed study by Parliament, and I strongly suggest that our Committee on Economic and Monetary Affairs should give priority consideration to Mr Jenkins statement. It is not easy to react to such an important oral statement on economic and monetary union when every item of information and proposal must be the subject of careful reflection.

Nevertheless, Mr President, it seems to me that a few remarks may be useful in preparation for our work in committee. On 5 and 6 December 1977, the European Council stressed the need for progress towards economic and monetary union. The Council of Ministers is at present continuing its examination of the Commission's communication and it seems likely that the first task of the Danish Presidency will be to achieve the four short-term objectives fixed by the European Council: closer coordination of economic policies, stronger monetary solidarity, the development of Community financial instruments and the search for Community solutions to our serious structural problems. Taken out of context, those policies might easily give the impression to an outside observer that we are moving resolutely forwards towards a restoration of economic and social situation. However, looking again at the Commission's communication to the Council of 19 April 1973, I noted that the Commission, referring to a Council resolution of 22 March 1971, felt that 'the action to be taken during the first phase should focus on the following aspects: closer coordination of short and medium-term economic policies, harmonization of taxation, accelerated achievement of free capital movement, adoption of measures aimed at introducing a solution to regional structural problems and, finally, coordination in the sphere of monetary and credit policy and the progressive development of a Community personality in the international monetary system.'

That was on 22 March 1971 and on 19 April 1973; today it is 17 January 1978. Do you think we have made significant progress? I have the impression that we are still at the beginning of the seventies.

I shall not be overwhelmed by pessimism; after all, at the last meeting of the Committee on Economic and Monetary Affairs, Mr Ortoli asked us to show a posi-

**Damseaux**

tive spirit. But I wonder about the value of the statements made and decisions taken over the years. It is true that the Commission is working and coming up with proposals and our Assembly is giving it vigorous support; the Commission proposes but the Council disposes. And on the main subjects it often disposes badly or merely pretends to act.

Mr President, the Liberal and Democratic Group believes in the Commission's determination, but it criticizes the Council of Ministers inability to act in a European spirit. We are keenly hoping for precise recommendations and proposals for directives to the Council.

Allow me to make six brief suggestions; firstly, the balance of payments situation is more than disturbing. Our deficit with Japan is assuming alarming proportions and we hope that the Commission will indicate the substance of its talks with the Japanese authorities and the action it proposes to take depending on how the situation develops. Secondly, as regards monetary solidarity and more specifically the coordination of our currencies, could the Commission not envisage breathing new life into the European Fund for Monetary Cooperation? Thirdly, at the level of budgetary coordination, the Commission should in my view step up its intervention with the Member States to ensure that they limit their expenditure to essential items while harmonizing the general lines of their budget with Community aims. In practical terms, I think the Commission might draw up for the last three years a comparative table showing the recommendations made to the Member States and the extent to which they have been taken into account in the national budgets. Fourthly, as regards the financial mobilization of the Community in favour of the development of manifestly disadvantaged regions and sectors, we believe the Commission should coordinate and intensify access to the existing instruments and also set up the new financial instrument advocated for a long time by our Assembly and whose principle was accepted by the European Council in Brussels. Fifthly, the Commission has taken especial interest in the steel and textile industries. The commercial agreements concluded have given us a respite which we should make use of to put forward proposals for the modernization of our industrial structures.

In this connection we insist that the Commission must meet its own schedule, namely the end of March for the steel industry and the end of May for the textile sector. The same holds good for the tabling, scheduled for the end of June, of the report on growth sectors. Sixthly, we see the promotion of investments as a vehicle of recovery and we hope that the Commission will shortly put forward a policy of incentives. Special attention must be given in this context to measures such as VAT-relief on productive investments, especially those having a direct impact on research, governmental tax neutrality towards financial

investments in sectors experiencing great difficulties and finally the maintenance of direct and above all indirect social charges within equitable limits.

My group hopes that these few suggestions will be given consideration and applied in the near future. I have no doubt that the Commission will listen to us but I hope too that it will act quickly.

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

**Mr Brugha.** — Mr President, I shall try to be as brief as possible. I would like to begin by complimenting Mr Jenkins on what I would describe as a courageous and compelling contribution to the idea of economic and monetary union.

I will say, first of all, that any examination or review of progress towards this objective must involve the acceptance of a measure of self-criticism and an analysis of the steps taken to cope with the difficulties that overtook the Community in recent years in the shape of trade recession and the oil crisis. I would put the point that, whilst criticism is of little value if we are not prepared to learn from past errors, the steps taken to deal with these problems were not adequate, and that in itself is a valid criticism. Indeed, it does not seem to me that in recent years the sort of dynamic leadership has been evident here in Europe which brought the Community into existence, and, of course, I am not excluding the fact we may be getting some of that type of dynamic leadership today. I believe we must admit, however reluctantly, that failure to take positive steps to cope with some of the problems with which we have been faced may leave us in a position where enlargement, however desirable, may not be immediately contemplable, from the economic viewpoint, until regional policy has been seriously developed and implemented and our unemployment has been reduced in some measure.

In my own country, Ireland, in the run-up to our decision to join the Community, the main argument against joining which impressed itself on me sufficiently to remember it was that the Golden Triangle would become richer and the outer regions poorer if we were to join; and it is now evident from data published in the Regional Development Fund Annual Report that in fact to some degree this has taken place. However, lest it be thought that this is merely negative criticism, I would like to say, despite the facts as we have experienced them, my commitment to the ideal of a united Europe, the bringing together of all the nations of Europe for positive purposes, has been strengthened rather than weakened by the experience of my country's membership. The fact that there has perhaps been a weakening of resolution here, mainly as a result of the oil problem and trade recession, is no reason for faint-heartedness but rather a reminder that nothing worthwhile has ever been achieved without effort and sacrifice.

## Brugha

The economic difficulties caused by inflation and the oil crisis have created many problems, but in my view — I am speaking of Ireland — nothing like what we should have experienced if we had not been a member. In addition, I believe our stature as a recently free nation has been strengthened enormously, both in economic and spiritual terms, as a result of our membership of the Community.

However, to be brief, I would say that we remain convinced that EMU should continue to be a fundamental objective of the Community. Indeed, we have for several years been making it clear that it is essential to prepare a real programme for this purpose. Now the recession is we hope, behind us, it is opportune to relaunch the movement towards EMU, coupled with adequate regional and structural policies designed to remove disparities between the Member States. If I may cite a couple of reasons which I have drawn from Mr Jenkins's recent speech in Florence, one of them would be, as I would paraphrase it, that EMU may give Europe stability when other currencies are fluctuating, with such potentially damaging effect on economies. Monetary union may also help considerably in the control of price movements and inflation. These are merely a couple of things that the idea of monetary union suggests to make it all the more desirable.

Progress towards economic and monetary union demands discipline at the level not only of governments but also of individuals. Governments must not only be prepared to bear the inconveniences which will almost inevitably accompany the transition but also possess the capacity and will to assist the citizens of their respective countries in understanding the relatively minor nature of these temporary discomforts in view of the manifold benefits that will flow from this great enterprise towards an eventual European integration. The progress of EMU must include the transfer, I believe, of regional funds to less developed areas, It must also entail the development of an industrial policy which would take account of the special needs and difficulties of industries in peripheral areas, including their protection against unfair competition from outside the Community. In the short term, the effects of these moves towards monetary union would be a degree of economic and social disruption in some of the weaker Member States due to the need to adapt to changes, while for stronger Member States the procedure must inevitably, I believe, entail substantially increased financial contributions towards the Community.

At the personal level, I believe there can be little doubt that the citizens of the Community — rich and poor — will be willing to accept the disciplines which progress towards economic and monetary union would impose on them if they are convinced that the result will be a better Europe for all. Individual citizens must be assured that there is sense, purpose and direction in the plan so that EMU will come

about. That plan must comprise positive elements to reduce unemployment, reduce inflation, underline the right to work and establish a basic minimum standard of living throughout the Community. Finally, Mr President, I believe that it is only through the adoption of such a plan by each Member State and by the Community itself that the citizens of Europe will be encouraged to have the belief and confidence necessary to bring about the prospect of economic and monetary union. We must all be seen to have and to believe in worthwhile objectives.

**President.** — I call Mr Stetter to speak on behalf of the European Conservative Group.

**Mr Stetter.** — (DK) Mr President, there is a very clear difference between what the Commission President said in Florence in October 1977 about economic monetary union — and more or less repeated here today — and the Commission's communication to the European Council in December on precisely the same subject. Why is there this difference? Let us venture to guess. It may be that the politician Roy Jenkin's vision of prompt and closer cooperation between our countries' currencies with a view to achieving fixed exchange rates and a common European currency has come up against such serious opposition that he had to give in. But today he has more or less repeated his original views and arguments. The European Conservative Group understands and sympathizes with Roy Jenkins and we can accept his arguments. A common policy is urgently needed to provide the basis for joint efforts to combat unemployment, inflation, lack of growth and the balance of payments problems confronting our countries in varying degrees. Something has to be done quickly to increase the European Community's credibility.

The European Conservative Group maintains however that the time is not yet ripe for a joint monetary policy, and as far as I could understand from the President of the Commission, we also agree on this point. Any new pronouncement about an economic miracle-cure could harm the European cause.

I shall not go into details, I shall merely mention the main points. In a Europe devastated by inflation, any attempt to establish fixed exchange rates is bound to fail. The latest OECD figures show that price increases vary from 3.7% in West Germany to 14.1% in the United Kingdom. The Commission communication to the European Council also gives figures that show that price increases between 1974 and 1977 varied widely in the Nine. Another political objection to monetary union is that it is quite true that with a common currency individual Community countries will have no balance of payments problems; they would be a Community concern. But that would not solve the problem of a country becoming a deficit area because, *inter alia*, of excessive costs. There would be enormous regional differences between power.

**Stetter**

centres and backward areas that it would be impossible to smooth out. The European Conservative Group therefore feels that the President of the Commission was right to deliver his major speech in Florence in October and again here today, but that the Commission as a whole also did the right thing by presenting the European Council with the familiar remedy with emphasis on coordination of economic policies as part of a five-year plan.

Is there then no hope of a solution to Member States' economic and employment difficulties? The answer is both yes and no. Not all the Community countries are in a bad position, and I hope that no-one will take exception to my mentioning West Germany. West Germans have displayed an economic discipline that the rest of us could learn a lot from. In recent years in Denmark for instance it has been generally felt that increased prosperity was there for the taking and that we could merely go on asking for aid from the bountiful national purse. I think and hope that the picture is now changing. The population is now beginning to realize that it must itself pay for what it thought was free. If this view also spread to the powers that hold the purse-strings, there would be hope of an improvement. It would also be absolutely essential to get workers' organizations to cooperate in pursuing a balanced incomes policy. I shall not try to guess what they would ask in return. It is only these and other basic principles in favour of a commercially oriented social policy that can be accepted and implemented. Only if this happens will it be possible to introduce and complete economic and monetary union. There is obviously no point in giving up. In conclusion, therefore I once again single out the speech given by the President of the Commission and thank him for it on behalf of the European Conservative Group. It does not give the answer to the problem, but it may perhaps start off a process of thought that with the present background of inflation, unemployment and monetary disorder will lead to a fruitful exchange of views. But for the moment the Community will have to rely on the Council's acceptance of the Commission's more limited but realistic proposal.

**President.** — I call Mr Leonardi.

**Mr Leonardi.** — (*I*) Mr President, I find myself in the same situation as other colleagues of having to react to an important statement by Mr Jenkins primarily in a personal capacity because my group has not had an opportunity to discuss the matter.

I recognize the validity of Mr Jenkins approach to this problem as defined in his Florence speech when he evidenced the fact that we are facing problems which require a historic turning-point in our policies. Today he has drawn attention to various technical aspects which I shall not now look at. I just want to make one

observation: it seems to me that President Jenkins has in his statement today again maintained an excessively Euro-centric position.

In my view we should make a qualitative breakthrough by recognizing that at a certain point we shall be obliged to build a Community and continue its construction into an economic and monetary union, not so much through our own good will — which is in any case sometimes lacking — as because of the changes in the world around us, in the external context which will oblige us to make a joint effort to defend our common values.

I think Mr Jenkins has neglected this aspect. I personally am convinced that this accelerating process of change in the external context and the different influence which it has on the individual member countries, is tending to cause the Community to break apart at a time when, historically and objectively, we should be acting together — as I have said — to defend our common values.

My impression is that it is becoming increasingly apparent that we shall either have to solve these problems together and in a democratic manner or else accept a Community under the leadership of one of its strongest countries; the alternative is the break-up of the Community as we know it.

I wanted to make that fundamental point in the few minutes allotted to me for comment on Mr Jenkins's important statement. I also believe that the Committee on Economic and Monetary Affairs will have to approach the whole problem in a far more detailed manner than simply by consulting our political groups. We must review the whole problem, because in my view the most important shortcoming today is the lack of an effort to ensure the growth of our Community in a world context that differs profoundly from the situation prevailing when it was set up.

I would put to Mr Jenkins the same question as was raised by Mr Marjolin, who was certainly no revolutionary, in a well-known report:

We may legitimately ask today whether what is needed to create the conditions for an economic and monetary union is not, on the contrary, a profound and quasi-instantaneous transformation, brought about after long discussion, but bringing European political institutions into existence at a specific point in time.

Faced with the internal changes necessitated by problems of inflation which we seem unable to control, growing unemployment and balance of payments difficulties which differ from one country to another, so that each State resorts to divergent policies, should we not pursue a policy of progress by small steps while preparing for the great qualitative breakthrough to be made when the time comes?

## IN THE CHAIR : MR BERKHOUWER

*Vice-President*

**President.** — I call Mr Ortoli.

**Mr Ortoli, Vice-President of the Commission.** — (F) Mr President, you have asked me to speak more briefly than I had intended, and I shall not therefore explain why it may seem presumptuous today for the Commission to propose the path leading to economic and monetary union. My view is on the contrary that we are right to move in that direction, for reasons which are both negative and positive. There is an important negative reason for making progress; the centrifugal tendency which we are witnessing today might, if it continues, have a profound effect on existing Community achievements. The common agricultural policy is already threatened by divergent currency movements, and its whole existence might even be called into question. The customs union has been maintained in substance but the commercial policy and customs union might still be threatened by the tendency to set up new barriers. It is also clear that the Community must be strengthened if it is to avoid the risk of weakening inherent in its enlargement to Greece, Spain and Portugal. This goes to show the risks which will arise unless an exceptional effort is made to overcome them.

I attach no less importance to the reasons which militate positively in favour of our initiative. I have no need to recall the major economic arguments in favour of the union; nor is there any need for me to stress that economic and monetary union is a key element of any overall European Union; we cannot have the latter without the former. Finally, it would be superfluous to stress that external success for the Community can only come from a strong and coherent internal economic reality.

I want to look at another aspect in more detail. I am disturbed by the comments which I hear on the situation in the Community and by the patterns of behaviour which I observe in Europe today. Past and present failures seem to fascinate a Europe which often appears ready to give in to a supposedly inescapable crisis. But the fact is that Europe, rich in human resources, rich in technology and rich in capital, has a future — it must build that future, and to do so it must regain hope. I am not trying to deny that growth is insufficient, inflation too high and unemployment a terrible problem; but Europe is not condemned to suffer inflation, low growth and unemployment. Those evils are not incurable. The remedies can be found by making a long and tough effort. To the extent that the economies of our countries have reached a degree of interdependence such that there can be no turning back, part of the solution rests in the hands of the Community.

That is why, at a time when many are succumbing to pessimism, when the strongest seek to find their own

cures and the weakest are afraid of not being able to pull through, the Commission felt it was more than ever necessary to act, and in so doing to instil the necessary extra hope — because Europe will be judged not by its words and declarations but by its acts. The acts needed today are those which will help to overcome the crisis and move ahead into the future. Today I am convinced that faith in the future and faith in Europe coincide.

Working on that assumption we have tried to prepare for the creation of a genuine economic and monetary union and to solve the concrete problems which arise today. Why prepare for union instead of achieving it at once when it might seem that a few suitable decisions would suffice to achieve union? I would remind you that a full economic and monetary union must comprise several principal components: firstly, a single market without frontiers and centralization at Community level of the principal decisions of macro-economic policy; secondly, the adoption of a European currency which would surely enable Europe to play an important and perhaps even decisive role in restoring the order of the international monetary system, and finally, the endowment of the Community with the financial resources needed to discharge its tasks and responsibilities.

Such is our objective. But the Commission was obliged to recognize that it could not be attained immediately: too many divergent forces are at work, too many organic realities differ for it to be possible at this stage to centralize major economic decisions and introduce a single currency.

It is also evident that the progress towards integration which we all wish to see cannot be accomplished without parallel progress in the other areas of European union.

European economic and monetary union may not be feasible today, but it remains essential for tomorrow. The five-year programme which we have submitted to the European Council is designed to make achievement of this union possible in the longer term: the removal of the remaining barriers will be completed in a genuinely unified market; the convergence and harmonized management of economic policies will prepare for the centralization of decisions; the best possible monetary coordination and a return to more stable exchange rates are a prelude to more decisive progress in the monetary sector.

I therefore believe that this programme is an ambitious one as far as European construction is concerned and that it will make an economic and monetary union possible in the longer term. We must break down the barriers — and that is precisely what we are proposing.

While preparing for union, the Commission's proposals also make a contribution which can, I believe, be important in regard to some of Europe's fundamental problems. I want now to look at a few of those problems briefly.

**Ortoli**

The return to convergent economic policies is the first component of the five-year programme. We must move beyond simple cooperation in this sector. The effective interdependence of the Community economies rules out economic policies conceived and implemented in isolation and turns the Community into a structure of real solidarity. In this spirit we have sought to achieve three separate objectives: better control of the development of demand by making more coherent use of the instruments of economic policy and thus enabling a growth rate compatible with price stability and the progressive restoration of external equilibrium to be achieved; a reduction of the disparities between the economies of the Nine and the search for better internal monetary cohesion and greater stability of the exchange markets.

The attainment of these objectives does not of course imply the existence of identical policies or identical results. But it is quite clear that progressive harmonization of situations based on solidarity and discipline would enable the Community to move ahead again on the path of stability, growth and full employment which is our ultimate objective.

Completion of the market — the second component of our programme — clearly offers, if I may put it in these terms, protection against protectionism. It is a key element in our programme. It would also give economic operators in the Community further possibilities for development and better profitability as well as greater security arising from the existence of a market of 250 million consumers. A market on that scale would give our economies the effectiveness, power and external impact of a whole continent.

Is it not therefore apparent that by removing existing barriers — monetary compensatory amounts, tax frontiers and all kinds of other obstacles to free change movement — the Community would be helping to create again conditions favourable to investment, growth and better employment?

The third component of the programme concerns the modernization and adaptation of industrial structures in the Community and of energy policy. The Treaty gives the Community certain powers in important industrial sectors such as the steel industry. It is responsible for commercial policy and must see to it that its external relations do not have too direct an impact on certain sectors — I am thinking in particular of the textile industry. As you have seen, the Community has in fact acted in these two areas. Using the resources available to it and within the framework of its responsibilities it will continue its action in the sectors which require modernization and redirection.

But the Community's role is not simply to cure. It must also prevent and prepare. The market may change, competition may change and needs also change. Europe must not be frightened of such change. If it uses the advantages which are specific to it, the Community can successfully up to changes. To

this end we are proposing the implementation of policies which will prepare the Community's future and enable confidence to be restored among the economic operators; that is why we attach such importance to common action in the energy sphere and in growth sectors whose development will in the long run stimulate economic growth and employment. Confidence too among the workers who must be convinced that the efforts to overcome the crisis will be equitably shared. That is why it is important for the distribution of income to be improved, for workers to be assured of a minimum level of social protection and for a common framework of labour to be laid down. In this way we shall be able to prepare the future of the European economy.

The danger which faces us is that of delay and temporization, a risk inherent in any policy based on perseverance and continuity. But we have been obliged to note that it was impossible to progress more quickly and to adopt a different method. The success of our undertaking therefore rests essentially on political determination. Without that determination we are liable to become bogged down in discussions among experts which will never be brought to a conclusion or concluded far too late. Political determination necessitates a political method. That is a key element in our work. That is why we have asked the European Council to assess each year the progress made with the programme we have put to it and to give the political lead necessary for our progress forwards.

Let me now sum up. The content of the Commission's proposals is both realistic and ambitious: realistic because the Commission has not given in to the facile solution of putting forward targets which we all know cannot be attained in 1978. That would be a poor way to treat our citizens, the Member States and Europe as a whole. Europe will not progress with words, but by proving that it can help to overcome the crisis and unemployment.

Neither will Europe progress if it reduces its action to routine administration. That is why our programme is also very ambitious: ambitious because it places the goal in perspective and all our efforts will be organized as a function of that objective; ambitious because we reject morosity and pessimism and are seeking to lay the foundations of a new hope. Our aim is to prove that the crisis is not inevitable.

If the Community unites its forces and strides out resolutely on the path towards economic and monetary union it can win through. This is no charge of the light brigade! It is a stubborn process of hard work and difficult progression — but it is the only path open to us. We are not proposing a wonder cure because there is no such cure. Quite simply we are calling for a daily effort over a vast front, integrated into a programme ensuring cohesion and lightened by a shared vision of the future — a future made possible by such a programme.



**Ortoli**

Once we have passed through the narrow door I believe we shall be able to say that Europe and the Europeans have won the day; we are counting greatly on Parliament to help us to strike out forwards in our new combat and to show — as I said earlier — that there is a hope, that Europe is not dead and that we are not without a future — a future which to a decisive extent must of necessity pass through Europe.

*(Applause)*

**President.** — I call Lord Bruce of Donington.

**Lord Bruce of Donington.** — Mr President, I wish to make it clear that I speak for myself alone and not for my group in this matter.

Since April 1977, the Commission has had lying on its desk a report to which Mr Jenkins referred in his opening speech, a report of a study group headed by Sir Donald MacDougall, who is the Chief Economic Adviser to the Confederation of British Industry and a number of other distinguished economists drawn from various countries, not by any means confined to Europe. Since April 1977 this report has been on the Commission's desk, and is now available, together with an appendix, I understand, to Members of Parliament. One of the things that are proved conclusively by this report, which was very specific, is that there are a number of preconditions to the establishment of economic and monetary union. It suggests the adoption by the European Community of a series of measures of a fiscal character very similar to those adopted by the United States, first of all by its State and Local Fiscal Assistance Act of 1972, as amended in 1976, which carries forward its provisions to 1980. The broad general provisions provided for a comparatively minor redistribution of income on a European scale, and the study estimated that for an additional one per cent in the VAT contribution in Europe at the present time, a very considerable change could be made in the differences that exist at the moment between the richer and the poorer sections of the Community — Mr Brugha has already spoken of these increasing differences. It is quite clear to all those with even a rudimentary knowledge of economics that the rich parts of the Community are getting richer and the poor parts are getting poorer, and that unless some steps are taken to reduce the disparity, all talk of economic and monetary union is just so much pie in the sky. What has to be done first as a precondition of economic and monetary union even accepting that all the results from it that have been outlined by the President of the Commission do in fact ensue, is to reduce the economic divergence which at present exists and to which he himself in his inaugural speech referred.

I would suggest that discussion of economic and monetary union — and I have no doubt much discussion will take place over the next few months — is, to

say the least of it, premature. This is the typical attitude of the Commission. Every now and again it comes up with its offer of distant vistas. These were expressed very eloquently by Mr Ortoli as well as — in perhaps slightly more cogent terms — by President Jenkins himself; but we do not require at this stage to have our minds once again directed to distant vistas. What is required in Europe are practical steps which are necessary for the people of Europe themselves, and which in themselves *may* produce the essential preconditions, and will certainly produce more advantageous conditions, under which economic and monetary union *may*, if it is thought desirable, be accomplished. Will, therefore, the Commission please get down to the question of practical action now in order to reduce the disparity? Why has it not already made available its own detailed observations on the report to which I have referred? Why has it produced no detailed proposals either for implementation or even for discussion so that Parliament and Europe have something definite to bit upon? This talk of distant vistas is not going to get Europe any further. It may help us to regain our courage, it may help to make us more optimistic, it may act like a sort of heady wine to make us think we are doing much better; but the next day the hangover will bring back the cold, harsh realities of life, and the cold, harsh realities of life demand practical action. What we want from the Commission is not the distant vista: we want a plan for tomorrow, the day after tomorrow, next week, next month, the next three months, next year. This is what we require from the Commission. Now if this debate results in the publication and wider dissemination of this document, its circulation among committees, its accompaniment by an explanatory memorandum from the Commission, this will get us a little further and in the end it may well be found that a redistribution of public finance through the budget on a modest scale may produce the conditions in which it is possible for us to continue further. But I warn President Jenkins that even the very modest step proposed in this particular study will need an amendment of the Treaties and as soon as the need is raised to amend the Treaties, an amendment to send the ceiling of finance above the one per cent, cold shudders will run down the spine of practically every member of the Council.

These then, are the practical battles that lie ahead and if the Commission address themselves to these battles, I for one — I cannot speak for my colleagues — will support it.

**President.** — I call Mr Cousté.

**Mr Cousté.** — *(F)* Mr President, the title of this debate 'Commission statement on economic and monetary union' is most appropriate. It is the first phase of a more wide-ranging debate. We have not in fact

**Cousté**

debated the problem in depth. Why? Because — unless I am mistaken — Parliament is not acquainted with the five-year programme submitted to the European Council. There is a problem of procedure here and when Mr Jenkins and Mr Ortoli say that they need the European Parliament's support, I would answer: yes, you are quite right, you do need our support but that is all the more reason for us to be told about your exact proposals. I listened carefully to all that Mr Jenkins said and, if I may say so, he simply amplified the seven points which he had already made on 27 October in Florence. Mr Ortoli's speech showed how the matter has progressed since 27 October and the beginning of our debate on economic and monetary union when he outlined the main strategy of the five-year year programme presented to the European Council and adopted by the latter.

Mr President, it is therefore important for us — and that is why I am speaking after Mr Brugha who addressed this House on behalf of the Group of European Progressive Democrats — to make a proposal concerning the procedure to be followed, in other words to give the parliamentary reply which the President and Vice-President of the Commission expect of us. Regardless of the committees to which we belong, we must make a detailed and immediate study of all the suggestions contained in the five-year programme. That programme in fact goes beyond the terms of reference of the Committee on Economic and Monetary Affairs to which I myself belong. It goes much further because it raises the problem of a political act: in other words it concerns the Political Affairs Committee; but it also necessitates a full understanding of the social and agricultural consequences so that it concerns the Committee on Social Affairs, Employment and Education and the Committee on Agriculture. In fact all of our committees are concerned by the general problem of economic and monetary union, and I believe that the Bureau should consult them so that they can submit a report in a wide-ranging debate.

My view seems all the more well-founded as Mr Jenkins's statement in Florence was made with an eye to direct elections to our Assembly in May or June next. We now know that the deadline will not be met. I regret that fact because our country was ready, and remains ready, for direct elections at any time; those elections are indispensable. But now that we know the elections cannot be held next May or June for reasons that are perfectly comprehensible let us not hesitate to consider the problem of economic and monetary union.

As Mr Ortoli has pointed out the problem arises not only for positive reasons but perhaps even more so for the negative reason to which he referred which seems to me to pose a threat to the existing achievements of

our Community, without which no revival of economic and monetary union can be possible.

It is precisely because I am so deeply aware of this situation that I wanted in the name of this Parliament to answer the appeal made to us so that everyone will know that the Commission's studies and proposals and now the efforts of the European Council to reach a decision, will not remain without an echo among the people of our Community; without waiting for direct elections we in this Parliament want to see the Europe of speeches become a Europe of action with the idea of economic and monetary union translated into reality.

**President.** — I call Sir Geoffrey de Freitas.

**Sir Geoffrey de Freitas.** — Mr President, I have two questions which are often asked. In view of the time, they are concise and not, I hope, over-simplified. How far does the Commission regard the need for greater convergence of economic performance, and not merely of economic policy, as a precondition for economic and monetary union? Or does the Commission think that monetary union would compel economic convergence? And the second follows from something that Lord Bruce said. How should regional policies be developed so as to bring about greater transfer of resources from the wealthy areas to the poorer areas? Is a new mechanism needed?

**President.** — I call Mrs Ewing.

**Mrs Ewing.** — Mr President, while, of course, I appreciate the total consistency and sincerity of Mr Jenkins throughout his political life on the matter of economic and political union, I would like it to be clear that, although many speakers speak as if all of us here were agreed that this is desirable, that is not necessarily the case. As a Member of the United Kingdom parliament, it frequently appears, to me at any rate, that the official policy of Her Majesty's Government at the present time is not in favour of EMU. And I would like to put it on record that one could be totally in favour of the European ideal politically, one could, for example, welcome enlargement with this in mind, but it does not necessarily follow that one must be committed to EMU, and I certainly am not so far.

I listened with interest to Commissioner Jenkins' statement and I liked what, it seemed to me, was a statement of aims, but I would make the criticism that they were really being claimed as achievements. I listened carefully, but I couldn't exactly follow how such things as a reduction in unemployment, a reduction of inflation, an increase in the growth rate, were to come about. It seemed to me that it was a catalogue of aims rather than justifiable claims.

It seemed to me also that some idea of creating a kind of economic super-bloc for its own sake permeated

**Ewing**

the speech. I remember once, when I was a total opponent of the EEC and all its works, reading an article in the *'Economist'* which was headed 'Stealthily a superpower'. This article set out to explain how it is necessary to offset the 230 million consumers in our area against the large market of the Russian bloc and the American market. The American dollar is declining, and I wonder whether the aim of all this, far from the high-sounding idealistic motive claimed, is not just to lessen the ability of the dollar to manipulate the world economy. And, if that's what it is, shouldn't we be quite frank and face it for what it is? It doesn't seem to me at any rate to have any particular nobility in it. I would like to ask President Jenkins whether it is not true that this can really be achieved only through the oil industry and our hopes of doing what America hasn't been able to do, which is to reduce our dependence on oil imports. Is that not really what it comes down to?

On the question of enlargement, I would also like to ask President Jenkins if this will not hinder enlargement. Some of us do approve of enlargement for political reasons. I myself feel that the achievement of democracy in Spain and Portugal in recent years has been the most exciting event of the last five years and I can see political advantages for us all in encouraging these countries along the line of Western democracy, but I feel that EMU might hinder enlargement. As far as enlargement is concerned, I see political advantages in separating the political and the economic.

Something has been said already about regional imbalance. Will this EMU policy, if introduced quickly, not hinder the reduction of the tremendous imbalances which we see in peripheral parts of the Community? Would we not do better to get rid of the regional imbalances? Here I would like to agree with the remarks made by Lord Bruce — would we not do better to tackle that and then, once we've done that, have a look at Mr Jenkins' dream, if I may call it that?

Mr Jenkins spoke about favouring business. Perhaps we should take him up on this too and suggest that it might be the big business he had in mind rather than the small business, which is at the heart of the areas that do suffer from regional imbalance. It is the small business which keeps communities in under-populated areas going. If I might mention the case of Scotland, we have six times as many small self-employed people per head in Scotland than, for instance, even in England. And we have of course, as will be known, many imbalances and many sparsely-populated areas.

Also, we keep being told that we are to be treated already as if we were a directly-elected Parliament. Well, I'm all for a directly-elected Parliament, because I do think that if you are going to have a democratic institution, it should be as democratic as possible. But there is no doubt in my mind that EMU would create

more centralization and more bureaucracy and I really wonder if that wouldn't have the opposite effect to that which many of us here would like to see, namely, an increase in the powers of this Parliament at the expense of the Commission. Perhaps, of course, the Commission does not like to hear that, but I don't see much point in going ahead with direct elections, unless the result of it is that we in Parliament initiate legislation that comes before us rather than leaving it, as we have to do perforce in the present part-time system, to the Commission to initiate. But I can see EMU as creating further centralization and further bureaucracy without necessarily leading to any improvement in the situation of this Parliament.

Lastly, Mr Jenkins said it was better to succeed together than fail alone, and there is some inherent idea that big is beautiful. We all know, of course, that everyone is interdependent. I remember that when there was a British devaluation, Denmark devalued shortly afterwards. We all know that this is the interdependent world in which we live, but because we keep saying that, it doesn't mean that we can't look at the case where small is beautiful too and see a country outside this Community, like Norway, a country with a very similar economy to that of Scotland and a very similar set of resources, only less, indeed, than Scotland's, which manages to curb, to a great extent, inflation and price rises in a way that we have not been able to do in the Community.

I leave these few thoughts with the President of the Commission, and perhaps he will reply.

**President.** — I call Mr Prescott.

**Mr Prescott.** — Mr President, I simply wish to congratulate Mr Jenkins on what was an excellent presentation of the ideas contained in his Jean Monnet speech, which I very much enjoyed reading. It was both clever and comprehensive, but I feel that it did not fully take into account what I consider to be the priorities.

I think that if one is to judge the success of economic and monetary union, or indeed the importance of pursuing such a policy, it is important to consider what contribution it makes to the problem of unemployment and the inequalities that exist in our society, because today, more than ever before, it is a political economy we are talking about. Yes, Mr Ortoli, if we were to adopt the criteria embodied in both contributions, it would be a monetary advance, but that is not the question for this House, or, indeed, for myself as a Socialist. What I do question is the concept that economic and monetary union would somehow affect the inflation rate, with a consequential effect upon growth and investment and thereby jobs. I think the idea that fluctuations in exchange rates and the balance of payments disequilibrium have affected the rate of growth is one that is highly questionable, though it can be proved, I think, to some extent in

**Prescott**

some countries. Equally, however, we can point to countries such as Germany, which have not had either of these problems but have opted to concentrate on the effects of inflation rather than the level of employment. This itself, however, has had a consequential effect upon the level of employment.

In view of the time, I simply wish to make the point that in the new economic order, when one needs the kind of radical change Mr Jenkins talked about I think we have to consider other causes of inflation, which he mentioned without giving them sufficient attention, and their effects upon investment. For example, take the concentration of companies to which the Commission's own reports have referred: 350 companies concentrating 50 % of industrial production. These companies may be on a national or an international level. However they might be affected by inflation or exchange rates they would still have the advantage of competing against each other in other markets.

Time doesn't allow me, Mr President, to develop those arguments. There are many arguments in Commissioner Jenkins' statement that we must pursue. However, I personally am very much against the idea it is something that would require a change in the Treaty anyway — of centralizing power in a kind of European IMF. Frankly, the existing IMF has done nothing to improve employment prospects in the countries where it has operated. It may be sound economic judgement by today's standards, but my yardstick today, as a Socialist, is what it does to the level of unemployment. Therefore, to my mind, Mr President, it's the wrong analysis, at the wrong time and for the wrong reasons, and I hope in further debates to have opportunities to prove those points.

**President.** — I call Mr Jensen.

**Mr Jensen.** — (DK) Mr President, it was with some surprise that we received a document half an hour ago on the important problems of reviving economic and monetary union which contains many constructive suggestions. But a quick look at the motion for a resolution tabled by the Christian-Democratic Group shows that it fully supports economic democracy at places of work as outlined in II paragraph 5. I have some doubts however about letting workers having a share in the capital without also having a share in the responsibility. I would also point out that decisions on worker participation in the management should be taken on a voluntary basis.

**President.** — I call Mr Jenkins.

**Mr Jenkins, President of the Commission.** — I will endeavour to reply briefly, because I have already spoken at a little length to some of the points which have been raised.

I will begin, if I may, with the question specifically posed by Sir Geoffrey de Freitas. His first question,

and it was a precise question, was: how far do I, on behalf of the Commission, consider greater convergence of performance as a precondition for monetary union? What, in my view, is the case is that it requires a great deal of common policy and common discipline within the governments of the Community. And I believe that, on the whole, for reasons I gave partly in answer to an intervention from Mr Prescott earlier this afternoon, there is now a much wider acceptance of the need for common policies and common disciplines than was the case a few years ago. I also believe there is a need for a feeling of confidence that differences in performance will not increase, and that there is a very good chance of them being narrowed. But in order to move towards economic and monetary union, I do not think it is necessary to presuppose the achievement of an equality of performance throughout all the different parts of the Community. And, indeed, if that was so, then we ought to give up talking about economic and monetary union, because it will be a very long time indeed, before we will see an exact equality of performance between the different parts of the Community. Indeed, even monetary unions which have worked, and worked effectively and worked to be benefit of both those areas which were richer and those which were less rich in the past, have not required such a prior equality of performance within the monetary union which has been created. Therefore common policies, yes; a strong movement towards convergence, yes; a feeling that there are benefits for the varying parts of the Community, yes; but a complete equality of performance, no.

Now I turn from that, which partly embraces Sir Geoffrey's second question also, to some points which were raised by Lord Bruce. He advised the Commission with that great eloquence which he always commands in this House and which I remember his commanding in the House of Commons twenty-five or even thirty years ago, when we were young backbenchers. He gave the Commission great admonishments about dealing with the practical, dealing with the next few months, dealing with the next few years, and not giving any sense of direction or vision or ultimate purpose. The Commission is dealing with the next few months, the Commission is dealing with the next few years, the Commission is dealing with a rolling five-year programme. The Commission has put forward proposals on all these points. The Commission has in no way sacrificed immediate problems to the day after tomorrow.

What I must say equally to him and to this House is that it is my conviction that we are more likely to be able to make practical progress from month to month, and year to year if we do that within the framework of a sense of direction and further purpose than if we do it without such a sense of direction and purpose. And I think, if I may say so with the greatest respect, that he is more impractical than I am. Because he calls

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upon me to secure elimination of regional differences, to secure the implementation of the MacDougall report, and to do it all without any great sense of direction or of purpose. I think he knows as well as I do — and we agree very much in our approach to budgetary matters — that the key to making progress is to get governments to feel that there are benefits for all governments and for Europe as a whole.

And I come back to what I said in my speech at the beginning: that I believe that Europe will only be able to make major steps forward with policies which can be seen to be to the benefit of both the stronger and the weaker economies. If it is merely a transfer of resources, without any advantages of integration, convergence, of ultimate purpose, then you will not get the transfers which are necessary in order to solve the problem which he poses.

Equally I say in answer to Mr Prescott, who raised the problems of unemployment and said: yes we do have unemployment in the strong economies as well as in the weak economies. That indeed is true. Unemployment at levels that we did not experience until recently are one of the more common features of the European economies as a whole at the present time. They differ substantially in rates of inflation, they differ considerably in their balance of payments situation, they differ somewhat in their rates of growth, they differ a little in their unemployment position, but the unemployment position is much more a common feature. But I did endeavour — because I know he follows these things very closely — in the course of my speech, to explain exactly how it seemed to me to be the case that strong economies in one way, and weak economies in another way, were locked in at the present time, and both of them were imprisoned in a position in which neither of them could move as effectively as we would all like to see happen.

And I believe profoundly that it is the case here that if we are to escape from the present crushing unemployment problem, from the lack of confidence in Europe, from the lack of a strong investment drive, then we need a combination of the practical, day-to-day, year-to-year measures which we are pursuing, and in which we achieved considerable success. We have had considerable successes with sectoral policies, we have got the new Community loans facility; these are not the enemy in any way of a broader policy, nor is a broader policy the enemy of these practical steps. But we have to look for some unlocking of this door which at present is remaining stubbornly locked, so far as giving a new impulse to the growth and forward movement of Europe is concerned.

Points were raised about the international currency implication of these matters. This again I endeavoured, obviously not being able to go into it at great length in the course of my opening remarks, to develop. I see nothing ignoble or wrong in wishing to see Europe play a larger part in world monetary affairs

than is the case at the present time, in which we have a great deal of monetary strength but are not remotely comparable with the strength of the dollar, even when the dollar is weak, with the ability of the dollar to withstand difficulties, because the dollar is united and we are not. I see nothing ignoble about being willing to take one's share of the burden, so far as this is concerned and I have found Mrs Ewing's argument, that it was only because of Scottish oil that we were able to contemplate this, a little mysterious. Because of course if we take Europe on the one hand and the United States on the other hand, the United States has incomparably greater reserves and greater ability to meet its own energy needs internally than does Europe as a whole at the present time. So there is not a sharp distinction there at all.

What is crucially important here, and what I think the two interventions of Mr Ortoli and myself have underlined and kept in balance, is that what we must have is an effective short to medium term programme: know what we are doing in the next year, know how we go from there to the few years after that. But we must see this absolutely firmly in the framework of a longer-term objective, because it won't make sense without the longer-term objective and even if it makes sense, we will not have the political will either on the part of governments or people or of Parliament, to go forward and take the longer-term view unless we show them the direction in which it is leading.

Now I do not regard this as in any way contrary to the desire for enlargement. I believe, and have stated on a number of occasions, that I regard enlargement as a political imperative for the Community, that we would be betraying our democratic purpose if we failed to give a warm and encouraging response to the political needs of the applicant countries. But I also profoundly believe that it is highly desirable that that enlargement should not lead to a weakening or a dilution of the Community. I know that that is the view of the great majority — not all perhaps, but the great majority of people in this Parliament. I know too, which is not without significance, that it is very strongly indeed the view of the governments, and I believe the peoples of the applicant countries themselves. The heads of their governments have stressed to me directly on several occasions their great desire not to come into a weakened Community. The Prime Minister of one of those countries said: I am not going through the trouble of resigning from EFTA, taking my country out of EFTA, and the difficulty of joining a new Community, in order to discover at the end of the day that I am only joining a new EFTA. And we will not provide the political sustenance which is the central purpose of enlargement, unless we strengthen the bones and the sinews of our own Community in the period between now and the date of enlargement. Far from there being a contradiction here, the fact that the prospect of enlargement is

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there, is necessary, is desirable, is to my view additional reason for seeking to strengthen, by means which certainly are imaginative and open up the future, but are not Utopian either, our essential cohesion within the Community. I believe that we have been debating one such this afternoon. I believe that in this Parliament we will need to debate this issue on several occasions in the future and I believe that there are many people who have not spoken who will wish to speak. And we will certainly — I speak on behalf of the whole Commission here — welcome a continuing exchange, a continuing debate on these matters which are vital to the future of Europe.

*(Applause)*

**President.** — I call Sir Geoffrey de Freitas on a procedural motion.

**Sir Geoffrey de Freitas.** — Mr President, through you I wish to ask formally that the Bureau holds a post mortem on this discussion. I don't say a debate, because it wasn't a debate — this discussion. The time allowed was totally inadequate. We misjudged it, and as a member of the Bureau, I share some of the blame. It was not fair to Mr Jenkins, not fair to the Vice-President, Mr Ortoli, and not fair to Members of this House. I hope we never repeat this. I hope we learn from today. I ask you, as I said formally, to ask the Bureau to hold a post mortem.

**President.** — I call Mr Rippon.

**Mr Rippon.** — I have very much the feeling that we should and could have given this a great deal more time. I know certainly that there are members of my group who, if they hadn't believed that the time was going to be limited strictly to an hour, including all the speeches, would certainly have wished to contribute. And I certainly would have wished myself warmly to endorse what President Jenkins has said to us today, but we can't have a debate of this kind so limited in future. We have heard a major speech of great importance. I think perhaps it won't matter in the long run, because it is clear the Bureau must now make appropriate arrangements for us to discuss this subject very thoroughly, and perhaps, if I may say so, follow up the suggestion made by Mr Cousté that the whole subject should be referred by the Bureau to the appropriate committees for further consideration and report, so that we can give if necessary a whole day to a discussion of this kind.

*(Applause)*

**President.** — I call Mr Radoux, also on this same procedural motion.

**Mr Radoux.** — *(F)* Mr President, it is always best to try to turn an unsatisfactory situation to the best possible advantage. I think that if we had been informed in advance that Mr Jenkins and Mr Ortoli

were to make the kind of speeches they did followed by a lengthy debate, our answer might well have been: please give us time first to study the matter.

I agree with Sir Geoffrey de Freitas that it is perhaps not such a bad idea to take up one hour of our time and that this exchange of views has shown the need for a very lengthy debate. That will, I think, have encouraged us to give close attention to the statements by the President of the Commission and by Mr Ortoli; all the necessary time can be allowed later for discussion in committee and in the House.

**President.** — I take note of the statements by Sir Geoffrey de Freitas, Mr Rippon and Mr Radoux, and I shall arrange for this matter to be considered in detail by the Bureau. The Bureau had already decided that this item would be the subject of a one-hour debate, and the Members who have now raised this point were present when that decision was taken. I am not reproaching them on that account, for I can well believe that we have all come to view the matter differently in the course of this debate, since it is now clear that many of us would have liked a much longer time. I shall therefore submit the comments that have been made to the Bureau with a view to holding a longer debate at an appropriate time.

I declare the debate on the statement by Mr Jenkins closed.

## 11. Documents received

**President.** — I have received from Mr Müller-Hermann, Mr Klepsch, Mr Notenboom and Mr Deschamps a motion for a resolution (Doc. 496/77) on behalf of the Christian-Democratic Group, pursuant to Rule 25 of the Rules of Procedure, on the revival of economic and monetary union. This document has been referred to the Committee on Economic and Monetary Affairs.

## 12. Urgent procedure

**President.** — I have received from Lord Bruce of Donington a report (Doc. 495/77) on behalf of the Committee on Budgets, with a request for urgent debate, pursuant to Rule 14 of the Rules of Procedure, on the proposal to transfer appropriations from Chapter 100 to Item 3710 of the general budget of the European Communities for 1977.

I shall consult Parliament at the beginning of tomorrow's sitting on the adoption of urgent procedure.

## 13. Anti-smoking campaign

**President.** — The next item is the oral question with debate (Doc. 477/77) by Mrs Squarcialupi, on behalf of the Committee on the Environment, Public Health and Consumer Protection, to the Commission of the

## President

### European Communities, on Community policy against smoking :

The serious harm which smoking causes to human health becomes more evident every day, as unanimously borne out by scientific reports compiled all over the world. Among smokers there is a worrying increase in lung cancer, bronchitis, emphysema and cardiovascular diseases, while the effects of tobacco consumption by young people and expectant mothers appear ever more serious.

In view of the increasing number of deaths recorded among smokers, of the serious effects on people's health, and of the high costs all states have to pay for the smoking habit, does the Commission not consider it desirable to wage a vigorous campaign against the consumption of tobacco and its effects? in particular does it not consider it essential, without delay :

1. to harmonize legislation in the Member States with respect to restrictions on smoking and regulations governing the sale of tobacco ;
2. to ban from all the mass communications media any publicity whether open or surreptitious, in favour of smoking ;
3. to study and apply effective methods of health education designed to discourage people (particularly the young) from smoking ;
4. to organize a large-scale programme for
  - (a) research on less harmful varieties of tobacco or substitute products ;
  - (b) study of diseases caused by tobacco on its own or in combination with other pollutants ;
  - (c) research on more suitable ways of combating the harm caused by smoking to human health ;
  - (d) the adoption of measures to support any countries that take steps against smoking.

I call Mrs Squarcialupi.

**Mrs Squarcialupi.** — (I) Mr President, this question on Community policy against smoking is being discussed in the European Parliament at a time when all the communication media are giving their attention to the subject. It is not a question of fashion but a real necessity ; the alarm must be sounded ; scientists are increasingly numerous and unanimous in their denunciation of the dangers of smoking.

We are not proposing in our question the adoption of protectionist measures but simply a campaign of prevention and education. Various international bodies which carry great weight have made their views known before us : the World Health Organization with a programme of legislative action to combat the risks of smoking throughout the world, the Council of Europe and, most recently, the Consumers Advisory Committee of the EEC.

The phenomenon of smoking is spreading ; it is spreading increasingly among young people and women. Allow me to quote statistics on which the

various sources are unanimous : in twenty years the number of smokers has more than doubled and, in some cases, even tripled or quadrupled. Smoking has caught on especially among young people and women — the weakest groups of society — because it is seen as a symbol of virility for men and femininity for women, as a sign of strength of character, maturity and success. My own view as a woman is that it is absurd to consider a woman who smokes as emancipated and free. We must therefore seek to establish true social values again and try to give real content to individual life after destroying false models. That is a long-term task which will not be completed simply by controlling publicity.

In Italy tobacco advertisements were abolished as long ago as 1962. However, the hoped-for effects have not been achieved because a subtle and clandestine form of advertising has appeared, fostered by the growth of international exchanges and communication. Advertising which is prohibited on our own state television is permitted on the many television networks in other countries which can be received in Italy. The same holds good for newspapers and magazines. In short the prohibition of advertising has not proved effective because it has not been reflected in education and preventive measures.

The statistics on the increase of diseases attributable to smoking are impressive : first of all comes lung cancer, followed by chronic bronchitis, Burger's syndrome, heart disease and gastric ulcers. In some cases smoking causes direct damage, while in others the damage occurs in conjunction with other toxic substances, such as asbestos, which we discussed at our last part-session. All these nefarious effects can be reduced through preventive measures and at a cost which may be considered minimal in relation to the cost to society — in terms of health and money — of the diseases concerned. A study carried out in Italy has for example shown that through preventive and health education measures the lives of at least 1 000 people could be saved over a period of five to ten years. According to the calculations, each of those human lives would cost 300 units of account. In other words, the investment would be highly profitable, and our question therefore calls for measures of support for those Member States which take action against smoking, and which might sustain a loss of revenue by doing so.

A word now about young people : young men and women are smoking far more today ; they seek maturity through cigarettes. An American study has shown that when both parents smoke, 33 % of young people begin to smoke also at a very early age. The corresponding figure is 25 % where only one parent smokes and 15 % if neither parent smokes. One fact noted in every country is that the percentage of smokers does

**Squarcialupi**

not increase after 19-20 years of age. Consequently, action must be taken sooner: in the schools and barracks and in sports clubs, using all possible means of communication.

We have referred to direct and indirect publicity and to the detailed studies on smoking and on the diseases which result from it; may I now consider briefly the raw material — tobacco. By careful selection of the tobacco varieties it is possible to reduce the nicotine content and above all the tar level, without changing the taste of the tobacco, except to a minimal extent. If the tar content of each cigarette could be brought down to an average of 8-10 mg, smoking would be much less harmful — twenty years ago every cigarette contained an average of 30-35 mg of tar. By reducing the tar content to 8-10 mg we would hope to save the lives of at least 40 000 persons in the Community.

In conclusion, may I remind you that the Consumers Advisory Committee has pointed out that more people are killed by tobacco than by road accidents. Here I would stress a further point made by the Advisory Committee, which is that while some 43 directives on road traffic have been adopted since the foundation of the Community, there has not been a single directive on smoking. On behalf of the Committee on the Environment, Public Health and Consumer Protection I venture to hope that Community legislation will be enacted in this area or at least that the current legislation will be harmonized, because we, as politicians, cannot disregard a phenomenon which is spreading through the Community and is an ever-increasing threat to the health of its citizens.

**President.** — I call Mr Vredeling.

**Mr Vredeling, Vice-President of the Commission.** — (NL) Mr President, I am pleased that the question put by Mrs Squarcialupi gives us the opportunity for further discussion of the subject of tobacco and its consequences for human health following a similar debate in this Parliament last year. I can now tell you that the Commission has in the meantime been keeping a careful watch on the debate in progress in the Member States; our services are making a detailed study of all the problems associated with the use — or misuse — of tobacco. We know that estimates have already been made in some Member States of the number of persons who have died as a consequence of smoking — especially through cigarette smoking — and of the social costs of smoking as such. Mrs Squarcialupi quoted a number of figures just now. Mr President, all the figures with which we are familiar in this area are indeed alarming.

We all know that there is a correlation between the use of tobacco — especially cigarette smoking — and the occurrence of cancer. Opinions differ, however, on the extent to which there is an absolute correlation, having regard to the effects of other dangerous substances. A number of unknown factors are also

present, but there can be no doubt that the correlation exists.

Cigarettes are an item of consumption and a social habit which, given their known consequences, should really no longer be tolerated and which we should no longer accept as a normal part of our pattern of life. I am able to inform Parliament that this matter was placed on the agenda of the first meeting of the Council of Health Ministers held last December when a detailed exchange of views took place. One notable fact was that — without any prior agreement — when we opened the discussion those present who are normally addicted to the habit of smoking automatically stopped. That was a significant phenomenon which shows how seriously the matter is taken.

Mr President, the Ministers meeting on that occasion asked the Commission to prepare a report on the situation in the Member States and on the measures that might be taken at Community level — because that is of course the issue here. We know what measures are possible. Mrs Squarcialupi has already drawn attention to a number of measures taken at national level. The question now is what we can do in the Community. That is why the Commission has been asked to make an inventory of the action already taken in various areas in the Member States from which conclusions may be drawn for a subsequent meeting of Health Ministers which will, I hope, be held this year.

The Commission has taken up the Council's request because we want to discuss in detail a matter which is of extreme importance with a view to determining what action can be taken at Community level. In our studies of this subject we shall take account of all the data from the Member States. We shall give particular attention to the Council's question as to whether there can be substitutes for tobacco. A great many studies have already been completed, and I have told you that we are collecting the data in order to arrive at a kind of synthesis, a comprehensive summary of the consequences of smoking for human health, with particular reference to the epidemiological, toxicological and behavioural aspects. The Commission itself has carried out a number of studies in order to determine the criteria for the effects and inter-relationship of a number of toxic substances which are found in tobacco.

Mr President, I have answered the question to the best of my ability; you will have seen that the Commission is aware of the serious nature of the problem and is acting accordingly. My colleague, Mr Burke, will now answer on a number of other aspects which fall more specifically within his terms of reference.

**President.** — I call Mr Burke.

**Mr Burke, Member of the Commission.** — Mr President, I rise to answer those aspects of the question which have a direct bearing on consumer affairs. Mrs



**Burke**

Squarcialupi in her contribution referred to the opinion of the Consumers' Consultative Committee on Community legislative measures concerning the harmful effects of tobacco. I am pleased to be able to inform the House that I shall make available to the President of Parliament for transmission to the appropriate committee this opinion of the Consumers' Consultative Committee, and I hope that it will in fact help the deliberations of that committee.

The five fundamental rights embodied in the preliminary programme of the European Economic Community for consumer protection and information policy are the following :

- (a) protection of health and safety ;
- (b) protection of economic interests ;
- (c) redress ;
- (d) information and education ;
- (e) representation — that is, the right to be heard.

The problem of tobacco impinges to a greater or lesser extent on all these rights. We have all noticed that, with some exceptions, tobacco consumption is tending to increase. In particular, young people tend to begin smoking earlier in life. I am aware that the statistics in certain Member States have recently begun to show a reduction in the consumption of tobacco products ; but the overall tendency is for consumption to grow. As far as foodstuffs are concerned, public authorities are concerned to ensure that a product is not harmful before it is allowed onto the market. The situation in relation to tobacco is completely different. Smoking is profoundly rooted in our habits. It is therefore necessary to develop a medium or long-term strategy to combat the harmful effects of smoking on human health.

Given the short notice which we have had of this question, to which my colleague already referred, the Commission is not in a position to outline such a strategy here and now. I would like, however to suggest that the basis for future action might be the following, while emphasizing the fact that any action must, for practical reasons, respect the necessary balance between the efforts deployed by Member States and those which may be undertaken at a Community level, and we must always bear this particular fact in mind.

As far as point 1 of the question is concerned, it could appear highly desirable to restrict the sale of tobacco to minors. Nevertheless, it should be clearly understood that the effects of any restriction in this direction are difficult to check and that sales through automatic vending machines may rob such a restriction of its intended effect. According to information at our disposal, the Swedish government envisages banning the use of automatic machines to sell tobacco by the end of this decade. The Commission, in conjunction with the governments of the Member States, will care-

fully consider whether the Community could follow this example. Furthermore, the Commission will, with the Member States, have to examine possible measures to restrict consumption such as an extension of the prohibition of smoking in public places.

As far as point 2 of the question is concerned, the Commission will present to the Council a proposal for a directive on tobacco advertising as soon as possible. I cannot today indicate what the content of this proposal might be ; in particular, I cannot state whether the Commission will propose a complete ban on all advertising. This will depend very largely on our discussions with governmental experts from the Member States.

I would like to underline the fact that all the evidence indicates that the problem of the harmful effects of tobacco cannot be solved by a simple prohibition of advertising or by restrictions on sales. A permanent change in the smoking habit can be brought about only by convincing education and information campaigns carried out over a long period of time. The balance of responsibility for such campaigns between the Member States and the Community authorities must be carefully examined.

There has been some discussion of the effects of taxation on the level of tobacco consumption. Speaking as the Commissioner responsible for taxation matters, I would inform the House that the Council has invited the Commission to submit a report on the conclusions to be drawn from the levying by the United Kingdom of a surtax on certain cigarettes with relatively high tar-yields. In this connexion, the Commission intends to carry out two studies on the relationship between the tar content in cigarettes and the effects on health and the establishment of the most accurate methods for measuring tobacco pollutants, in particular as they relate to the tar-content of tobacco. The results of these studies will form part of the report requested by the Council on the United Kingdom surtax.

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

**Mr Nyborg.** — (DK) Mr President, may a smoker, and a heavy one at that, also say a word. I am afraid that if we convinced everyone to stop smoking within a fortnight it would be a shock for many governments in the Community, since they would lose the enormous income they have from tobacco taxes ; at least in my country it would be something of a catastrophe, and I am quite sure that it would give the government a tremendous headache. But let us not make that the deciding factor in approving of smoking or not. I quite understand the desire to protect non-smokers — I think it is only fair and proper — but we should beware of introducing too many restrictions against people who have fallen into the habit of smoking. It

**Nyborg**

surely cannot be the intention for the state to act as nursemaid to each citizen and decide how much or how little he should smoke, when he should go to the toilet, what his bedtime is, how many sweets or chocolates he can eat, and so on. It is quite in order to advertise the harmful effects of tobacco. I would accept it as quite reasonable if Parliament were to decide that there should be no smoking at committee meetings. I would find that quite reasonable, even although I am a smoker because a smoky atmosphere is not pleasant to work in. But we all suffer from the same disease; if we see one person lighting a cigarette or cigar at a committee meeting, it is not very long before half the people present are also puffing away. It is like an infectious disease. But it is a fact that for every four non-smoking train compartments in Europe today there is only one compartment for smokers. I could not accept a reduction in the number of smoker compartments in these trains from one to zero. We could go on about this for hours, but I would conclude by saying that the group of European Progressive Democrats want to protect personal freedom as much as possible.

**President.** — I call Mr Spicer to speak on behalf of the European Conservative Group.

**Mr Spicer.** — Mr President, I speak on behalf of my group but quite obviously, with some notable absences. Moreover, I do find it a very rough form of justice, Sir, that you, above all people, should be occupying the Chair during this debate, because we've all spent many happy hours wreathed in the fumes that you push out from your cigars, which are very strong and very powerful indeed.

*(Laughter)*

We have come quite a long way on this, haven't we, since 1976. In 1976, Commissioner Hillery was saying quite clearly that this was something which should be left for the national governments to decide exactly what line they should take; but now we know that the Commission is to draw up a report on anti-smoking campaigns within the Community. I am certain that I shall find support in all quarters in this House if I say how much we welcomed Mr Burke's statement to this effect and the lines on which that will proceed. But we do face a problem and I think we should accept that it is a major problem, because we have to decide, if we are going to take action, what we are to base that action upon, and what part of the original conception of the Community we can tie it into. I suppose all we could really tie it into is that part which says that we must look for a constant improvement of the living and working conditions of the people of the Community. But in my view, Sir, we must be very careful how we move. I hesitate to quote the United Kingdom here, but I believe there is much more scope for action if we concentrate on the second part of the question, regarding the prohibition of cigarette advertising.

Over the last three or four years, certainly in the United Kingdom and, as Mrs Squarcialupi said, in Italy as well, there has been a steady movement away from advertising cigarettes on television. We all know the sort of advertisement that we used to see: if you want to get the best girls you've got to smoke these cigarettes. Well, that has disappeared from our screens, and in fact there is now a total ban on people smoking at all in cigarette advertisements in the United Kingdom, whereas in other parts of the Community people can still be seen working on the old assumption that the more cigarettes you smoke, the more girls you attract and the happier your life is going to be. Well, we know that is not the case, and I believe that this is the key point; it is an area where you can only move fairly slowly, as the Commissioner said, but you will achieve the best results by doing it this way.

Then, if I may make two suggestions to the Commission, I think it would be well worthwhile — and I'm sure it will be done — to collect evidence of the tar and nicotine yield of cigarettes and include that data in any documentation that is produced. And then, as the Commissioner has said, and I support that fully, to examine the effects of tobacco taxation on consumption. Because certainly the experience in the United Kingdom has been that this has moved people on to a low-tar-yield cigarette and away from the high-tar.

Finally, if we are going to bring increasing pressure to bear on people who live within the Community, recognizing as we do the effect on health, there surely can be no excuse for us to establish one standard for our Community and a different standard for the rest of the world. There is one well-known European brand of cigarette that sells in Europe with a tar content of 13 and in the Philippines with a tar content of 33. We should not be legislating for ourselves alone. But, Mr President, I am sure you will be with me in spirit, and I am sorry you cannot intervene in this debate, if I say, for goodness' sake let us be very careful how we move on this or any other area which affects public health! If people pursue this line all the way and do not take a balanced view, the next move may well be to ban drinking. Then the next thing could well be — and I would support this fully — that every Member of this House and every person anywhere in the Community should jog for at least half an hour every day, because if they do not the chances are they will suffer from a heart problem. So I say in conclusion: let us by all means follow the lines laid down by the Commission, let us by all means follow the excellent suggestions made by Mrs Squarcialupi, but let us not go too hard-headed at this, because it will be destructive and will achieve no result at all!

*(Applause)*

**President.** — I call Mr Lamberts.

**Mr Lamberts.** — *(NL)* Mr President, may I begin by expressing my admiration of Mrs Squarcialupi who was brave enough to run the risk of antagonizing so many men this afternoon. You will have noted from the reactions so far that important issues are at stake here. Personal feelings and economic considerations are involved. But, as Mrs Squarcialupi has pointed out, women are slowly coming to be involved in men's bad habits. They are smoking more and more and it is really only doctors and elderly men who no longer smoke through fear of the consequences. Apart from that there is little sign of any change of habits. Or else people change over to other harmful things such as alcohol — consumption of which is, however, approved nowadays up to a certain level, even for elderly people — or big meals. It is really only recently that evidence has been put forward to show why smoking is so harmful. I remember for example an article in last week's edition of the *New England Medical Journal* which stated that the harmful process in the lungs is caused not only by tar but also by carbon monoxide, and this interferes with the process of oxygen absorption by the lungs. The carbon monoxide attacks the red blood corpuscles, which begin to multiply at an excessive rate (polycythemia). It has now also been discovered that the blood plasma then diminishes in quantity. We are thus gaining increasingly good insight into the reasons why smoking may cause cancer — not only cancer of the respiratory passages — bronchial cancer — but also cancer of the intestines, kidneys, bladder, pancreas, and many other disorders including cardio-vascular diseases. In brief, smoking is so harmful that you should give it up completely. I am now trying to do so, but I do not know whether I shall succeed. We have turned our attention to saccharine, cyclamates and asbestosis which is a serious disease. But all these problems are nothing when compared with the disorders caused by smoking. I personally have no fear of nuclear energy, but even radio-activity is less harmful than smoking.

Nevertheless cigarette consumption remains high. Why? Up to now smoking has really only been studied from the angle of the disorders which it provokes. Despite the fact that doctors all over the world are smoking noticeably less, the medical profession has had practically no influence here on the population. In hospitals all over the world — in the United States for example and also in the Netherlands — smoking is permitted and you can even buy cigarettes. For hospitals which exist on endowments, this is often even a source of income, just as all countries derive excise duties from tobacco. That is why it will be extremely hard to eradicate the habit. In the United States war veterans are even able to buy half-price cigarettes. The state is thus subsidizing the spread of disease. Once again we are faced with a trend specific to this century. Everything is happening faster today and all kinds of bad habits have been

created. Lung cancer is a typical disease of the twentieth century which was practically unknown previously.

What are we to do then? Advertising must of course be banned, as the British medical press is urging. We are studying this line of action in the Netherlands, and work is in progress in Italy as well. But that is not enough. A broader approach is needed. We must not just study what the consequences of smoking are and what diseases it causes. We must also investigate why people in fact smoke. Physiologists, doctors, educationalists and sociologists are all studying this problem. However, they are still working somewhat in isolation. We must determine how people come to smoke, how the habit of smoking works and how people can be persuaded to give up smoking. We must determine the influence of smoking on the education of young people. A wide-ranging study is therefore necessary to determine the background to the whole subject of smoking.

Multi-disciplinary research will be necessary. Of course we shall also have to find alternatives to tobacco growing. The tobacco growing is in reality far more serious than the cultivation of the opium poppy, although that too is a world problem. Farmers who grow poppies are given money to convert to other crops. But that is not the case with tobacco; so many factors are involved: the tobacco industry, excise duties, the state and smokers themselves. The problem is highly complex.

Smoking is of course not the only trouble. In this century we do all kinds of unreasonable things which result in heart attacks, cancer and so forth. In the Dutch Parliament I proposed that we should investigate what methods should be used in a large urban district and in a big village to give expert information to the population. We all know now that smoking is bad for us. We must now try to persuade the population to draw the necessary consequences. But we must see to it that people do not just change over from one evil to another.

We need a multi-disciplinary and multi-faceted study. The Dutch Second Chamber adopted this proposal by a large majority. I would like to ask Mr Vredeling whether the Dutch research could not be used as a model. He is familiar with the situation in that country. Perhaps our research could then be important for the whole world. In the area of cardio-vascular disorders the Fremington study is for example important all over the world because it provides a constant source of reference. The results can be used in China, Italy, Africa or any other country. I should like to have a standard research work on smoking to fall back on, so as to see how the population can be influenced, perhaps through leading local figures, and how the mentality of our citizens can be changed on this point.

**President.** — I call Mr Corrie.

**Mr Corrie.** — Mr President, might I say right at the start that this is very much a personal view that I am putting forward. I can support part of the proposals put forward by the introducer of this oral question, but I am opposed to a total ban, because I think people should have a freedom of choice when deciding what they do or should not do. I do not smoke myself, I hate smoky atmospheres and I have no commercial interests, but I believe those who do smoke should have the choice of seeing on television and the other mass media the different brands they can choose from. Because I honestly do not believe it would make the slightest difference to the number of smokers or the number of cigarettes smoked if all advertising of any kind was banned. I think one has to be very careful also when one approaches young people with films or any other media for advising them of the dangers of smoking. I can remember when I was shown a film at a very early age on the dangers of smoking: the first thing the entire class did was to go out and try a cigarette to see what it was like. My wife in fact smoked before she was married: she was a radiologist who spent most of her days photographing the lungs of people who were dying of lung cancer, partly due to smoking, and that did not seem to stop her. I would like to think that what did stop her was the possible effects when she was carrying her first child, but I rather feel it was because I blackmailed her into stopping by giving her an allowance each week equivalent to what she would have spent on smoking if she spent it on something else. So I believe the only effect of advertising is to encourage people to smoke either one brand or the other. If we do not have advertising, how are people going to know which cigarettes are of a low-tar or a high-tar content? Statistics in the United Kingdom are showing that as a result of advertising the health hazards, the sales of low-tar-content cigarettes are increasing.

What we must do is encourage tobacco firms to contribute towards the search into less harmful tobaccos and substitutes. I have had personal experience of this work. Imperial Tobacco and ICI have done a tremendous amount of background work to this. They developed a tobacco substitute called New Smoking Material with an investment of something like £20 million. A new huge factory was built in my area and in fact received a grant of 1.1 million from the European Regional Fund. Pure cellulose was burned, all the harmful effects were taken out of it, and this substitute was added to cigarettes. Sad to say, this proved a complete failure, because people simply tried these cigarettes and then went back to the brand they had always smoked before. Yet by adding about 20 % of this very safe material the health risk of smoking such cigarettes was cut by about 20 %. I am sorry that firm and all other firms have not got the courage to put

that sort of substitute into all brands and so cut down the risk. Perhaps, too, the government could have given some incentive by cutting the price of a safer cigarette — one containing a substitute like that — to encourage people to go over to that type of cigarette, and I think in fact the Commissioner said Britain was considering putting a tax on the high-tar ones. I for my part would equally like to see a lower price put on cigarettes that were safer to smoke.

So I finish by saying that I honestly do not believe that a total ban on advertising would make the slightest difference to the number of people who smoke or the number of cigarettes smoked. But in all the advertising that is done we must show the harmful effects that may come from smoking and I hope that the Commission will encourage further work on substitutes and actually put those substitutes into cigarettes. Lastly, I would, if it were possible, eventually like to hear just what the total tax revenue from tobacco is in the nine countries. I realize it is an impossible question to ask today, but it must be a very large sum of money indeed, and where, as some other speaker said today, would that revenue come from if we stopped the sale of tobacco?

**President.** — I call Mrs Squarcialupi.

**Mrs Squarcialupi.** — (*I*) Mr President, I think that I should have read the question out at the beginning of this debate, because I feel that many speakers have not read it and imagine that we are calling for restrictions on smoking. If you had read it carefully you would have seen that we are not calling for any restrictions or laws to prohibit smoking. The only provision contained in many legislative texts is the prohibition of smoking in certain public places such as hospitals or railway compartments, where smoking may be harmful to other persons. We are not seeking to place limits on the freedom to smoke, eat sweets or chew gum; everyone can continue to do so, but Members of this Parliament should at least have read the question before speaking.

I would, however, point out that, just as some people claim the right to indulge in indiscriminate smoking, so others would like to liberalize the use of soft drugs, but we cannot accept this, because our first duty is to protect the health of the population, and that is why we in the Committee on Public Health have put this question, which is not calling for restrictions of any kind, but simply asking for citizens to be informed of the risks they be running. Not one of us is asking for restrictions — let alone I myself: I have a husband who smokes. If some Members who have spoken had read the question carefully before answering, they would have seen that it is asking for the provision of information and for consideration to be given to health education and the harmonization of existing legislation.

As to the tax revenue aspect, perhaps I did not make myself clear enough earlier on when I said that all the

**Squarcialupi**

statistics show that the proceeds from tax on tobacco are well below the amounts of money spent on trying to cure the diseases caused by smoking.

**President.** — I call Mr Vredeling.

**Mr Vredeling, Vice-President of the Commission.** — (NL) Mr President, I shall be brief and confine myself to the public health aspects of this question. The consumer aspect falls within the terms of reference of my colleague, Mr Burke.

One question which constantly arises is smoking by young people and ways of preventing them from becoming addicted to the habit. Practically every Member of this Parliament has something to say from his own personal experience. May I add a word of my own: I have always promised something to my children — but not always successfully — if they did not smoke before their twentieth birthday. Not always successfully, because it is difficult to fight against the social environment. We need only think of the hidden temptations to be found in publicity campaigns where advertisements for cigarettes are based on the presentation of a supposed correlation between strength and agility and cigarette smoking. Perhaps this can be defined as 'misleading advertising', but here I am encroaching on Mr Burke's territory.

To stick to my own area: we are concerned here with a subject which is very difficult to settle at Community level. For example if we say how important it is to bring up children in such a way that they do not begin to smoke, we are dealing with something that concerns the behaviour pattern of families. I cannot see us adopting a directive to say how our children should or should not be brought up. We might lay down provisions stipulating where smoking is to be prohibited — in schools and so forth. But perhaps it is better to leave such regulations to the Member States in the context of decentralization. This too is being discussed between the Commission and the Council of Ministers. We shall first of all submit — as requested by the Council — a comprehensive report and then see what kind of provisions can be adopted at Community level. I cannot answer this question now, but must await the outcome of the discussions between the national experts on the one hand and then the political negotiations in the Council before drawing final conclusions.

**President.** — I call Mr Burke.

**Mr Burke, Member of the Commission.** — Mr President, I would like to thank the House for the manner in which it has approached this very serious subject, and I would like to congratulate the honourable Member for introducing the question and allowing us to have this exchange of views. In my opening remarks I indicated that I would make available information based on documents prepared by the Consumer Consultative Committee and I shall just allow myself to give a few statistics which will become

available to Members when this material is sent around.

An exploratory study carried out in Britain among doctors showed that total mortality was 28 % higher among cigarette smokers than among non-smokers. A Canadian survey covering 92 000 adults over a period of six years revealed that mortality was 50 % higher for cigarette smokers, 60 % higher for cigar smokers and five per cent for pipe smokers than for non-smokers. In the latest journal, when this was compiled, of the French medical council, it is stated that in France tobacco is responsible for 35 000 premature deaths a year, nearly 15 000 of which are due to cancer. The high rate of mortality caused by smoking is particularly acute in the 45-54 age range, where it is 75-80 % One could go on for page after page after page of such statistics, emphasizing the importance of this subject.

I would like to indicate to Mr Nyborg who spoke on the question of loss of revenue that there must be taken into account in the picture the possible saving on funds for health prevention and health care services. Mr Spicer asked me under what Article of the Treaty action in this field could be undertaken. Well, I think that Article 100 of the Treaty might form a suitable basis, and in addition Article 235. I would like to indicate as far as I am personally concerned in reply to the point raised by Mr Spicer that we are not in fact trying to stop smoking totally, we are not seeking a total ban, as mentioned by Mr Corrie and other speakers. That would be perhaps an unjustified interference with personal freedom.

Having said that, I think it is important to say that tobacco is a drug. What we must try and aim at is minimizing the detrimental effects of the harmful use of these products, and I think that the discussion here has helped awaken public opinion to this very important matter.

I thought also that Mr Lamberts's contribution placed this problem in the wider context of the many other difficulties in the health field, and I think he was wise in fact to remind us of them. I would just like to answer the specific question of Mr Corrie in regard to the amount of fiscal receipts on tobaccos in the various countries of the Community. They are as follows expressed in the national currencies for the two years 1975-76, in units of 1 000 Million:

		1975	1976
Belgium	Bfrs	15	17
Netherlands	Fl	1.28	1.35
Germany	DM	9.05	9.42
France	FF	6.88	7.51
Italy	Lit	990	1130
United Kingdom	£	1.68	1.88
Ireland	£ir	0.09	0.11
Denmark	Dkr	3.52	3.62

I would like to indicate that these do not include customs receipts, which in any event are not that significant now that the major trade between the Nine

**Burke**

is indeed between the nine members of the Community and that there are practically no imports of manufactured products from outside, while there are imports obviously of the raw material. I will be able to give Mr Corrie rough estimates of the proportion of the total fiscal revenue represented by this particular aspect later. I would not like to give estimated figures in the House.

Mr President, I think that this has been an interesting debate, and I commend the House for having drawn attention to the important matter, and Mrs Squarcialupi particularly.

**President.** — The debate is closed.

14. *Membership of committees*

**President.** — I have received from the Christian-Democratic Group a request for Mr Vergeer to be appointed as a member of the Political Affairs Committee, the Legal Affairs Committee, the Committee on Development and Cooperation and the Consultative Assembly of the ACP-EEC Convention. Are there any objections?

The appointment is ratified.

15. *Agenda for the next sitting*

**President.** — The next sitting will be held tomorrow, Wednesday, 18 January 1978, at 10.00 a.m. and 3.00 p.m., with the following agenda :

*10.00 a.m. and afternoon :*

- Decision on urgency of the Bruce report on a transfer of appropriations ;
- Council statement on its work programme for the first half of 1978 (followed by debate) ;
- Scelba report on obligations contracted at the Helsinki Conference ;
- Blumenfeld report on European political cooperation ;
- Oral question with debate to the Foreign Ministers on Rhodesia ;
- Joint debate on an oral question with debate to the Council and the Prescott report, on shipping ;
- McDonald report on the 1977 Nobel Peace Prize ;

*3.00 p.m. :* Question Time (questions to the Council and the Foreign Ministers) ;

*4.30 p.m. :* Vote on motions for resolutions on which the debate has closed.

The sitting is closed.

*(The sitting was closed at 7.05 p.m.)*

*ANNEX*

*Questions which could not be answered during  
Question Time, with written answers*

*Question by Mr Dalyell*

Subject : Survey on scientific research

Is it true that the Commission has recently conducted a public opinion survey on the question of scientific research ; how much did this survey cost ; what purpose has been served as a result of conducting this survey and what other surveys of this type has the Commission recently conducted ?

*Answer*

It is true that the Commission has conducted a public survey on the subject 'science and society'.

The survey cost Bfrs 2 500 000.

The purpose of the survey was to investigate the attitude of the public to science and in particular a common scientific policy. It also contained questions concerning the relative importance of various branches of science, state support etc.

The findings of the survey are encouraging since :

- a large majority — well over 70 % — is in favour of a common scientific policy and
- most people have faith in science and research (66 %).

This is the only survey so far in the field of science and research. It was conducted at the same time as the 'Eurobarometer' survey which the Commission uses at regular intervals to assess attitudes to European issues.

## SITTING OF WEDNESDAY, 18 JANUARY 1978

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(IN THE CHAIR : MR COLOMBO)

*President*

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

**President.** — The sitting is open.

1. *Approval of minutes*

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

Are there any comments?

The minutes of proceedings are approved.

2. *Documents received*

**President.** — I have received

a) from the Council the following requests for an opinion on

— the proposals from the Commission for

I. a regulation amending Regulation (EEC) No 2727/75 on the common organization of the market in cereals

II. a regulation amending Regulation (EEC) No 1418/76 on the common organization of the market in rice

(Doc. 489/77)

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

— the agreements on the accession of

— the Democratic Republic of Sao Tomé and Principe

— the Republic of Cape Verde

— Papua-New Guinea

to the Lomé Convention

(Doc. 490/77)

which have been referred to the Committee on Development and Cooperation as the committee responsible and to the Committee on External Economic Relations, the Committee on Agriculture and the Committee on Budgets for their opinions;

— the proposal from the Commission for

a regulation on the advance implementation of certain provisions of the ACP-EEC Convention of Lomé relating to trade in respect of certain states that have signed agreements of accession to the Convention

(Doc. 491/77)

which has been referred to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets for its opinion;

— the proposals from the Commission for

I. a regulation amending Regulation (EEC) No 804/68 on the common organization of the market in milk and milk products

II. a regulation relating to the Northern Ireland Milk Marketing Board

(Doc. 493/77)

which have been referred to the Committee on Agriculture;

— the proposals from the Commission for

I. a regulation concerning the adaptation of Regulation (EEC) No 1408/71 of the Council of 14 June 1971 on the application of social security schemes to employed persons and their families moving within the Community, with a view to applying it to self-employed persons and their families

II. a regulation concerning the adaptation of the Annexes to Regulation (EEC) No 1408/71 of the Council of 14 June 1971 on the application of social security schemes to employed persons and their families moving within the Community, with a view to applying it to self-employed persons and their families

(Doc. 494/77)

which have been referred to the Committee on Social Affairs, Employment and Education;

b) from Mr Aigner, on behalf of the Committee on Development and Cooperation:

a report on the communications from the Commission of the European Communities to the Council (Docs 383/77 and 399/77) concerning the 1978 programmes for food aid in cereals, skimmed-milk powder and butter oil and nutritional and developmental perspectives for dairy products in the Third World

(Doc. 492/77);

c) from the Council:

the annual reports on progress towards European Union drawn up by the Foreign Ministers and the Commission

(Doc. 488/77)

which have been referred to the Political Affairs Committee.

3. *Decision on urgency*

**President.** — I now consult Parliament on the adoption of urgent procedure for the report drawn up by Lord Bruce, on behalf of the Committee on Budgets, on the transfer of appropriations of the 1977 general budget from Chapter 100 to Chapter 371, Item 3710 (Doc. 495/77). Since there are no objections, the adoption of urgent procedure is agreed.

I propose that this report be placed on the agenda for the sitting of Friday, 20 January 1978 after the Aigner report.

Since there are no objections, that is agreed.

4. *Council statement on the work programme of the Danish Presidency (followed by debate)*

The next item is the statement by the President-in-Office of the Council on the work programme of the Danish Presidency for the first half of 1978.

## President

On behalf of Parliament, I should like to welcome the President-in-Office and extend to him our sincere good wishes for the success of the Danish Presidency.

*(Applause)*

I call Mr K. B. Andersen.

**Mr K. B. Andersen, President-in-Office of the Council.** — *(DK)* Mr President, honourable Members, first of all I should like to thank your President for his kind words of welcome. I myself have been a member of parliament for something over twenty years. I realize that this is unlikely to impress your President, who can beat my score by ten or twelve years, but nonetheless twenty years is still a respectable period. I have therefore been looking forward to working closely with the European Parliament, and am delighted to be able now to begin.

I have the pleasure today of reviewing the prospects for the Communities' work over the next six months during which Denmark holds the Presidency. I look forward to an open and constructive exchange of ideas with the Parliament today and on my monthly visits in the next six months as well as during the visit of the Political Affairs Committee to Copenhagen.

A genuine dialogue is the heart of the democratic process. The role of the European Parliament illustrates the fundamental fact that the EEC is a democratic community of democratic Member States. Therein lies the Community's strength both for its own citizens and for other countries outside it.

I am also pleased to be able to tell this Parliament that in last week's debate in the Danish Folketing there was a substantial majority behind the Government's policy for Europe and the objectives of Community advancement which the Danish Presidency will do its best to achieve.

There is now a clear majority in favour of direct elections in all the Member States. This is a crucial point. I am able to inform you that the Council yesterday discussed the question of direct elections. I can assure this Parliament that I and my colleagues in the Council will do our utmost to ensure that a date is set for the first direct elections as soon as possible, and in time for the meeting of the European Council in Copenhagen in April.

Denmark is taking over the Community Presidency on a significant date. 1 January 1978 was the 20th anniversary of the entry into force of the Treaty of Rome. The date also marks the end of the transitional period for Denmark, Ireland and the United Kingdom.

The main reason for the disparity between the high aims set by the Paris Summit in October 1972 and the progress since then is, as we all know, the economic crisis, which began in earnest in 1973 in the wake of the energy crisis.

The crisis revealed the vulnerability of Europe and its dependence on cooperation with the rest of the world. At the same time, it was a sharp reminder that cooperation within the European Communities still had not brought about the mutual solidarity which has been the main objective from the first.

In the four years since then the Member States have slowly but surely begun to adapt themselves to the realities of European cooperation under these new circumstances.

The major problems have shown one constant feature — they cannot be solved outside the Community framework, nor can the Community solve them on its own. The energy problems are a clear example of this.

The European Community is to be congratulated in having succeeded, in an extremely difficult situation, in withstanding the temptations of national protectionism and disregard of the rest of the world. Not only did it avoid those temptations, but it also succeeded on the whole in living up to its responsibilities towards the developing countries, whose problems were to an even greater extent exacerbated by the crisis. I should like, if I may, just to mention here the Lomé Convention, a large number of agreements with developing countries outside the Lomé framework, and the Community's overall Mediterranean policy.

During our Presidency, we shall work unceasingly to develop the Community's relations with the third world.

Relations with the USA play a central part. A large number of the major problems can be solved by cooperation with the USA. The past year has seen a definite advance in relations between the European Community and the USA, both in the field of treaty cooperation and in the discussions of foreign policy questions between successive Presidents of the Council and the USA. President Carter's recent visit to Brussels was a clear demonstration of America's positive interest in European cooperation. We have every reason to regard this with the greatest satisfaction.

As far as Europe is concerned, the openness of the Community is shown principally by its positive response to three European countries which have applied for membership of the Community after passing from dictatorship to democracy. This openness has also been evident in our active efforts for détente and closer contacts through bilateral and multilateral negotiations with the East European countries.

Another clear and positive tendency has been the major advance in foreign policy cooperation among the Nine. Now this cooperation is seen both by ourselves and by the rest of the world to an increasing extent as a natural adjunct to cooperation by treaty. Attempts to coordinate the foreign policies of the Nine have revealed a considerable number of common points of view, which have enabled the Nine

### K.B. Andersen

— often in close cooperation with other Western democracies — to take part with greater weight and play a more constructive part in the international debate.

Internally, the Community's achievements have perhaps been less striking but all told, they nevertheless constitute considerable progress, and are an increasing feature of cooperation among the Nine and of the everyday life of the ordinary citizen.

In spite of considerable difficulties, it has been possible to maintain the common agricultural policy.

On 1 January 1977, the EEC countries as well as a number of other countries introduced an extension of their fishing limits to 200 nautical miles. This action, and the fact that several species of fish in European waters are threatened with extinction through over-intensive fishing, have made the establishment of a common fisheries policy a matter of the utmost urgency.

Among the other objectives laid down in October 1972 was the establishment of European economic and monetary union.

All the Member States have come to recognize that progress in this field calls for ever-increasing coordination of each country's economic policy. Obviously, this does not mean that all the Member States of the Community should pursue the same economic policy. That would not be appropriate in view of their differing economic situations. What is, however, both right and necessary is that there should be increasingly greater harmonization of the economic policies of each Member State.

Monetary cooperation has inevitably been marked by the unsettled international currency relations. This is why the so-called 'snake' is so important. The snake constitutes the basis by which the Community can make a gradual return to true cooperation on monetary policy, a matter which we in Denmark regard as of the highest priority.

By virtue of its participation in cooperation in all aspects of Community activity, Denmark has increasingly been able to make a direct and active contribution to the development of Europe, which is crucial to our future. We have thereby clearly affirmed our desire for joint responsibility for and influence over developments in our part of the world. Under our Presidency, we shall take every opportunity of furthering the positive development of the Communities which is so necessary.

The theme of our Presidency will be to ensure practical progress over as wide a field as possible with a view to advancing cooperation towards the objectives laid down in the Treaties and later decisions. At the same time it is of the greatest importance to us that cooperation should reflect the will of the Member States to fulfil their obligations under the Treaties.

The difficulties of the last few years have shown only too clearly how important it is to counteract the forces which militate against cooperation.

We shall try to keep the agricultural and fisheries policies in line with the basic principles of the Community. We shall also continue efforts to reduce the unreasonable strains placed on both the Community budget and the common agricultural market by monetary compensatory amounts. In the fisheries sector we shall strive for a policy which is an expression of the principle of free and equal access to common Community waters for all fishermen.

The enlargement of the Community to take in three new countries raises a whole range of problems, not least of an economic nature. The solution of these problems will require both considerable political will and a financial cash contribution.

The enlargement debate has in some quarters been marked by apprehension that the process of enlargement might mean a dilution of Community cooperation.

I would stress that it is in no-one's interest that enlargement should be carried through in such a way that the Communities are weakened thereby. The three applicant countries do not wish to be members of a watered-down Community.

It is also my view that the risk of a breakdown of Community cooperation would be greater if the Community were unable to live up to its responsibilities towards the new democracies in southern Europe.

It is essential that substantial progress be made in the current negotiations with Greece during the Danish Presidency. The Community's credibility is at stake here. There will also have to be some movement in the negotiations with Portugal and Spain as soon as possible.

Enlargement underlines not only the need for a further extension of Community cooperation, but also for closer links, with the other European countries, including the Scandinavian and other EFTA countries. These countries did not wish to be members of the Community, and this sets certain limits on both the form and the content of direct cooperation between them and the Community. Within these limits we shall strive to ensure that this cooperation becomes as positive as possible. It is worth stressing, and I do stress, that Denmark's participation in Nordic cooperation does not conflict with or obstruct EEC cooperation. On the contrary, this gives the Community a more intimate contact with the other Scandinavian countries, and this in no way prevents us from fulfilling our European obligations.

The present time sees the start of the final stage of the GATT international tariff and trade negotiations, the so-called Tokyo Round. This was the most important item on the agenda for yesterday's Council meeting and we achieved a constructive and satisfactory result.

**K.B. Andersen**

The significance of these negotiations in the current situation cannot be overemphasized. Their successful conclusion may be decisive for the credibility of a policy which aims to preserve a free international trading system.

The success of the tariff and trade negotiations depends not least on cooperation between the Community and the major industrialized countries, primarily the USA and Japan. Broadly speaking these countries share the same view of the significance of the negotiations. The problems are, however substantial ones and a smooth progression of the negotiations will require considerable flexibility. The Community's preparations for and participation in these negotiations represent one of the biggest and most important tasks we face in the months to come.

The need for action to combat excessive unemployment will be given the highest priority during the Danish Presidency. In the current crisis situation the Community's possibilities of assisting in the fight against widespread unemployment will of course be a test of confidence in Community cooperation.

A direct consequence of unemployment is the tendency to protect particularly exposed industries by means of national rules. We attach importance to the speediest possible practical measures in the Community to reverse this development, which is threatening the common market. To be effective these efforts should aim at state support both within the Community and in our chief trading partners outside the Community. I have stressed this to the Commission and requested it to take the speediest possible action to deal effectively with this problem.

Over the next few years the Community will undoubtedly be faced in an increasing number of spheres with the need once and for all to ensure continued industrial development in the poor part of the world and to see to it that our own industries have time to make the necessary conversions and adjustments.

We intend during the Danish Presidency to continue our efforts to achieve a constructive common Community position in the global discussions of the North/South dialogue concerning a new international order.

Cooperation on foreign policy has seen great developments. On the Danish side we find this quite natural. It can only be to our advantage for the Nine, where possible, to endeavour to speak with one voice so as to give our views the far greater weight which joint presentation entails.

Certain important questions which have been under discussion by the Nine for some time will continue to occupy a central position under the Danish Presidency. These are the follow-up to the Conference on Security and Cooperation in Europe, the situation in the Middle East and developments in Southern Africa.

In connection with the Security Conference and the meeting in Belgrade, the Community countries have in a constructive fashion become the spokesmen for

those Western points of view to which Europeans attach special importance.

With regard to the situation in the Middle East, the common interests of the Community countries have now been clearly expressed with a view to contributing to a peaceful solution to this problem which — looked at globally — is a serious international one.

I am thinking of the statement issued from the Brussels meeting of the Ministers for Foreign Affairs in November 1977 in connection with President Sadat's courageous visit to Israel. The objective must be to reach an agreement which includes all parties to the Middle East conflict.

As you know, the Community countries have involved themselves in earnest in the search for a peaceful solution to the situation in Southern Africa. This development clearly derives from a joint Community view that if no peaceful solution is found to these problems, the alternative is an armed conflict of which the consequences cannot be accurately predicted. In view of the obvious importance of exerting pressure on South Africa and since the Nine have now begun to speak with one voice on this issue, it will be one to which we in our Presidency will give very great priority.

There will henceforth be an increasing need for the Nine to present joint views, not in order to isolate themselves from the rest of the world — quite the contrary — but to make possible open and confident cooperation on an equal footing with other countries and groups of countries.

As part of this development, we in Denmark attach great importance to the European Parliament likewise being involved in foreign policy cooperation, which represents an important aspect of the European Community.

It should not be our ambition that the Community should become a superpower in the sphere of foreign policy. On the other hand, it would not be acceptable for the superpowers jointly to decide upon the affairs of our peoples over our heads. The Nine must accordingly endeavour to speak increasingly with one voice in the international debate in order in this way to give our views the weight to which they are entitled.

It would be a misinterpretation and a misunderstanding to attribute military ambitions to the Community. Military questions fall within the purview of NATO, which will for the foreseeable future represent the sole credible basis for a West European defence policy.

Splitting the Atlantic alliance by military discussions amongst the Nine would in no way serve security and détente in Europe.

Allow me in conclusion to mention some salient points in the Danish Government's assessment of the current situation of the European Communities and the demands made to us by this situation.

**K.B. Andersen**

Over the last few years the Community has combated tendencies which threaten to negate the results we have achieved.

What can the Community do to help relaunch this progress?

First and foremost we must strive against any disruption of the foundations on which free international trade and solidarity with the rest of the world are based. We can make constructive contributions to this aim in the GATT negotiations and the North/South dialogue.

Secondly we must take more systematic action to consolidate and broaden the many positive achievements the Communities have accomplished during their first twenty years of existence.

Thirdly, all possible steps should be taken to tackle the problem of unemployment purposefully and directly.

We shall have to concentrate on the problems of today and of the immediate future. The measures we shall have to take to combat unemployment must be chosen with view to curbing protectionism and encouraging adjustment to the new circumstances both in the industrialized and in the developing countries.

It is through practical and systematic efforts such as these to resolve the real problems of today and tomorrow that real content can be given to the fundamental Community objectives of ever closer relations between the Member States and their peoples.

At the same time it seems to me that action along these lines is of far greater importance than considerations of principle about individual institutional developments.

A decisive factor for many of those in Denmark who in 1972 supported Denmark's accession to the European Communities was that many of the problems facing society today cannot be solved by any country in isolation but only through cooperation. This is a point of view to which the years of economic crisis have only given force. Similarly, we in the European Communities must be realistic enough to realize that we cannot stand alone, but that the weighty problems facing us call for cooperation with other countries outside our own circle. It is therefore, as I said in my introduction, very encouraging that the area in which the Nine have this past year been able to make great progress is that of extending cooperation with the rest of the world.

Cooperation in the field of foreign affairs is one instance of cooperation between our nine independent nations. In this area of cooperation no decision can be adopted save with the consent of all sides. The same holds good as regards matters of importance in the Community context also. These are facts and they should be clearly stated. However, it is also true to say that it is not through vetoes and reservations

that progress is made but by the relaxing of positions far enough for results to be achieved.

Relations between the Nine are founded on an avowed democratic basis. Commitment to democracy is a necessary precondition for membership of the Communities and we can rejoice that the three applicant countries have stated their desire to strengthen democracy in their countries as one of their reasons for applying for membership.

However, democracy will be unable to survive as a political system, unless it can find solutions to the many great problems facing our society, the family or the individual. These are therefore the very years in which to strengthen the European Communities to solve the problems of the day. By so doing, we shall be contributing to that democracy on which our very existence is founded, and which we wish to see gain the understanding and trust of the rest of the world.

*(Applause)*

**President.** — It is now up to the individual Members of Parliament to express their opinions, criticisms and judgements on the plans just put forward by Mr K.B. Andersen for the next six months, which will be difficult for the Community, and on the specific policies which the Danish Presidency intends to pursue.

As President of Parliament, I should like to stress on behalf of the House the importance we attach to your declaration that you were aware of the need for the elections to the European Parliament and above all to your assurance that the Council of Ministers or the European Council would fix the date of the elections. Parliament has on several occasions pressed for this vital step to be taken, in particular by a resolution adopted during the December part-session, to which I should like to draw your attention so that you can ensure that the other Community bodies have notice of it.

I thank you for your statement and wish you every success in your work.

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

**Mr Fellermaier.** — *(D)* Mr President, ladies and gentlemen, I think that all of us in this House were extremely interested to hear the statement by the President-in-Office of the Council on the question of direct elections. But first I should deliberately like to deal with a number of other points he mentioned.

Indeed, Mr President, this European Parliament is an institution in which we are able and are actually obliged to discuss current problems and possible solutions in a frank and fearless manner.

We consciously seek to establish our democratic conception of ourselves in the eyes of the European public, even if this gives rise to many criticisms in debates and in the media. But, following the first

## Fellermaier

speech by the Danish President-in-Office, I would put it quite deliberately to the Council of Ministers as an institution, could they not take a leaf from the European Parliament's book with regard to public relations? Fewer empty communiqués and more direct information on Council decisions on the lines of the genuine public dialogue here in this House would meet with approval not only here but in Europe at large.

*(Applause)*

We know that in the three now Member States, the United Kingdom, Ireland and Denmark, hopes were raised in the past which, as a result of the changed political and economic climate in the world or for other reasons, could not be realized or only in part.

All the more reason therefore to welcome the Danish Foreign Minister's statement that a substantial majority in the Danish Parliament supports the European policy of the Jørgensen government and will thus, I hope, also allow the Danish President-in-Office of the Council freedom of action in these six months. I am sure he will approach this task realistically and without preconceptions; we have heard, Mr Andersen, that in Denmark your initials K.B. are used as a synonym for sterling, dynamic policies. We in the Socialist Group extend a particularly warm welcome to you as Foreign Minister. I think that during your term of office it will be time to take action on Community solutions that were already promised by the outgoing President-in-Office; I had the honour of bidding farewell to the outgoing President on behalf of my Group, and on that occasion I said that a presidency of six months was really too short. The President-in-Office has hardly got down to his job, and become part of the system before the system removes him again.

I hope 1978 will see a breakthrough in the Council of Ministers: perhaps in April, in one of your beautiful Copenhagen castles, the Heads of State and Government may find it in themselves to introduce a twelve-month presidency in the interests of continuity in the Council of Ministers.

As regards objectives and developments, I think that in the past few years it has become painfully clear to all those involved in the process of European unification how great a gap exists between the aims, which we obviously all support, and the actual events. In this context, people are always talking about Europe's vulnerability and its dependence on others. For us, however, it is also a question of Europe's credibility towards its citizens in dealing with the numerous problems and crises. In many cases requiring a real solution we have unfortunately been all too often content to paper over the cracks.

For us, the European Socialists, there is no doubt that the fight against unemployment should have top

priority. This at any rate — I feel I can say this quite frankly in a parliamentary debate — is what the successive Presidents-in-Office of the Council have been declaring with monotonous regularity every six months. But the citizens of the European Community cannot be put off forever with good intentions. What they expect of us — the Council, the Commission and Parliament — is clear answers and positive action.

The European Community will have to show that even in a period of recession it is able to cope with the scourge of mass unemployment. This will become a touchstone — particularly with regard to the run-up to direct elections. It must not be thought that the elections alone will be enough to stop the rot. The most they can do is to highlight one aspect of the process — the fact that we are making greater use of Community methods to combat unemployment by integrating national policies in the Community policy. In this connection, solidarity must not be something that is only invoked when the immediate occasion requires.

In the past few months — and the President of the Commission made several references to these critical developments in his very forceful speech yesterday evening — it has become apparent that in the economic field we are faced with alarming developments in a number of sectors. This is the case in the steel industry, the textile industry and in shipbuilding.

Such developments are a temptation to give in to short-term national demands or acts of selfishness to the detriment of Community solutions. My Group therefore fully and wholeheartedly welcomes the fact that you, Mr President-in-Office, have so repeatedly and insistently warned us of the dangers of proliferating protectionism. The European Community in particular, with its worldwide trade connections but economic dependence, should — obviously in its own interest — avoid anything that could favour such tendencies. My colleague Lord Hardwick will make a more detailed statement on the whole question of economic and monetary affairs.

I should like to say a word about the Community's external relations. I think, on the occasion of the 20-year jubilee of this Community to which, Mr President-in-Office, you drew attention in your speech, that despite all the internal difficulties facing us we should not keep on using the term 'crisis', for by comparison with the rest of the world the European Community is seen not as a land of milk and honey but as a Community of economically and politically relatively stable states. This is worth pointing out for once in a debate of this kind.

But this also places a great responsibility on our shoulders. I therefore especially welcome the statement by the President-in-Office of the Council and his intention of strengthening cooperation with the other Western European states outside the Community,

**Fellermaier**

particularly in EFTA — and here Denmark is and will continue to be the vital link between our European Community and the old-established democracies of Northern Europe. But cooperation with the states of Eastern Europe must also, I think, be seen in a new light, and deserves a closer look.

We are thinking in particular of the intensification of contacts between the European Community and Comecon. The Community's responsibility in matters of external policy also means that we should repeatedly say what we think about current world political problems, not in the guise of an economic giant but to protect our interests and by virtue of the responsibility we bear. And it is precisely on account of this responsibility, Mr President-in-Office, that my group welcomes what you said on the situation in South Africa, for this Parliament did, I believe, pass the acid test in the dialogue with the 52 States of the Lomé Convention at the Lesotho conference a few weeks ago, and I think that the Council and the Commission should lose no time in doing the necessary spadework, in consultation with Parliament, for the Lomé II Convention later this year.

We not only support your observation that pressure on South Africa must be stepped up, but would urge you, Mr President-in-Office to use these six months to ensure that at the end of your presidency we can really say we are well on the way towards expressing our unanimous feelings on the subject of racial persecution in South Africa. On the question of the enlargement of the European Community, you particularly stressed the necessity of emphasizing recognition of the process of democratization, in particular in Portugal and Spain, and you also mentioned Greece.

I think what is needed, quite apart from the timetable for negotiations with Greece that has now been announced by the Commission, is for the Council and the Commission to let us know quite definitely in the near future how long the negotiations are to last and at what stages they are to be extended to Portugal and Spain. And I would add, Mr President-in-Office, that I in fact found something lacking in your speech — which I am sure you will make good — namely a word on the political and economic commitment of our European Community towards a fourth country in Southern Europe, namely Turkey.

My view of this is not in any way coloured by the Socialist Group's pleasure at the fact that our Socialist friend Mr Ecevit has now taken control of affairs in Ankara. No, I see this from the point of view of the treaty obligations towards Turkey that we, the European Community, have undertaken in an Association Agreement. We should do all we can to avoid giving the impression, even subjectively, that Spain, Portugal and Greece are the only countries now claiming our attention. We know about Turkish susceptibilities — on this question in particular — and about the heated

level of internal political discussion. We also know that Turkey needs our economic assistance if it is not to become a trouble spot in Southern Europe. I would therefore be grateful if you could say a little more about this particular commitment within the framework of European political cooperation and more particularly of our relations with Turkey.

Finally, Mr President — I want to try and comply with your request and keep more or less to my speaking time — allow me to say a little more on behalf of my Group on the whole question of direct elections to the European Parliament. Since the European Parliament has repeatedly pressed for this, it is now with a certain subdued — I stress the word subdued — satisfaction that we now receive the European Council's announcement that a date for the first direct elections is to be decided by April this year. For the Council this represents a far-reaching public commitment arising from the statement by the Danish Presidency. And I would add that it would cause irreparable harm if this announcement were not followed by corresponding action. The European public would begin to find it difficult to understand we were unable to agree on a date and then actually hold the elections as planned. It will not, Mr President-in-Office, be so crucial on which day and in which month in 1979 the elections are held. The crucial point will be rather that there is no more speculation, and that the European Council — which once said May / June 1978 — should now fulfil its responsibility and unequivocally lay down for the citizens of Europe, for the political parties and for the groups involved in organizing these direct elections, a clear, realistic election date which will also allow the United Kingdom to hold the elections just as in the other eight countries of the European Community.

The European Parliament will willingly adjust itself to this situation. It will be prepared, together with colleagues in the national parliaments and in the federations of supranational parties, to get down to organizing and informing public opinion and making all the general preparations.

May I say, Mr President-in-Office, that the good wishes of the Socialist Group go with you in these six months, and I hope that six months from now you will be able to say with the same realism with which you have begun your term of office today: 'I, K.B. Andersen, have led Europe a little further forward on its path.'

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

**Mr Klepsch.** — (*D*) Mr President, ladies and gentlemen I should like to say a word of thanks to the President-in-Office of the Council for explaining his programme. We regard the basic features of this programme as realistic and pragmatic. We detect in it



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a clear pro-European tone. We are all the more grateful to the President-in-Office in view of the fact that this spirit has in the past not always been reflected in the attitude of our Danish friends in this Community.

We are convinced that his attitude will meet with a positive response from the Danish people.

The Christian-Democratic Group will be a critical partner of the Danish Presidency in the coming six months. Mr President-in-Office, you can count on the support of my Group in this House for all initiatives and actions that further the cause of European unity. Europe must make more rapid progress than it has done over the past few years.

A policy of small steps is not enough. We are concerned at the argument on the date for direct elections to the European Parliament. We expect these direct elections to provide a decisive impulse towards European unity. We were and still are disappointed, therefore, that the date of May/June 1978 is no longer practicable. The voters of Europe and the political organizations taking part in the elections, who have their preparations to make, have a right to know the exact election date so that they can make appropriate arrangements. We therefore once again demand an early decision on the definite date for simultaneous direct elections in all nine Member States. We must now put an end to the uncertainty about these elections and to this wrangling which is so damaging for their prestige — and this means the prestige of the governments and of Parliament.

Allow me to make a few remarks on the focal points of the work to be done during the period of the Danish Presidency and the whole of 1978. I should like to say right at the outset that we can to a large extent agree with the assessment of priorities in the action programme. In 1978 the joint efforts of all political, economic and social groups will have to be directed at one aim, namely at combatting unemployment, reviving economic growth and achieving monetary stability. The starting conditions at the beginning of the year are hardly favourable. There are more than 6 million out of work, including a high proportion of young people, while forecast economic growth for 1978 is a modest 2.5 %. The realization that the Member States cannot solve their economic problems if each goes its own way inevitably implies a common acceptance of certain conclusions, namely, the need for a reinforced policy of inflation-free growth, economic integration, reduction of regional imbalances and monetary cooperation.

My group put forward precise views and proposals on this question yesterday, and I am pleased to note in this connection that, on the question of the snake for example, the President-in-Office also shares our views.

It is our conviction that the adoption of a clear political objective with a view to progressive economic and

monetary integration would make a very substantial contribution to overcoming the crisis of confidence among the economic groups and thus to improving the economic climate and reducing unemployment. Only in an atmosphere of confidence and on the basis of a social consensus can the Community's intended growth strategy come fully into its own. We therefore call on the Council to lose no time in introducing the necessary measures for relaunching economic and monetary union.

In response to the overall economic situation and more particularly the employment situation, there is increasing evidence of a tendency to seek salvation in protectionist measures. We do not regard this as the right course and accordingly we oppose a merely protectionist trade policy. The economic development of the Community depends in large measure on foreign trade. The share of exports in the gross domestic product of the Community comes to nearly 25 %. Even in the sensitive sectors such as steel and textiles we are highly dependent on exports. As the largest exporter in the world, the Community has a vital interest in maintaining fair and free world trade. Of course, the Community must protect itself against the dumping practised by third countries. This should be done by exploiting to the full all existing agreements within the framework of GATT, which provides scope for preventing abuses and averting threats to the economy of the Community.

We welcome the determination with which the new President-in-Office of the Council intends to resist the challenges from without and the temptations from within. The Community must concentrate on working towards further improvement of the basic conditions for world trade. We therefore ask that the review of national aid schemes envisaged by the Council should be supplemented by an initiative on the international limitation of restrictive trade practices. Here the Community, as the major trading power in the world, can bring its whole weight to bear.

As an embodiment of the ideals of free democratic countries in union and of forward-looking economic and social alternatives, the European Community continues to have a strong appeal. Three countries want to become members of this Community. My group has repeatedly declared itself in favour of extension to include all democratically governed European states. The accession of Greece, Portugal and Spain presents us with an opportunity of leading these countries once and for all out of their more or less extended political isolation and integrating them into the European community of nations. We believe it is by incorporating these countries in a free Europe that we can best and most effectively contribute to the political and economic stabilization of Mediterranean Europe.

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Now, at the beginning of 1978, we call on the Commission and the Council to show that the Nine take their oft-repeated declarations seriously and, in token of this, set an example by bringing the negotiations with Greece to a successful conclusion by the end of this year, once the technical preparatory stage of the negotiations has been completed. The examination of the applications from Spain and Portugal should proceed without delay, so that the Commission can deliver its opinions as soon as possible.

We await with particular interest, however, the report which is to contain an overall review of the enlargement question. In this connection, I would remind you that for nearly a year now, on account of developments in Turkey, there have been no further institutional contacts with that country and that the Association Council should therefore be convened as soon as possible in order to examine the country's pressing economic problems and work out any support measures that the Community might take.

Enlargement and other challenges to the Community which are looming externally mean an imperative need for internal progress. I have already referred to the great importance of a new drive towards economic and monetary union. It is equally important to improve the institutional workings of this Community. We should have liked the President-in-Office to be more forthcoming on this point — e.g., for the Council, improvements to the decision-making process, in particular a return to majority decisions in many cases, improved coordination between the various specialized Councils, increased continuity by an extension of the term of office of the Presidency; for the European Council, that the Heads of State and Government should once again do more to fulfil their real task and provide stimuli for the work of the Community, and that they should lay down time limits for the implementation of their decisions; for the Commission, that it should make full use of its right of initiative and should be given greater freedom of action in the execution and implementation of common policies. For Parliament the question of powers is not so much a matter of further loss of sovereignty on the part of the Member States but simply a question of ensuring the participation of an elected Assembly in the legislative process of the Community and in supervising the power of the Council and the Commission, precisely with regard to those functions that have been transferred to the Community and are no longer under the control of the national parliaments.

For more than two years the Community Institutions have had before them realistic proposals from Prime Minister Tindemans on the further development of the Institutions. In view of their great urgency, the way these proposals have been treated is, simply scandalous, and I am sorry that the Presidency of the Council has left us in the dark as to its intentions here. We expect the Commission and the Council to

take some action on this in the next few months. Otherwise, my group will take the initiative and endeavour, with the means it has available in this House and elsewhere, to launch a broad discussion on this subject.

In view of the lack of time, I do not wish to go into too much detail about Community sectoral policies, particularly as we shall have an opportunity for this in February, in connection with the debate on the Commission's work programme.

I shall therefore restrict myself to a few comments.

Above all, I would point out that we must, after many disappointments, finally arrive at a Community energy policy. We call on the Council to tackle the problems of energy policy and enforce the necessary measures in this field, for the experts are unanimous that by the end of the next decade at the latest supplies of oil and natural gas will reach crisis point. This means that by then the Community must have sufficient alternative capacity available. It is high time the Community took steps to promote alternative sources of energy. In the field of regional policy, the question of appropriations for the Fund has, it is true, been resolved; in the medium-term, however, it is now a question of creating the framework for a business-like, genuinely Community based policy to replace the present wrangle over quotas. We regard this as particularly necessary because the reduction of regional disparities is of fundamental importance for continuing the process of economic integration. With regard to fisheries policy and elsewhere the disparity between a backward internal policy and the need to present a common front *vis-à-vis* third countries is becoming apparent.

This shows how important it is that there should be a consensus on presenting the Community position and Community interests forcefully to the outside world. We expect the Community to reach agreement on internal fisheries policy in the very near future, so that negotiations with third countries can be brought rapidly to a successful conclusion which will guarantee Community fishermen access to their traditional fishing grounds outside the Community pond.

I should like to say a few words on one exceptionally serious matter. Last years acts of terrorism repeatedly claimed the attention of the European public and of this House. When such events are still fresh we hear those in authority vowing constantly to take effective steps to combat terrorism at European level by creating a legal instrument valid in all Member States. Only too quickly these intentions seem to run into the sand. We should therefore like to know what the Danish President-in-Office of the Council thinks of the French President's suggestion for an agreement of the question of crime prevention. We regard this as a significant initiative which must not be allowed to come to nothing. What can the European Institutions do to pave the way here? There are undoubtedly good

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reasons for the fact that the Community time and again gives the impression of having more success in presenting itself to the outside world than in pursuing its internal development, although these things are inextricably connected. On account of its riches and its major share in world trade, the Community bears a heavy responsibility for economic progress in the developing countries. The Lomé Convention with more than 50 States in Africa, the Caribbean and the Pacific, the renewal of which is to be negotiated this year, does work. The North-South dialogue, on the other hand, is at a standstill. The Council must therefore take the initiative to see that this dialogue, which was broken off in Paris last year, is resumed and quickly produces concrete results. The Community is shortly to begin specific negotiations on a trade agreement with China. China will thus be the first state-trading country to recognize the Community officially and enter into a trade agreement with it. But the Community is also to start talks with the Comecon countries on the possibility of establishing formal relations. Here, in our view, the dissimilar powers of the Community Institutions on the one hand and those of Comecon on the other hand will still have to be taken into account. The Community should, moreover, do all it can to put an end to the present lack of a formal basis for its relations with the individual state-trading countries of Eastern Europe and press for the conclusion of the trade it has proposed. It should above all pay more attention to ensuring a balance between the trade advantages granted on each side, and in general not relinquish negotiating positions unilaterally without equivalent concessions in return. These principles should also be observed by the representatives of the Council and the Commission at the Belgrade Conference, with a view to the implementation of the agreement reached in the Helsinki Final Act.

We would call for emphasis to be laid also on discussion of violations of human rights in all parts of the world, for we do not regard this as a sort of ideological weapon but believe that we cannot establish a juster international order based on solidarity unless we build it on the same fundamental values for the future of humanity and the development of peace.

We wish you, Mr President-in-Office, every success in your work.

*(Applause)*

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

**Mr Berkhouwer.** — *(NL)* Mr President, it is a privilege for me as spokesman for my group to have this opportunity of renewing acquaintance with the Danish Foreign Minister, whom I have had occasion to meet in the past. My political friends and I generally approve the constructive approach that the President-in-Office displayed in his speech. I should like,

Mr President, to make a number of comments on various points. Let me begin by endorsing what Mr Klepsch ultimately said, namely that it sometimes seems as if the international criminal fraternity in the Community displays greater solidarity than we do in the fight against crime. The prime consideration is, after all, that the citizens of Europe must be able to move about in safety within the Community and outside. It is therefore important to ensure that the preventive and investigative police authorities in Europe cooperate as closely as possible.

We know that the great scourges in the Community — and indeed not only in the Community but in the whole Western World — are unemployment and inflation. Mr Andersen said that this also worried him. Our question, however, is this: what is actually being done about it, not at national level but in a Community context? Mr Bertrand has already given the answer: nothing!

Now we are always saying that we must show 'solidarity', but in fact each of us goes his own solitary way. What does the President-in-Office of the Council therefore think can actually be done, within the framework of the Community, by the Nine acting together, not for the benefit of a number of citizens of particular countries, but for the benefit of the 250 million men, women and children living in this Community?

And then there is the question of the elections. I take note of the assurance by the President-in-Office of the Council that all his colleagues and he himself will make every effort to ensure that a decision is taken as quickly as possible, at the latest at the European Council to be held in Copenhagen next April. So the meeting will fortunately not be held in a small castle somewhere in the Danish countryside, but in Copenhagen. I said last time that I hoped they would not be meeting in Elsinore Castle. Last November I told Mr Simonet on behalf of my group that the Council must take action. For, under the terms of the Decision of 20 September 1976, it is not the European Council but the Council of Ministers that is to specify the date for the first elections as laid down in Article 9. And it was thus the ordinary Council that we approached, first of all in November and then in December, when Parliament also adopted a resolution on the subject asking for the date to be fixed in accordance with Articles 9 and 10. Prior to this there must be consultations with the European Parliament. The Council must put forward a definite date and this proposal must be laid before the Assembly, after which the Council has to decide unanimously.

I thought it would be worth drawing the attention of the President-in-Office to this, and on behalf of my political colleagues I would hope that he will be in a position to ensure that the Council puts forward this proposal on the basis of the September 1976 Decision as soon as possible. For we must, at the very outside, know the definite election date before we begin the

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summer recess, so that all the political groups in Europe can be mobilized to make a success of these elections.

A great deal has already been said about the enlargement of the Community. My colleagues and I naturally — how could it be otherwise — take a positive view of enlargement in principle. One cannot say No to the new candidates; we have already gone from six to nine Member States, and that was not achieved without difficulties. Personally, I think that we shall perhaps have fewer difficulties with these three new countries than we are currently experiencing with certain of the Member States that joined last time.

In any case, the Member States which have caused these difficulties must not now exploit the situation to say that because of these difficulties the three new candidates will just have to wait. Moreover, a number of authorities in Spain are more positively inclined towards our Community than certain political forces in the Community itself. Finally, for my Liberal colleagues and for myself enlargement is not a matter of bread, or even of wine or milk alone. There is more than this at stake. A political imperative is involved. It has been asked what we should do with all these people who are so much worse off than we. But if we keep the door closed, the Community is accused of being a rich man's club. I believe that this is precisely the opportunity for us to prove that this is not so. Wanting to help the people in Spain, Portugal or Greece to achieve the same standard of living as ours is simply a question of European solidarity. I find it strange, therefore, to hear the argument that we must make sure the Third World is not jeopardized and that we should not give the Portuguese, Greeks and Spaniards any money that should really have been intended for people elsewhere in the world.

The people in Portugal are just as dear to us as people in Africa and in other poor parts of the world. We do not discriminate between the poor people of the world depending on where they live. Those who are well off and those who are less well off in the world are in any case increasingly dependent on each other.

The following point is the Conference on Security and Cooperation in Europe. President Carter has said that the American freedoms that have been won for the American people are not to be enjoyed by the American people alone but by all the peoples of the world. And if they do not have these freedoms, they will have to be set free.

We would stress the need for the Nine to coordinate as far as possible their attitude at the Belgrade Conference. The great surprise following the Helsinki Conference has in fact been that people in Eastern Europe have themselves been appealing to the principles laid down in Helsinki, the famous 'Basket Three'. Think of Charter 77 in Prague, the workers in Poland, the dissidents in the Soviet Union and those who want to leave the Soviet Union, the Soviet Jews. It is striking

that within the Soviet Union the attitude towards the people who claim their human rights has hardened. This is an unmistakable fact. Precisely for this reason, we shall, without putting the Soviet Union in the dock, have to go on standing up quite openly for these people, these people crying out for freedom in Eastern Europe who count on us. We must not leave them in the lurch.

The last quarter of this century is characterized, as Kozynski recently said, by greater and more far-reaching changes than we have ever before experienced. I am glad that in this connection Mr Andersen also said something about American policy. Until recently it was customary to talk about the Big Two. It then became three, and now there are five Great Powers in the world: Japan, China, the Soviet Union, Europe and America. It now looks as if this 'pentarchy' is being eroded. There seem to be developments taking place which point to a more highly developed pluralism. With this more developed pluralism one can also observe a certain change in American policy as pursued by Carter, Vance and Brzezinski, compared with the policy of Ford and Kissinger. It appears from the beginning and the end of President Carter's trip that the United States also want to be more closely involved again with Europe.

I think this is an important development which we must observe carefully. I have said this before. Despite our internal difficulties, we obviously still have a great attraction for other parts of the world. I am thinking of Lomé, Latin America, Australia, New Zealand, China and Asia. All these parts of the world have been striving for new and closer relations with Europe, following a whole range of political developments of world-wide significance. Mr Andersen said that people knew we were not aiming at becoming a third giant alongside the other two superpowers. This is why other parts of the world are ready to cooperate with us.

And now I should just like to repeat something that I have said before. It is perhaps somewhat presumptuous and arrogant to compare myself with Cato, who always ended his speeches in the Senate with 'Delenda est Carthago'. I do, however, tell myself with every speech: strike, and strike again!

What I want to say is that I hope the decisions taken in the ratified atmosphere of the European Council are actually implemented. For they are always taking momentous decisions — which are then in the course of time completely forgotten. We Liberals, for example, want as many people as possible to be able to move freely in Europe. Well, one of these decisions of the European Council was on passport union. I have, if I may say so, a certain claim to be the originator here, for the idea was taken over by President Giscard d'Estaing with the result that the European Council which met in December 1974 decided to create a passport union. Look how many years have

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passed since then. I believe they are still busy arguing about the number of pages, the sort of cloth, the sort of paper, the colour and the languages. All bureaucratic nonsense! I should like to ask Mr Andersen also to do something during his term of office to ensure on the one hand that the ordinary European man in the street can understand rather more what this Europe of ours is about and on the other hand that this United Europe will have rather more to offer him.

(Applause)

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

**Mr Nyborg.** — (DK) Mr President, the European Progressive Democrats would also like to welcome the Danish Foreign Minister to Luxembourg as President-in-Office of the Council of Ministers.

There should be no doubt about the fact that our political group, like the other political groups in this Parliament, supports the Community and the European ideal, but this is not to say that we are entirely critical. We are critical in the positive sense. I should just like to make a few comments on the Danish Foreign Minister's statement.

Even though Mr Berkhouwer claims certain rights as the originator of the idea of the European passport, I nevertheless share his view that it would be useful if we could make the people of Europe more conscious of the fact that they are members of a Community and give them a European identity rather than merely a national identity. The European passport is one of the ways in which we could do this.

The President-in-Office of the Council said that it is probably still necessary to subsidize various industries within the Community, not only to enable these depressed industries to survive, but also to alleviate unemployment as much as possible. We do not entirely go along with the President-in-Office's view that granting state aids here and there to various undertakings is the right way to solve the unemployment and monetary problems etc. After all, what, basically, is the problem? The problem is that, for reasons of price, our products are not competitive on the world market. So our industry has gone into a recession and unemployment has increased. And how can we change the picture? Only by discovering how to bring costs down again so that we can compete on the world market once more. And, in the longer term at any rate, we are not going to reduce costs by means of state aids.

State aids are one of the things that we are currently criticizing our EFTA partners for applying on a fairly large scale and in such a way that they distort competition *vis-à-vis* EC companies.

The President of the Council also referred to the three new applicant countries Greece, Portugal and Spain in terms that suggested that their accession to the

Community was just around the corner and might happen the day after tomorrow or at least in the fairly near future. However, we must surely accept that while these three applicant countries will have to make certain adjustments, the Community will also have to make certain adjustments itself in order to be able to accept them. This is not something which can just be done overnight and we should therefore recognize the fact that it will be many years before these countries can accede.

It has rightly been said that cooperation and many other things have been of considerable significance within the Community and particularly for Denmark. We must recognize this fact and we are pleased to have been able to participate. However, I should like to draw the attention of the President of the Council to a number of matters in which we should have made more progress than we have to date. For a long time now we have been trying to arrive at a common transport policy. Proposals from both the Commission and Parliament have been before the Council for years, but the Council is not making any progress with them. We would therefore be pleased if the Council would take them out of the drawer, look at them and do something with them since this is a matter which calls for action.

On 1 July last year we reached the point where all the customs barriers within the Community were officially abolished, but we also know that in practice there are a number of difficulties standing in the way of completely free movement of goods, since there are a large number of technical obstacles to intra-Community trade. It strikes me that these are not so much real obstacles as old traditions which the countries are hanging on to. I should be grateful if the President-in-Office of the Council would help us to remove these technical obstacles to trade so that the Customs Union can function as originally intended.

One final point, namely our trade relations with the Eastern bloc countries, i.e. Russia and the other Comecon States. Over the last ten to fifteen years these countries have conducted a deliberate policy aimed at gaining as much control as possible of shipping and using very low prices to make inroads on the other transport markets, with the result that Europe is suffering considerably in the various transport sectors, not least shipping, as I have just said. Indeed, even the developing countries, which had otherwise begun to build up an acceptable trading fleet are having a hard time of it. I am sure that both the Commission and the Council are coming to realize this fact, but I should like to urge the President of the Council to speed up the attempts to get something done about this before things get out of hand and the Eastern bloc countries have such an advantage over us that it will be difficult or impossible for us to reestablish ourselves on the transport market.

That is all I wanted to say.

(Applause)

**President.** — I call Mr Stetter to speak on behalf of the European Conservative Group.

**Mr Stetter.** — (DK) Mr President, the European Conservative Group would like to welcome the Danish Foreign Minister to the European Parliament. All day yesterday the city and airport were covered in fog and for a moment I was afraid that the President-in-Office of the Council would not get here. You did manage to make it, however, and I see you are in fine form in spite of the difficulties you had getting here. I should like to say on behalf of the European Conservative Group that I hope we will be able to establish effective cooperation with the President of the Council, the other Ministers and their assistants for the good of the European Community.

At the start of this part-session last Monday, we began by having to postpone two proposals which had previously figured on the agenda. This led the President of Parliament to say that he hoped that postponement would not become habitual in 1978. We go along with this and hope that not too many matters will be postponed during the Danish presidency.

My group would like to congratulate the President-in-Office of the Council on his statement on the work programme for the next six months. He dealt with a wide range of subjects, but this did not prevent his statement from being constructive and significant. He discussed policy in realistic terms and put forward viewpoints which can serve as a basis for the debates in this House and in the other institutions of the Community. His statement was clear and unambiguous and he was obviously not keeping anything to himself, which is exactly that we wanted.

Generally speaking, the European Conservative Group goes along with many of the views put forward by the President of the Council, and we will do what we can to support him in putting his policy into practice. It goes without saying that we cannot examine all the points mentioned in his statement now. I have therefore decided simply to go a little more deeply into a few of the matters discussed by the President of the Council in his opening address.

We understand that the question of direct elections to the European Parliament has finally been settled officially, and it is reassuring that there is no longer any uncertainty as regards the deadline of May/June this year. In our view, the Paris decision on the choice of this deadline was too vague, and we therefore urge the President of the Council this time to keep his promise to get a definite date fixed so that all the countries and all the eligible parties will know what they have to work towards. The question of whether this date will be sometime in the autumn of 1978 or spring 1979 must be decided in future talks. It is absolutely essential that this decision be backed up by the greatest power and authority possible and it will therefore have to be taken by the Heads of State and Govern-

ment at a future summit so that it will have the support of the national parliaments. We hope that the Danish Presidency will be able to see to it that a decision is reached on this point at the April meeting of the European Council in Copenhagen.

I should stress that the final decision on the holding of direct elections to the European Parliament will mean that the people of Europe will henceforth enjoy greater democratic rights. However, if the voters in our countries are to accept the significance of the direct elections, they must also be able to accept that cooperation within the European Community is something worth while. We hope, therefore, that the President of the Council will use every opportunity open to him in his contacts with the public and the European mass media to stress and explain how important cooperation is for the individual undertakings and individual families in our Member States.

Generally speaking, there has hitherto been very little progress towards real solidarity between the citizens of the various Member States. There are many reasons for this, but the major one was the oil crisis. One of the effects of this crisis was that the individual Member States became engrossed in attempts to solve their own problems by means of national measures and, as a result, the nine countries have continually failed to establish the common policy which is the only route to a combined attack on the unemployment, inflation and balance of payments problems which are affecting all our countries to a greater or lesser degree. The Conservative Group knows from experience that it is enormously difficult to force people into greater mutual solidarity. We take a realistic view of the influence the presidency can have in this matter. We know that negotiations on solutions in the various sectors are lengthy and arduous, but we should nevertheless like to urge the President of the Council not to relax his efforts and prepare the way towards a common policy for combating the economic difficulties facing Europe. We are thinking, for example, of the Commission's communication regarding economic and monetary cooperation and urge the President to follow up this ambitious but realistic action programme. We are also thinking the lengthy account of the long-term objectives which the President of the Commission gave yesterday.

One thing we must do if we are to maintain these long-term objectives at all is to curb the State aids which are currently on the increase. We should therefore like to suggest that, while trying to obtain a complete picture of the various aids being granted to industry in the various Member States, the Council under its current President-in-Office should at the same time concentrate on a few specific industries which play a central role in the Community's industrial policy, for example shipbuilding. The situation has deteriorated substantially in recent years —

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on the world market too — and, as a result, the competition from countries such as Japan and Korea has become quite appreciable, so that many shipyards within the Community are having difficulty in maintaining their normal level of activity and the Member States are under pressure to introduce national measures to cope with the crisis which, in all probability, will be a long-term affair. We do not think it will be possible to discontinue the existing subsidies, but we feel that it would be a good idea for the President to try and ensure that they are not stepped up. In order to do this the Community should, on the one hand, draw up an inventory of support measures currently in force, and on the other hand, take a decision prohibiting further measures of this kind. The latter task will be more difficult than the former, but it will be of great political significance. The Treaty of Rome is based on the principle of free competition, and we have a right to demand that this principle is observed, as long as it remains realistic. It would be ridiculous if, for example, industrial undertakings in some countries were forced to fold as a result of other Member States ignoring the Community and following their protectionist policy.

The President should be more precise and specific than he appears to be in his ideas about leaving the task of drawing up a list of all possible support measures to the Commission. We must combat the latent protectionism of the various Member States before it escalates into a full-scale trade war. Unless we make a serious and determined effort in this field we are running the risk not only of the common market collapsing, but of the Community being shaken to its very foundation.

Finally, I should like to say that there are of course limits to what the President-in-Office of the Council and this Parliament can hope to see accomplished during this six-month presidency, since one presidency has hardly got going before a new one starts. However, this is no reason for a lack of decisiveness in the most important fields, for decisions are what we need.

We wish the President-in-Office of the Council good luck in his work.

(Applause)

**President.** — I call Mr Sandri.

**Mr Sandri.** — (I) Mr President, I have precisely five minutes at my disposal as I am speaking on behalf of the Italian Communists. I have time to tackle — if that is the right word — only one of the points which Mr Andersen raised during his admirable speech.

This point concerns the crucial stage which the GATT talks, or Tokyo Round, are approaching. The talks should be over by June, and before the year is out the agreements which have to be worked out before June should enter into force.

We heard the President-in-Office state that free trade must be upheld. Obviously, we go along with that. Indeed, we should like to see the President's state-

ment reflected in the adoption of a clear and categorical position by those negotiating on behalf of the Community. It has been said that without an expansion of free trade the Community itself is threatened, to say nothing of all the other risks which would follow. In addition, Mr President, a clear-cut statement on the need for free trade must, as we see it, go hand in hand during the coming negotiations with equal frankness in dealing with our major trading partners, the United States and Japan, since while it is true to say that we have to lower customs tariffs and reduce other barriers, it is equally true that the European Community has the right to ask the other major trading powers in the world to take their fair share of the load. The Community cannot go on liberalizing trade and lowering customs barriers while the others around the table are maintaining or even increasing customs barriers and other obstacles to trade. We are for free trade, to be sure, but we want Japan and America to take their share of the burden.

A second point I want to make is that we admire your courage in supporting the emergence of the developing countries. Denmark is showing itself true to its vocation, for which we salute it, since with the Netherlands it leads the way in this policy of increased cooperation with the Third World. But the courage in supporting entry to our markets by developing countries must be accompanied by a search for machinery to ensure that the huge multinational companies managed from abroad do not grab all the benefits granted to Third World countries by setting up plants there and passing themselves off as Third World producers.

Thirdly, in addition to being frank *vis-à-vis* our trading partners and courageous towards the Third World, let us now try to be consistent within the Community. If trade is to increase, in the next few months we shall have to thrash out industrial policies for the reorganization and adaptation of the industrial and economic structures of our countries. If we do not have these policies, it is self-delusion or hypocrisy to speak of opening up our markets to the developing countries.

Before I finish, I should like to say just one thing to the President-in-Office. He mentioned the Lomé Convention. Well, a few days ago a very important person, the most important figure in one of the Member States, was in Africa, and while he was there he mentioned a solidarity pact supposedly to be drawn up between Europe and Africa. He also said that he would raise the issue at the next European Council meeting to be held, I believe, in Copenhagen next April. We would warn against proposals for new pacts — we already have the Lomé Convention. Possibly the idea is to strengthen the Lomé Convention, without switching relations between Europe and Africa to another track, since interference would be inevitable in this case.

If a meaning is to be given to the construction of, or rather the steps towards, a European identity, which

**Sandri**

we hope to see undertaken in the next six months, that identity must be defined, not in terms of the differences from other powers, but in a clear-cut rejection of interference either from our side in the affairs of African States, or from other powers in the affairs of the Community or the Member States of this Community.

With these words, Mr President, we should like to wish the President-in-Office a fruitful six months. He may be assured that we shall listen to him carefully, judge him objectively and support him constantly.

**President.** — I call Lord Ardwick.

**Lord Ardwick.** — Mr President, I am speaking on behalf of the Socialist Group, and I should say that what we are looking for most anxiously is more positive concerted action on unemployment. Unemployment is not merely a personal misfortune, it is not merely a social tragedy, though it is both these things. It is an economic phenomenon, and if this is an Economic Community, it is no good this Community just wringing its hands, shedding sympathetic tears and wishing that the terrible problem would go away. It will not go away unless it is driven away. Of course, the basic cause is inadequate demand, but everybody trembles at the very thought of stimulating demand lest we plunge more deeply into the evil of inflation. And so — it has become one of the clichés of our day — we are all for expansion without inflation. The only problem is how this is to be done.

The solution, Mr President, does not lie with the Commission. It has neither the power nor has it the instruments, as Mr Ortoli has told us so often. The solution, or rather the dilemma, still lies in the hands of member nations. And the member nations alone can concert their actions, agree on joint advances, decide who can bear the risks of expansion with the least danger. All the Commission does is to urge them on in these worthy causes, and that is all that we in this Parliament can do too.

The President of the Council says that all possible steps should be taken to tackle the problem of unemployment purposefully and directly. He does not however tell us — perhaps it is expecting too much in a speech of this kind — what those steps are. All he says is that the measures we shall have to take to combat unemployment must be chosen with a view to curbing protectionism. Now we would all agree on that, but, of course, it depends on how you define protectionism. We cannot stand idly by, nor are we standing idly by, while great industries are swiftly eroded by unfair competition from countries with access to multinational capital, which is always in search of docile labour in countries where taxes are low because the social provisions are low too. We are not standing idly by, we are taking action on steel, on textiles and the rest. But, of course, the President's

words on the avoidance of protectionism are always necessary. Yet this is a moral dilemma which we have to face — how to safeguard our threatened industries, while providing a legitimate outlet for the legitimate trade of the struggling and desperately poor nations of the Third World. Of course, the President is right to stress the need for the success of the Tokyo Round, for the free international trading system must be in danger in times of depression and unemployment such as these are unless the great industrial nations agree not to revert to the old style of selfish protectionism. We as a Community live by world trade, and the freer it is within limits the more hope we have of solving our problems. As the President suggests, however, the tendency is to protect exposed industries by national rules, and this he points out, could threaten even the market itself. In the place of national action we do require Community action to regulate trade, at least temporarily, in dangerously threatened industries. I welcome too the President's interest in industrial development in the poorer parts of the world. If it is to their interest to raise the standard of living it is in our interest too as suppliers of the infrastructures and the machines that they require as they develop.

Now, to revert again to our old problem of unemployment. It is sometimes said that one reason for the slackness of demand is the saturation of needs which were the driving force behind the expansions of the 20 years up to 1970. There is some truth in this, and yet there are still, throughout the Community, many needs unsatisfied. This is not a Community of universal prosperity. There are Member States where people can still be identified in groups of rich and poor. There are States where there are even basic needs: housing, for example, which have yet to be fully met. Even in better-off Member States there are needs for hospitals, schools, sport facilities, the satisfaction of which can provide years of work and reduce unemployment. We are not yet as rich as sometimes we are made out to be.

The problems are great. They are accentuated by increasing productivity and by a larger number of people coming on to the labour market. Yet one is still not satisfied that the Community, for all Mr Ortoli's stout advocacy, has an effective strategy to combat unemployment. At the moment the target is for an increased growth rate of 1/2 to 1 % on top of the spontaneous growth rate, and all that will provide. I think, is a few hundred thousand jobs. So it is essential that the general economic strategy is more closely coordinated at Community level.

But even this is not enough without specific policy measures which, I am glad to see, the President of the Council mentioned in his address this morning. There must be an unremitting search, not just for growth, but for qualitative growth which will reduce excessive



## Lord Ardwick

disparities in income and opportunity, improve working conditions, conserve energy and develop new sources of energy and yet will protect the environment and protect the consumer. I am glad to say that we are beginning to develop an industrial strategy in the Community. It will become more and more necessary as we are forced to tackle the developing problems of restructuring. It cannot be done successfully on a national basis alone. We look to the Council to sharpen its interest in this problem.

In conclusion, I would like to quote from Mr Jenkins' speech yesterday. Mr Jenkins said he would like to invite us to all

to put ourselves in the shoes of individual finance ministers of our Member States confronted with the current problems of day-to-day economic policy.

That does not require a very great feat of imagination from Mr Jenkins himself because he has occupied that position in Britain. He went on:

We would see confronting us record levels of unemployment. We would see little immediate prospect of an employment upturn... By all the rules of traditional post-war economic management this would be the moment to pump extra purchasing power into the economy so as to bring unemployment down to a more tolerable level.

But of course, the question would then be asked:

What would be the effect and on real economic activity of such expansionary action? And the answers would be somewhat discouraging.

So what is the answer? Well Mr Jenkins finds his answer. At least, he says that one way out of the trap is economic and monetary union. This may be right or it may be wrong. I am not going to argue that this morning. But what I am going to argue is that whether it is right or wrong, economic and monetary union is not for this year or for next year, it will be a gradual achievement. But the unemployment is with us now and it will be with us next year and the year after that. So we have to find a joint solution outside this extremely close union which he envisages. We have to have a union, we have to have unity, we have to come together in some way in order to conquer this problem.

*(Applause)*

**President.** — I call Mrs Goutmann.

**Mrs Goutmann.** — *(F)* Mr President, speaking on behalf of the French Communists, let me say right away that in our opinion the objectives set by the Danish presidency have to be judged in the light of the serious problems affecting the Community. I should like to remind the House of these very quickly.

Firstly, there is unemployment, which is getting worse all the time. There is inflation, whittling away the purchasing power of the workers. There are growing disparities between Member States, and the monetary situation is deteriorating rapidly. There is poverty, which has failed to get mention here today but which,

in France for example, affects 17 million people. What all this amounts to is a worsening of the world crisis, and our countries are just getting in deeper and deeper because the situation is made worse by the policies which the Council and the Commission have followed until now, as witness the various sectoral plans which the Commission has implemented or drafted. The common feature of all these plans is that factories are closing and men are being laid off. In other words, important sectors are being run down economically and socially: the textile industry, steel, shipbuilding agriculture in the Mediterranean area, fishing. And these are just the first examples; there are more to come.

It came as a surprise to me that Mr Andersen himself expressed satisfaction at the implementation of these plans, without once mentioning — none of the other Members who spoke did so either — the social objectives which this Community has been proclaiming for the last 20 years. Unfortunately, the workers know only too well just how many of these objectives have been attained. I am surprised, but not greatly so. I pointed out recently how these plans are part of the redeployment strategy of the largest firms, and it is a strategy which rides roughshod over men and the wealth they have produced, since capital is the dominating interest. Seen in light, the objectives put forward by the Danish presidency are simply going to be a continuation of what has gone before, and they might even make things worse.

As far as external policy is concerned, what sense has the Council's goal of strengthening the dialogue with the United States when President Carter interferes in an intolerable manner in the internal affairs of two Member States, Italy and France? And I should also like to know whether the President of the Council, in stating that NATO represents the sole basis for the defence of Western Europe, is speaking on behalf of the entire Council, and in particular on behalf of France.

As for the matter of possibly enlarging the common market, does this not mean using the democratic enlargement of Europe as a cover to open up new markets so that the multinational concerns — which recognize liberty and democracy only then they mean increased profits — can exploit more workers in even more advantageous conditions?

We also wonder what the Danish presidency is up to when it starts questioning the Member States' right of veto. Does this mean that the Council is moving towards majority voting? Would this not make it easier to thwart the aspiration of the workers and the national interest of each Member State? Would it not just be a way of playing down the responsibility which the Member States must bear for the worsening of the crisis? We cannot endorse these aims, which are blocks to social and economic progress and to the essential development of friendly relations between our countries.

**Goutmann**

The way forward is along quite a different path, that of social progress — which nobody has mentioned today — and the satisfaction of the workers' basic needs. We have to follow the road of economic progress, challenging the domination of big capital. This is the only way to achieve a Europe marked by social justice, growth, trade and cooperation.

*(Applause)*

**President.** — I call Mr Andersen.

**Mr K.B. Andersen, President-in-Office of the Council.** — *(DK)* Mr President, I should first of all like to express my thanks for the many positive observations which have been made here today. They are a great encouragement to us as we carry on the work of the presidency.

I do not intend to speak at length at this time as I have already had an opportunity to put forward my basic views. However, I should like to reply to a number of very specific questions which have been raised. There is no need for me to stress that even if I often express views which are shared by all the Member States, I am speaking here today as the Danish Foreign Minister, as the Danish President and will answer accordingly.

The President of this Parliament and several of the group spokesman discussed the question of the date for the direct elections. I should like to remind you that we discussed this matter yesterday. The way things stand at the moment — and I hope, Mr Berkhower will take note of this too — is that the Council intends to consider what dates are possible from a purely practical point of view. Then we intend to take a political decision at the meeting of the European Council in April and this will of course be discussed in the Council of Ministers in the same way as any other legal measure. Nor have I forgotten the role of Parliament in this matter, which I have already gone into. I also agree with those speakers, including Mr Stetter and Mr Fellermaier, who said that it is vital for the parties, the public and everyone involved in the election that we should take a final decision as soon as possible after completion of the procedure I have just described.

Mr Fellermaier spoke on the question of a twelve-month presidency. This is a question which we in Danish call a 'hot potato' and I hope this can be translated reasonably into other languages. It is a difficult and controversial matter. I do not think I can go along with this idea for one reason. The European Community is a Community of nine members, and the decisions which can be taken depend upon the courage, resolution and wishes of the nine countries and therefore it would not be a good thing if each individual country were to leave its own national mark on the developments over a certain period. For this reason I myself take the view that six months is a suitable period.

Mr Fellermaier spoke on the question of South Africa, and I go along with him completely on this matter. As Mr Fellermaier knows, we in the Nine are working — and, I might add, the Scandinavian countries are too — quite specifically on the question of what economic and other sanctions we will be able to effectively impose on South Africa, since whatever we do must be realistic.

One of the reasons why I asked to speak again was Mr Fellermaier's remarks about Turkey. I did not mention Turkey quite simply because I was speaking about the next stage in the enlargement of the Community, i.e. from the Nine to the Twelve. However, as Mr Fellermaier is undoubtedly also aware, we have good relations with Turkey, as Denmark does bilaterally. I have visited that country — I think it was in 1976 or perhaps 1975 — and the Turkish Foreign Minister has been to Denmark. There are association agreements which serve as a framework for talks. Turkey is informed about our work on policy in the same way as other European countries in a similar situation, and we should not forget that Turkey has so far not actually applied for membership. I think I can say that we are fully attentive to the question raised by Mr Fellermaier and Mr Klepsch and we want to have the best relations possible with Turkey.

Mr Klepsch and Mr Sandri spoke on the GATT negotiations, and I should like to mention that, as I said, we discussed this very matter in the Council only yesterday. Our talks went well and we now have the go-ahead for the countries of the Community to take part in this extremely important cooperation. In addition, the points mentioned by Mr Sandri, i.e. the United States, Japan and the developing countries are covered by the mandate which the Nine approved following yesterday's discussion.

Mr Klepsch mentioned majority votes and I should like to say that Denmark takes the view that there is a clear power of veto in the field of foreign policy. This is certain and no Member State wishes to change it. We can take decisions by a majority on internal Community matters, but as we know, it is possible by virtue of the Luxembourg Agreement, to depart from this practice and use the veto on vital matters. We agree with this, but as I have also said, vetoes are not going to help us build up the Europe of the future, and we do not want the Luxembourg compromise abused and applied to non-vital questions and areas.

Many speakers, including Mr Klepsch and Mr Berkhower, spoke on the question of human rights. I agree with what was said. This is a question of decisive importance which is central to the Belgrade Conference. It is also right that we should deal with this matter in such a way as to avoid destroying the entire process of détente, since otherwise it will be more difficult to help the individual citizen in the Eastern bloc in these respects. We have made this point in

**K.B. Andersen**

our talks on these matters, the most recent being yesterday's negotiations with the leader of the United States delegation, Mr Goldberg.

Mr Berkhouwer asked what we could do about unemployment. I will not go into this at great length, but merely make one remark, namely that we are at least in a better position than we were in the 30s when the various countries shuffled off unemployment onto their neighbours, or at least tried to. This is greatly to the credit of our cooperation. Lord Ardwick also mentioned this point a few moments ago. Now we are in a position where we can solve this problem jointly instead of simply trying to shuffle it off on to each other.

Mr Berkhouwer finished his speech by quoting Cato who, every time he spoke in the Senate, said that Carthage must be destroyed. If I did not quote Cato this is because — and I hope Mr Berkhouwer does not mind me saying this — I have always been more interested in what was going to be built than what was going to be destroyed. I should therefore prefer to finish all my speeches by talking about what we are going to build and not what we are going to destroy. What we are going to build is the future of Europe which is something I find more interesting.

*(Applause)*

Mr Nyborg spoke about a European identity and linked it with the European passport. I have no wish to belittle the importance of a European passport but I should like to remind Mr Nyborg that five years ago the Nine countries all adopted an extremely constructive document on the European identity. I think this is just as strong an expression of the European identity as the passport which is still under discussion.

I should like to point out that Mr Nyborg has unfortunately misunderstood me completely on the question of State aids. This will be clear from the transcript. I actually said the opposite of what Mr Nyborg attacked me for having said, but it is so seldom that we meet in the Danish Parliament that we perhaps do not entirely understand each other's way of expressing himself. I therefore repeat that I said the opposite of what Mr Nyborg claimed I had said.

I have replied to Mr Stetter's remarks on direct elections and should like to say that I go along with him completely, since he understood perfectly what I said regarding State aids and subsidies, namely that it is not enough to take a general approach to the problem. We must also deal with the sectors individually, and I can tell Mr Stetter, without going into all the details, that in the conversation I had with Mr Jenkins on this question last Monday, we actually did pinpoint a few specific sectors, including some Mr Stetter mentioned. I therefore agree entirely that there is a general approach and there is a sectoral approach and that both are extremely important.

I should like to say to Mr Stetter that I wholeheartedly agree that it is up to all of us present and many others to make use of the time between now and the direct elections to explain the positive significance of our cooperation. We have left the forming of public opinion far too much in the hands of those who oppose our cooperation without having any realistic alternatives to offer. I was therefore glad to hear what Mr Stetter had to say today.

I have already taken the opportunity of replying to Mr Sandri on the question of GATT. Mr Sandri mentioned a number of newspaper reports which I have also seen concerning a treaty between Africa and Europe which was to come up at the Copenhagen meeting. I have not heard of anything of this nature and, at any rate in the version I saw in a newspaper, it can hardly have been reported completely accurately. As far as Denmark is concerned, our attitude to Africa is quite clear. We have been saying for years, 'let us in the West demonstrate our openness *vis-à-vis* the new African countries. We must not try and force them into systems they do not want to be forced into. Let us stress that African problems need African solutions. This is one of the reasons why we in Denmark have been in favour of an arms embargo *vis-à-vis* South Africa and have been keeping an eye on the whole African question. I should like to repeat what I said to Mr Fellermaier, namely that we in the Nine are actively trying to do what we can to promote free development in Africa, including South Africa, and to increase the pressure on the existing régime in the latter country.

I just wanted to make these few observations, Mr President, and I should like to repeat that I am very grateful to have been able to be here today and listen to the valuable views put forward regarding our cooperation in Europe.

*(Applause)*

**President.** — The debate is closed.

### 5. Urgent debate

**President.** — I have received from Mr Klepsch on behalf of the Christian-Democratic Group, Mr Fellermaier on behalf of the Socialist Group, Mr Durieux on behalf of the Liberal and Democratic Group, Mr de la Malène on behalf of the Group of European Progressive Democrats, Lord Bethell on behalf of the European Conservative Group and Mr Sandri on behalf of the Communist and Allies Group, a motion for a resolution with request for urgent debate pursuant to Rule 14 of the Rules of Procedure, on the deportation of political and trade union personalities in Chile (Doc. 501/77/rev.).

I shall consult Parliament on the adoption of urgent procedure for this motion for a resolution at the beginning of tomorrow's sitting.

## President

I should like to take the opportunity of expressing at this point our deep concern about and our utter condemnation of this new violation of human rights, which confirms the need for us to continue our efforts towards the full respect of freedom throughout the world.

### 6. *Obligations contracted at the Helsinki Conference*

**President.** — The next item is the report drawn up by Mr Scelba (Doc. 424/77), on behalf of the Political Affairs Committee, on compliance by the signatory States with their obligations under the Final Act of the Helsinki Conference, with particular reference to the reunification of families.

I call Mr Bertrand.

**Mr Bertrand, deputy-rapporteur.** — (NL) Mr President, the rapporteur, Mr Scelba, is unable to be here, and in accordance with tradition his report is to be presented by the chairman of the Political Affairs Committee.

The motion for a resolution is concerned with the signatory States' compliance with their obligations under the Final Act of the Helsinki Conference, with particular reference to the reunification of families. In the explanatory statement to this motion, which was the subject of lengthy discussions in the Political Affairs Committee, reference is made to the Final Act of the Conference on Security and Cooperation in Europe, signed in Helsinki on 1 August 1975. The signatory States, in their declaration on the principles guiding relations between the States, say that — and I quote — 'the participating States will respect human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief'. For us, as citizens of the European Community, and also for all citizens of the Free World, the content of this declaration is a *sine qua non* for acceptance of the Helsinki Final Act as a whole.

Indeed, in signing this Final Act we showed our readiness, despite justifiable doubts in the light of recent history, particularly the years following the Second World War, to believe that even the countries of Eastern Europe would fully respect human rights and fundamental freedoms as we in the West understand them, or could at least gradually come to do so.

Now, after two or two or three years' experience, we have to admit that this is unfortunately not the case. And our attention here is directed above all at the human aspect, and more particularly at the question of the reunification of families divided by the Iron Curtain or the Berlin Wall. The signatory States have given a written undertaking — and once again I quote the text of the Act — 'to promote contacts and regular meetings on the basis of family ties, marriages between citizens of different States and travel for personal or professional reasons'. Well, the fact is that in recent weeks the European Parliament, like other

international organizations, has been receiving an increasing number of requests — from citizens of the German Democratic Republic and Romania in particular — seeking the support of our institution with a view to implementing the principles of the Final Act of the Helsinki Conference. The Political Affairs Committee, whose responsibilities include questions relating to human rights, has already received more than thirty petitions and comparable documents from courageous people behind the Iron Curtain. A number of these petitions have already been declared admissible in accordance with Article 48 of the Rules of Procedure. I am thinking here in particular of petitions Nos 2/77, 6/77 and 12/77, which formed the basis for the motion for a resolution by Sir Derek Walker-Smith, Chairman of the Legal Affairs Committee; these were referred by Parliament to the Political Affairs Committee last May and are now included in Mr Scelba's report.

This report was discussed by the Political Affairs Committee last November at its meeting in Berlin, where these problems make themselves particularly felt. The efforts made by this Parliament with regard to human rights and the reunification of families aroused a great deal of interest in the media in Berlin. The Political Affairs Committee was practically unanimous in the view that these petitions and comparable documents are of capital importance on account of their human content. The committee thus feels that every effort should be made to deal with these petitions as effectively as possible. In the preamble to the motion for a resolution, the Political Affairs Committee indicates how it sees its role: 'The European Parliament, having regard to the political role which the Community can and must play and to its duty not to disappoint the expectations of those from whom it has received appeals, has called on us to request the President of Parliament, Mr Colombo, to forward an initial dossier consisting of the above-mentioned petitions to the Council of Ministers and the Foreign Ministers meeting in political cooperation, with a request to take account of this at the Belgrade Conference, which was convened precisely to test what has been achieved in the last few years on the basis of the Final Act of the Helsinki Conference.' As you know, contrary to all expectations, it was not possible to conclude the Belgrade Conference by the end of 1977. The delegations in Belgrade are now working on a formula for the final communiqué in which, on the one hand, the results achieved and the obvious shortcomings in the implementation of the Helsinki Final Act are set out and, on the other hand, new commitments are entered into for the effective implementation of the agreed provisions. Mr Colombo forwarded this dossier to Mr Simonet, President-in-Office of the Council at the time. I am pleased to be able to report that Mr Simonet immediately informed the Belgian delegation at the Belgian Conference of the contents of the European Parliament's request with the accompanying petitions and comparable

**Bertrand**

documents. On 23 December last year Mr Simonet confirmed to us that, during the discussions on assessing the implementation of the Helsinki Final Act, the Belgian delegation and the delegations of the other Community countries had repeatedly raised the question of the Eastern bloc countries' failings with regard to human rights. According to Mr Simonet, the Member States have tabled in this connection a large number of motions for resolutions, in which the countries attending the Belgrade Conference are urged to take steps to improve compliance with the human rights provisions.

As you see, Mr President, our initiative has achieved suitable results. It is thus appropriate today to say a word of thanks to all representatives of the Member States for their constant efforts to improve the lot of citizens in these Eastern bloc countries. On behalf of the Political Affairs Committee, I can solemnly and emphatically declare that we shall continue our efforts and shall continue to make our voice heard as representatives of the free and democratic European Community, particularly in the spirit of our resolution of 11 May 1977 on the protection and defence of human rights. The purpose of this is to see that the governments of the Eastern bloc countries meet their obligations fully and meticulously in future on the question of freedom.

Mr President, ladies and gentlemen, in this spirit we once again, by means of this motion for a resolution by Mr Scelba, call on the Council of the European Communities and on the governments of the Member States to join together in taking all possible steps to ensure that the participating States in the Helsinki Conference meet all the obligations they have accepted. I therefore ask you to vote for this motion in order thereby to show the public that the European Parliament, in which peoples are represented which have the good fortune to live in freedom and democracy, intends to continue its unswerving efforts in the field of human rights for the restoration of freedoms in the parts of our continent where these rights continue to be violated. It must be made clear to the public that for us freedom and democracy are indivisible. For us, the division of this ancient continent of ours cannot go on. We shall not forget our brothers and sisters on the other side of the Iron Curtain.

Mr President, I think I have voiced the thoughts and observations expressed very clearly in Mr Scelba's document. I thus ask Parliament to give unanimous approval to this motion, as I think this will do a great service to those who have the courage in very difficult circumstances to appeal to us to see that the Final Act of the Helsinki Conference is respected and put into effect.

IN THE CHAIR : MR DESCHAMPS

*Vice-President*

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

**Mr Radoux.** — (*F*) Mr President, ladies and gentlemen, this is a particularly appropriate moment for the Political Affairs Committee to present this motion for a resolution. Work has resumed at the Belgrade Conference, and it is no bad thing that Parliament, after adopting two resolutions on human rights, is now laying special emphasis on this resolution on the right of families to be reunified. Another reason why I feel that this is the right moment for this resolution is that, in the same way, it is no bad thing to remember, when we come to vote on this motion which the Political Affairs Committee adopted unanimously, that we were successful in Belgrade in insisting that all parts of the Final Act be reviewed. As you know, there was a suggestion that human rights and fundamental freedoms should no longer be discussed, since a number of countries felt that they had already been discussed enough. In my view, we were right to hold firm. It is fine that we got what we wanted, namely, that the chapter on the respect of fundamental freedoms will be on the agenda not only at the Belgrade Conference but at all the subsequent conferences, on the implementation of the provisions of the Final Act.

Furthermore, during a meeting of the Political Affairs Committee I asked for the text before us today not to be worded 'to ensure compliance... with the obligations under the Final Act' but 'to ensure compliance... with *all* the obligations contracted under the Final Act'. This is the first remark I wanted to make on the present situation in Belgrade as we consider this motion.

My second remark is prompted by one of the provisions of what the experts in Helsinki and Belgrade have called 'the *cordon sanitaire* around each State in order to protect its national sovereignty'. I shall read just one paragraph from the chapter concerning non-intervention in internal affairs: 'The participating States will refrain from any intervention, direct or indirect, individual or collective, in the internal or external affairs falling within the domestic jurisdiction of another participating State, regardless of their mutual relations'.

Ladies and gentlemen, we have signed the Final Act of the Helsinki Conference and endorsed all these chapters and all these principles, especially Principle VII on the respect for fundamental freedoms. I feel we can now ask whether jurisdiction in the case of these rights is still — as the words I quoted put it — 'domestic jurisdiction'. As I see it, there is no interference in the internal affairs of a State involved in either the signing or the implementation of the Helsinki document. We have been discussing it in Belgrade since last July, and it is very likely that we shall still be discussing it somewhere else in 1980. One could

**Radoux**

ask whether we are dealing with domestic jurisdiction or what might be called 'shared' jurisdiction. The fact is that, when an agreement is made to discuss things, and not only to discuss them but to comply with them, there can no longer be any jurisdiction which is simply domestic. Jurisdiction, as I said, is shared. This means that we not only have the right to question anyone who has not complied with the provisions of the Final Act, but that we can also insist that this be discussed.

I feel that it is useful to remember this during our debate on this resolution because it all comes under the heading of détente. And détente, ladies and gentlemen, is the logical outcome of peaceful coexistence. It does not abolish rivalry, but it does encourage cooperation. Consequently, discussion must be constant. It is with this idea of ongoing discussion and application or non-application of each of the provisions of the Final Act that we want to be sure that the discussion continues to cover everything that was worked out in Helsinki, without omitting anything. But at the same time we must be ready to accept any new proposal which might be an improvement on what was decided in 1975.

These are the reasons, Mr President, why I think the House should follow the example of the Political Affairs Committee and vote unanimously in favour of this motion for a resolution. I hope that Parliament will continue to be guided by the Political Affairs Committee and vote in the same way whenever the issue at stake is not simply and solely the reunification of families, as it is today, but any one of the objectives laid down at Helsinki.

This was the thinking behind what I had to say, Mr President, and I hope that the House will now adopt this motion unanimously.

*(Applause)*

**President.** — I call Mr van Aerssen, to speak on behalf of the Christian-Democratic Group.

**Mr van Aerssen.** — *(D)* Mr President, ladies and gentlemen, the Christian-Democratic Group supports the report and recommends that the motion for a resolution be adopted unanimously. We regard this as a fresh impulse towards keeping the gripping worldwide movement for human rights on the boil and, as far as we Christian-Democrats are concerned, it is a logical continuation of the many initiatives and measures which have been taken in this House.

We see the European Parliament as gradually assuming the role of advocate for the realization and defence of human rights, and we realize that this is in fact a dual role, requiring us — on the one hand — to ensure that the precisely formulated legal obligations entered into by the signatory states to the Final Act of the Helsinki Conference are fulfilled to the letter, and — on the other hand — to shift the onus of proof

and force those States which are not prepared to fulfil their obligations politically and morally onto the defensive.

A few weeks ago, the Christian-Democratic Members of the German Parliament published material documenting the violation of human rights, material which testifies to the complete accuracy of this report and to the obligation on our part to do what is expected of us and never to tire of passing motions of this kind.

We must create a human and moral solidarity, and we regard this resolution and the preceding discussions as a way of developing — here in the European Parliament and in the European Community — a series of instruments which we can use to carry out regular checks on whether or not the Helsinki Treaties are being fulfilled. Appeals alone are not enough; we must always keep a very careful check on — and, so to speak, keep a running record of — what is going on and how the situation is really developing. We think that this resolution and this report can give us more ideas as to how we can improve the instruments at our disposal. And I should like to reiterate our support for the view which Mr Radoux has just expressed, to the effect that human rights and what we put our signatures to in Helsinki take precedence over national rights.

According to Principle No 7, as formulated in Helsinki, human rights take precedence over national considerations and national sovereignty. These human rights are fundamental and cannot be subordinated unilaterally to national sovereignty. We therefore have a duty to bring our full moral weight to bear on those countries which brand any accusation of a violation of human rights as an act of interference in their internal affairs. This is not interference, but an obligation imposed on us by the preeminent status of human rights. We therefore hope that this resolution will be adopted unanimously and that it will be made clear that there can be no détente in this world, and no peaceful co-existence, until certain countries are prepared to uphold peace and human rights within their own borders.

*(Applause)*

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

**Mr Jensen.** — *(DK)* Mr President, on behalf of the European Progressive Democrats, I should like to thank the rapporteur for his factual treatment of this sensitive subject in his report.

Of course we shall not adopt a schoolmasterly attitude, but wherever possible we shall help to find humane solutions.

The report shows deep insight into the problems of human rights and an appreciation of the fundamental right of freedom. And we must appeal particularly to

## Jensen

the countries of Eastern Europe to fulfil their part of the international obligations and to respect their citizens' right to leave their own country and to return unhindered. The European Progressive Democrats actively support freedom, and for this reason the results of the Helsinki Conference concerning the reunification of families and the associated human rights must be observed. The government of the GDR, which is after all one of the signatories of the Helsinki Final Act, cannot be told too clearly that it too is under an obligation to comply with these decisions and must show that it can put them into practice. This is the only way we can ensure the development of friendly relations and humane cooperation between all States.

(Applause)

**President.** — I call Sir Derek Walker-Smith to speak on behalf of the European Conservative Group.

**Sir Derek Walker-Smith.** — Mr President, I should like to start by affirming once again the constant and continuing support of the European Conservative Group for all matters affecting human rights and in that context for the high purposes which Helsinki seeks to serve.

I welcome this motion for a resolution and its report and add my thanks and tribute to its distinguished rapporteur, Mr Scelba, and the no less distinguished deputy rapporteur, Mr Bertrand, who has so eloquently and persuasively commended this motion to this House today. I would give a particularly warm welcome to the effective Paragraph I of the resolution. Insofar as I might have any small reservation, it would not be on the content of this motion for a resolution, but only that it has not been found possible to make a more specific reference to the individual circumstances and the individual representations which gave rise to this report.

As appears from the working document, this motion for a resolution arises from the motion for a resolution which I was privileged to table on behalf of the Legal Affairs Committee and to which reference is made in the document. Mr Bertrand has been good enough to refer to it again today, for which I thank him. The motion for a resolution of the Legal Affairs Committee refers to representations made to this Parliament by two citizens of the German Democratic Republic who seek permission to emigrate to the Federal Republic of Germany, itself, of course, a most respected and leading member of our Community.

Mr President, as a matter of international law, as indeed of equity, the matter is wholly clear, as and is shown beyond doubt by the recitals and the appendices to the report of the Legal Affairs Committee. It rests on a secure foundation, on the twin pillars of the Universal Declaration of Human Rights, itself an instrument of the United Nations, and the Final Act of the Helsinki Conference, which is binding on all its signatories, including the German Democratic Republic. The relevant provisions of these two documents

are set out in the appendices to the motion of the Legal Affairs Committee and are included in the working document before us. The first is, of course, Article 13 of the Universal Declaration of Human Rights. That is commendably clear and concise. Everyone has the right of freedom of movement and residence within the borders of each State; everyone has the right to leave any country, including his own, and to turn to his country.

The Helsinki provisions are longer, but clear and to the same effect. In particular, they state that in the field of human rights and fundamental freedoms the participating States will act in conformity with the purposes and principles of the Charter of the United Nations and with the Universal Declaration of Human Rights.

Mr President, it is these great principles which are at stake today, but we mustn't view them only as abstract principles. They are of fundamental importance to the lives of individuals. The observance or breach of these great principles can and does dictate whether the lives of the individuals affected can be happy or must be unhappy. One of the characteristics, one of the less desirable characteristics, in my view, of the second half of the twentieth century, is the great power of States and governments over the lives of individuals. It is a far cry from the situation obtaining in earlier days, as described in the lines of a great Englishman of letters in the eighteenth century. I apologize to our excellent interpreters, because it is not possible to interpret verse. Dr Johnson wrote: '*How small of all the things that human hearts endure that part which kings or laws can cause of cure!*' Very different today. Of course, it remains true in the sense that the State cannot confer happiness, but today States and governments, some much more than others, have enormous power to promote unhappiness and to deny the opportunity for happiness. To use such power for the detriment of the individual, for the denial of simple basic human rights and the rights of families, is an abuse of power, and against such abuse, wherever it arises, this Community and its Member States should set their face.

Of course, the scope for direct action by this Community as such is limited in our debate in May on the protection of human rights I said this: 'Now it is of course true that *pro forma* the Community is not a party to the Helsinki Agreement, since it is an Agreement between participating States.' Nevertheless that duty extends collectively by implication to the Community. As a Community and as a Parliament we can only exercise influence indirectly by way of action and appropriate representation through the governments of Member States. So we can take such action and make such representation today by the adoption of this resolution and by conveying thereby to the Member States and their Ministers our expectation of and support for effective action by them jointly and severally to defend and promote human and fundamental rights.

(Applause)

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

**Mr Pistillo.** — *(I)* Mr President, ladies and gentlemen, our group supports the motion for a resolution tabled by Mr Scelba and presented by Mr Bertrand, and which refers particularly to the reunification of families and more generally to the respect of human rights in accordance with the Act of the Helsinki Conference.

This Community of ours is acting nobly whenever it defends human rights, no matter where or by whom they have been infringed or undermined. This action becomes all the more consistent and convincing when we strive, within the Community, to ensure that these rights are properly defended and safeguarded at a political, civil, moral and economic level.

Take the situation in West Germany, for example, where there has developed a fairly widespread resistance to a plainly authoritarian trend and to measures which discriminate against a certain section of the population. We are disturbed that there are still things occurring in the Federal Republic which are hardly in keeping with some of the principles expressed in the Final Act of the Helsinki Conference. These principles concern one of man's most important rights — the right to freedom of thought, conscience, religion, etc.

Let me say again: we criticize and condemn any violation of these rights, wherever it may occur. We believe in democratic procedures, in the development of democracy and in respect for the democratic rights of every man and woman. As a result, it is our firm belief that the European Parliament must speak out on this issue, no less than on the more general issue of promoting and safeguarding democracy.

I want to make one final comment. If our involvement in defending human rights is to be a tangible reality and not mere theory, it is essential for it to be matched by action designed to improve bilateral and multilateral relations among nations. In recent weeks, for example, there has been a marked deterioration in relations between the two Germanies. There are various reasons for this, but this is not the time or the place to go into them. It is our opinion, however, that anything which improves relations between East and West Germany is important for the whole of Europe and is a powerful contribution to peace and stability.

We realize that the problems are complex and difficult, and that they are unfortunately not going to be solved simply by passing resolutions. Nevertheless, the European Parliament is right to state its point of view and to back it up with a realistic analysis of the problems which arise from time to time.

*(Applause)*

**President.** — I call Mr Sieglerschmidt.

**Mr Sieglerschmidt.** — *(D)* Mr President, ladies and gentlemen, allow me to add just two remarks to what

Mr Pistillo has just said. Firstly, I should be extremely grateful if he and his colleagues would exert some pressure on the government of the GDR to persuade them to remove the barriers to normal relations which the GDR leadership has irresponsibly erected between the two German States, and to use their influence to get the GDR Government to change its attitude to the non-admittance of travellers and to other matters such as the closing of press offices.

The second thing I have to say, Mr President, has nothing to do with the substance of the criticisms that Mr Pistillo has made of my country. There will be other times and places for replying to these criticisms, and I do not regard these reproaches as applying to me, as a representative of my country and all its political forces. I should just like to say that there is a method which is applied to human rights and which I have witnessed in operation to some extent today, and I should like to say a word of criticism on this point. The method consists of manipulating a few facts or supposed facts to make white into grey and of using a few supposed facts or whatever positive facts there are to change black to grey, the result of this process being that, as far as human rights are concerned, everything eventually becomes grey.

I take the view, Mr President, that as far as human rights are concerned, white must remain white and black must remain black.

**President.** — I call Mr Haferkamp.

**Mr Haferkamp, Vice-President of the Commission.** — *(D)* I have not much to add to what has already been said in the course of this debate. I should like to express my thanks, on behalf of the Commission, for this report and for the fact that this House has again seen fit to discuss an important problem of human rights. It is clear from the report that what we are talking about are not theories or insinuations, but that this report, this resolution and this debate are based on facts. Our attention is drawn to letters, petitions and genuine contacts, and behind these simple facts lies the knowledge of human suffering caused by the problem of reunifying families. We have already heard of the particularly distressing results of the violation of human rights in this respect, and that these cases represent violations of a particularly inhuman and cynical nature.

We can only underline what has already been said on the need to demand quite clearly and unequivocally that the necessary conclusions be drawn from the Final Act of the Helsinki Conference. There is no question here of interfering in another State's internal affairs, and it is in this light that the Member States of the Community have put forward proposals at the Belgrade Conference to be incorporated into the Final



**Haferkamp**

Act of that Conference. This report, today's debate and — I trust — the vote on the motion will provide considerable support for the stand taken by the Member States of the Community.

*(Applause)*

**President.** — The debate is closed.

The proceedings will now be suspended until 3 p.m.

The House will rise.

*(The sitting was suspended at 1 p.m. and resumed at 3 p.m.)*

### IN THE CHAIR : MR SPENALE

*Vice-President*

**President.** — The sitting is resumed.

#### 7. Question Time

**President.** — The next item is the second part of Question Time (Doc. 438/77). We start with questions to the Council. The President-in-Office is asked to answer these and any supplementary questions.

I call Question No 32 by Mr Edwards :

Does the Council propose to hold consultations as to the possibility of giving aid to countries outside the framework of the Treaties governing the Communities, in particular where such aid would not adversely affect the Communities' own economic interests ?

**Mr K. B. Andersen, President-in-Office of the Council.** — *(DK)* I hope my reply will cover the full scope of the Honourable Member's question. I interpret this question as referring to Community aid measures in favour of non-associated countries and the procedures by which these measures are worked out.

I do not need to remind the European Parliament that the Community has an overall development aid policy which has both a regional aspect and a world aspect. The regional aspect, which is by far the more significant, covers the Lomé Convention and the agreements concluded under the overall Mediterranean approach. The world aspect — that is to say, the aspect which in the main covers aid to the non-associated countries — is on the contrary basically autonomous. This aid, as you know, has numerous facets, the most important of which are generalized preferences, food aid and technical and financial aid to non-associated countries. This autonomous policy is the fruit of decisions taken within the framework of the normal institutional process, and hence does not stop at simple consultations between Member States : the various Community institutions play a full part in the preparation of this policy : proposals from the Commission, opinions — even on the budgetary aspect, which are a prerogative of the European Parliament — and Council decisions.

Finally, one last remark : there are certainly limits to the Community's aid measures, particularly in the present economic circumstances. However, as everyone is aware, it is in the final analysis in the interests of the industrialized countries to contribute to the progress of the developing countries which, particularly as far as the Community is concerned, are becoming increasingly important as economic partners.

**Mr Edwards.** — May I congratulate the President-in-Office for that magnificent and detailed reply to my question. I realize it was a rather complicated one, but he has replied in the fine spirit of the majestic policy pursued by Denmark as a nation. What I had in mind was three areas of aid : firstly, applicant nations like Portugal, who are in dire straits and certainly need urgent assistance to maintain democracy ; secondly, countries like Turkey, an associate member which, under the new government, needs urgent support — how do we expedite our negotiations with it and with islands like Cyprus ? ; finally, areas outside the Community, say a country like Laos, surrounded by war and a welter of controversy — how do we aid a country like that ?

**Mr K. B. Andersen.** — *(DK)* I am grateful for the way my answer was received. I do not want to waste time quoting lots of figures, but since Portugal and Turkey were mentioned specifically, and I have the relevant figures to hand, I can tell you, as many of you will probably already know, that in 1975 Portugal — and I agree fully on the importance of cooperation with that country — received a loan of 180 million u.a., which has now been used up, and that a new financial protocol on 200 million u.a. is currently in the process of ratification.

As for Turkey, there has already been a financial protocol for nearly 200 million u.a. via the budget, and a further 25 million u.a. in the form of a loan from the European Investment Bank. This protocol has now expired, but here too new moves are afoot. A new protocol for aid of more than 300 million u.a. is in the process of ratification. I am only quoting these figures to show my agreement with the views expressed.

**Lord Reay.** — In view of the most critical financial situation at present in Portugal and the precarious political situation there and in view of the Community's obvious interest in sustaining democracy in Portugal, will the Council give very particular consideration to the possibility of making some financial assistance available in the near future to Portugal, rather than leaving it to the IMF, and to the IMF's own economic and political judgment as to what should be the terms on which assistance should be given to Portugal ?

**Mr K. B. Andersen.** — (DK) I am sorry I was somewhat slow in rising to reply, but the fact is that I have just given you an incorrect piece of information. I am sure the questioner will be only too pleased to hear that the financial protocol with Portugal which I said was in the process of ratification has in fact now been ratified. Having rectified that point, I would also say that we are constantly considering how we can help Portugal economically and otherwise in the extremely difficult situation it is currently facing.

**President.** — I call Question No 33 by Mr Dalyell, for whom Mr Brown is deputizing:

Will the Council of Ministers, in the light of President-in-Office of the Council of Ministers Claes's statement to the Energy and Research Committee on 3 November 1977, consider changing technical presidential portfolios in the Council each year, and not every six months, in the interests of continuity and a coherent European policy?

**Mr K. B. Andersen, President-in-Office of the Council.** — (DK) What is involved here is the period of office of the presidency and this is something I already referred to this morning. The period for which the office of President of the Council is held is laid down in Article 2 of the Treaty establishing a Single Council and a Single Commission of the European Communities. This Treaty can be revised only through recourse to the procedure provided for in Article 236 of the EEC Treaty and the corresponding articles of the other treaties. The Council has not received any proposal for a change in Article 2, which lays down the period of office as it stands at present, and thus has no proposal on which it can express its opinion.

**Mr Brown.** — Is the President-in-Office in a position to explain how Ministers are able to say that solutions to urgent problems are delayed? In fact, he said that, generally speaking, changes of presidency do jeopardize the continuity of the Council's work. How can he justify that and also make the inspiring speech he made this morning, when he knows quite well that the reasons for the changes are causing an absolute hazard in his own Council?

**Mr K. B. Andersen.** — (DK) I can only say that I disagree with the President of the Council who stated — and I say this as the Danish President-in-Office — that the six-month term of office was a delaying factor. I think that many of us share the responsibility for delays in European cooperation.

**Lord Reay.** — Would the President-in-Office of the Council not agree also that there other arguments in favour of retaining the present system which have more force than those put forward by the questioner. If the presidency were to last for one year, particularly in an enlarged Community, this would mean that you

would have far too long a period between countries reassuming the presidency of the Council. Also, in the case of the presidency of any one Member State being somewhat less than outstanding, it could be a relief for all of us when that country leaves after six months, rather than waiting for a full year.

(Laughter)

**Mr K. B. Andersen.** (DK) I can only assume that the Honourable Member was not present this morning when we were discussing this same subject. What I said this morning was that there was no intention of turning cooperation between the Nine into cooperation which was French one year, German the next year and Danish the other, so that this cooperation could have a national stamp set on it. That is not the intention at all. It is cooperation that is involved, and I therefore think the six-month period is right. After all, a year would be a major load for a Member State and, if the enlargement of the Community is approved, this would mean that each country would have a period in office only every twelve years. In other words, we would be losing a good opportunity to discuss European affairs at home in our respective countries every fifth year, as we are able to do at present.

**President.** — I call Question No 34 by Mr Osborn:

In view of their class four status, what consideration has the Council given to the development of economic and political ties with the Government of the Falkland Islands, and to what extent are the fisheries' interests and the offshore oil potential of the islands taken into account by the Ministers of Foreign Affairs?

**Mr K. B. Andersen, President-in-Office of the Council.** — (DK) The Falkland Island benefit from the provisions of the Council Decision of 29 June 1976 on the association of the Overseas Countries and Territories with the European Economic Community. The aim of this decision is precisely to facilitate the economic and territories concerned. The decision covers trade cooperation, export earnings from commodities, financial and technical cooperation and provisions relating to establishment, services, payments and capital movements. The duty-free importation of fish products into the Community from the Falkland Islands has already been provided for by Council Regulation No 706/76 of 30 March 1976.

**Mr Osborn.** — I welcome this reply from the President of the Council, because, as the country holding the presidency, Denmark has contacts with Iceland and Greenland and is aware of the problems of the world fishing industry. In seeking self-determination these people, who are British subjects and of Scottish origin, will welcome cooperation with the Community as much as or even more than cooperation forced on them with Argentina and South America. Will the

**Osborn**

Council instruct the Commission to look at opportunities for economic aid by providing an international airstrip, developing Port Stanley to our mutual benefit in the field of fishing and facilitating oil exploration and extraction to the mutual benefit of the Community and these islanders?

**Mr K. B. Andersen.** — (DK) I have listened to what you said and, while I am unable to answer your specific points, I shall bear them in mind in my work in the Council.

**Lord Murray of Gravesend.** — Will the Council take note of the previous claims of the Argentinian Government against the Falkland Islands and resist them as much as Britain has done?

(Applause from certain quarters)

**Mr K. B. Andersen.** — (DK) As far as I can judge, this question is outside the scope of the Council.

**Mrs Ewing.** — Could I ask the Council if it will tell this Parliament that, in all its dealings with the Falkland Islands and its cooperation therewith, it will recognize the right of self-determination of the citizens who live there under a constant state of fear that they are in some way going to be done down by the rest of the world and left to fall under the influence of Argentina, which is obviously very determined to have them?

**Mr K. B. Andersen.** — (DK) Here again, this question is outside the competence of the Council, and I can therefore express no opinion on it.

**President.** — Since the author is absent, Question No 35 by Mr Kasperit will be answered in writing.<sup>1</sup>

I call Question No 36 by Mr Cousté:

Does the Council not agree that it would be useful for the Community as such to be present in the independent committee to draw up proposals for the reorganization of relations between industrial and developing countries which was set up in Bonn, and could not the Commission of the European Communities have at least some part in this body?

**Mr K. B. Andersen, President-in-Office of the Council.** — (DK) This Committee on International Economic Cooperation, chaired by Mr Willy Brandt, is an independent committee whose members act in their own capacity and not on the instructions of their governments. It is no part of the committee's function to intervene in the current negotiations between governments. Its work will be supplementary to that being done by governments and international organizations. The committee will seek to identify the top priorities for negotiation in the next decade in order to promote the development process in the least favoured parts of the world and thus to help bring about a more equitable economic order.

The selection of the members of the committee was the personal task of Mr Brandt. He called upon sixteen leading public figures in equal numbers from the developing and the industrialized countries, all of whom possess considerable experience of economic and political matters. No member represents as such any government or international organization. The Council therefore regards it as normal that the Community should not belong to this committee. It cannot be or become a member of it. The Council has complete confidence in the selection made by Mr Willy Brandt and would like to take this opportunity of stressing the importance it attaches to the report which the committee will be submitting in about 18 months' time.

(Protests)

**Mr Cousté.** — (F) I am much more concerned about the substance of the problem than about the procedures of the Brandt committee. That is why I should like to know whether the Council intends to take positive steps to reinvigorate and relaunch the North-South Dialogue.

**Mr K. B. Andersen.** — (DK) I am more than surprised at that last remark. What I was asked about was the Brandt committee, and that is what I dealt with in my reply. I am somewhat surprised that it should be necessary to tell this Parliament that the Community has a clearly-defined policy on the North-South Dialogue — a policy which is extremely clear and well-known.

**President.** — I call Question No 37 by Lord Bessborough:

Why, at its meeting on 13 December 1977, did the Council of Ministers reject the Commission's proposals to promote coal in electricity generation and to finance cyclical stocks of coal?

**Mr K. B. Andersen, President-in-Office of the Council.** — (DK) I should first make clear that, at its meeting on 13 December 1977, the Council did not reject the Commission's proposals to promote coal in electricity generation and to finance cyclical stocks of coal. It did, however, establish that it was impossible to reach agreement within the Council on these proposals and invited the Commission to give further thought to the main problems raised by these two proposals as regards the role to be played by coal in the context of the Community energy policy and to submit, if appropriate, new proposals to resolve these problems. I would add that the two points referred to in the question will again be put on the agenda of the Council as soon as the occasion arises.

<sup>1</sup> See Annex.

**Lord Bessborough.** — Whilst recognizing that the proposals have been referred yet again to the Commission, I would ask the Council if it does not recognize the unsatisfactory situation in which measures which would contribute substantially to meeting essential Community energy requirements have been the subject of inconclusive discussions in the Council for so long, and does not the President-in-Office agree that such measures do need to be introduced urgently?

**Mr K. B. Andersen.** — (DK) I said a moment ago that this would be put on the Council's agenda again as soon as possible, but it is a difficult problem. On a more personal level I would add — as I said this morning — that the Nine have not yet got very far on cooperation on energy.

**Mr Osborn.** — Can the President-in-Office of the Council ensure that the appropriate measures for these purposes are in fact introduced at the earliest possible opportunity and are accompanied by Community arrangements for more direct support for the sales of Community coal to power stations, including measures to promote intra-Community trade in steam-coal, the opportunities for which have been seriously jeopardized by the sudden and steeply rising imports from third countries, which I understand have increased from eight million tonnes in 1973 to 22 million tonnes at the present time, with rising stocks of coal in the Community countries as well?

**Mr K. B. Andersen.** — (DK) In this field, as in a host of others, what we are trying to do is to achieve a certain degree of internal stability, while at the same time avoiding shutting ourselves off from the outside world, i.e. adopting a protectionist attitude. This is the balance we are trying to achieve in this field, as in others.

**Mr Jensen.** — (DK) Does the Council consider it necessary to grant aid for coal stocks in the Community in order to ensure reliable and continuous supplies of coal, or does the President-in-Office not think that the Council itself should put forward another proposal to reduce the over-production of coal in the coal-producing countries of the Community?

**Mr K. B. Andersen.** — (DK) As I said a moment ago, this is the question which is being discussed at present, and the Council will take it up again as soon as it is in possession of the material.

**Mr Noè.** — (I) Does the Council not think that, apart from what might be termed the tactical aspects of these supplies, consideration must be given to an overall long-term policy for the use of coal to take account of the subsequent stage when reserves of oil are exhausted?

**Mr K. B. Andersen.** — (DK) This is one of the factors in our considerations. As I said, this debate is in full swing. We are awaiting a new move on the part of the Commission — although I am not implying that the Commission has been dragging its feet on this matter. We asked the Commission in December to take this and other factors into account, and only one month later we are naturally not yet in a position to open discussions on a new basis. However, as soon as the Commission's proposals are in our hands, there will be no delaying at all.

**Mr Brown.** — Can I say to the President-in-Office how disturbed I am that he and his colleagues did not in fact reject the proposals? I thought they had come forward really to tell Parliament that they had rejected them because of the increase in pollution that would be incurred, the increase in the cost of electricity that would accrue, the inefficient use of raw materials that would result, and, not least, because of all the deaths and injuries that occur to the men who have to go down into the bowels of the earth to mine the stuff. So I am very sorry that he is having second thoughts.

**Mr K. B. Andersen.** — (DK) As I said this morning, I have been a politician for some time, and I hope I can be expected to speak just as freely to you as Members speak to the Council. It is a bit much to be reproached firstly for not having reached a decision in December, despite the fact that the basis for a decision was inadequate, and then for not having rejected the proposals on grounds which are inadequate. I repeat my call for us to be given the material so that we can deal seriously with this important matter.

**Mr Brown.** — You reject it!

**President.** — I call Question No 38 by Mrs Ewing:

Will the Council give an account of the latest developments as regards a possible devaluation of the 'green pound' and on the effect of enlargement of the Community on the common agricultural policy generally?

**Mr. K.B. Andersen, President-in-Office of the Council.** — (DK) I should point out with regard to the first part of the question that the conversion rate for the British pound — i.e. its 'green' parity — has gone neither up nor down since the adoption of Regulation 878/77, which led to a devaluation of approximately 4% in the green pound as part of the annual fixing of farm prices for 1977/78.

At the beginning of November 1977 the Commission submitted to the Council a new proposal providing for a gradual running down of monetary compensatory amounts by an adjustment to the green rates.

The second part of the question, which involves the effects of enlargement — and might even give rise to a debate on these effects — on the common agricul-

**K.B. Andersen**

tural policy, is an issue so broad in scope as to rule out any reply to it during Question Time.

**Mr Ewing.** — Is the Council aware of the hardships imposed on upland agriculture, a great deal of which is situated in Scotland, by the United Kingdom Government's failure to devalue the green pound by stages and to allow fair competition for the agricultural industry? Does the Council not agree that uncertainty is bad for every sector of the Community, not only for the farmers, but for the housewife too, who in the end benefits from home production in the long term, and that for long-term planning there must be confidence in this industry, and could he do everything in the power of the Council to urge the United Kingdom Government to step up this devaluation?

*(Applause from certain quarters of the European Conservative Group)*

**Mr K.B. Andersen.** — *(DK)* This whole question of monetary compensatory amounts and the future relationship between currencies and agricultural prices is under discussion at the moment, and it is no secret that it is one of the points on which the nine Member States cannot agree.

**Mr Howell.** — In view of the fact that the failure of individual Member States to realign the green currencies has caused appalling distortions in agricultural prices to a point where the common agricultural policy is no longer a reality, can I have an assurance from the President-in-Office that he will do everything in his power to bring an end to the green currency system at the earliest possible moment?

**Mr K.B. Andersen.** — Yes.

**Mr Price.** — Will the President-in-Office not take too much notice of the screams from the farming lobby that he has heard in the last two questions?

*(Cries of 'hear, hear!' from the left)*

Does he realize that in relation to the green pound, a balance has to be drawn between the needs of the consumers, who are very many more in numbers than the farmers, and is he further aware that until the Community adopts a credible and real regional policy the green pound is the only means national governments have to protect themselves at a time when the Community is unwilling to adopt the sort of regional and social policy which they need to protect them?

**Mr K.B. Andersen.** — *(DK)* The object in this matter is to achieve a balance between consumers and producers — the efficient producers — while at the same time finding a solution which does not undermine the entire agricultural policy, which is a major aspect of cooperation between the Nine.

**Mr L'Estrange.** — Is the President-in-Office aware of the loss caused to Northern Ireland farmers by the

refusal of the British Government to revalue the pound? Is the President further aware of the amount of smuggling from Northern Ireland into the Republic of Ireland because of the differential prices? Is the President further aware of the amount of smuggling from Northern Ireland into the Republic of Ireland because of the differential in prices? Is the President further aware of the harm this smuggling inflicts on farmers in the Republic of Ireland, especially pig producers and grain growers? And, if so, what action does he intend to take on the matter?

**Mr K.B. Andersen.** — *(DK)* I have been listening with great interest, but I hope most of the Members will agree with me that it would ill become a President-in-Office to answer this question, which is not a matter for the Council, nor one which I will answer as a Danish minister.

*(Laughter)*

**Mr Spicer.** — Is the President-in-Office aware that a very large number of jobs have been lost in the United Kingdom in the manufacturing industry and the processing industry as a result of the distortion caused by the green pound? Will he undertake to bring that fact to the attention of the British Minister of Agriculture at the next meeting?

**Mr K.B. Andersen.** — *(DK)* It is not my job to bring such facts to the attention of the British minister. Without otherwise going into the question, I must admit I fail to understand why jobs should be lost because it is possible to have low foodstuff prices.

*(Laughter-Protests from certain quarters on the right)*

**President.** — I call Question No 39 by Sir Geoffrey de Freitas :

What is the Council doing to encourage the governments of the Community to apply their national laws on the control of multinational companies?

**Mr K.B. Andersen, President-in-Office of the Council.** — *(DK)* The question of multinational concerns has been discussed by the Council on several occasions, and the House will probably be aware that the Council has passed various laws on the subject and that several documents and proposals are currently before the Council. As regards this specific question, however, I can only state that it is not for the Council to supervise the application of the national laws mentioned by the Honourable Member.

**Sir Geoffrey de Freitas.** — Whilst understanding the procedural and legal position, I ask this question : if the Community, and this Parliament in particular, concerns itself with companies which work in more than one of our countries, should the Council not begin to develop an interest in the enforcement of the laws of the countries in which these companies operate?

**Mr K.B. Andersen.** — (DK) It is obvious that, if the Council manages to have laws on this subject passed, it is up to both the national parliaments and the Community to ensure that these laws are enforced. What I was saying before was that it cannot be the Council's job to supervise implementation of the national laws in the countries concerned. This is quite simply a matter of powers — or lack of powers.

**Mr Edwards.** — I'm sure the President-in-Office is aware that about two hundred multinational companies blanket the whole economy of Europe. They control all our credit and are now responsible for nearly half the total production of the Western world. Surely it is the duty of our Europe to make these huge concentrations of production and wealth more and more accountable, otherwise we shall never control international inflation, of which they are the primary cause.

*(Protests from the right)*

**Mr K.B. Andersen.** — (DK) I can only say that, as you know, the question of multinational concerns is a major subject of debate in the Community, and one of the reasons for this was a move made by the previous Danish Presidency. It is also a question with which we shall be concerning be concerning ourselves in our present term of office.

**Mr Prescott.** — Is the President-in-Office aware of the conviction last month for industrial espionage of an employee of a multinational — Hoffmann-La Roche — based in Switzerland, simply for providing information to the Commission which allowed it to fine this multinational company for its illegal activities? As the Swiss government and the Swiss courts, together with this multinational based in Switzerland, are treating the protocol between the Community and Switzerland with contempt is it not time that consideration was given to the idea of reviewing this agreement?

**Mr K.B. Andersen.** — (DK) I cannot answer this specific question as I am not conversant with the case in question.

**Sir Brandon Rhys Williams.** — Would the President-in-Office not agree that in some of the fields where multinational companies are often criticized, namely their employment policies and their investment and credit management policies it is virtually impossible to frame legislation which is readily enforceable? But would he not also agree that in the field of and that this is a particular area where the Community ought to act?

**Mr K.B. Andersen.** — (DK) If it was easy to find a solution to these problems, we would have made greater progress over the last five years than we in fact have done. Your last suggestion of a code of practice

is in fact one of the factors in the Community's consideration of the question.

**Lord Bethell.** — Does the President-in-Office believe that it is his duty to take a purely adversary approach to multinational companies, or does he not also feel that it is part of his duty to take an encouraging attitude to responsible multinational companies and to recognize the contribution which they make to the wealth of the Community?

*(Cries of 'hear!, hear!' from the European Conservative Group)*

**Mr K.B. Andersen.** — (DK) This is an indication that the question is not as simple as some Members would like to have us think, and this is why we are taking our time over the matter without delaying it unduly.

**President.** — I call Question No 40 by Mr Patijn, for whom Mr Broeks is deputizing:

Which Member States have already completed the procedures necessary in accordance with their internal constitutional requirements to ratify the Decision of 20 September 1976 on direct elections but have not yet formally notified the Council that they have done so, despite the fact that the Decision of 20 September 1976 stipulates that the completion of these procedures must be notified without delay?

**Mr K.B. Andersen, President-in-Office of the Council.** — (DK) Of the seven Member States which have completed the parliamentary procedures necessary under their respective constitutional requirements for the adoption of the provisions annexed to the Council Decision of 20 September 1976, France and the Netherlands have not notified the Secretary-General of the Council of the European Communities of the completion of these procedures.

**Mr Broeks.** — (NL) I assure the President-in-Office is aware that it is only recently that it was possible to form a new government in the Netherlands, so that this notification will shortly be forthcoming. However, is it not the case that, as France has not given this notification either, the aim is to influence the choice of a seat for the European Parliament and, if so, does that country really think that it can put pressure in this way on a Parliament which has still to be elected and whose candidates are not even known yet?

**Mr K.B. Andersen.** — (DK) Firstly, the idea is new to me. Secondly, I cannot imagine that pressure could be exercised in this way.

**President.** — I call Question No 41 by Mr Nyborg:

As came out at the recent colloquy organized by the Commission, little progress is being made on the matter of customs union and the elimination of cumbersome formalities at internal frontiers. In view of the evident difficulties in reaching agreement even on minor issues, such as the abolition of customs duties on small parcels

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having no commercial value, will the Council urge the national authorities to help the Commission to carry out its intentions in this field?

**Mr K.B. Andersen, President-in-Office of the Council.** — (DK) I cannot share Mr Nyborg's view that little progress is being made in the area of customs union, which already exists as a solid achievement and has been maintained and developed despite the present economic climate. This emerged from the recent colloquy by the Commission, which did of course underline certain deficiencies and the need for further progress. The Council has no doubt that the national authorities and the Commission will continue their efforts to complete and consolidate the customs union. As to the specific example mentioned by Mr Nyborg, the Council reached a decision as long ago as 1974 on the abolition of customs duties on small parcels having no commercial value within the Community.

**Mr Nyborg.** — (DK) The President-in-Office's reply would appear to be incomplete, since he can hardly be unaware of the fact that people are constantly having to pay duty on small parcels — only the expression now is 'handling charges'. Major administrative difficulties are constantly involved in crossing the internal frontiers of the Community — both for people and for goods. May I therefore ask the President-in-Office whether the Commission will be given more assistance than before in its efforts to come to grips with these various technical hindrances to trade?

**Mr K.B. Andersen.** — (DK) We shall certainly assist efforts to eradicate such trade hindrances. My initial reply referred only to what Mr Nyborg asked me, but as far as his supplementary is concerned the answer is yes.

**Mr Fletcher-Cooke.** — Is the President-in-Office aware that last April this Parliament passed a resolution deploring the continued existence of a large number of customs barriers within the Community, and is he also aware that since the passage of that resolution practically nothing has been done to remove those barriers? Would he undertake, if he cannot undertake that they shall be removed, at least to identify those that still exist and to publish a list of them?

**Mr K.B. Andersen.** — (DK) I agree that such hindrances are constantly encountered in the Community. I can also state that the Council is currently discussing a number of important proposals along the lines mentioned here. There are draft directives on the harmonization of the procedures for converting to the free movement of goods, the harmonization of administrative or legal provisions regarding customs duties, the repayment or remission of import or export duties and other matters. There are also moves afoot to

simplify the customs procedures themselves. All these proposals are being studied by the Council, and this indicates the Council's awareness of these problems.

**Mr Yeats.** — Does the President-in-Office not agree that the fact that 20 years after the so-called free trade area of the Common Market was formed, the number of customs officers in the nine Member States is now approximately what it was when the customs union began is an indictment of the failure to achieve simplification in the last 20 years?

**Mr K.B. Andersen.** — (DK) I am very reluctant to accept responsibility for the Community's failures in the first fifteen years of its existence, when Denmark had no say in the matter. I won't go so far as to claim that things have perhaps started moving slightly faster in the last five years — but at any rate I am reluctant to carry the can for the first fifteen. However, the customs officers referred to do have other things to do than purely customs work, and some of these other duties have not decreased in the last few years.

**President.** — I call Question No 42 by Mr Normanton:

Will the Council report on the steps taken or being taken to harmonize Member States' conditions for credit with the state-trading countries so that the Community's overall political objectives in regard to the Helsinki Agreement and Mutual and Balanced Force Reductions are achievable without detriment to the competitive position of any single Member State?

**Mr K.B. Andersen, President-in-Office of the Council.** — (DK) There is already an agreement for an experimental period between the Community as a whole and the other major industrialized countries on the harmonization of the most important conditions of credit, namely the maximum duration of export credits, the minimum rate of interest to be accorded and the minimum percentage of down payments required. These conditions apply to the state-trading countries as well as to all other countries. The Community is currently negotiating with the other major industrialized countries for the prolongation and possibly improvement of these common guidelines.

**Mr Normanton.** — Is the President-in-Office really aware of the scale of the credits granted to the Soviet Union and the Comecon satellites, loans which have a two-fold effect: firstly, of subsidizing the construction of capital plants whose products are exclusively intended to be sold to the Community to the detriment of Community industries; and secondly, of enabling the Soviet Union to free its own financial resources for the creation and expansion of the largest military and naval force the world has ever known? Can the Council in all honesty afford to view this economic and political threat with indifference in

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view of the fact that a war has truly broken out between Member States, and that despite the fact that the Soviet Union is in balance as far as trade payments are concerned with the Community?

**Mr K.B. Andersen.** — (DK) I can assure the honourable Member that the Council is fully aware of the factors involved in his field, including those just raised by the Member. The crux of the matter is to avoid competition between Member States on credit terms, and I do not think the current situation can be described as a credit war. The harmonization that has been achieved was the result of weighing many considerations. The points raised by the questioner were taken into consideration, as of course was also the need to increase exports to and trade with the state-trading countries and thereby contribute to détente in Europe.

**Mr Nyborg.** — (DK) The fact is that the interest rates and duration of the credits granted by some of the Member States to the state-trading countries amount to direct competition with our own industries, which are unable to obtain the same advantageous conditions. Will the Council take steps in its negotiations with the United States and Japan to ensure that interest rates and durations are laid down which are more in line with those offered to industry in the Community?

**Mr K.B. Andersen.** — (DK) The Community works on the basis of its common guidelines. That is all I can say in reply to this question.

**Mr Radoux.** — (F) Does the President-in-Office consider that existing measures to harmonize export terms between the Member States are sufficient to allow consideration of the creation of a European Export Bank?

**Mr K.B. Andersen.** — (DK) This is in fact a totally new question that is being raised. We have made initial progress in the other question I referred to. What is being raised here is a matter of a completely different nature. Although as far as I know we are open to suggestions on this, no decisions have been reached on this subject.

**President.** — I call Question No 43 by Mr Terrenoire:

In order to ensure that social protection will continue to develop throughout Europe in a balanced and coordinated manner, does the Council intend to set up permanent European consultation on the future of social security?

**Mr K.B. Andersen, President-in-Office of the Council.** — (DK) The Council Resolution of 21 January 1974 concerning a social action programme makes provision for the establishment of appropriate consultations between Member States on their social

protection policies with a view to fostering progressive harmonization. It is up to the Commission to promote and strengthen cooperation between the Member States in this field by submitting, where necessary, appropriate proposals to the Council.

**Mr Terrenoire.** — (F) Does the Council not feel that this policy and this cooperation should be reflected in at least a medium-term programme? This might do away with a number of distortions which exist at present in the national policies. Moreover, since measures are frequently introduced at different times in different countries, it would avoid further distortions which themselves create various problems.

**Mr K.B. Andersen.** — (DK) As you all know, we have not yet made as much progress in this field as the questioner would like. It was in 1970 that the Council approved the introduction of the European social budget which permits analysis of each Member State's financial commitment in the field of social protection. Until we have established the financial commitment involved in our widely varying systems, it is difficult to make any progress.

**Mr Howell.** — I am extremely disappointed by the initial reply of the President of the Council. It seems to me that he is passing the buck to the Commission and that the Council itself should be aware of the need for taking action in this field.

**Mr K.B. Andersen.** — (DK) It is admittedly up to the Council to take action, but like any national parliament we cannot do so without adequate facts — and we are now in the process of obtaining these. This is not the Commission's job, it is ours, but the Commission has to help us in the work.

**Sir Brandon Rhys Williams.** — Although the Commission has been exceedingly dilatory in producing meaningful and up-to-date figures of the comparative levels of social security benefits in Member States, could we draw particular attention to the very wide difference in the rates of benefit for families of men who are in work because of the significant effect on take-home pay, and in particular may we draw attention to the fact that in Britain child endowment is really at a pitifully low rate, to the great disadvantage of British families by comparison with those of workers in comparable employment in the rest of the Community?

**Mr K.B. Andersen.** — (DK) I feel this is an extremely important question, and for this very reason it should not be played down. However, the rates of benefit in various countries are not the only factor to be considered — it also depends on how they are financed. In some countries the employer's contribution is very high, while in others it is next to nothing, and this means that, in some countries, the taxes are



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correspondingly higher because the employers' contribution are lower. The question must also be considered in the context of overall housing policy in the wider sense. It is therefore not possible simply to compare the rates of benefit from country to country, as this is not an adequate basis for joint action.

**President.** — We turn now to questions to the Foreign Ministers meeting in political cooperation.

I call Question No 44 by Mrs Ewing :

Have the Foreign Ministers considered the latest Annual Report of the Anti-Slavery Society; and what action do they propose to take on the the issues raised therein?

**Mr K.B. Andersen, President-in-Office of the Foreign Ministers.** — (DK) I am afraid that the document referred to has not been discussed in the context of political cooperation, and the honourable Member will therefore appreciate that I cannot comment on the matter today.

**Mrs Ewing.** — May I say to the President-in-Office that I should be glad to provide a copy of the document forthwith? May I ask the Council if they would bear in mind that the evils of slavery linger on in many countries and across several continents? As the Human Rights Commission set up by the General Assembly in 1971 rarely investigates, far less redresses, the tens of thousands of cases that are referred to it as complaints, would he not agree that, when considering this matter in the future — as he has said he will do — maximum publicity is the best combatant and that he is singularly well-placed to help give publicity to condemning slavery wherever it occurs? He might start by supporting the work of the United Nations group of experts on slavery and also the work of this society, of which I am happy to say another member of the UK delegation is, as I am, a member.

**Mr K.B. Andersen.** — (DK) We must not talk at cross purposes. My reply a moment ago did not refer to the question of slavery itself. There must be no doubt about the attitude of the individual governments of the Member States or of my own Government towards slavery. As I mentioned before, the Nine are working together on human rights problem in the wider sense, but what the question was concerned with was the specific report, and this has not been discussed, so that I cannot comment on it today. I am grateful for the opportunity to obtain a copy of the report — although I am sure we have it in the ministry — but I cannot comment on it at this stage.

**Mr Spicer.** — The President-in-Office will know I am sure, that over 25 years ago the people of Eritrea were forced into bondage under an alien régime and lived in conditions which came close to slavery for 25

years. Now that their new-found freedom is threatened by Russian and Cuban intervention, does he agree that this is a subject which the foreign ministers should consider as a matter of urgency and that we, within this Community, should take a strong stand-against intervention which will force them back into bondage?

**Mr K.B. Andersen.** — (DK) As the representative of the Council, I can say that we are constantly closely following developments in all parts of Africa, and I might add that the Danish Government has been doing the same for a long time now. The question raised here is only one of many controversial and regrettable matters which might be discussed in relation to conflicts and developments in present-day Africa.

**Lord Bethell.** — Is the President-in-Office aware, though from the tone of his reply I do not think he is, that the Anti-Slavery Society was criticized very harshly some months ago in a United Nations committee by representatives of the Soviet Union and of Iraq — countries which have good reason to dislike the Anti-Slavery Society — and that these countries threatened to take action to suspend the association status of this organization with the United Nations Organization? I wonder whether he is aware of this fact and whether he will address his mind to it in the framework of political cooperation of the Nine?

**Mr K.B. Andersen.** — (DK) I am not conversant with this particular case, but the entire question should of course be studied in the UN group which we have in the Nine. That would be the obvious forum in which to discuss the matter raised by the honourable Member.

**President.** — Before declaring the second part of *Question Time* closed, Mr President-in Office, may I respectfully point out that questions have to be tabled some time in advance if they are to be included on the agenda, and it is therefore regrettable to hear in the replies that one is not familiar with the documents in question. Having said that, I should like to thank you warmly for your first attendance at *Question Time* and express our appreciation of your open-mindedness and frankness.

(Applause)

The second part of the *Question Time* is closed.

## 8. European political cooperation

**President.** — The next item is the report (Doc. 427/77) drawn up by Mr Blumenfeld, on behalf of the Political Affairs Committee, on European political cooperation.

I call Mr Blumenfeld.

**Mr Blumenfeld, rapporteur.** — (D) Mr President, the report on European political cooperation and the motion for a resolution which the Political Affairs Committee has submitted to the House and the governments of the nine member countries are of great fundamental importance. We must make good our deficiencies in the field of parliamentary democracy, as these can no longer be tolerated, especially in view of next year's direct elections to the European Parliament.

I am very gratified at the comments which the President-in-Office of the Council and Chairman of EPC made this morning in his speech on political cooperation, as he seemed to indicate that the Danish presidency was prepared to lend an ear to our problems and to take action along the lines of our motion for a resolution. As I said in the introduction to my report, the report and motion for a resolution aim at — indeed call for — a proper and long overdue degree of Parliamentary control over the formulation of a joint European foreign policy.

We believe that main duties of members of parliament are to formulate and enact legislation and also to influence and supervise the policy-making process. As Members of the European Parliament we have had the bitter experience, especially during last year's presidency, of being denied at almost every level the opportunity of studying, influencing or even controlling the joint foreign policy of the Community and the nine Member States. I repeat, this is an intolerable situation which constitutes a denial of parliamentary democracy and which must be put right. We are determined to do just that.

Parliamentary control must be introduced gradually, but we must begin now. In most national parliaments there is no longer any influence or control over joint European foreign policy. For example, in the Foreign Affairs Committee of the Bundestag the government replies to members who raise questions that the matter is being dealt with in the context of EPC, that this procedure must not be disturbed by outside interference, and that the outcome of the EPL discussions will be made known when they have been completed. The member's belief that at last his great opportunity has arrived, the opportunity not only to take part in debate but also to become actively involved and exert control, is completely shattered as the government almost invariably states that, after long and difficult talks, the Nine have produced a joint formula and discussion on the matter is henceforth closed. In the European Parliament, too, we have to be content with information which is often sketchy and several weeks late, or with a brief discussion, often only at the quarterly colloquies.

That, Mr President, is the real extent of our involvement in the field of political cooperation, information on foreign policy and the discussions between Parliament and the Council of Ministers and between the Conference of Foreign Ministers and the Commission.

The Commission is actively involved, it is true, but it can never say a word to Parliament. It seems to me that Europe's bureaucrats are lucky to have such a marvellous opportunity to indulge in their favourite sport. How does the machinery of European political cooperation actually work? The Political Committee meets almost every month, and in addition is convened when its members are attending meetings, for example of the United Nations, the CSCE or the European Council. Its meetings are therefore increasing in frequency. The working parties of experts set up in 1974 discussed matters of immediate importance and also problems with long-term implications, in which case they are referred to as 'planning meetings'. The communications system between the Foreign Ministers, known as 'COREUNET', provides for the instant exchange of political information using the very latest technology and therefore bypasses the Member States' embassies. The Commission sees most of the telegrams exchanged on the COREUNET system, and is hardly ever absent from EPC meetings and is invited to take part in some meetings of the working parties. Although the Commission is invited to give its views at such meetings, it does not participate in decisions. The Council of Ministers' Secretariat does not attend any meetings.

The reason I am mentioning these details is that the weaknesses in the system and those areas in which progress is possible must be made clear. I fully recognize that in recent years the advances made by the governments in the field of political cooperation have been not inconsiderable — some would say that they have in fact been quite substantial; but in view of the intensification of Community external relations we should really be asking ourselves whether the Community of the Nine is acting as an effective and united body, and not just in its reactions to events in the outside world but also by planning ahead. I believe that new machinery should be created and that the governments should adopt a fresh political approach and make provision for control by the European Parliament.

Mr President, I have no wish to discuss the structural deficiencies of EPC, as I do not believe that it is Parliament's task to do this today. We shall be able to do this some other time in talks with the national governments. However, I should like to stress that, in my opinion at least, the continuity of political cooperation in foreign policy can never be ensured as long as the Council presidency changes every six months, like the presidency of the Conference of Foreign Ministers, the chairmanship of the Political Committee and of the experts' working parties and of all the other groups involved. In my view we lack coordination at Community level, and I would remind you that Mr Tindemans referred to this situation in Chapter II of his report, but this has not yet been taken up by the Member States concerned or their Foreign Ministers.

## Blumenfeld

I should like to raise another important point concerning the Commission. The Commission is much more closely involved in EPC than is generally imagined, more so than was the case a few years ago. It is involved in — indeed, responsible for the work at the CSCE and, to quote another example, for the Euro-Arab Dialogue, which are both important elements of international cooperation and which act as a link between the rapidly merging fields of political cooperation and day-to-day Community affairs. Our attempts in Parliament's Political Affairs Committee to gain information on the Commission's activities in EPC have produced almost nothing. Therefore, if the Commission, as its President has repeatedly stated, wishes to adopt a more pronounced political role and give genuine support to Parliament, it must ensure that the parliamentary committees receive regular and comprehensive information on these matters of foreign policy in which the Commission is involved.

Mr President, in the motion for a resolution we have listed a number of measures which we firmly believe should be adopted and implemented by the Member States' governments. I refer in particular to points 1 to 4, and would also like to mention that in points 6 and 7 we urge the Foreign Ministers to see to it that we hold an orientation debate before talks start with third countries, and to ensure that, on the basis of this debate, the Commission receives from Parliament a mandate to hold these talks.

One further point, Mr President: the Political Affairs Committee has on several occasions criticized details of the procedure for holding quarterly colloquies. These have hardly ever been attended by any ministers apart from the President-in-Office, although the Copenhagen Report stated that 'the Ministers' would meet with members of the Political Affairs Committee. A more disturbing aspect is the delay with which successive Presidents-in-Office inform Parliament of the outcome of the latest meeting of the Foreign Ministers. Delays have on occasion lasted weeks, so that discussions have been long overtaken by events. In most cases Members of Parliament have already heard what the minister had to say via the press and television. As the Political Affairs Committee has always respected the confidential nature of the colloquies, the scantiness of the information from the Presidents-in-Office can in many cases only be seen as an unwillingness to pass on confidential material to the committee and thus to associate Parliament and its Members more closely with the work of the Presidency. We also hope that the President-in-Office will set aside more time for the meetings. Lack of time has been one factor preventing the colloquies from developing into a useful element in relations between the European Parliament and the Foreign Ministers.

In conclusion, I hope that the House will adopt this motion for a resolution, and I should like to say that,

as rapporteur, I approve of the amendment to point 5 submitted by Mr Lange and Mr Radoux on behalf of the Socialist Group. I earnestly hope that the President of the Council of Foreign Ministers of EPC can give a positive and constructive reply to our comments and motion for a resolution.

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

**Mr Radoux.** — (*F*) Mr President, the resolution which has been tabled is concerned exclusively with relations between our Parliament and the Foreign Ministers meeting in political cooperation. I should like to go straight on to examine this resolution, paragraph 3 of which requires account to be taken of the foreign policy guidelines adopted by the European Parliament. I certainly think that our Parliament should be consulted more, but I must add that as far as the term 'foreign policy' is concerned, this must of course be viewed in the light of an earlier resolution to do with both foreign and defence policy, and that we can only examine defence policy in terms of foreign policy, and not in its own right.

Mr President, ladies and gentlemen, as far as paragraph 3 is concerned, I would remind you that as early as 1973, in the second report on political cooperation, the Foreign Ministers acknowledged the importance of the participation of Parliament. I can only repeat here that what we are asking for in this resolution is no more than what has previously been accepted.

Paragraph 4 of the resolution calls for the Foreign Ministers to submit a written report. Mr President, ladies and gentlemen, I think this is a demand which should be accepted by the Foreign Ministers meeting in political cooperation.

If we want good debates, we cannot be expected to express an opinion immediately following a statement on political cooperation. I hope that, if the President-in-Office of the Council agrees to say a few words later on, he will indicate his agreement to our request that Parliament should be presented with a document something like one or two months before a statement is made on political cooperation.

I thank the rapporteur for accepting the Socialist Group's amendment, the sole reason for which was the adjective to be found in the resolution, where it speaks about putting an end to the artificial distinction between 'community' and 'political cooperation' affairs. What we objected to was the word 'artificial' because, from a legal point of view, since political cooperation is nowhere provided for in the treaties, it is not an artificial distinction but a distinction pure and simple.

Finally, paragraph 7 of the resolution asks the Member States' governments to ensure that the

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Commission is represented at the Council of Ministers' deliberations or, more precisely, at the gatherings of the Foreign Ministers meeting in political cooperation. We have used the adverb 'fully' to mean that the Commission should be involved as it is at present, with the additional and guaranteed right to be heard. It also means that the Commission must also have the right to be heard — if it so wishes — in the meetings of the working parties of experts preceding the political cooperation meetings.

Mr President, I think this resolution comes at the right time, because we shall, of course, be faced with the need to make certain arrangements in the coming months if — as the rapporteur pointed out just now — we want to ensure that not only this House, but also the other two Community institutions are able to do more than simply react to world events. But before I say a word or two on this subject, I should like to ask Mr Blumenfeld if he really believes — on reflection — that the paragraph in Mr Tindemans' report which deals with political cooperation and calls for an annual — as opposed to a six-monthly — rotation in the presidency would really improve things.

For my part, I believe that although the system of changing presidencies every six months undoubtedly places a great burden on the national administrations and involves a considerable amount of work, particularly when the workload falls on one of the smaller Member States, this system nevertheless offers the considerable advantage — by dint of the fact that each of the national governments is obliged to take the initiative — of enabling a large number of people to become involved in the process of political cooperation and of encouraging the forwarding of proposals which could not be dealt with in the previous six months. What I am afraid of, Mr Blumenfeld, is that, if we accept the proposal in the Tindemans Report, we might finish up with more disadvantages than advantages.

As I said just now — and as the rapporteur said earlier — our reaction today can be no different from what it was in other debates. We must be able to act in unison, and we shall only be able to do so if we regard political cooperation as a step towards something bigger. On this point, I am extremely grateful to the rapporteur for having dropped his idea of a Political Cooperation Office, as certain Members — acting in the spirit of political cooperation as envisaged by Parliament — realized that this was only a revival of a plan which had been put forward on a number of occasions in the past, whereas these Members had demanded that this Office become a permanent feature.

I therefore think we must give up the idea of a permanent Office, which would only serve to complicate subsequent progress towards closer political cooperation — indeed, not only cooperation but institutionalization — between the various bodies involved in foreign affairs.

Yesterday we heard a very important statement from the Council and the Commission on economic and monetary union. Today we are talking about political cooperation, and having listened to the President-in-

Office of the Council's extremely heartening news on the direct elections to the European Parliament, I firmly believe that we must strive to bequeath to the directly elected Parliament a heritage which, in the coming months and thanks to our efforts, could improve on what we are in a position to pass on at present. It is precisely in the internal workings of our Community — thanks to what might be undertaken and achieved between now and direct elections — and in the Community's foreign policy — thanks to the workings of political cooperation — that, by putting forward new ideas and coming up with useful results, we could do a lot that the directly-elected Parliament would have cause to be thankful to us for. When we talk about action and reaction, we should not omit to mention here in this House that we could take certain action if we really wanted to.

Admittedly, political cooperation has not always produced the goods, but we shouldn't always be dissatisfied with everything; to do it credit, we must admit that, in a number of cases, political cooperation has come up with results. If what we want to do is act, as opposed to react, there are undoubtedly enough places in the world where we can do so, and maybe even some places where we have an obligation to act and to offer to act, because certain states — if brought face-to-face — may not view a particular situation in the same light as would the Parliament, the Council and the Commission, and this could have a beneficial effect on our actions. I am thinking particularly of the Middle East and, even more especially, of Cyprus. I really wonder whether — in the unfortunate case of Cyprus — we shouldn't take the initiative and offer our good offices. There are some states very close to us which may — and, let us hope, will — one day become part of our Community. It is my belief that in this case, we should not restrict ourselves to reacting to whatever we are asked to do, but should perhaps take the initiative and offer our good offices to the parties concerned.

Mr President, that is all I wanted to say on the subject of external relations in connection with this resolution on political cooperation. I go along with the rapporteur in hoping that this House as a whole will see fit — with just a few exceptions — to follow the advice of the Political Affairs Committee.

**9. Votes**

**President.** — The next item is the vote on the motions for resolutions on which the debate is closed. I put to the vote the motion for a resolution contained in the *Scelba report (Doc. 424/77): Obligations contracted at the Helsinki Conference.*

The resolution is adopted.<sup>1</sup>

**10. European political cooperation (resumption)**

**President.** — We shall now continue the debate on the Blumenfeld report (Doc. 427/77).

I call Mr Granelli to speak on behalf of the Christian-Democratic Group.

**Granelli.** — *(I)* Mr President, ladies and gentlemen, on behalf of the Christian-Democratic Group in this House I wish to offer our warmest thanks to Mr Blumenfeld for his extremely succinct and apposite presentation of the motion for a resolution before us.

We fully endorse this document, but in doing so I should like to emphasize the political significance of the decision we are about to take. Policies and politics aside, there is not one of us who has any doubts that there can be no future for the European Economic Community unless its efforts to achieve joint action and agreement are not expanded more and more vigorously to include foreign policy. It is not possible to conceive of a European Economic Community which is just a common market or a free trade area. It must gain the trappings of a proper Community in its external relations and in its contacts with the great powers, its trading partners and the third world. There are sound political reasons for this.

It is certainly true — as both the rapporteur and Mr Radoux pointed out — that some progress has been made recently. A number of areas, ignored in the past, have been explored. I shall mention only the excellent procedure of adopting, wherever possible, a common Community position at the United Nations. Through the foreign minister of the Member State which has the presidency of the Nine, the Community speaks with a single voice on international issues. We could also say that the Community has striven to make its voice heard in both the Helsinki Conference on Security and Cooperation in Europe and the Euro-Arab dialogue.

Results have been less satisfactory in other fields. It is my opinion that one of the failings of this Community is that we do not have a more definite and vigorous approach to the North-South dialogue, which is of vital importance for the economic expansion of the Community.

As I was saying, progress has been made in many areas, decisions have been taken and joint positions agreed. However, while recognizing this fact — and I am directing my words here particularly to the President-in-Office of the Council — we cannot fail to make clear that agreement has been dictated by events, rather than by any attempt on our part to get to grips with the situation and apply some overall strategy which would influence events. We are forced to label as 'inadequate' the Community's defensive stance on urgent issues. Before any situation gets worse, the Community must work out its own strategy, with effective viewpoints. In short, on the international political stage the Community must play a part which does not reflect the attitudes of the other great powers, but which is independent and constructive, so that specific objectives can be attained, tension dispelled and cooperation ensured.

The upshot of this analysis is that the proposals contained in the motion for a resolution which Mr Blumenfeld has put before the House must receive the firm seal of our political approval. In suggesting, for example, that the foreign ministers meeting in political cooperation should provide Parliament with a written report each year on what has happened and what the Community is going to do, we do not simply want to add another document to the pile we already have. What we want is some means whereby the power of Parliament to encourage, direct and supervise the Commission and the Council of Ministers in the area of foreign policy can become much more effective and more vigorous in the eyes of the public who are the ultimate judges of our actions.

Similarly, we cannot ignore the significance of Paragraph 5. This paragraph has been changed, as the rapporteur has accepted the amendment tabled by Mr Radoux and Mr Lange, because the distinction which has existed until now between Community affairs and political cooperation obviously acts as a brake and is a weak point in the Community. In any case, the House will recall that, as long ago as December 1969, the foreign ministers meeting in The Hague to coordinate foreign policy stated in an official communiqué that, in the spirit of the preambles of the Treaties of Paris and Rome, the determination to achieve political union, which had constantly encouraged the progress of the European Communities, would have to be formalized.

Parliament's explicit statement that this distinction has to be ended — in other words, its recognition of the fact that there are no problems which exist solely within the Community, as all of them have foreign policy aspects — means that we are accepting foreign policy as a factor which places the European Economic Community in a world context.

Let me give a concrete example, Mr President, ladies and gentlemen, so that we are no longer in the realm of pure theory. This House was quite right, in my opinion, to praise the Middle East peace initiative of President Sadat and Prime Minister Begin. But the odd thing is that, after we expressed our satisfaction at these talks, the problems which are emerging and threatening to block the negotiations are being tackled by other world powers, while Europe as a group is absent from an area which is undoubtedly vital for our external relations.

This is an example of the need to act together, in a coordinated manner, so that we are better able to intervene in moments of international tension. If — as is customary with the traditional examples of parliamentary democracy — the relations between Parliament and the Council, and between Parliament and the Commission, are such that we can foresee and influence events, we may say that our Community is not simply a free trade area, but that it is capable of playing a role on the international stage.

## Graneli

Of course, there is still the problem of finding the means of adapting the Community to these aims. It was quite rightly decided to postpone to a later date the bewildering problem of bureaucratic and functional adjustment to make our actions more effective in this field. Let me point out to Mr Radoux, however, that the Tindemans report deals with more than just the stability of the Community institutions. There is a much more important passage in the report which stresses the need to establish a policy-making centre to harmonize the foreign policies of the individual Member States. This is the key to it all. Indeed, if we started working on bureaucratic or functional solutions without having solved the problem of a common foreign policy beforehand, we could well create chaos just where more order is called for — supervised, naturally, by Parliament and by the political parties represented in it. We must extract from the Tindemans report all that we can to meet this need to strengthen not only the Council and the Commission, but particularly Parliament's powers to initiate, encourage and direct the common foreign policy of our Community, the Europe of the future.

This ladies and gentlemen, is the political significance of the motion for a resolution which we have tabled. We hope that it will meet with the generous approval of the House and be adopted, in keeping with what the President-in-Office of the Council President-in-Office of the Council said with such perception yesterday. Believe me, what is at stake is very important. It is customary to say that, in spite of all the difficulties it is experiencing, the European Economic Community is one of the world's leading institutions. The fact that the Community accounts for 50 % and more of world trade cannot be ignored. But we must be careful, lest we become an economic giant and a political dwarf, as will happen if we do not make good this delay and this deficiency. Parliament's request is not therefore just *pro forma*.

We want the Community to have greater coordination of aims as regards foreign policy, so that it will not only achieve better economic results but also gain a clearer political character. We want a close-knit and united Europe. Political union in Europe will not be achieved without a common foreign policy.

This is the significance of the motion for a resolution tabled by Mr Blumenfeld, and we endorse the motion completely.

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

**Mr Bettiza.** — (1) Mr President, ladies and gentlemen, one of the principal merits of this report by Mr Blumenfeld is that it forces the Community to take a good look at itself and review its state of health,

its progress towards integration and the image it presents to the outside world. Until now, this image has never managed to be very clear because national, not to say nationalistic, interests have always outweighed a more shared sense of Community destiny.

There can be no doubt that, for the Community, 1977 was much more satisfying in the field of external relations than in internal affairs. A few examples will be enough to illustrate this.

Firstly, Portugal, Spain and Greece, having shrugged off the torpor of dictatorship, immediately recognized that the Community was a natural haven for their new democratic maturity. Secondly, during the talks on fishing the Soviet Union was forced to recognize for the first time the existence of the Community as such. Thirdly, the Chinese — who for some time have been urging political integration on the Europeans — placed more importance than ever on the role of their special ambassador to the European Community in Brussels. Fourthly, there is Yugoslavia which harbours great hopes — which should not be disappointed, in our view — for an expansion of the agreements with the Community which are scheduled for renewal on 30 September this year, and which regards good relations with the Community as an increasingly important factor in maintaining its national independence and its traditional policy of balance between the Soviet Union and the United States. Fifthly, we must not forget the impact that the Lomé Convention has had on international politics, and particularly on the affairs of third world countries.

Unfortunately, however, this series of Community successes in foreign relations has not been satisfactorily coordinated on the purely political level. I quite agree with the Blumenfeld report as regards this basic shortcoming. To be sure, there is a procedure for political cooperation, but it operates on an intermittent and casual basis, without any sense of harmony or, shall we say, historical awareness. The truth of the matter is that we are still paying, more than 20 years after the event, for the failure of the European Defence Community and the political Community which would have been linked to it.

We have to bear in mind this initial failure when we take a realistic look at things today, but apart from that, as we gradually move towards integration we must take another careful look at the shortcomings in the procedure for political cooperation which still prevent Europe from playing a more united part on the world stage. The Liberal and Democratic Group is not going to resurrect the idea of the political secretariat proposed by President Pompidou, but it nevertheless advocates the creation of some kind of permanent set-up to counter the disruptions in continuity which

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are the inevitable result of changing the Presidency of the Council of Foreign Ministers every six months. We have to find some form of institutional solution which, regardless of the regular meetings of the Conference of Foreign Ministers, can ensure the continuity of diplomatic consultation among the Nine. It has frequently been the case that consultation of this kind — which is the first step towards wider political cooperation — has occurred after the event. The Community has thus been forced to react to situations, instead of intervening in events to the best of its abilities. All Europe's failings, or indeed absence, on the diplomatic scene have been the result of the Nine's acting in the wake of events. The examples quoted by Mr Blumenfeld are typical: the Yom Kippur war in 1973, the oil crisis, Cyprus, Lebanon, Angola, the voting on the recent vital resolutions at the UN General Assembly. The rigid procedure of meeting at fixed intervals does not generally allow emergency meetings at the height of international crises. My criticism here is especially pertinent to exceptionally serious events. It is on these occasions that the short-comings of all the Community's present procedures for cooperation are revealed.

However, there have been other political and diplomatic occasions when the present procedures for cooperation have stood the test well. I am thinking in particular of the conferences in Helsinki and Belgrade, where the Nine were present as a single body, united by a common heritage of democracy based on the fundamental human rights of modern man. Let me add that another positive feature was that, during the preparations for these two great pan-European conferences, we did not forget that we belonged to the Atlantic Alliance.

This kind of approach should also be cultivated, in our view, with regard to security and arms. To forestall the inevitable comments at this, let me explain where our Group stands. A common foreign policy, if it is to be worthy of the name, cannot have a separate existence from cooperation in defence. The Liberal and Democratic Group has already made its position clear twice on this matter. Firstly, there was Lord Gladwyn's albeit moderately-worded report, subsequently adopted by Parliament, which called upon a European institution to express an opinion on this delicate subject for the first time since the failure of the European Defence Community in the 1950s. And then there was Mr Berkhouwer's resolution on the standardization of arms. I am now coming to the point: we feel that the time has come to consider expanding meetings of foreign ministers to include defence ministers and other high-ranking officials of the two ministries, whenever there is a need for it. A case in point would be preparations for talks with the Comecon countries, which are also members of the Warsaw Pact. We must never forget that, although we may be dealing with a weaker trading partner, at the same time we are dealing with the mightiest strategic alliance that has ever existed in the history of our continent.

This does not mean to say that we want to question the mandate given to the Commission under Mr Jenkins — and the Commission is the supreme Community institution for us Liberals — to negotiate with Comecon. What we mean is that our negotiating position with Eastern Europe must be well researched. It must be studied by all those involved in formulating it, with the aim of strengthening the Community's bargaining powers and blocking any possible pressure of a non-commercial nature from the other side.

As for the other proposals in the Blumenfeld report, we are particularly taken by his proposal for more direct and effective participation by this Parliament in the procedure of political cooperation, by enabling its spearhead on political matters, the Political Affairs Committee, to put forward proposals for consideration by the foreign ministers. This would certainly give greater impulse to cooperation. If such a procedure were already available it would, for example, extricate the Eruo-Arab Dialogue from the verbose impasse in which it has got stuck. President Sadat himself has been very aware of Europe's absence in Middle Eastern affairs, and has said that he hoped for more diplomatic activity by the EEC in this area. It is obvious that if we participated more energetically in Middle Eastern affairs, this would mean, firstly, that we were not always tagging behind the Americans at major international get-togethers. Secondly, it would enable us to develop gradually a unified individuality, a more close-knit supranational identity, the need for which is strangely felt more in Peking, Cairo and Belgrade than in Rome, Paris or London. We are a spirit that is evoked on many sides — a spirit which through mental laziness and lack of political will seems to turn a deaf ear to the blandishing of international mediums. They call on us without success, and we stay hidden in the darkness rather than materialize.

Just before I finish, I should like to comment on the artificial distinction which exists between the Conference of Foreign Ministers and the meetings of the very same ministers in the Community context. Casuistic distinctions of this type are harmful because they blur European problems and make them difficult to discern. It is only with great difficulty that the public in the Nine Member States can understand how the same minister can don the guise of Dr Jekyll at meetings of the Conference and then that of Mr Hyde at meetings outside the Conference. The phenomenon of strange and weird dual personalities only increases the mystery surrounding Community matters in the mind of the public.

The Liberal and Democratic Group has not always been in complete agreement with the decisions adopted by the Conference of Foreign Ministers in recent months — take the decision on the Palestinian question, for example — but it is also true to say that we have not been violently critical. We have acted as we have done because we realize what is at stake, and because we realize that certain joint decisions, even if

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they are not perfect, are still a step forward towards institutional integration. Although Liberals, we are not seeking a Liberal Europe, but first and foremost a Europe which is united politically.

We are well aware that there is still a long way to go, but we also believe that the glimmer of political cooperation which is the basis of the Blumenfeld report could be the tip of an iceberg with tremendous untapped potential for the future of Europe.

**President.** — I call Mr Rippon to speak on behalf of the European Conservative Group.

**Mr Rippon.** — My group would like to join in complimenting Mr Blumenfeld on his extremely relevant and important report. Although foreign policy as such is not covered in the Treaty of Rome, repeated efforts have been made, and rightly so, to ensure a necessary degree of coordination in this essential field. As long ago as 1961 we had the Fouchet Plan, and now we have political cooperation under what has become known as the Davignon Procedure. And I think we should in fairness recognize that under this Procedure we have had already some real success in working towards a common European foreign policy. Examples which come readily to mind are the common stand which was taken at the Conference on Security and Cooperation in Europe, the common position which was worked out in our relations with the Arab oil-producing states, and the useful procedural arrangements on methods of consultation with the United States.

However — and a number of speakers have brought out this point — at best, political cooperation so far has seldom led to anything more than the Community simply reacting to events. So it seems that to strengthen and extend this pattern of cooperation in the context of European Union requires now a new effort of political will and some positive action. If a common policy is to be established, there must be better procedures than we have at present. That, as I see it, is at the core of Mr Blumenfeld's report. They must be procedures which remove the present difficulty in defining the dividing line between the responsibilities of the Community on the one hand and those of Member States on the other.

I think I agree with what Mr Granelli had to say in so far as he suggested that we might take the Tindemans Report as a starting point. As you will recall, Mr Tindemans in his report on European Union emphasized that if the authority and efficiency of the Council of Ministers are to be reinforced, its activity must become more coherent, speedier and more continuous. To that end he proposed that the distinction between ministerial meetings devoted to political cooperation and meetings of the Council should be abolished. It certainly has led in the past to some curious situations, as, for example, the occasion when

there was one meeting going on in Brussels and a parallel meeting going on in Copenhagen. For some purposes it may be that the distinction has to be kept, but broadly I think Mr Tindemans's conclusion was the right one.

It follows from this that we do need a more effective infrastructure to ensure continuity of policy, together with a more effective role for the Commission. As Mr Tindemans himself pointed out, the abolition of this quite frequently totally artificial distinction between Community and political cooperation matters would not affect the current procedures for the diplomatic discussions of ministers; nor, if I may say so, Mr President, need it prejudice the argument that at least to some extent meetings of ministers — certainly where they are operating in what is in effect a legislative capacity — might be held in public.

But although we are — I think rightly — as a Parliament asking for more cooperation, for new structure, for more information, at the same time we must understand that in seeking increased and more continuous information from foreign ministers, we must equally in Parliament respect the confidentiality of diplomatic discussions between ministers. We must be practical in our attitude on these issues. We need not, and indeed I would say we must not, ask for the sort of information that no ministers and no government should be asked to provide. Indeed, I would say that the formulation of foreign policy is now such a complicated process, frequently involving many different government departments, that coordination of ideas and coordination of policies, even within a single Member State, may be a process that is not complete until the very eve of the ministerial meeting at which the decision is taken. Indeed, at times it may be necessary, in the course of a ministerial meeting itself, to refer back to colleagues at home.

But what we can and what we should demand is a continuous dialogue on foreign policy issues, based on the maximum amount of detailed background and other information that can properly be made available. As the President-in-Office told us this morning, a genuine dialogue is the heart of the democratic process. And he spoke warmly of the need for an open and constructive exchange of ideas between himself, as President-in-Office of the Council of Ministers, and the Parliament. And I welcome particularly what he said about the need for cooperation in this field of political cooperation and the specific reference he made to the need to involve Parliament in the process.

Now in this process of coordinating our foreign policy, I see no reason why existing Community institutions should not be given the task of preparing and implementing joint positions and actions, though accepting, Mr President, as I would for one, that there is no need for the Community to have its own large-scale diplomatic service. I do believe that it is incum-



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bent on governments themselves to devise the means by which we can break down the barrier that now exists between the cooperation of foreign ministers as such and the work of the Council of Ministers of the Community. I, for one, can see no valid reasons why the meetings of foreign ministers should not be placed under the administrative umbrella of the Council and organized on a common basis. For this purpose, a small secretariat would prepare discussions and follow up decisions.

Now, I think talking about a secretariat in this context need not reopen the controversies of 1972 which largely turned on where it should be sited, rather than on the principle of having the secretariat itself. I think we can take an entirely fresh look at the question of the need for a secretariat. could provide the essential link which we need between ministers and the Commission. It could either be a secretariat serving the Council of Ministers but working in close liaison with the Commission, or it could even be a new department of the Commission.

The British Conservative Party's point of view on the general issues raised in the Blumenfeld report has already been made clear in the House of Commons and elsewhere. What we wish to see, Mr President, is a properly structured Community organization capable of supporting a much wider field of activity in external political affairs and maintaining at full diplomatic level continuous relationships with the principal counterparts of the Community worldwide. For this purpose we support the creation of more formal, organized and structured arrangements than the existing informal arrangements under the Davignon Procedure, albeit so far they have served us relatively well and are not to be wholly despised. We believe this change is necessary if we are to make the political cooperation machinery properly effective. As my colleague, Mr Spicer, said in the context of yesterday's debate on aeronautical research and development, we have, I think, all of us, become increasingly disillusioned by expressions of good will and common interest which have come to nothing. I welcome warmly the admirable opinions expressed by the President-in-Office to us this morning, but we want to see something happen as a result of those splendid words.

As the leader of the British Conservative Party, Mrs Margaret Thatcher, said in her speech in Rome on 24 June last year, and I quote :

The joint declarations issued by foreign ministers and heads of government certainly have their significance, but what really matters is joint efforts to translate words into deeds. If Europe speaks with many voices her views will be lost.

And that, if I may say so, Mr President, underlines the importance of Mr Blumenfeld's report. His message, it

seems to me, in his report to this Parliament, is clear and imperative, and we ought to act upon it.

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

**Mr Sandri.** — (I) Mr President, we Italian Communists support the ideas upon which Mr Blumenfeld's report is based, as well as the criticisms expressed in it. Above all, we support its call for more cooperation in foreign policy and for an increased Community involvement in the various fields which fall outside strictly Community matters.

However, we feel we must express to the rapporteur and to the House our reservations and puzzlement over the wording of the resolution and over the motion for a resolution itself, because we wonder whether it is really possible to dissociate the call for improved foreign policy coordination from the examination of what should then be the instruments or bodies entrusted with bringing about this improved coordination.

It has been suggested that discussion of the instruments be postponed to another occasion, but if we were to discuss the Political Cooperation Office mentioned in the explanatory statement, we would immediately have serious reservations about a body whose composition would be hybrid and ill-defined, since it would be made up of Community officials and national officials or even those of international organizations or NATO. In point of fact, such a body would be taking responsibilities away from governments and entrusting them to a bureaucracy, albeit of very high quality.

I turn now to another question concerning not the foreign policy coordination of the Nine, but the relationship between the European Parliament and the formulation of a common European foreign policy. At the present stage, it seems to us that to demand that Parliament should have a share in the power of initiative in foreign policy represents a pious wish, but one which is too unrealistic even to be endorsed. Mr Blumenfeld rightly says in his report that national parliaments — both their committees and the parliaments as a whole — are frequently kept in the dark about the formulation of their own countries' foreign policies. The parliaments are informed after the event about the direction of foreign policy and the decisions taken. If this happens in the case of national parliaments, which are endowed with the powers of initiative, legislation and supervision, how can we claim to be consulted when our Parliament, under the terms of the Treaty of Rome, has neither powers of initiative nor powers of supervision, in this field as in many others?

**Sandri**

I do not agree with Mr Bettiza's view that the Political Affairs Committee, as the spearhead of Parliament, should be involved in political cooperation. If this were to happen, we should first of all have to revise the Rules of Parliament, since they do not at present provide for a super-committee entrusted with the role of spearhead.

Leaving aside discussions of a legal nature, however, let us ask ourselves frankly whether a resolution such as this can be considered as anything more than a pious wish or a token of good intentions. Mr Bettiza tells us that one aspect of a European foreign policy should be the formulation of a European military policy; well, this morning we heard — and the Italian Communists approved — Mr Andersen's statement: 'Military questions fall within the purview of NATO, which will for the foreseeable future represent the sole credible basis for a West European defence policy',

I quote these words only to show that the subject is so complex and so sensitive that, in our view, it is impossible to give such hastily approval to a resolution which demands nothing less than that the European Parliament, despite having no powers, should be involved in the formulation of foreign policy in which at national level — as the rapporteur stressed — not even national parliaments participate. The dichotomy, the contradiction between reality and aspiration seems too great for us, in all humility, to vote in favour of the resolution as at present formulated.

In our view it would at this stage be more useful and productive to be realistic and confine ourselves to the call — which is moreover made in the resolution — for the distinctions between Community matters and matters pertaining to political cooperation to be ended, for the Commission to take part in multilateral economic negotiations, and for the annual report to be submitted to us in good time, so that our debate, instead of being superficial, may take full account of ministers' political actions.

In this context we hope that the other Community institutions will recognize the need to consider a revision of the Treaties, in view of the restrictions which they put upon Parliament's role and upon the possibility of developing a Community foreign policy.

Finally, the Italian Communists, although they appreciate the motivation and the ideas of the report, feel they must abstain from voting on this resolution. Our abstention is intended to stress the political and legal difficulties which would be involved in implementing it, as well as the fact that in our humble opinion this resolution lacks the credibility necessary for governments and the other Community institutions to take sufficient notice of it.

**President.** — I call Sir Geoffrey de Freitas.

**Sir Geoffrey de Freitas.** — Mr President, like my colleague, Mr Radoux, and most of those who have spoken, I generally support Mr Blumenfeld, and if I

could have his attention for a moment I would like to say I'm very pleased to do so, in view of the fact that for so many years I have worked in international affairs closely with Mr Blumenfeld. But since I have been a Member of this Parliament and have attended specialist committees, my political group and various other bodies here, the one thing that we have all found, the same problem for us all, has been lack of time for this Parliament to do justice to the tasks with which it has been charged, and I am most reluctant to agree that we should involve ourselves in any other field of activities. That is why I am concerned about paragraph 3 of the motion for a resolution. There is more to it than the simple sentence which reads: 'to take account of the foreign policy guidelines adopted by the European Parliament'. There is more to it than that simple sentence, because in paragraphs 15 and 16 of the explanatory statement we have clear advocacy of the Community's involving itself in defence problems. I quote from two sentences in paragraph 15: 'Exchanges of views between the Nine on specified problems in defence matters and on European aspects of multilateral security negotiations could take the form of the national defence ministers joining together with the nine Foreign Ministers . . .', then at the end of that paragraph: 'Likewise representatives of national defence ministries could participate in working parties at official level.'

Frankly, I do not foresee a time when I would agree to any European defence structure unless it were established like the Euro-Group on the initiative of members of the North Atlantic Alliance as a whole, the initiative coming from them. I was a very junior Junior Minister in the Defence Department at the time that NATO was negotiated and I remember well what I learnt: that we should never take for granted the involvement of the United States in the defence of Europe. We must be very careful never to give any excuse to isolationists in the United States in the years to come to withdraw to Fortress America and leave us to look after our own defence.

Now, this debate must be seen in the context of direct elections to the European Parliament. At this time we must take account of what worries the ordinary citizen. I want a strong European Parliament. That of course, can be built only on popular support. From time to time, my Parliament, the Parliament at Westminster, is referred to as the Mother of Parliaments. I have mentioned before — and I do so again and make no apology for it — that when John Bright in the sixties of the last century referred to the Mother of Parliaments he did not refer to our Parliament; he referred to our country. He said 'England is the Mother of Parliaments'. He attributed to the people of the United Kingdom the creation of Parliaments all over the world, but it was the creation of the people, and there is the point about the European Parliament. If we seek to create a truly European Parliament it

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must be built on the support of the people of our European Community. My concern is that just when we should be concentrating on improving the working of this Parliament and of the institutions of our Community it could only confuse the people if we appeared to be moving into a new sphere of activity instead of concentrating on what we already have to do.

I feel we should put our own house in order first. I do not accept the gloss given to paragraph 3 of the motion by paragraphs 15 and 16 of the explanatory statement. That does not mean I shall vote against the motion, but I do not accept the gloss, and I interpret paragraph 3 as foreign policy.

I am grateful to the President-in-Office this morning for making clear the Council's attitude to NATO when he pointed out the inherent dangers of military discussions among the countries of our Community. I am grateful to Mr Blumenfeld for all the work he has put in on this, but I am concerned about paragraph 3 and the gloss in paragraphs 15 and 16 of the explanatory statement.

**President.** — I call Mr Brugha.

**Mr Brugha.** — Mr President, as a relative newcomer of last year, I would like to say a word of appreciation of the debate that I have been listening to and also to commend the work done by Mr Blumenfeld in the production of the working document on behalf of the Political Affairs Committee, Document 427/77. I would like to welcome it because, from my point of view, it gives an insight into some of the problems that the Community is facing at the present time and that are making Members of this Parliament think of long-term policy.

As Members have pointed out, political cooperation is not provided for by the Treaty, therefore it is legitimate to discuss ideas for better ways of ensuring that there is a complete dialogue on foreign policy. Of course, in referring to the subject of foreign policy, I must, having been nominated by the Irish Parliament, confine my remarks to the aspects of political cooperation that are purely political.

I do agree with the speakers who have said that there is a need for greater coordination, improved dialogue and indeed, for something in the nature of a policy decision-making centre. We are of course dealing with a situation which is only evolving, and it will take quite a long time for Europe to evolve towards eventual integration. Nevertheless, from the viewpoints being put to me in my own country — and it is no harm to illustrate what is being said outside about the Parliament and its institutions — it is obvious to many people that the history of the last 20 years has shown that, when political ideas between the Member States have been agreed on, the Council of Ministers, acting for the Community, has exercised a progressive and positive influence in the world that would be

impossible for any one, two or three Member States. Neither indeed, can any national Parliament of itself express anything that could correspond with the will of the people of Europe. This sort of thinking forward would have to be worked out on a consensus basis, and it can best be done through a regular flow and exchange of information between the Council of Ministers, Parliament, the Commission and, of course, the Political Affairs Committee.

Now, it is quite obvious that in foreign policy, as one of the Members said, there cannot be cohesion merely out of a reply. Indeed, we as a Community cannot afford to be late in arriving at conclusions. That sort of thing is not efficient, and the responsibility lies with the Community and the Council of Ministers acting together on behalf of the Community to think out in advance the sort of foreign policy that can become a consensus.

Of course, Mr President, direct elections will give a new importance and significance to our own debates here and to resolutions on such items as political cooperation. Nevertheless, present Members of the Parliament, even though not directly elected, are themselves elected in their own countries, and represent what I would describe as a working political team from each Member State, devoting their political intelligence on behalf of their electorate to the development of the Community. Now I think it is that sort of consensus of mind that speakers have been stressing. I would say that the very existence of the Community itself, in that, for the first time, European nations have come together institutionally in a higher interest, has expressed and is now expressing the political will of all Europeans to reach out to the divided areas of the world and reduce differences and distrust between peoples and countries. It is very obvious that, standing together, European nations can contribute positively to the welfare and the peace of a divided world.

Now, in addition to that, there can be little doubt that the smaller countries through their membership of the Community have already had many opportunities to make contacts throughout the world that might not have been made, and I might say that my country in particular, through her membership, and because of earlier large-scale emigration, has been able to create, and I believe will in the future continue to be able to create goodwill for our Community throughout the world. I might also add that I attach particular importance to the recent agreement between the Nine on a declaration of democratic principles to be attached to future accession treaties.

Now, the question of genuine political cooperation amongst us is of great significance. The procedure and mechanisms that can bring that about more effectively must ensure that the Nine of the Council are in a position to adopt a common stance which will have an impact on any one situation that may arise. In preference to reacting to events, the procedure for political

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cooperation must be such as to allow the Community — and the consensus of the mind of the Community — to anticipate the possible outcome of events in the future. I would say myself that considerable advances have been made in the development of political cooperation — and this has been referred to already — through the Davignon Procedure.

But there are still some shortcomings and weaknesses, as Members have pointed out, and as Mr Blumenfeld himself has pointed out in his report. The procedure is operated by foreign ministers and their staffs who are accustomed to promoting their own country's interest in foreign policy. But it must be obvious that such interests must ultimately merge with those of the Community. This is what I believe must concern us, and since the presidency changes every six months there can be a lack of continuity in the operation of political cooperation. That is not to suggest that the period of the presidency should be extended. I think what we are talking about here is the strengthening of the link between the Council of Ministers, the Commission and the Parliament on questions of political cooperation. Foreign policy, as I said, is not just the expression of the view of any one government in office for four or five years, but in the long term must become the view of both government and opposition as they are represented with the other members of each State in the Community in the Parliament here. Therefore it seems to me that what is emerging is the need for some form of political-cooperation office — whatever you want to call it — to serve the foreign ministers, the Commission and the Parliament. At the same time, I am sure no Member is thinking in terms of Parliament appointing diplomats to all the countries of the world. I think what is being talked about here is the building up of a bank of intelligence, of forward-thinking in relation to political cooperation and foreign policy in the future. I believe such an office would greatly facilitate coordination and long-term assessment and planning of the foreign policy of the Community and would also ensure closer coordination between the Member States and the institutions of the Community.

**President.** — I call Mr Haferkamp.

**Mr Haferkamp, Vice-President of the Commission.** — (D) Mr President, today's debate has shown that we are dealing with a matter of great importance for the cohesion of the policies of the Community and the Member States, in other words for the policies of all those who have to bear responsibility in the Community, irrespective of their positions within the system. Cohesion is therefore the key issue but, as so often, we are faced with the question of where we should place the emphasis. Should we concentrate more on form than on substance? Frankly, I am in favour of concentrating on substance, as there may be those who would be only too glad to allow the substance to fall into

neglect behind a show of formalism, procedures and institutions.

In many cases our work in the field of foreign policy has not been coordinated to a sufficient degree. But while a certain amount of criticism would be justified, we should not ignore the fact that the situation has been steadily improving in recent years. I don't want to repeat what has already been said, but if we consider the way in which cooperation in the political sphere has been constantly improving — for example at the United Nations, the admirable way in which the Member States' Ambassadors have been cooperating with the Commission representatives in New York, the cooperation in Belgrade already referred to, our united stand on important areas of African policy, or the Community's and Member States' attitudes towards areas of Community policy connected with GATT or UNCTAD — it becomes clear that a common political infrastructure exists. Without this Community action would be impossible.

There is no doubt that all these decisions are influenced by considerations of foreign policy. However, this fact is not always expressed or publicized in so many words. I even wonder whether joint positions would be reached on certain issues if we were obliged to spell out all our motives, and this applies to individual issues and to all negotiating briefs for trade policies. If we always had to state the political considerations underlying our decisions, our work would be much harder. I also believe that outside pressure exerts a positive influence in that it may often force us together more than if we were left to ourselves. I am convinced that political cooperation will improve in all fields, but at the same time I am certain that we can expect to make no dramatic progress. What we have achieved so far will have to be further developed; this will be a difficult task and will require patience and repeated pressure. But I believe that an added impetus to this trend will come from a further procedure which, like everything else, is bound up with the direct elections to Parliament. I am referring not only to the preparations and to the elections themselves, but also to the formation of political parties at European level, a process which has been under way for some time. Political coordination is indeed making progress at party level, and this is bound to affect general policy-making via the regions and Community institutions.

Thus, I am convinced that we can expect to make progress, although that progress will not be dramatic. I wish to stress the point made by Mr Rippon, namely that in some areas we lack the necessary machinery.

For example, the Community cannot gain access to information which the Member States regularly receive through their diplomatic services. The Community lacks the machinery needed to implement its foreign policies, and as long as financial loans, cultural and defence policies and agreements on

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private investment are dealt with exclusively by the Member States, all our plans — however cleverly thought out — will be relatively ineffective.

I am not mentioning this because I think we should give in to our difficulties: I merely wish to suggest that we should be very pragmatic and active on a very broad front. The demands made in the motion for a resolution are addressed to the governments of the Member States. The Commission has no doubt that, in substance, they will be well received. After that, we shall have to establish the necessary procedures.

**President.** — I call Mr Andersen.

**Mr K.B. Andersen, President-in-Office of the Foreign Ministers.** — (DK) Mr President, it has been extremely interesting to listen to this debate today, and the main reason for my speaking now is that Mr Blumenfeld asked me to make some comments and observations on matters including the motion for a resolution before us.

As I said this morning, I have been a member of parliament for many years, and during the years I have been a minister I have always tried to establish a good cooperation between parliament and ministers. At the same time, however, I have always accepted that it is the parliament which is elected by the people and, as such, should be regarded as the basis of the government. Many years ago, a well-known Danish political journalist said that no-one is above or on an equal footing with parliament. I think this is correct, and therefore I am not speaking here today with a view to interfering in Parliament's affairs, but because, as I understood it, Parliament would very much like to hear the opinions of the President-in-Office of the Council of Ministers on this matter.

I should like to say that I will, of course, inform my colleagues of what has been said in today's debate, but I will answer — and indeed I am very pleased to have the opportunity of doing so — in my capacity as Danish Foreign Minister and in a personal capacity.

I will not waste Parliament's time by repeating the positive remarks I made this morning regarding political cooperation — nor is there any need for me to do so since many speakers have been so kind as to refer back to these remarks — and it must be clear from what I said this morning that I regard developments in political cooperation over the last few years as entirely positive and as a completely natural feature of cooperation between the nine countries in general. I should like to say this quite explicitly, so that there can be no doubt about it and, in particular, because when we come to discuss the institutional aspects of cooperation I should like to put forward some views which differ on a number of counts from those expressed here today, and I do not wish these remarks to be misinterpreted as criticisms either with respect to political cooperation — I hope that is quite clear — or with respect to cooperation with Parliament in connection with political opposition.

I hope there will be positive developments in both of these spheres of cooperation, but if this is to be so, we must all surely accept that opinions can differ on institutional questions.

I should like to say that I am convinced — and I base my conviction on several years' experience — that it is the very structure of our institutions as they stand which has enabled political cooperation to develop so successfully up to now. This is possibly not so clear to someone sitting in Parliament as it is to those of us who frequent the government offices. The fact that we have no international secretariat but that the entire work is in the hands of officials and ministers who travel to meetings from the capitals of the various countries and then go back and report on the proceedings provides such an opportunity for direct political contact and influence and such a firm political basis for political cooperation between the nine governments that I am quite convinced that this is why we have been able to make such progress. I think, therefore, that it is vital that we maintain the existing form of cooperation, even if it does demand so much effort on the part of the individual ministries, since it permits extremely direct contact between the nine governments which would not be possible any other way.

The Tindemans report was mentioned a number of times. We in Denmark regard the Tindemans report in a very positive light. Indeed, we are probably the Member State which takes the most positive view — presumably with the exception of Mr Tindemans' own country. I also go along with Mr Tindemans' view that ministerial meetings on Community matters should be clearly distinguished from meetings on questions of foreign policy. One of the speakers mentioned the particularly disheartening example of the 1973 meeting which began in Copenhagen in the morning and ended in Brussels in the afternoon. I should like to take this opportunity of saying that Denmark was in no way responsible for this totally ridiculous arrangement. Out of consideration and courtesy I will not say which Foreign Minister it was who insisted on sticking so closely to the book, so that we could not meet in the same place on the grounds that we were to discuss these two separate matters. I agree, however, that many questions are so two-sided that it is practical to think in terms of foreign policy during Council meetings on Community matters, and to discuss the Community aspects of questions of foreign policy. It would also be convenient to have meetings of both kinds on the same day in the same place. There is no reason nowadays why a practical arrangement of this kind should not be introduced. To give but one very topical example — we cannot discuss economic sanctions on South Africa without taking Community cooperation very much into account. The political decision on the extent of such sanctions comes under political cooperation. These two aspects cannot be divorced from one another. We cannot discuss the implication of the Final Act of the

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Helsinki Conference for certain economic questions without also taking Community cooperation into account, even if this is a matter which comes under political cooperation. I do not think that anyone today would deny the need for these areas of contact. I should like, however, to draw attention to the fact that Mr Tindemans also said — and I think this is something which people rather tend to forget — that the existence of a single decision-making centre does not mean that Community work and political cooperation are intermixed.

There is, I think, one very fundamental reason why there can be no question of using the same procedure for these two forms of cooperation. I am referring to the question of the veto. As we discussed this morning, we are endeavouring in our Community cooperation to prevent the power of veto being abused, and to use majority voting on questions which are not of vital national importance for any individual country. We have the system of majority decisions and we should make use of it whenever suitable. I am sure nobody here genuinely thinks that a system of political cooperation in which a sovereign state allows others to determine its foreign policy by a majority decision is really a viable proposition. Such a system does not exist in practice, and for this reason alone we cannot use the same procedure for these two forms of cooperation, although, as I said, we can cooperate very closely in all fields.

As regards the actual motion for a resolution which has been the subject of several interesting contributions here today, I should like to say, speaking on behalf of Denmark — and I will inform my colleagues of the view I have put forward — that I can concur with the point made in paragraph 1 to the effect that the European Parliament should be fully informed concerning all joint foreign policy decisions taken by the Nine. And if this does not happen, I shall endeavour to see that it does.

I also intend to see to it that Parliament's Political Affairs Committee is provided in an appropriate form with substantive and up-to-date information concerning current activities, as is requested in the second paragraph. Moreover, I agree that account should be taken of the foreign policy guidelines adopted by the European Parliament.

Furthermore, I personally shall be glad to recommend that my colleagues support the idea of written annual reports on European political cooperation to be submitted to the European Parliament before the annual debate on this subject is held. This is, in my view, a good idea which will provide a better basis for debates of the kind we have had here today.

I have already referred to the distinction between 'Community' and 'political' cooperation and, as far as

the participation of the Commission is concerned, it has become customary for the Commission to be present at the meetings dealing purely with matters of foreign policy simply because the two forms of cooperation overlap on specific points. Therefore, if it is suggested that the Foreign Ministers should try to reach agreement on political and related aspects before the Council gives the Commission a mandate, I cannot at this stage quite see how this can be done in practice given the existing institutional system, and for this reason all I can say is that I will give the proposal my careful consideration.

The motion for a resolution also says that we should ensure that the Commission represents the Community in all major multilateral economic negotiations following agreement by the Foreign Ministers on the political aspects, but I would point out that this is already the case to a great extent. I cannot, therefore, see anything particularly controversial in this motion for a resolution, but it will undoubtedly further the development of political cooperation.

Since Mr Blumenfeld has asked me to inform my colleagues in political cooperation, I must apologise to him for pointing out that I am somewhat surprised that we are the only ones to whom this resolution is not to be forwarded. It is to be forwarded to the Council and the Commission of the European Communities and to the Parliaments and Governments of the Member States, but no mention is made of the nine ministers meeting in political cooperation. However, we see each other so often that we shall probably get our hands on the text anyway, and I can assure Mr Blumenfeld that we will not allow the fact that we are omitted from the list of those to whom the resolution is to be forwarded to stand in the way of its adoption by the Foreign Ministers.

I also agree wholeheartedly with what one of the speakers in this debate said, namely that we can naturally deal with security policy within the Nine when we are discussing its implications for foreign policy. I need only mention the Conference on Security and Cooperation, with which we are rightly concerning ourselves — this is a question not of defence policy but of security policy. We can obviously also deal with the question of disarmament, for example when we are speaking within a Community context, since this is a matter with which we are involved in the United Nations in many other connections. But what I was just referring to was cooperation on military policy within the Atlantic alliance.

I also agree with the view put forward by many speakers here today that we have failed to take enough initiatives ourselves and have reacted too much to external influence. This was a point I made in the Danish Parliament last week.

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I should therefore like to say that the view that political cooperation moves slowly is missing the point. The very fact that we are in contact with each other in various ways every day means that we can make swift decisions where necessary provided the political will is present.

I should just like to make a few final remarks. Political cooperation is a natural component of cooperation in general between the Nine and has been steadily increasing. We welcome suggestions for improvements, and this is why I listened to what has been said here today. There is a need nowadays for a European voice which can counteract polarization in foreign policy at world level. We in Europe have something to say to both the East and the South, not to mention the other side of the Atlantic, and it is only natural for the Nine to try and actually say it, if they can agree on how to put it.

**President.** — I call Mr Blumenfeld.

**Mr Blumenfeld, rapporteur.** — (D) Mr President, I should like, to make a few comments as rapporteur and, in particular, to express my personal thanks to all those who have taken part in today's debate, as almost all the speakers seemed to indicate that they accept or approve of the report as it stands. I should like especially to extend my warmest thanks to Mr Andersen, in particular for the spontaneous way in which he reacted, as Danish Foreign Minister, to the items in the motion for a resolution, while at the same time undertaking to examine these items constructively and positively with the other members of the Council. I should also like to thank him for giving his clear approval to so many of the items in the motion for a resolution. I think I can say on behalf of Parliament that we were most gratified to hear this. In reply to one point he raised, I should like, as it were, to table an oral amendment to item 8: I think that the motion for a resolution and the report should also be sent to the Council of Foreign Ministers. This situation will be put right, and we will certainly not be sending you a mere copy. I am also grateful to the President-in-office of the Council for pointing out clearly that differences of opinion exist. You will have observed that almost all speakers have mentioned that a number of difficulties, problems, shortcomings, mistakes or unwelcome trends have come to light, but that they all agree on the approach to be adopted and may even have similar views on possible institutional developments in the future. But opinions obviously differ on the importance of formalizing the role of the institutions. You are speaking from the point of view of a member of government with long experience as Foreign Minister; we, on the other hand, are conscious of Parliament's shortcomings and would now like to improve the situation in a more 'European' way.

I referred earlier to the 'games' being played by the officials of the national governments. To extend the

sporting metaphor, you confirmed just now, Mr Andersen, that you are in fact thinking of continuing to operate a 'division' of Foreign Ministers in Europe, as you see this as the only possible way of optimizing your work. But this is precisely the point which worries us, namely that we will not always be sure in future whether our methods leave room for improvement. We believe that we should consider the matter carefully, and I would greatly appreciate it if we could discuss this question with you in greater detail in the Political Affairs Committee at one of the forthcoming colloquies.

I also thank the Vice-President of the Commission, Mr Haferkamp, for his comments and also — if I understand him correctly — for stating plainly that apart from the Commission, with its role of silence — at least in its dealings with Parliament on these matters — he feels we lack a central body to coordinate foreign policy. This is the very point on which the groups to a large extent agree.

I do not wish to discuss individual speeches owing to lack of time, but I must refer to one or two, as I was asked a number of direct questions. I shall begin with Mr Radoux, who quite clearly misinterpreted me when he suggested that, in referring to the Tindemans Report, I wanted to commit myself to a one-year term of office for the presidency. This was not my intention at all when I referred to paragraph 2: I wanted to explore the possibility, which I believe the Tindemans Report offers, to set up a kind of secretariat, but obviously not like the Fouchet Secretariat which was first mooted 10 or 15 years ago — definitely not like that. We should have no doubt in our minds that political cooperation can be improved if it becomes a continuous process in Parliament and the Commission. We cannot have one group of doubtless very European-minded national officials being replaced every six months by another group of officials who, like the ministers, have all known each other for years. This is not our idea of European political cooperation which can lead to a joint European foreign policy in the future.

I think Mr Granelli put right Mr Radoux's misconceptions. I refer to the reply given by Mr Granelli to Mr Radoux and of course thank him for his support.

I should once again like to thank Mr Rippon for drawing our attention to the need for improved machinery and for speaking in favour of the idea which I also have in mind namely that of a secretariat. I think that we can discuss this matter further in the House or in the Political Affairs Committee. We shall have to arrive at a joint position once we have thrashed out all points of view.

I should now like to put right a comment concerning the confidentiality of the discussions, to which you made reference, Mr Rippon. In expressing my criti-

**Blumenfeld**

cisms earlier, I meant that although we get to know about certain things discussed by the Foreign Ministers, either from the press or from the comments of journalists who have been informed confidentially, we ourselves are not made familiar with the background to the Foreign Minister's ideas and decisions. How much to tell a committee or Members of Parliament remains a matter for the discretion of the Foreign Ministers. But we cannot be content with just having a report read out to us. If we want to be taken seriously in our discussions and we should be, as Mr Andersen has just said — we must have access to a far greater amount of background material than in the past, although confidentiality should be strictly observed.

I did not fully understand the comments made by Sir Geoffrey. In item 15 of my report I referred to the Tindemans Report. Then in item 16 I made it clear that this idea could not be put into practice at present or in the immediate future. However, Sir Geoffrey, when I think of the forthcoming talks with Comecon, I think it must be plain to us all that foreign policy considerations overlap into areas of economic, financial and foreign trade policy, and that such considerations cannot be divorced from the security aspect. In other words, the matters being dealt with by the Council of Ministers or the Conference of Foreign Ministers before the Commission receives its mandate will in some cases have to include questions of defence or security. As I stated in my report, I have not proposed to in item 3 of the motion for a resolution should be observed, I simply meant — and this is also what Mr Andersen understood me to say — that Parliament should be taken seriously on the matters of principle in major debates on foreign policy. We then expect the national governments, the Council or Conference of Foreign Ministers to take such matters up.

I should like to conclude by addressing one remark to Mr Sandri, who has now left the Chamber and whom I have always found to be a most likeable person: it would have caused me great concern if he had voted in favour of the report rather than abstaining.

His remarks have demonstrated to me that the Communist Group's views on political cooperation differ widely from our own. It would have made me really uneasy if there had been a unanimous vote in favour of the report. However, on the whole I feel that the House will vote overwhelmingly in favour of the motion for a resolution as well as the amendments tabled by the Socialist Group and my oral amendment to the effect that the Council of Foreign Ministers should be included among the addressees listed in item 8 of the motion for a resolution. I hope that this will bring about substantial progress in the important

task of achieving political cooperation between Parliament, the Council and the Commission.

**IN THE CHAIR : MR MEINTZ***Vice-President*

**President.** — I call Mr Sieglerschmidt.

**Mr Sieglerschmidt.** — (*D*) Mr President, please accept my sincere apologies for speaking after the rapporteur. I only wish to table an amendment to an amendment and, as I have just now been informed, it would have been impossible to do this in any other way. I shall be quite brief.

I refer to the amendment to Mr Blumenfeld's report tabled by Mr Lange and Mr Radoux. I was unable to participate in the drafting of this amendment as I was unfortunately detained in Bonn yesterday. That is the reason for my delay.

I fully support Mr Andersen's comments on the distortion between Community activities and political cooperation. I have always believed that we should avoid drawing unnecessary distinctions between these two areas and, as Mr Andersen pointed out, we can and should hold joint discussions covering both fields, but there must come a time when ministers have to opt for one or the other.

For legal reasons it is important for them to know in what capacity they are reaching their decisions, as the Council's decisions must carry legislative authority, and it must be clear that they carry such authority. I therefore think that Mr Blumenfeld's wording — like that of Amendment No 1, which in other respects I agree with — does not truly reflect the actual situation, whatever our political intentions may be.

I therefore propose that the amendment should be altered as follows: 'distinction' should be replaced by 'avoidable distinctions'.

**President.** — This amendment will be translated, printed and distributed in time for Parliament to vote on it tomorrow.

The debate is closed.

*11. Membership of committees*

**President.** — I have received from the Christian-Democratic Group a request for the appointment of Mr Luster to the Legal Affairs Committee, the Committee on External Economic Relations and the Committee on the Rules of Procedure and Petitions.

Are there any objections?

The appointment is ratified.



## 12. UN sanctions against Rhodesia

**President.** — The next item is the oral question with debate (Doc. 474/77), put by Mr Glinne on behalf of the Socialist Group to the Foreign Ministers meeting in political cooperation, on compliance with UN sanctions against Rhodesia :

Since August 1973 the UN commission set up to supervise the application of economic sanctions against Rhodesia has suspected Gabon of being the hub of illegal trade. In November 1975 the British Government forwarded to this commission an initial detailed note accusing Gabon of this and also claiming that some European airline companies were aiding and abetting that country.

A second British note of January 1976 supplied details of supplies of equipment originating in Belgium and Luxembourg, described how SABENA and Air France were collaborating in this and indicated the European links in various operations, together with the people involved.

On October 1976 a further British diplomatic note was forwarded, this time to the Security Council. Once again it implicated not only Gabon but also Belgium, France, Luxembourg, the Netherlands and Zaire. It is clear that a large-scale network has long been in operation and continues to provide Rhodesia with large amounts of foreign currency.

I should like to know what concrete action has been taken — in the context of the political cooperation of the Nine — on the diplomatic note of 26 October. What measures have been taken jointly or by the individual Member States implicated?

I call Mr Glinne.

**Mr Glinne.** — (F) Mr President, it is sometimes useful to put the same question in the European Parliament and in one's national parliament. It so happens that in the latter I questioned Mr Simonet, who gave me an interesting reply; I should like to quote some extracts from it here.

The first extract reads: 'In 1973 the Belgian Government was informed for the first time by the Secretary-General of the United Nations, at the request of the Security Council committee entrusted with the implementation of the sanctions taken against their legal regime in Rhodesia, about the activities of two airlines registered in Gabon and known respectively as the Gabonese Air Freight Company AFRETAIR and AIR TRANS AFRICA. This information was conveyed by the Secretary-General of the United Nations acting on a request from the Security Council committee entrusted with the implementation of sanctions taken against the illegal government of Rhodesia. In the view of the sanctions committee, there was every reason to think that the aforementioned companies were owned by Southern Rhodesia'.

This extract alone confirms — if such confirmation were necessary — the substance of the accusation.

A further extract from Mr Simonet's reply reads as follows: 'On 26 March 1976 the British Embassy in Brussels drew the attention of the Belgian Government to the activities of AFRETAIR which although registered in Gabon was in fact a front for the Rhodesian airline AIR TRANS AFRICA, controlled from Salisbury. AFRETAIR did not exist in its own right, since its aircraft and staff belonged to AIR TRANS AFRICA. Of the five aircraft used by AFRETAIR, a DC 8 was believed to have been bought from the Belgian company POMAIR, and a CL 44 to have been bought at the end of 1975 from the Luxembourg firm Cargolux, which had apparently been responsible for the maintenance of the aircraft and training of the crew. Other aircraft were believed to have been obtained from the United States. AFRETAIR aircraft were reported to have been chartered by SABENA, others by AIR FRANCE, and to have used several airfields in Africa, America and Europe.

As a result, the Belgian, Spanish, French, Gabonese, Ivory Coast, Luxembourg, Dutch, Paraguay and Zairian Governments were asked by the Secretary-General of the United Nations in May 1976 to take the necessary measures to prevent AFRETAIR aircraft from overflying their territory for the benefit of Rhodesia and to prevent persons and companies operating on their territory from offering direct or indirect assistance to the illegal regime in Rhodesia through dealings which they might have with AFRETAIR'.

In concluding this second extract, I would stress that four Member States of the Community were thus also approached by the British Government. The results of these *démarches* differed from country to country. In the case of Belgium, the aviation authorities took certain measures of varying effectiveness after making an investigation. For example, they rejected a request for Belgian registration submitted by a Belgian company represented by a French citizen who had formerly been head of the POMAIR offices in Ostend and who was moreover found to be acting on behalf of AFRETAIR.

What was the sequel to this? On 6 May 1976 the Gabonese press announced that AFRETAIR had been wound up and its assets taken over by AIR GABON. Obviously this news did not mean the end of illegal operations, since an irregular traffic with Rhodesia continued under the cover of AIR GABON itself and subsequently of another company known as CARGOMAN, so much so that the Belgian aviation authorities had to make an official declaration that they would examine very carefully any new requests for authorization submitted by the aforementioned airlines AIR GABON and CARGOMAN, and would refuse any request for authorization linked with a flight to Rhodesia.

## Glinne

Mr President, this problem clearly concerns the political cooperation of the Nine. All the Member States support in principle the sanctions policy decided a long time ago by the United Nations, and yet here we have the government of one of the Member States making diplomatic representations in the other capitals! That is moreover the reason why in my question to the Belgian Parliament and in the one I am putting here, I asked the responsible minister about the problem of political cooperation. Let me quote once more Mr Simonet's reply.

It begins cautiously by saying that individual cases as such are never discussed in the framework of European political cooperation, which therefore applies equally to the facts mentioned in the British Note: 'It is up to each of the countries mentioned in the Note to investigate individually whether the Security Council Resolutions on sanctions against Rhodesia have been infringed, after which the results of these investigations are conveyed to the Sanctions Committee'.

But fortunately, Mr Simonet's reply states that this does not exclude a general review of the problem in the framework of European political cooperation. The problem of Southern Rhodesia has always been a matter of concern to the Nine, who jointly seek greater effectiveness in the application of sanctions. And after referring to public declarations, such as the declaration of 31 January 1977 on behalf of the Nine, the joint declaration of the Nine at the Maputo Conference held between 16 and 21 May 1977, and the speech he himself delivered at the General Assembly of the United Nations, Mr Simonet concludes: 'Apart from these public policy statements, the Rhodesia question is also a matter for political consultation at various levels among the Nine.'

Mr President, I insisted that this problem should be raised on behalf of my Group in this House because we want the consultation at the various levels mentioned to be effective.

After this oral question was put down — an aircraft apparently chartered by a Luxembourg firm and piloted by two Belgian nationals made a forced landing in Mozambique while carrying goods from Salisbury to Zaire. My distinguished colleague and friend Christopher Price will be commenting on the event in a few minutes.

Mr Simonet also told me in the Belgian Parliament that a draft law left in suspense in 1969 had just been revived so as to comply with the measures recommended by the last Security Council Resolution and to fill the gaps in the existing legislation. I think that there is a problem as regards the quality of legislation and regulations in force in the various Member States relating to the sanctions policy against Rhodesia, and that existing measures should be harmonized upwards.

Finally, Mr President, when some of the Members of this House went to the meeting of the Joint

Committee set up under the Lomé Convention, held at Maseru in Lesotho, one paragraph of the very detailed resolution which was adopted on the political situation in southern Africa specifically urged Member States to increase their vigilance regarding economic sanctions against Rhodesia; I hope that the Maseru resolution and this afternoon's debate will have useful results.

**President.** I call Mr Andersen.

**Mr K.B. Andersen, President-in-Office of the Council. (DK)** Mr President, the current UN measures, to which reference has been made, have not been considered in the framework of European political cooperation, but this does not exclude the possibility of contacts between the governments of certain member countries on the application of the UN sanctions against Rhodesia. More generally, the Nine are carefully following the evolution of the situation in Rhodesia, as the honourable Member knows and has acknowledged. In this connection I shall merely mention the statement issued by the Foreign Ministers of the Nine in London on 31 January 1977 after Mr Ivor Richards' mission. With reference to Rhodesia, I can point to the common declarations, made on behalf of the Communities at the UN conference in support of the peoples of Zimbabwe and Namibia, held in Maputo last May and to which the honourable Member has also referred. And finally there was the speech which Mr Simonet, the Belgian Foreign Minister, delivered on behalf of the Nine to the 32nd General Assembly of the United Nations in which he referred, *inter alia*, to Rhodesia and in which he again emphasized the Nine's firm intention to continue honouring the obligations relating to sanctions implicit in the document.

In addition to these publicly stated positions, the question of Rhodesia is also the subject of political cooperation at different levels among the Nine. That is my answer in my capacity as President-in-Office of the Council.

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

**Mr Price.** — Mr President, I listened with interest to what Mr Andersen had to say, I hope he will not mind if I say that I am sorry he was not able to speak at rather greater length about this problem, because it does go to the very root of the credibility of Europe as an institution *vis-à-vis* the Third World. There is no doubt whatsoever about the intentions of the Council of Foreign Ministers. I do not think anybody has any doubt about that. It is the energy and effectiveness with which they pursue those intentions that is in doubt, and after that extremely brief intervention, for all my respect for Mr Andersen, I fear I am not yet convinced that that energy and effectiveness is sufficient.

## Price

The reason that Europe has supported sanctions against Rhodesia and also, as my comrade and friend, Ernest Glinne, said, passed a resolution in Maseru at the ACP-EEC Assembly on the question of sanctions against South Africa is simply because we believe that this is one of the means by which peaceful solutions rather than solutions involving widespread bloodshed can be achieved in Africa. It is as serious as this. And it is made more serious when it becomes public and clear to everybody that the breaking of sanctions is undertaken by some of the most powerful financial institutions based in the countries of the Nine. And for us to tell people in other parts of the world that although these institutions are based in our countries, there is very little we can do about their constant breaking of sanctions — I have to say this quite frankly, having discussed it with people in the recent ACP-EEC Assembly — is quite unconvincing.

I would like to draw the attention of this Assembly to the second incident Ernest Glinne talked about. At the end of November last year a DC4 with a Belgian crew was shot down over Mozambique. It was transporting 8.5 tonnes of frozen meat from Rhodesia to Zaire. Both pilots were captured by the Mozambique authorities, and one of them said that in that year he had already made 35 flights. The mathematicians amongst us will already have calculated that that is about 300 tonnes of meat at the very least, which had passed from Rhodesia to Zaire and from Zaire who knows where thereafter. Now this aircraft was owned by a company called Africa-Lux, and I have not got any information — it is very difficult to find this information — as to the exact origin of that company. However, the meat transaction was arranged by a quite different company, African Transport Airways in Gabon, and this company has its own agency in Rhodesia that makes the financial arrangements for this meat transport with the Belgian bank Belgolaise. Now Belgolaise is short for the Banque Belgo-Zaireoise SA, which is owned by the big Belgian banking company 'Société Générale de Banque', which in turn is owned by the parent company 'Société Générale de Belgique', and this latter body is pretty well the largest financial investment company in Belgium. I think this incident alone, which, I would remind this Assembly, came to light by accident, because a plane happened to be shot down, illustrates the deep involvement of the great financial institutions of Europe in the breaking of sanctions in Rhodesia.

Now there are some of my Conservative colleagues who oppose sanctions, but every country of the Nine supports them. The ACP-EEC Assembly, comprising many members from this Assembly here, not only supported them in Maseru recently, but also supported sanctions against South Africa in what I thought could have brought a completely new understanding and sense of trust between Europe and Africa. It is very important that we do build up this sense of trust, but we cannot build it up if it is quite clear from year to year that we are unable to put our own house in order.

The fact that there is no settlement in Rhodesia so far is partly due to the fact that South Africa supports Rhodesia, but it is also substantially due to the fact that sanctions are being broken daily by these crooked cowboy capitalists, friends of South Africa and apartheid, whom it is very easy for us to criticize. What is scandalous, however, is that these cowboys are operating under the protective wing of some of the great financial institutions of Europe on which this Parliament itself rests. Having seen some of the plans for the new building next to this, Mr President, I think it rests in more senses than one.

As I say, it is quite impossible for us to maintain the kind of credibility we would like, particularly we in the Socialist Group, since we were originally responsible for some of the resolutions eventually passed in Maseru, unless the Council of Foreign Ministers does not simply rely on intentions, does not simply rely on speeches before the United Nations, but takes far stronger action to make sure that the Member States who put their signatures to sanctions against Rhodesia actually do something about it in practice and do not allow these activities to take place.

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

**Mr Deschamps.** — (*F*) Human rights are God-given rights! I read this slogan yesterday on a car sticker in the rear window of a van full of young people — opponents of racialism affirming not just their aims but also the principles on which their convictions were founded. I thought it a good idea to mention this at the outset, because UN sanctions against Rhodesia are bound up with the wider problems of southern Africa as a whole, in particular with that of apartheid.

It was because Rhodesia set up an illegal minority government founded on racialism that sanctions were taken against it by the UN in 1965 and reiterated in more specific form in 1966. And we are holding this debate today because the British Government, which is responsible for supervising the application of these sanctions, feels that they are not being applied by everyone and has expressed its misgivings to the Security Council and to each of the countries it suspects. The debate therefore centres around apartheid, and I should like once again to state the position of the Christian-Democratic Group on this issue.

Firstly, Mr President, we are opposed to apartheid because clearly, whatever arguments are advanced in its favour, it is a completely unacceptable doctrine. We believe that it violates human rights and various international agreements in particular the Declaration on Human Rights. Furthermore, we are opposed to apartheid because it is contrary to the principles which lie at the heart of our political beliefs. Human rights are God-given rights — this is our philosophy and that of all who believe in the basic Christian values of our civilization.

### Deschamps

For all these reasons we favour equality among all men and oppose apartheid. We will not tolerate any misunderstandings concerning this attitude. This point cannot be emphasized too strongly.

Secondly, we are in favour of working towards a positive solution to South Africa's problems which have their roots in apartheid. We believe that majority governments should accede to power in Zimbabwe and Namibia, but that they should respect the democratic rights of the minorities. We hope that after the present violence it will be possible to establish cooperation which excludes all forms of apartheid, difficult though this may be to achieve.

Thirdly, we believe that the UN sanctions should be applied effectively and fairly. In particular, we disapprove of all moves to supply these countries with arms or other goods which may be used to maintain tension or to perpetuate violence. We shall monitor the observance of these economic sanctions especially in fields in which they may help to bring about an effective and non-violent solution to the problem and hasten the end of an oppressive minority régime. However, we shall try to ensure that these sanctions do not affect primarily, or too severely, those very people whose lawful rights we wish to see recognized.

That is our fundamental position. It is clear and unambiguous and gives us, and I hope all Members, the right to express our earnest wish that this debate will be conducted in the spirit which underlies Parliament's major policies. We want the problem to be discussed seriously because we believe it is a matter of grave concern which jeopardizes the most basic human rights of some of the most unfortunate people in Africa, and because we feel that it affects international peace and security. We do not want the legitimate and widespread emotion which is felt concerning the oppressed peoples of South Africa to be used for any purpose which does not primarily benefit the people themselves. We do not want this emotion to be used in a way which will damage the interests of those we are trying to defend.

I shall be quite specific: we are all aware of and support the campaign, conducted notably by Mr Glinne, to secure independence and sovereignty for Namibia and Zimbabwe. This time, however, we feel that he may be gone too far and that his question may only raise other questions. Firstly, the information on which Mr Glinne's question is based was used by Mrs Goutmann in a personal statement which she distributed behind the scenes during a meeting of the Joint Committee at Maseru. At the last of the Joint Committee's meetings this text provoked a sharp rejoinder from one of the Committee's joint chairmen, Mr Kasongo-Mukundji, who spoke on behalf of Zaire, saying that his country had been wrongly accused. The question once again casts suspicion on this country, which is a signatory of the Lomé Convention, although no further evidence has been produced, and the representatives of that country are not present on

this occasion. Similar insinuations are made concerning Gabon and the Ivory Coast, which are also signatories of the Lomé Convention. We do not believe that the African peoples in general will be helped by divisive accusations which are not based on factual or conclusive evidence.

Secondly, the text of Mr Glinne's question is similar to that put to the Belgian Foreign Minister — he even quoted extracts from the reply — because Belgium's position in the affair has been questioned and because Mr Simonet was at that time President-in-Office of the Council of the Nine. In his reply to Mr Glinne Mr Simonet dealt with the accusations made against Belgium and gave an assurance that measures had been taken to clear his country of any suspicion in the future. He also pointed out that individual cases had never been examined when the Nine had met in political cooperation, that it was up to each of the accused countries to react to the accusations and that efforts to impose more effective sanctions had often been announced and specified in detail during the meetings of the Nine.

I wonder, therefore, whether it is advisable to raise this question again, as it casts suspicion on certain Community and associated countries and does not provide any additional evidence, despite the fact that the reply we were given ...

**Mr Glinne.** — (F) And I suppose the plane just fell from the sky?

**Mr Deschamps.** — (F) ... was much clearer and more to the point than the reply given today by the President-in-Office of the Council. You have been in politics long enough to know that when we ask a question, knowing that we cannot expect a really satisfactory reply, we have a right to question the purpose of the debate.

The Christian-Democratic Group supports the fight against apartheid. We are in favour of sanctions and shall endeavour to ensure that they are applied in all countries and that their application is supervised. Above all, as Mr Price has pointed out, we want the conflict which stems from apartheid and which is ravaging South Africa to be settled as quickly and as peacefully as possible. At the same time we are opposed to the exploitation, in any way whatever, of the emotion which these problems rightly arouse. I would remind you that two committees of our Parliament are dealing with these questions and that two reports are being prepared. So far neither of these has been discussed by the House. I hope that they soon will be, Mr President, as this would be a positive step forward. We believe that it is on the basis of these reports that we should seriously discuss this matter, one aspect of which was touched upon by Mr Glinne's question.

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

**Mrs Goutmann.** — (F) Mr President, although more and more declarations are being made concerning the situation in southern Africa, unfortunately few of them have any effect. The same applies to the sanctions imposed by the international community represented by the UN.

Despite the fact that the Community Member States have formally condemned apartheid as practised by the Vorster and Smith régimes, they continue, by various means, to support these minority governments which public opinion has condemned. Thus France, in collaboration with West German industries, is supplying a nuclear power plant to South Africa, even though Mr Vorster does not exclude the possibility of using this for military purposes. The embargo decided upon by the UN has not been applied by several member countries, which still supply arms used to repress the liberation movements.

In the UN Britain and France in particular persistently reject requests by the African countries to apply sanctions to South Africa, to end all cooperation in the nuclear field, and to cancel contracts and licences relating to arms and military equipment.

It is therefore not enough to denounce verbally the way in which Rhodesia and South Africa violate human rights. The people of these countries expect the Community governments to act as the guardians of freedom which they claim to be. I believe this problem concerns us all as a Community, not just the individual Member States.

We should not be content with a mere code of conduct for the multinational companies. I think that the facts revealed today concerning the air transport companies and the banks which support them emphasize that we need to apply not just a code of conduct but strict economic sanctions which may finally force those responsible for apartheid to respect basic human rights. The Member States should implement this policy with all the means at their disposal, acting in accordance with their desire to uphold human rights.

I naturally join Mr Glinne in denouncing the underhand way in which the Rhodesian regime is being supported, but I would add that the fight against apartheid is indivisible. I am surprised that the President-in-Office of the Council made no reference to the resolution adopted by the EEC/ACP Joint Committee in Lesotho, and I also deplore the fact that Parliament's Bureau saw fit to refuse to include in its agenda my question on the application of the resolution adopted by the Joint Committee at Maseru.

The ACP countries will not tolerate double-talk on our part — our credibility hinges on this — and they cannot be content with the mere signing of resolutions. They expect us to give them genuine support. Only in this way can we promote cooperation on a wide front and on the basis of commitments entered into, which are to our mutual advantage. I therefore repeat my question: what steps do the Council and

Commission intend to take to make the resolution adopted by the Joint Committee at Maseru immediately enforceable?

**President.** — I call Mr Jensen.

**Mr Jensen.** — (DK) Mr President, once again in this Parliament we have to watch the Social Group play the policeman in third countries and indirectly summon the Community to take further sanctions against Rhodesia.

The EEC countries have more than enough problems of their own to deal with, and we ought not to be preaching at other countries or trying to teach them how to conduct their internal affairs, about which very few of those present here are well enough informed. On the other hand, it is obviously legitimate to express a keen interest in events in countries with which we have concluded reciprocal agreements and when any actions taken come within the scope of such agreements. In fact, Rhodesia's internal problems have to a large extent arisen and escalated because of a misplaced officiousness in the field of foreign policy. It is now high time the Community stopped interfering.

EEC firms which wish to trade with Rhodesia must obviously be free to do so. EEC consumers who do not wish to buy Rhodesia goods may of course also refrain from doing so. I am not saying that we should necessarily approve of past or present events in Rhodesia, but the EEC as a Community should stop meddling in Rhodesian affairs.

**President.** — I call Lord Bruce of Donington.

**Lord Bruce of Donington.** — Mr President, I was amazed to hear the remarks that fell from the lips of Mr Jensen, who is in fact inviting members of this Community, who are also members of the United Nations and are bound by the sanctions proposed by the Security Council, to disobey and dishonour the obligations entered into by their own countries, including, if I may say so, the State of Denmark; and I would like to congratulate Mr Glinne on the public spirit he has shown in raising this whole question, notwithstanding the fact that his own country has been mentioned in connection with the transactions complained of.

One can understand the reluctance of the President-in-Office to give any more decisive a reply than he has been able to give today to the whole question of principle that is implicit in Mr Glinne's question and which has been elaborated by my colleague, Mr Price. As President-in-Office, he can speak only when the Council is united on these matters, and the fact that he has been able to speak with less than the decision and incisiveness one would have expected may unfortunately be due to the fact that some Member States, at any rate, perhaps some of those involved, did not assent to his being more incisive than he felt himself able to be.

### Lord Bruce of Donington

The most disturbing thing about the events which have been raised by Mr Glinne and detailed by other speakers is that they go back such a long way. It will be known to parliament that my own country, the United Kingdom, has made complaints on a number of occasions. It has not chosen to seek the channel of complaint to the European Economic Community, and for that reason it is so appropriate that the matter should be raised in this Parliament under the dual mandate system, where the Members present here, as a result of what their own governments — which I sincerely hope they will do. The complaints made by my country to the Security Council date back to 13 September 1973, 28 November 1975, 9 April 1976 and 24 October 1977. This was the correct channel for representations by my country, and I understand that the Security Council made the appropriate communications to each of the Member States involved. May I hasten to assure Mr Deschamps, who was talking about the absence of proof, that the documentation sent to the Security Council and the evidence supplied went down to aeroplane markings, the repainting of planes, and the actual names and descriptions, occupations and addresses of all the persons involved, so therefore all the governments concerned knew all and everything about it.

What is a little extraordinary at this time, in view of the number of representations that have been made, is that some Member States have not so far seen fit to take any action. Now, I well understand the difficulties of Member States in passing legislation which closes the loopholes to very ingenious private-enterprise concerns, particularly large companies, but my own country has had but little difficulty, and four years would be adequate for that purpose if the will was there. As it is, two DC 8's have been regularly serviced at the Charles de Gaulle Airport by UTA; planes have been chartered by Sabena, and one CL 44 has been regularly maintained in Luxembourg by Luxair.

I am not casting any aspersions upon Members of the European Parliament who belong to any other Member State. My country from time to time has withstood criticism, by name, by other Member States in this Parliament and I defend their right to criticize. We have had many pungent criticism from Ireland. We periodically get them from Mr Berkhouver, and there are plenty of other people who have not the slightest hesitation, when it suits them and when they think it is fair, to criticize the United Kingdom. So, for my part today, I see no reason why, in a spirit of complete friendliness, because we are all working for a common cause here, I should not ask all Members here to make the appropriate representations to ensure that their governments adhere to the international law to which they have already subscribed and that they seek, in doing that, to promote the common cause amongst the Nine upon which we are all currently engaged.

**President.** — I call Mr Bersani.

**Mr Bersani.** — (I) Mr President, quite apart from the individual incidents and facts at issue, I think that today's debate is interesting and important because it affects the substance of many of the links between the African continent and ourselves. The credibility, image and role of Europe in the whole of Africa are certainly at stake, particularly at the present time, when we must acknowledge that respect for basic rights is problematical in a large part of that continent.

There is no doubt that something is amiss. In fact, a number of Member States have not yet adopted the legislative measures required in this field. In this context I should like to point out that my own country, Italy, has for many years been very strict in applying legislation which has succeeded in putting a stop to a number of ploys like those already mentioned which made it possible to circumvent international commitments undertaken in accordance with United Nations decisions. The first observation I should like to make therefore relates to the need for each of our countries to acquire really effective legislative and legally enforceable powers. In fact, where such powers have been promptly exercised the results have been in accordance with the commitments made.

Then there is a second aspect which has emerged from our debate, namely the need for a different, more effective and more realistic approach to this problem on the part of Member States — in this context I would remind you that we have taken up a series of very clear and precise positions, most recently at the United Nations General Assembly. Indeed, in the context of political cooperation which we discussed earlier today, the Nine have not yet had the opportunity to take stock of whether their *anti-apartheid* policy is being effectively applied and above all to check on the application of the sanctions taken against Rhodesia and South Africa.

I believe that Parliament's vote today will reflect this general point of view and the interests of the policy we wish to pursue — a policy of liberty and of guarantees for basic rights. At Maseru we put this consideration at the centre of our discussions and reviewed in general terms the problem of our relations with Africa and the influence which our actions in this field might have on African politics. I am absolutely convinced that the general policy of the EEC towards Africa has entered the stage of the involvement of southern Africa in a more general policy of African unity in liberty and independence.

In relation to this grand strategic aim, in which the basic interests of Africa as a whole coincide with the democratic interests of Europe, I think that the strict, serious and responsible application of the measures

**Bersani**

and commitments undertaken by us at an international level constitutes a basic prerequisite.

It is therefore right that, as Mr Deschamps suggested, the various problems should be systematically discussed once more in the relevant Parliamentary committees, particularly in the Political Affairs Committee and in the Committee on Development and Cooperation. These are problems which we must analyse in depth and on which we cannot confine ourselves to general statements. We may have different reactions to individual events; for example, I myself was present when our restricted delegation in Botswana was affected by the incident of the aircraft which was shot down and all its repercussions, one of which was to jeopardize the delegation's visit itself. But I should like to add that in Botswana itself, in Zambia and in other countries, we realized that the situation in Rhodesia represents an extremely dangerous breeding ground of tensions which threaten even those innocent countries which seek to provide a constructive response to the problems of the African continent by creating non-racialist, democratic and forward-looking societies.

I think that we should reexamine this subject in committee with all the seriousness the situation demands.

**President.** — I call Mr Hamilton.

**Mr Hamilton.** — Mr President, I always feel that this Chamber is at its political best when it is discussing matters of principle such as the matter now before us. My friend, Lord Bruce, referred to the fact that the United Kingdom Government has come under severe pressure and criticism from time to time in this Chamber, and we from that country would be the last to object to that as long as those who criticize us do not mind if occasionally we criticize them.

For over a decade, UK governments of all political persuasions — and I emphasize that — have sought to bring to an end by peaceful means an evil and illegal régime in Rhodesia which is in rebellion — and I should be the first to say it — against the British crown. Those who pretend to be democrats, those who pretend to a loyalty to the Crown in this House in Europe, it behoves them — and some of them have been failing in this duty, both here and in the UK Parliament — to condemn this illegal régime no less firmly than we have done consistently since it came into being. British governments have desperately sought to avoid a solution of this problem by bloodshed and the present British Foreign Secretary and the present government in Britain are still striving, late though the day may be, to solve this problem without recourse to bloodshed. But I fear time is very short, and in the meanwhile my friends respectively have sought to explain how the Rhodesian régime, by procrastination and by various means

— in cooperation, unfortunately, with the governments of the Nine — have sought to get round the sanctions that the United Nations Security Council sought to get imposed by all who believed in the democratic process.

In reply to our friend Mr Jensen from Denmark — above all, from Denmark — at this particular time I would say, what a début! I would say to him that this institution of the EEC will be seen to be bereft of ideals and principles if it does nothing more than just assert that it is against the odious racialist policies of Rhodesia and South Africa. We must translate those assertions into action. An article in the *Observer* of 30 October last referred to the British diplomatic note that had been delivered at that time to the United Nations Security Council about activities emanating from Gabon, referred to by Mr Price, and ends with the following passage, and I would ask the respective governments to take note of it:

Since the previous British note in April 1976 asking that landing and over-flight rights be denied to AFRETAIR, some governments have responded, but Belgium, France, Gabon, Luxembourg, the Netherlands, Spain and Zaïre are also again mentioned in last week's note as countries still helping Rhodesia earn desperately-needed foreign exchange to pay for imports through illegal airline operations.

I ask the representatives of those governments in the Nine who are mentioned here to make direct representations to their governments to make sure that those practices cease forthwith: if they do not, if they fail, if they default in this, then for heavens' sake let them drop their pretensions to democratic ideals! If we cannot practise what we preach, then we had better shut up shop altogether.

It is a verious problem. It extends far beyond Rhodesia and South Africa; it extends throughout the whole Third World. This is a battle in which we must be seen to be on the side of the ordinary man, whatever the colour of his skin, fighting in the interests of human rights and democratic government. It is those ideals which I feel are being diluted in so far as we do nothing, or do not do enough, to bring this evil régime to an end.

**President.** — I call Lord St. Oswald.

**Lord St. Oswald.** — Mr President, I had dropped out of the debate, but since it has now been considerably widened in its latter stages, as I foresaw it would be, and in particular by my friend Mr Hamilton, I feel entitled to join in.

Sanctions are in fact nearly always chiefly effective against those whom they are least intended to punish and their main result in this instance has been to make Rhodesia more self-sufficient than it ever has been before. They are therefore, in my submission pretty irrelevant, but that is personal submission.

## Lord St. Oswald

I shall refer to a threat far more punitive to Rhodesia than sanctions, and I speak only because, just before Christmas, I was in Rhodesia and able to confer with those who live there, and able to see something of the sweeping and gentle beauty of the land itself. Life, as we know, is being ungentle to many of the innocent inhabitants, but I came away with a reasoned and uplifting hope that the besetting ills of many kinds were within reach of remedy and solution. It is only outside the boundaries of Rhodesia, including this Chamber, that my hopes have been offset by doubts and deep anxiety, not caused by those who live within Rhodesia.

Those to whom I spoke so lately represented a wide, formerly antagonistic but now reconcilable political sweep. They were approaching, and determined to achieve, a peaceful settlement as between old opponents, a creative future for Zimbabwe, as the country will undoubtedly one day be called. I spoke for a very few minutes to Mr Ian Smith, and separately to two of his ministers. I spoke to white opponents of Mr Smith, who were scathingly critical of his previous conduct. I spoke at considerable length to Chief Chirau, the Chairman of the Council of Chiefs, representing all the tribes. I had appointments arranged with Bishop Muzorewa and Mr Sithole. The former had withdrawn to a week of self-imposed solitude, and the latter was on his way back from London on my last day there. I discussed with their deputies, who were unhesitatingly and outspokenly emphatic as to the prospects of peaceful success. The topic, the governing topic, the only topic, was internal settlement, peacefully obtained. They did not say 'we may' or 'we might', they said, 'we must' and 'we shall'. They were persuaded that Mr Smith, with whatever misgivings and reluctance, was now determined upon the same end, an acceptable pooling of convictions and safeguards, eliminating present injustices and humiliation, forging a realistically multiracial future, prosperity created by all and enjoyed by all peaceful Rhodesians. That was the uplift I was given within the borders of the country itself.

The astounding fact appears to be that this potential brightening of peace in the sky gives little or no satisfaction to the government of that European country insistent, and rightly insistent, upon its primary responsibility, the Government of Britain, or to their American consultants. It is inconceivable to me that mere vanity on the part of Dr Owen and Mr Young could set them against this most natural and happy of solutions. It is not their plan, so they are biased against it. I must reject such a conclusion, but the fact that they seem bent on frustrating, even on defeating, this totally desirable initiative, and the unique opportunity it offers, demands some kind of explanation. The Anglo-American plan, so far from being a peaceful plan, appears to insist upon the terrorists from beyond the borders being placed in charge of Rhodesia's future, taking over the country.

The iniquity of this proposal is more perceptible and incontestable on the ground itself than it may seem here, and it is perhaps that fact which has drawn old opponents together with a positive and peaceful objective. They are as one in their horror and hostility towards a takeover by Nkomo or Mugabe. Let it be noted that neither of those two outside leaders was excluded from the negotiations. It is they who refuse to subscribe to a peaceful settlement. It is they who are seeking the bloodbath which Mr Hamilton mentioned. If, as I see published, those two rascals may now be graciously ready to meet Dr Owen in London or in Nairobi, they may convince him of their democratic intentions. He for his part will be hard put to convince anyone living in Rhodesia and they, those in Rhodesia, I affirm, should be his principal concern as much as ours. All the evidence — and it is plentiful — indicates that neither Joshua Nkomo nor Robert Mugabe are interested in anything but the violent imposition of a personal and relentless dictatorship founded on brute power, of which there are only too many examples in Africa today. Mr Nkomo and Mr Mugabe had been offered placed at the conference table which they rejected because that is not their *modus operandi*.

The Anglo-American urge to impose the terrorists upon the emerging peaceful opportunity, to eclipse that opportunity, is incomprehensible to me. Among those they have killed on raids from Mozambique and Zambia, there have been nine blacks to every one white. What sort of Patriotic Front is that? Whenever that apparently compulsive term is used to describe the terrorists, it is an abuse of the word patriotism. The methods of killing and torture, drawn-out and bestial torture of men, women and children, are too horrible to describe in a civilized debate such as this.

The new alternative: universal adult suffrage, with a black President and a black Prime Minister and a government containing a white element, with a highly efficient civil service already in existence, with experience going back beyond anyone's lifetime, the whole protected by a loyal and highly efficient army already 82% black and all of them volunteers — there would be stability, there would be the new and hopeful Zimbabwe, bringing that richly-endowed and deserving country back into the comity of nations. That is an aim to encourage with all our hearts and any influence we may possess.

**President.** — I call Mr Andersen to speak.

**Mr K.B. Andersen, President-in-Office of the Council.** — (DK) Mr President, I am speaking now as Denmark's Foreign Minister, not therefore on behalf of the Nine but as Denmark's Foreign Minister. I was reluctant to do so, because I should have preferred to restrict myself to the answer I gave just now on behalf



**K.B. Andersen**

of the Nine, but something has happened which makes it impossible for me not to speak in my capacity as Denmark's Foreign Minister. I refer to the comments made earlier in this debate by the Danish Member of this Parliament, Mr Uwe Jensen. I was sorry to hear the Danish language used to convey the views expressed by the Member in question.

*(Applause)*

I was not at all surprised by his comments; they are views which I have heard expressed by a very small group in the Danish Parliament when there is any discussion of South Africa, or apartheid, or Mr Vorster or Mr Smith. I am familiar with those views, I know the arguments used to defend everything which happens in South Africa and Rhodesia. Since they were put forward today in Danish, there might as a result be some doubt about the Danish attitude, the attitude of the Danish Government, the attitude of the vast majority of the Danish people, who indignantly reject those views, and I am therefore obliged to make their attitude clear to you today.

*(Applause)*

From the first day the Security Council introduced sanctions against Rhodesia, Denmark, whatever government was in power, Social Democrat or Liberal Conservative, has scrupulously provided the legislation necessary for the application of the UN's sanctions policy; we enforce it strictly and penalties have been imposed on many people who did not observe the sanctions agreed by the UN Security Council. I wanted to make that quite clear so that the remarks made by Mr Jensen — who represents a small minority of the Danish people who know nothing of events in South Africa — would not be the only contribution in Danish to today's debate.

Since I now have the floor, there are some other comments I should like to make. The nine Member States of the EEC are united in their belief that pressure against racism and apartheid should be increased. I would like to reassure this Assembly that we are investigating by what specific methods that can be done.

I also wish to state that Dr Owen's Zimbabwe initiative has the support of the nine Member States, who see it as an attempt to avoid a violent solution to the problem.

The final point I wish to make is this. Mr Price said that the question at issue is one of credibility. I agree with him. It is a question of Western ideals and of trust in Western ideals as opposed to shortsighted economic and political interests.

**President.** — I call Mr Glinne.

**Mr Glinne.** — *(F)* Mr President, I wish to stress that my question was not based on rumour or idle gossip

but on documents which I obtained from the British Government and from the Secretariat-General of the United Nations. It was the UN Secretary-General who, in May 1976, pointed the finger at the Belgian, Spanish, Luxembourg, French, Netherlands, Gabon and Ivory Coast governments. Our impartiality in this House should be such that even members of the Joint Committee set up under the Lomé Convention should be entitled to accuse African governments which agree to collaborate in an international conspiracy in support of the illegal Rhodesian régime.

Secondly, Mr President, I should like to point out that my colleague, Mr Price, and I have based our remarks on documents which anyone may consult (we are not to blame for the lack of documentation of certain colleagues), but also on events which we witnessed while in Africa as part of the European Parliament delegation — a Luxembourg plane flown by Belgian pilots was shot down. This is an established fact.

**President.** — The debate is closed.

### 13. *Shipping and shipbuilding*

**President.** — The next item is the joint debate-on — the oral question with debate (Doc. 473/77) by Mr Nyborg, on behalf of the Group of European Progressive Democrats, to the Council on shipping:

The European shipping industry is at present in a state of crisis *inter alia* because of the subsidy and dumping policies practised in this field by some non-member states.

The Community's importance in world trade is considerable and there is a natural connection between the possibilities for expansion in the shipping and shipbuilding industries and the unemployment problems in these sectors.

In view of the fact that the problems in the shipping industry must be solved in the context of international agreements, since a number of major shipping nations are not member of the Community:

1. Will the Council state whether it intends to ask the Commission to draw up a policy for the Community shipping and shipbuilding industries that can be reconciled with agreements at international level?
2. Does the Council intend to ask the Commission to submit proposals for the phasing out of subsidy arrangements in the shipbuilding sector in the various Member States so as to avoid distortion of competition and bring about harmonization in the field of European shipping and shipbuilding policy?
3. Will the Council try to avoid unnecessary bureaucracy in the implementation of provisions needed for regulating shipping and shipbuilding at both Community and international levels?
4. Will the Council also ask the Commission to draw up proposals for total liberalization for ships registered in a member country and engaged in traffic between Community ports?

## President

— the report (Doc. 465/77) drawn up by Mr Prescott, 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 directive on aid to shipbuilding.

I call Mr Nyborg.

**Mr Nyborg.** — (DK) Mr President, my question on shipping is to be seen in the context of the serious situation which exists at present in the European shipping industry and in the context of the uncertainties affecting international shipping.

I know very well that important initiatives are under way at present — the Commission being one of the bodies concerned — aimed at providing a basis for a common policy in regard to the Convention on a code of conduct for liner conferences, and that the Commission, as recently as December, tried to arrange a compromise solution in order to ensure unanimity between the Member States of the Community. In addition, Mr Davignon has this month investigated the attitude of the shipbuilding industry to the programme for the reorganization of that sector, which had been communicated by the Commission to the Council of Ministers in December.

In spite of such initiatives, there are clearly considerable differences of opinion between the Member States as to how the problems in these sectors should be solved. However, it is to be welcomed that a thorough analysis of the situation is being carried out before any final decision on policy is taken.

There are many reasons for the serious problems which the shipping and the shipbuilding industries face in the EEC today. Among the chief reasons are certainly the increased competition from other parts of the world, difficulties arising from the oil crisis, and the general recession in trade.

The European Progressive Democrats therefore thought it advisable to carry out a detailed study of the problems in this field in order to suggest possible solutions, both with regard to the policy of Member States towards each other and the external policy of the EEC with regard to shipping and shipbuilding. That is the context in which our question to the Council of Ministers should be seen.

In view of the important role of the Community in world trade, it is obviously essential to have a European shipbuilding industry and a European merchant fleet. The Western European merchant fleet accounts for approximately one third of the world's tonnage, if we exclude Greece. The position occupied by Europe in the shipping world explains why this area has long been the most important centre of the shipbuilding industry and also explains the natural connection between the possibilities for expansion in the shipping and shipbuilding industries and the unemploy-

ment problems in these sectors. Since a number of major shipping nations are not members of the Community and any EEC solution to the problems of the shipping industry could not therefore be considered wide enough in its scope, those problems must be solved by means of agreements in international organizations such as the OECD, etc. Nonetheless, there must be a certain degree of coordination in these areas in order to avoid harmful and unnecessary competition between Member States. This is the practical route to solutions. However, in our eagerness to find a way out of the crisis, we must not lose sight of the main objective, which is to ensure the greatest possible degree of freedom in the shipping trade, while at the same time trying to maintain fair competition. The European Progressive Democrats feel that it is essential to avoid unnecessary bureaucracy in the implementation of provisions needed for the regulation of shipping and shipbuilding at both EEC and international levels.

In the shipbuilding sector today many types of subsidy are found at national level and such subsidies must in principle be considered undesirable. They should therefore be phased out internationally as well, and as quickly as possible, provided of course that the action is reciprocal. Any such reduction in subsidies should of course go hand in hand with coordination in the field of European shipping and shipbuilding policy in order to ensure sound rules of competition and to avoid distortion of competition on the Community's internal market.

If the European shipbuilding industry is to survive and thus safeguard employment, one measure which it must apply is rationalization; its individual shipyards must at the same time specialize more as regards the type and size of ships to be built. In this way the mass production of ships and ships' equipment will become possible and the finished product will become cheaper, thereby countering the keener competition on the world market.

A reasonable way to improve the situation would be to liberalize completely the regulations relating to ships registered in member countries, engaged in traffic between Community ports; I shall be very interested to hear the Council's answer to that question.

Free and fair competition has been seriously hampered by developments in international shipping policy in recent years. This is true not least of the shipping policy pursued by the Eastern European countries, particularly the Soviet Union. The Soviet Union today has the largest conventional shipping fleet in the world and also has an extensive shipbuilding programme. The rapid expansion of the Soviet shipping industry has been quite deliberate and so far very successful. The aim of Soviet shipping policy is to use Soviet ships for the carriage of goods bought fob and sold cif, applying artificially low freight rates for traffic

## Nyborg

between ports in third countries, rates which are not based on commercial calculations. Soviet shipping lines are to a large extent free from a number of costs which shipping companies normally have to carry. Since the Soviet Union has also entered into discriminatory shipping agreements which either restrict or totally exclude the participation of third-country ships in their bilateral traffic, the Western European shipping industry is deprived of the opportunity of fair competitive trading and this entails a considerable economic loss for the EEC's merchant fleet.

While Japanese shipyards have also been hard hit by the current crisis, Japan still accounts for a disproportionate amount of the world's total number of orders. The reason for this is that Japanese tenders for new buildings are as much as 45 % below those of European yards, and the latter maintain that this is a case of dumping, made possible by State subsidies. Japan has until now been reluctant to enter into gentleman's agreements to reduce the shipbuilding capacities and it will therefore be interesting to hear the Council's view on the chances of reaching an acceptable arrangement with that country. However, Japan is not the only non-Community country which gives subsidies. Korea and Vietnam do the same, and in Sweden there is talk at present of the shipbuilding industry receiving a subsidy of approximately 1 500 million units of account in the coming years. In Norway too, shipping companies enjoy very favourable financial terms. These are just a few cases in point. It is therefore necessary that Community Member States should present a united front.

I would repeat that it is not simply a question of a short-term apportioning of the market, or of using subsidy arrangements or similar measures to bring about such an apportioning; what is also necessary is the creation of stable conditions in the shipping and shipbuilding industries in order to safeguard employment. I consider it vital that, in the very near future, the Council, in cooperation with the Commission, should lay the foundations for a policy on shipping and shipbuilding in the EEC which is compatible with international agreements.

It is a fact that the problems of the shipping industry must be solved in the context of international agreement since a number of major shipping nations are not members of the Community.

**President.** — I call Mr Prescott.

**Mr Prescott, rapporteur.** — Mr President, I am very tempted to argue with Mr Nyborg, who, every time I hear him speak, seems to me to come from another world. Denmark must be a wonderful country in the sense that there are no subsidies paid anywhere in any industry. I don't know whether Scandinavian airlines are different to any other airlines, but I wonder whether at any time he has paid a subsidized fare. I would not mind betting he probably has. However, we

have to debate realities here tonight, and the reality of the shipbuilding industry is that we are facing a new kind of economic order at the same time as we have problems with an excess of shipbuilding capacity. Mr Nyborg has taken part in these arguments often enough in committee, and I'm glad to say he's always defeated in the arguments.

However, our main business right now is to deal with the directive before us. This is the fourth such directive this Assembly has had to consider since 1969, and it is indeed very badly needed for the regulation of shipbuilding aids. The original idea, and certainly the thinking behind the third directive, was in line with the OECD undertaking to harmonize and reduce the aids, subsidies and credits available for the shipbuilding industry. It was somewhat unfortunate that at the time of the introduction of that directive we witnessed a considerable crisis in the shipbuilding industry. It's not the only industry to have a crisis, but it is important to understand the reasons why we have this crisis, because there lies one of the main points we wish to make, particularly as a committee, about this directive.

We have had a very short period of time to make this report, and the Commissioner would agree that this has been one of the problems. It has been only a few weeks since we were notified of the directive and asked to come here and give a report. Now, in European terms, a few weeks for this report makes it almost an overnight report, and the report will, to some extent, reflect the lack of sufficient time to study the problems involved. However, I think the principles are clear, and that's what I really want to deal with here. The report sets out a number of points made by the committee, but I want to use the time available to deal particularly with the principles.

Before going on to that, I think it is important for this House to recognize the problems associated with the crisis in this particular industry, and it is a tremendous crisis. It is a very important international industry affecting most of our countries, particularly in the matter of jobs and employment, and I would also make the point that most shipyards tend to be located in areas of high unemployment. This is something one has to take into account when considering financial aid measures taken by one State or another within the Community.

However, prior to this crisis — indeed it accentuated the crisis — there was a boom in world trade in the period between 1968 and 1973, which led to a three-fold increase in orders for ships. This required an increase of 60 % in world shipbuilding capacity. Now in that boom in shipbuilding capacity, not all shipbuilding areas were equally affected. Japan increased its shipbuilding capacity almost tenfold, whereas in Europe the increase was certainly not anywhere near that. Because of that and because it concentrated on tankers, Japan has special problems.

## Prescott

Then, however, we saw the collapse of world trade for the reasons Mr Nyborg has pointed to: the rise in oil prices and its effect upon world trade. This inevitably affected the demand for shipbuilding tonnage. The collapse was quite catastrophic in a way. We saw a drop in demand from 73m tonnes a year down to something like 13m. The Community's production capacity is at present almost 8m tonnes, Japan's about 14m tonnes. The estimated demand for shipping by 1980 is something like 13m tonnes. Japan alone could almost meet that complete demand in full with its capacity, while Europe with its capacity could meet 50 % of world shipbuilding demand by about 1980.

However you are going to solve this problem, what is clear is that there will not be sufficient demand to keep ships being built in all these years. Not only is there a catastrophic fall in demand for ships, but it is estimated that by 1980 world capacity will have increased to 200 % in excess of demand for shipbuilding. That is because we are witnessing the development of non-OECD countries such as South Korea and Brazil, developing countries that are expanding their shipbuilding capacity. Mr Nyborg, even without subsidies they have a number of advantages that could well undermine the Japanese, and the Japanese now are just as worried about these countries' expansion in that area as we are about what the Japanese are doing with their capacity to produce, and its effect on prices. I have no doubt that in one form or another subsidies play a considerable part in every shipbuilding yard that exists, and certainly Third World countries see the advantage of exploiting that.

It is against that background that one has to consider the Commission's proposals, and it is quite clear that if you are to get a satisfactory solution, it will require international agreement. That international agreement will mean that Europe will get x % of the ships, Japan may get x % and something will be shared by the other nations. I ask Mr Nyborg to consider this point. You get your share of orders on a world market by taking a strong line. Europe says, 'If you want access to our markets, you must give us something in return'. Now suppose this results in orders for, let's say, 8 ships instead of the 16 we can produce, how do you then share out those 8 ships between the nine nations?

I put the point to you that it will not be decided solely by competition. No nation within the Community is going to agree to let Germany or some other country build all those eight ships simply because it can build them cheaper. It will not be politically possible to impose such a solution on the Member States, or to say that areas in my country like Clydeside or Liverpool must close down. That will not be possible. That is part of the political realities.

Time is a problem when attempting to follow up some of these arguments, particularly on industrial

policy. I shall therefore devote the few minutes I have, Mr President, to the directive itself. It is quite clear in the directive that there is to be an attempt by the Commission to achieve some control over the harmonization of aids, but not just simply in that area itself, because they have not been totally effective there, though I think they could argue they have been holding the line. But we have seen the development of new aid programmes, such as development aid, which has given some ships subsidies of as much as 70 %, as we point out in the report. This directive will itself be treading the same kind of path.

But it goes somewhat further. The Commission now attempts, for example, to require member governments to inform it of investment over and above a certain amount that is likely to increase capacity, and the Commission itself will have some say in reaching agreement on this. Articles 4, 5 and 6 do deal with the matter of investment aid and special intervention programmes by government. But at the same time, the directive does allow gateways for governments to pursue these policies if they can show that an acute crisis is taking place or that social problems will occur. I know of no industry, no shipbuilding area at the moment, where a government could not claim that that will happen. To that extent, I doubt — and the committee holds a similar view — how truly effective this directive can be, particularly when you bear in mind that areas like Clydeside in Britain have thirteen men unemployed for one vacancy. When you close them down, you just can't produce alternative employment as easily as that.

The committee does welcome the Commission's Article 7, which relates to the amount of subsidies paid to shipowners for the purchase of ships. It really is crazy that we should be trying to make up with money the difference between the Japanese price and the European price. It really is throwing a lot of money away, in order that the shipowner may have the advantage of buying where it is cheapest. This would be a little bit more acceptable if the shipowner were not in a liner conference where he was fixing the markets himself and forcing people to use his ships and face discriminatory barriers. And Danish shipping companies, as I understand, Mr Nyborg, are as much in that kind of rigging of the market as any other shipping company. So, perhaps he might fasten a little bit of attention to something in his own backyard when he refers to the controlling of the market and the shipowners and the free-enterprise way of regulating the market. But I can't take time to go into that at the moment.

Article 8 is one we certainly welcome, because it calls for defining an industrial policy and objectives.

Mr Chairman, I wind up on this particular point. I wish to refer to the Commission the report standing in my name on Community industrial policy for ship-

**Prescott**

ping. We spelt out in that — and the resolution is annexed to the document now before us — a request to the Commission to report within twelve months, that is by March of this year, on the development of a coherent industrial policy, so that we can look at that as the main substance of debate. The committee was emphatic that this directive should be part of an overall industrial strategy, because frankly, Mr Commissioner, if you are asked to consider whether aid should be extended to expand a yard in one particular area, by your very decision you will be determining which shipyard shall survive and which shall not. That is an essential part of an industrial strategy which has at the heart of it the requirement that one reduces industrial capacity, which happens, whatever the system.

So, Mr Commissioner, we give your directive some support, but only as part of an overall policy, and when you submit that policy to us, I hope before March, we shall be able to make a better judgement of the policy as a whole and the part of it that we hope will enable Europe to deal with its shipbuilding crisis.

**President.** — I call Mr Andersen to speak.

**Mr K. B. Andersen, President-in-Office of the Council.** — (DK) Mr President, as President-in-Office of the Council I shall be glad to answer Mr Nyborg's question but I would say to Mr Prescott that the Council has not yet received his report and, while we look forward to studying it, it would not be proper for me to make any comment on it today.

With regard to Mr Nyborg's question, I can assure him that the Council is fully aware of the serious nature of the difficulties currently facing our shipping companies and the shipbuilding industry in the Member States. As far as sea transport is concerned these problems are due especially to competition from substandard shipping and from carrying agencies in State-trading countries. In June 1977 the Council decided to ask the Permanent Representatives as a matter of urgency to consider how the problem of substandard shipping could be solved. At the same time the Commission was asked to lay before the Council proposals for action in this field.

With reference to the problems resulting from competition from State-trading companies, the Commission, further to the discussions which took place in the Council, laid before the Council a working document dealing with the problems in this sector and with the types of action which the Community could take.

This working document was discussed at the Council meeting on 1 October 1977 and after that discussion the Council recognized that it was necessary for the Community to take action on these problems and instructed Council staff to study the document carefully and to draw up a list of the actions which could be taken and which would have the aim, *inter alia*, of ensuring that our charterers had a chance of getting

their fair share, on reasonable terms, of the traffic on those routes on which they compete with State-trading countries. This list would give the Commission some idea of the specific proposals which it could lay before the Council without delay.

With reference to the type of measures to be taken concerning shipping, I can assure you that the Council will see to it that they will be implemented without any unnecessary bureaucracy either at EEC or national level.

I now come to Mr Nyborg's last question concerning the removal of restrictions on sea traffic between Community ports. The Council has not yet decided whether there is any need for Community measures of the kind that Mr Nyborg mentioned in his question.

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

**Mr Evans.** — Mr President, I recognize at the outset that the hour is late and the House has had a lengthy and busy day, and it is not my intention to delay the House for too long. However, this is a tremendously important subject, and I would like to make it clear that my group, the Socialist Group, unreservedly welcomes the report that Mr Prescott has placed before us on behalf of this committee. We certainly support the motion for a resolution. We particularly welcome his penetrating analysis of the many problems which face this industry, and we accept that it is in many ways in line with the previous report that he put before us approximately one year ago.

I think the important thing we have noted is the Commission document (Doc. Com (77) 542 final) on the proposals to restructure the industry, because we recognize that any proposals on aid to any particular industry only have relevance if they are part of a strategy for that particular industry. Certainly there is no more crisis-torn industry in the Community than the shipbuilding industry, and we await with interest discussion on the Commission's proposals.

I appreciate also, Mr President, that we are not today discussing those proposals, but I would point out, particularly in the light of Mr Nyborg's motion, that it is not possible to ignore the necessity of restructuring the industry. However, given that this is a joint debate on Mr Prescott's report and Mr Nyborg's oral question, I think it is only fair to say that my group rejects Mr Nyborg's motion and regards it as irrelevant to the many problems which face the industry. Indeed, although I accept that there may be a difficulty in translation, Mr Nyborg's second paragraph in the preamble to his question is pure fantasy. It states: '...there is a natural connection between the possibilities for expansion in the shipping and shipbuilding industries and the unemployment problems in these sectors'. Quite frankly, there are no prospects whatsoever for any expansion of the shipbuilding industry in the EEC now, or in the foreseeable future.

## Evans

With regard to the four particular questions he has asked, well obviously, the answer to the first is: yes. We all know that the Commission have in fact a proposal for restructuring of the industry.

His second question reflects the traditional rightwing view of non-interference with the forces of capital. Let me point out to Mr Nyborg that if we follow that argument to its logical conclusion, within a very short space of time indeed, we will be left without a shipbuilding industry, because capital will simply move to the countries that my friend, Mr Prescott, referred to, and we will be left without a shipbuilding industry in the Community. We will certainly, I accept, have no distortion of trade in the shipbuilding industry in the Community if we follow the argument to its logical conclusion. Mr Nyborg will have to accept that we will not have an industry, therefore there will be no distortion.

His third question is the usual one that right-wing forces always throw in, trying to suggest that any attempt to interfere with the workings of the market will lead to further bureaucracy. It is nonsense. I do not accept it, and I do not think the Christian Democrats themselves accept it. They have merely put it in for the sake of form.

With regard to the fourth question, this is quite frankly a very minor matter indeed. The President-in-Office of the Council has made it clear that it is a minor matter, and it certainly pales into insignificance beside the problems of flags of convenience, State trading and all the other many, many problems which face the Community's shipping industry. Therefore, as I said earlier, the Socialist Group dismisses Mr Nyborg's motion as being irrelevant and as having no bearing on the very major problems which face the industry. The real problems are in fact faced in Mr Prescott's report, where he mentions and analyses the situation and puts down very clearly many of the aspects which we will have to deal with.

I would like to make the point that we are in fact, in the next few years, faced with the loss of many, many thousands of jobs in the shipbuilding, ship repairing, shipping and marine engineering sectors, and I do hope that when the Commission consider this matter they will, in fact, include a special reference to the marine engineering sector. It is an integral part of the industry, and sometimes it tends to get overlooked. I would also point out, Mr President, that these jobs which are at risk, these jobs which will in fact be lost over the next few years, are in the main, in already depressed regions, which are already in receipt of assistance from the member governments and from the Community. When one considers that other industries which are in crisis, the textile industry, the footwear industry, the steel industry, are also in these regions, and considers the crisis and the redundancies which will occur in the shipbuilding industry, we have

to recognize then that the very serious problems which the depressed regions face are to be even more severe in the future. We will be talking, if we are ever going to solve the regional problems of the Community, in terms of many many thousand of millions of units of account, if all the talk about providing new job opportunities in these regions is ever to be fulfilled or is ever to mean more than simply resolutions of the European Parliament and its committees.

The other thing which I think should be stressed is that we cannot assume that if there is an upturn in the world's economic activity, the problems of these regions or these industries will be solved. Because, quite frankly, they will not. Indeed, one of the problems which we now recognize is that in the depressed regions, every time there is a turn of the screw the depressed regions wind up a little bit worse than they were previously, and if we consider the industries and regions which are affected, we recognize that indeed we have a regional crisis on our hands. That is why I would make it clear that it is essential that the States provide aid to the shipbuilding and the ship repairing industry.

I think, Mr President, that it has to be made very, very clear indeed that it is not solely a question of jobs, although of course, that is a tremendously important political issue, because no government is prepared to see a decline in regions which are politically significant, whether they be in France, Germany, the United Kingdom or any of the shipbuilding areas. But it is inconceivable that the EEC, one of the greatest trading nations in the world, should not have a viable industry capable of providing its own vessels. We obviously must retain a shipbuilding capacity, as we must retain a shipping industry. We cannot ever allow a situation to occur where we, a major trading nation, would require other countries to produce our ships and to man those ships to carry our goods. We must retain that shipbuilding capacity.

In that respect I would make it clear that whilst harmonization of State aid within the Community is desirable — and this is something that we will have to work at — it will not be easy, because from time to time governments will be faced with making decisions about regions in their own countries which are facing crisis and it may well be on those occasions that governments will decide that their own political future is more important than obedience to Community regulations. So it is a difficult exercise, and it is one that we should attempt to put into operation. But we then have to recognize the political difficulties involved. In that respect, I would suggest that we should concern ourselves not with competition between the Nine, important though that may be. What is much more important is competition between the Nine and other countries of the world, and in this respect I feel it is essential that if we are to

**Evans**

obtain value judgements, then the Commission must provide us with the details of the aids and subsidies which are given by every country in the world which builds ships. We will have to have details of export-credit guarantees, of extended credit facilities, of straightforward financial grants or even of the arrangements made for the maintenance of vessels for an extended period. We need to know these things before we can arrive at a situation where we know whether the competition is fair or unfair, because, as we have said with regard to other industries which are in crisis, what we are prepared to accept is fair competition. What these industries and these regions cannot put up with is competition which is palpably unfair. I hope that when we discuss the much more politically significant Commission proposal next year about the restructuring of the industry, we will bear in mind that State aids will continue to be an essential part of our shipbuilding and ship repairing industry. Mr President, on behalf of the Socialist Group, I would make it clear that we unreservedly support Mr Prescott's motion and we unreservedly reject Mr Nyborg's oral question.

**President.** — I call Mr Nyborg for a procedural motion.

**Mr Nyborg.** — (DK) Mr President, I should like to point out to this House that Mr Evans is talking arrant nonsense. There is no motion for the Socialist Group to reject since none was tabled. I did not table any motion. What we are dealing with is not a motion for a resolution but some questions for the Council; I have had answers to my questions and for that I thank the President-in-Office of the Council.

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

**Mr Müller-Hermann.** — (D) Mr President, this debate centres on the question of aid to shipbuilding, and this will be the main theme of the remarks I have to make. However, I should like to comment briefly on what Mr Nyborg said and on the statement from Mr Andersen.

We should have no qualms about dealing separately with problems of shipping. I would point out the dangers of lumping the problems of shipping together with those of shipbuilding, which is an entirely different kettle of fish. The shipping industry is undoubtedly concerned about the problem of reciprocal flag discrimination referred to earlier, in particular on the part of the state-trading countries, but also on the part of the developing countries and many industrialized nations. At the moment, though, it is — in my view — concerned mainly about the falling exchange rate of the dollar, as freight charges are as a rule calculated in dollars, and that means of course a fall in freight charges which the shipping companies

will be unable to reconcile with the increase in their operating costs.

But to get back to the directive and the situation in the shipbuilding industry. The situation in the European shipbuilding industry is of course extremely alarming as regards capacity utilization and the jobs of many thousands of skilled workers, engineers and technicians.

But I should like to add straightaway that I am not exactly over pleased with the directive, although I admit that both the Commission and the Council are faced with a well-nigh insoluble problem. What we are suffering from at present is, as Mr Prescott's report says — and my Group wholeheartedly supports his motion for a resolution — overcapacity in the shipbuilding industry (the fault for which lies largely with the Japanese), a glut of tankers, and ultimately, the low rate of growth in world trade, a development which could not have been foreseen a few years ago.

Let me add, though, that even today there remains a lively demand for, say, specialized ships. So, in this case too, we should avoid measuring everything by the same yardstick. The fact remains, though, that the glut of tankers and the overcapacity in shipbuilding yards, tend to push down prices in general on international markets, and in this respect the European shipbuilding industry is not exactly in a very happy position, in particular *vis-à-vis* the Japanese, who — as Mr Prescott mentioned — are able to offer better terms than we can. And we cannot simply dismiss these special terms as dumping or discrimination. This may be true to some extent, but it is only part of the story.

I would, however, advise against our constant tendency to beat our breasts. I may perhaps be sticking my neck out somewhat in asserting that, by the early 1980s, our shipbuilding industry will be in a healthier position, but I am sufficiently optimistic to believe that we shall see an upturn in world trade and that there will be a need for new ships. I also believe that more rigorous safety and environmental regulations will come into force, instigated largely by the United States and applying particularly to tankers, and that this will lead to a need for shipyards to undergo structural changes and modifications. But even this glimmer of hope for the shipbuilding industry in the early 1980s cannot relieve us of the task of placing the Community's shipyards and their workforce in a better position to exploit these opportunities. That is the problem with which we are faced today.

But, and here I would beg to differ somewhat from Mr Prescott — there is no way — and we should be under no illusions on this count — we can avoid having to make structural changes in this sector as in every other sector. Those companies which fail to achieve the necessary productivity because they simply cannot keep up during a period of transition

**Müller-Hermann**

cannot, in the long term, be kept going, and we shall have our work cut out to get our yards up to the international standard which nowadays is dictated largely by the Japanese. And that, Mr Evans, will not be possible simply by doling out more and more state aid — although this has its place too. Ultimately, we shall succeed simply by dint of our own efforts and by the shipbuilding companies working in cooperation with all concerned — works councils, employees and trade unions. This should be the aim of a comprehensive structural policy on the part of the Commission and the Council in the shipbuilding sector.

And now I should like to turn to the directive itself. Mr Prescott quite rightly pointed out that an international agreement was reached in 1970 in the OECD which amounted to gradually but completely doing away with all aids in the Member States of the OECD by 1 November 1975.

This was a very pious wish and one which has not been put into practice, due in part no doubt to world economic developments. On the contrary, aid has increased and has been administered completely differently from case to case. We here in the Community are having our hands forced somewhat by the activities of third countries in this sector. After all, there is no reason why we should let our companies go downhill simply because third countries respect the OECD recommendation on shipbuilding even less than we do.

We must take a fresh look at the aid provisions and try to modify them in the light of what we have learnt from the OECD; I regard this as an important matter and call on the Commission to treat it as such. I would add, though, that in doing so, we should not only be looking ahead towards what may be a fundamentally new structure but that we should try and avoid creating new imbalances and any new injustices, e.g. by manipulating interest rates — a practice which has totally different effects in countries with high and low interest levels.

Turning to the third chapter, which again concerns the directive, one can only say that competition has gone by the board, and that all we are left with is an aid-race within the European Community. This is undoubtedly the central problem facing the Commission at present, and I am very much afraid that the Fourth Directive will fail to really check this aid-race. The directive incorporates new and nebulous concepts such as the fact that aids can nevertheless be increased — as the report puts it — ‘in the event of a worsening crisis’, a concept which is open to all manner of interpretations. I should like to quote from Mr Prescott’s excellent report. Under Point 26 we read: ‘This brings the Committee on Economic and Monetary Affairs to the conclusion that the Third Directive has not in practice led to the harmonization and progressive abolition of such aid measures. The opposite is in fact

the case. This being so, the Committee fears that the wording employed in the proposal for a Fourth Directive must in reality be regarded as giving the Member States *carte blanche* in the matter of production aid, despite the formal powers which the proposal confers upon the Commission. The Committee recognizes that this will inevitably happen without a proper industrial policy for the Community shipbuilding industry.’ I agree wholeheartedly.

I now come to the final point that I wanted to comment on. This new Fourth Directive is supposed to remain in force until 31 December 1980, which seems to me to be a very long time. In my opinion, a shorter period would have been more suitable. At the risk of repeating the observation that the Commission is faced with a sisyphian task, I feel I must add that the Commission will undoubtedly not be able to let things rest with this Fourth Directive if it really intends to get the better of the problems within the Community and of the Community’s problems *vis-à-vis* competitors in third countries. The fact that you, Mr Prescott, have had to submit two reports to this House on the same subject within the space of nine months shows that we shall, without any doubt, have to tackle the problem of shipbuilding yet again before long. The Member of the Commission is nodding his head, so we are clearly in agreement on this point. This is an extremely difficult problem, one which even the new directive will fail to solve satisfactorily. Nevertheless, I would repeat that my Group supports both the report and the motion for a resolution and is ready to help the Commission tackle the difficult problems with which it is faced.

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — Mr President, I rise to speak tonight on behalf of the European Conservative Group and in place of my friend and colleague, Mr Ib Stetter, who, deeply to his regret and mine, is unable to be here tonight, firstly to put the Conservative Group’s view and secondly to present the amendments standing in his name.’ The Group supports the Prescott report and the basic principles enunciated in the resolution, particularly as far as the first paragraph of the resolution is concerned. I think the point of this paragraph is one which has been made repeatedly, not only in relationship to shipbuilding, but in the context of other, if not all, major industrial sectors of the Community. The fact is that we still have not an adequate or appropriate industrial policy to deal with the ever-growing difficulties of major industrial sectors. This first paragraph notes the urgency, endorses and reinforces the importance of establishing a Community industrial policy as far as the shipping and shipbuilding sectors are concerned, and I think the keynote of the paragraph is that it can and must be on a Community basis. Surely by now individual



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Member States have come to realize, even if they haven't quite brought themselves to act on this realization, that they cannot, of their own initiative, deal with the kind of commercial and industrial problems of which the ship construction industry is a classic example. The situation is critical, and this point has been made by Mr Prescott, Mr Nyborg and each and every speaker in this debate. It is critical not just in the Community or one or two areas of the world, it is critical around the whole world. And if I take a quick look through a report which appeared in the London press yesterday and which I would commend to this House, I think it should illustrate the worldwide scale of the problems, underline the difficulties and highlight the kind of measures which we have got to have the courage of our political convictions to contend with. Sweden — massive state aid, but industry in danger of collapse without further high subsidies. Eriksbergs, Finnboda, Arendal and Kockums yards at risk. Norway — despite state subsidy, their funds are almost exhausted. Nyland yard to stop building new ships.

(..)

In France major subsidy scheme failing to win orders and outlook extremely bleak; Italy — State-owned yards building for stock, with problems arising on what to do with completed ships; Denmark — a scheme for a Central Bank to match credit terms offered by foreign yards is not succeeding.

And so, Mr President, the story unfolds. Denmark, Finland, Holland, West Germany — although West Germany is the least critically, though still seriously affected by the situation — Spain, Poland, the USA, Brazil, Venezuela, South Korea, Hong Kong, Singapore, India and Taiwan, and indeed wherever ships are built around the world, the story is very much along the same lines. We support paragraph 1 of the motion for a resolution. This, in particular, should obtain the unanimous support of this House. We strongly endorse and support paragraph 7, because this highlights the idiocies — that is all I can call it — of individual states making individual national aid contributions to try and resolve their own individual problems. The situation has become, I would say, stark crazy, and the highlight of that is something which causes, I am sure, many of us deep anxiety and concern when we think that not only are some Member States trying to subsidize or offer ships at a cheap price, a Member State is even proposing to give the ships away. How crazy can we all be when we reach that particular state of affairs? Because in giving those ships away or putting them on the world market outside the Community, on the kind of terms which are proposed, we are building up a legacy in another sector of industry, the shipping operating sector, where our throats will presumably, and indeed I think certainly, be cut by the very same European Community-built ships. How crazy can we become?

But as far as paragraph 2 is concerned, I am sure, Mr Prescott, that we have no intention of trying to vote against it, but it is appropriate, we feel, that one should speak against it. Because I can only describe it as an anti-climax to a matter which is of the highest political importance. It is an anti-climax to think that all we need to do is to assemble together all those people who have an interest in a concern and are affected by the situation which is described so very effectively by Mr Prescott in his working document. If anyone can tell me that the parties who are directly affected are not aware of the problem by now, then someone's head or many heads ought to roll. I refer to the builders, the operators, the repairers, the suppliers, the shipping companies and all who sail those ships and to the Commission and the governments of Member States. Here, Mr President lies the key to the whole solution to our problems. Everyone knows what the problem is, but no one has got the political courage to grasp the nettle and translate words and fears into constructive acts, and until that political resolve manifests itself on a Community scale, so long will this major and crucial factor of industry in Europe continue down the slippery road to its own destruction. We have to have a shipping industry. We have to have a shipbuilding industry, and I could not endorse Mr Evans' view more strongly than the words which he used to express that point. But I do not think that words alone are enough. Action has got to come eventually at political level, and that means the Council of Ministers. Until they grasp this nettle on a Community basis, the story will continue to become ever gloomier.

I want very briefly to speak in support of the two amendments standing in the name of Mr Stetter. First, Amendment No 2. It is designed to avoid an increase in national State aid. The rapporteur for the Committee on Economic and Monetary Affairs, Mr Prescott, gives importance to the point of view expressed in paragraph 8 of the motion. But this, we believe, is weakened immediately thereafter where it is said that it is difficult to see how the directive can be effective without an industrial policy and with the permitted exemptions. I find it necessary to underline this point of view, Mr President, because the Council, at the adoption of the third directive, deleted the provision of prior approval. Powers concerning prior approval have to be given to the Commission, and it calls for major political courage to do so. Unless that is the case, then we are failing to take the appropriate powers for action.

Amendment No 1 calls for the reinstatement in paragraph 1 of the definition of the area covered by the subject matter of this debate. This House, on the previous occasion when we discussed the shipbuilding industry, adopted an amendment to include the reference to naval construction.

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Industrial policy, we believe, and I believe it sincerely, is indivisible. It is the totality of industry which we are concerned with, and it is totally unrealistic in industrial and political terms to separate naval vessels, when these are built literally in the same yard where commercial and merchant shipping is built. They are lying alongside each other in the course of construction, they are under the same management, they are being built and repaired in the same yard. Calculatedly to isolate them from the coverage of this particular report is totally unrealistic.

Subject to the acceptance of the amendments in the name of Mr Stetter, the European Conservative Group will give all the support it possibly can to the adoption of this report and the continuance of every possible pressure on those who have the responsibility for taking the appropriate, though painful, action.

**President.** — I call Mr Leonardi.

**Mr Leonardi.** — (*I*) Mr President, in view of the lateness of the hour, I shall be fairly brief. I share many of the opinions expressed by Mr Prescott in his report and I therefore announce that the Italian Communists will vote in favour of the motion for a resolution. We are all fairly well acquainted with the problems of this industry, one of the oldest in Western Europe. It is a highly capital-intensive industry, with a very rigid cost structure, which generally increases its capacity in response to emergencies, for example of a military nature or for the transport of crude oil. It has highly discontinuous cycles and therefore runs into difficulties. In general it is exploited by private industry in times of growth, only to beg for state aid in times of hardship.

That is the reason why state aids in the shipbuilding field are highly developed in all our countries, as has also been amply demonstrated in the documents distributed by the Commission.

The traditional difficulties associated with this type of industry are compounded for the Community by strong competition from countries which until recently were not producers, and for this reason there is now not only a problem of restructuring but a very real problem of reconversion, with the jobs of tens of thousands of workers in all our countries in jeopardy, very often precisely in the weakest and poorest regions.

In its draft directive, the Commission adopts an extremely feeble approach to this problem, seeking in effect to use the instrument of competition to harmonize state aids, to reduce the amount of the latter, and even to intervene in the investment field. I think that Mr Prescott was right to question the effectiveness of such measures. Personally I maintain that it is not merely the effectiveness, but the wisdom of such measures which is doubtful, unless, as we all

hope, they are of a transitory nature and are the prelude to an overall policy of broader scope with more direct interventions.

As other colleagues have already said, and I too am convinced of this, it is nonsense to try to solve the problems of this sector on a national basis, since they have now a Community dimension; but it is equally true that the method chosen, namely harmonization of aids among very different countries (given that there are strong and weak countries), entails the risk that strong countries may become stronger in this field also, profiting from the credit structure which enables them to offer forms of aid which are not always transparent, direct and explicit. The sums involved are, however, substantial — in what I repeat is a highly capital-intensive industry — and such as to promote the vertical concentration of the sector, and consequently intervention through unidentifiable concessions in internal prices. It is certain that vertical integration and credit support can weaken the attempt to harmonize state aids, so that the draft directive is of doubtful value and does no more than repeat past errors.

The most interesting provisions of this directive, and one which should constitute the basis of future work, is the one which states that common objectives for the recovery of the sector must be defined and that these objectives should guide the action of the Commission. It is true that the Commission recently published a document concerning the reorganization of the shipbuilding sector which provides among other things for an expenditure of 1 000 million ECU per year and for the setting up of a permanent committee, composed of senior officials, for the shipbuilding sector. Such approaches are entirely inadequate.

In conclusion, although we shall vote in favour of the motion for a resolution proposed by Mr Prescott, and without wishing to repeat what others have said, I should like to point out that this sector also requires a comprehensive approach, and that for a more complete evaluation we must therefore direct our attention to the efforts which we hope will be made in the field of industrial policy.

**President.** — I call Mrs Goutmann.

**Mrs Goutmann.** — (*F*) Mr President, once again we are discussing one of the many crisis-ridden industries in our countries, this time the shipping and shipbuilding industries. But why do we fail to draw parallels with agriculture and the textile, iron and steel, synthetic fibres and fishing industries? In all these industries, the workers and the workers alone are having to pay the price of a policy pursued jointly by a mere handful of large industrial and financial undertakings, the national governments and even the European institutions themselves.

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Four years ago, when we first arrived in this Assembly, we denounced the crisis and this policy and were promptly labelled prophets of doom. Nowadays, though, there is full agreement as to the critical state of affairs. For some fifteen years now, the restructuring of the shipbuilding industry has consisted in creating massive concentrations, paid for by large amounts of public money and accompanied by unemployment and even greater exploitation of the workers. Any idea of job security has vanished, and for the weakest undertakings restructuring has simply meant bankruptcy.

To take an example, in France, between 1955 and 1975, the number of yards specializing in large and medium-tonnage construction fell from 16 to 8 and, without the workers' opposition — particularly in Seyne-sur-Mer — the situation would have been even worse. At the same time, we have been favouring the high-profitability sectors like the supertanker construction industry. And the Commission is now self-consciously admitting that there are such things as speculative orders.

The shipbuilding industry is however, an essential element in the development, influence and independence of each of our country's economies. 30 % of all the European Economic Community's foreign trade is by sea and most of the Member States have long coastlines. An industry like this should be making a major contribution to stabilizing our balance of payments. And indeed, the importance of the social aspect is shown in Mr Prescott's report, which points out that something like one and a half million workers are dependent on the industry throughout the Community. But what is, in fact, happening? The share of the Community's foreign trade taken by Community shipping is in constant decline. In 1959, the nine Member States' shipping fleets represented 40 % of total world tonnage, compared with only 25 % in 1975. As far as shipbuilding is concerned, the Community's share went down from 51 % in 1960 to 22 % in 1975, whereas in the same period the share taken by Japan increased from 21 % to 50 %. I think we must say — choosing our words carefully — that what we are witnessing here, as in the iron and steel industry, is nothing less than the dismantling of the shipbuilding industry. The governments of the Member States have now come up with a plan which seeks — we are told — to remedy a situation for which they themselves are responsible. And to carry this out, the Commission's plan has a simple aim — to continue to make things worse.

It will continue the destruction of productive capacity, continue and even aggravate unemployment, continue to jeopardize whole regions of the European Economic Community which have already been adversely affected by the Commission's plans for the fishing industry, continue the process of concentration with the aid of public funds and, in a word,

continue the dismantling of national industries to enable a few industrial giants to gain a leading position in the international arena at the cost of their country's future.

This is the plan, and what it really boils down to is that the Commission is planning to abolish one job in two, i.e. 75 000 jobs in the Community, amounting to the sum total of all the French, Italian, Dutch and Danish workers in this sector. As far as France is concerned, it would mean the loss of 15 000 jobs.

It requires a good deal of cynicism to call that an anti-crisis plan. And for the Commission to say that it proposes to create 60 000 jobs in regions where 75 000 are to be abolished is nothing short of an insult to the workers.

In any case, where are these jobs to be found in regions which are severely hit by unemployment and in view of the fact that the Community's so-called anti-crisis plans — in the iron and steel or the textile industries, for example — are adding tens of thousand of workers in the iron and steel, textile and shipbuilding industries to the dole queues?

We must tackle this problem at source, but in a different way, because the shipping industry affects a large slice of each of our Member State's political, commercial and monetary independence. In the first instance, it is at national level — despite all that has been said against protectionism — that we must fight the harmful practices employed hitherto and defend jobs in an attempt to drag this vital sector out of its present state of crisis. As far as France is concerned, it means ensuring that 60 % of trade in goods is no longer carried under foreign flags and that French shipowners no longer use public funds to buy Japanese ships when the same ships could be built in our own yards. This could be done by nationalizing the big French undertakings in this sector and by contractual agreements with the rest. However daring this may seem right now, we think we should concentrate on the future and take full advantage of this present trough to replace our oldest ships so that tomorrow we shall have the ships we need to contribute to economic growth in all our countries.

In international terms, there is still a lot to be done, not least the harmonization of seamen's conditions of employment or a determined campaign against flags of convenience, starting with those Community shipowners whose ships sail under such flags.

Clearly then, the solution to this crisis will have to be of a political as well as a technical nature, and it will be found not in a European plan for concerted destruction, but in the reconstruction of the sector at national level, backed up by constructive proposals at Community level. This is the line taken by the shipbuilding workers who refuse to lie down and swallow the medicine which was administered to the farmers, the fishermen and the iron and steel workers, who were told

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to sacrifice their jobs so that what was left would be profitable. They see the disastrous results of what was done to these industries.

Their refusal, their opposition today gives us every chance of achieving genuine European cooperation based not on the dismantling of entire industries, but on the full utilization of capacity in all our countries. This is the only way we shall get the shipbuilding industry out of its present crisis.

**President.** — I call Mr Vouel.

**Mr Vouel, Member of the Commission.** — (F) Mr President, before I go on to the substance of this debate, allow me to thank the rapporteur, Mr Prescott, most warmly for presenting what I feel to be a very thorough report on this draft directive on shipbuilding, as well as all the Members who have taken part in this discussion on behalf of their various groups. They have all, in one way or another, made a valuable contribution to formulating a policy which aims to tackle at Community level the particularly serious problems facing some of our Member States in an industry which is both important and extremely vulnerable. I can assure you that the Commission will pay the maximum possible heed to these views in deciding on the steps to be taken to safeguard the competitiveness and the future of this industry, which is one of the essential pillars of the industrial and trading structure of Europe.

Mr President, during the last few months the Commission has, as you know, submitted two communications to the Council on the shipbuilding industry. The first of these was concerned with the rehabilitation of the industry; the second laid down new policy guidelines on the question of aid to shipyards. You may now ask why the Commission has proposed a new directive on aids to shipbuilding at a time when the industry is entering what looks like being a particularly serious crisis. In most of the Member States, the new orders booked in 1976 and 1977 provide work for only a fraction of the annual productive capacity. This means that in both industrial and social terms, the industry is faced with very serious difficulties. I shall not dwell on this point, Mr President, since all the previous speakers have gone over the ground quite adequately. The Member States now feel bound to take steps to see that the number of redundancies is kept as low as possible. There is a great deal of overcapacity in the shipping industry, which means that any orders have to be wrested from a market which is already virtually saturated.

The Commission feels that a certain degree of discipline in the granting of aid must be accepted in this context, since any aid which is granted in a situation like this is intended essentially by the Member States to ensure the survival of their own undertakings at any price, which frequently means at the expense of their

competitors in the Community. If we want to avoid an escalating free-for-all of aids to the shipbuilding industry, which will be as manifest as it is ineffective, the Member States must agree to apply precisely formulated common rules, based largely on a willingness to exercise self-discipline for the common good. As Mr Prescott has rightly just pointed out, the earlier directives were aimed at gradually dismantling production aids so as to force the Community's shipyards to readapt themselves gradually to normal world market competition. This is the policy the Commission is pursuing in its proposal for a Fourth Directive — and, incidentally, it remains the aim of the OECD — while at the same time adapting the policy to meet current conditions. This is why our proposal retains the power to grant special aids to deal with a crisis situation. But this can certainly not be interpreted as meaning that the Fourth Directive gives the Member States *carte blanche* in terms of aids to production, as your rapporteur and Mr Müller-Hermann, among others, seem to think.

The Commission will keep an eye out to ensure that any aid programmes the Member States may seek to implement limit the amount of aid to no more than what is required from case to case. By the same token, the Commission will apply strictly the conditions laid down in the directive for the granting of crisis aid. Any such aid will have to be of a temporary and degressive nature and will, moreover, have to be linked to restructuring projects.

Having thus explained the basic features of our proposal, I should now like to come back to certain particular problems which were raised in Mr Prescott's report and in the motion for a resolution. The same problems were brought up at the meetings leading to this debate. I should first of all like to comment on the wish expressed by your committee that a conference be organized, to be attended by all interested parties — in other words the workers, the industrialists and the relevant public authorities — both at national and at Community level. The conference would also be attended by Members of the European Parliament.

The committee's wish was prompted by the need to get some fruitful discussion going on a programme for reorganizing the industry, and I can well understand the motives underlying this request. However, this does not mean, in my opinion, that a conference of this kind would be the most suitable form at the present moment to enable us to achieve this objective. I would remind you that Mr Davignon has already put this view to your committee. In fact, we have already established an appropriate form of contact with the two sides of industry and this contact must be maintained. While I am on this point, I would make express mention of the meetings which have taken place recently in Brussels at the Commission's invitation, the most recent being on 19 December 1977.

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Another meeting of this kind is planned for next month and will go into all the problems raised by the shipbuilding industry.

At the same time, as I have just said, the European Parliament has been presented by the Council with the programme for restructuring the shipbuilding industry.

I should like to point out particularly the fact that, among other things, this programme provides for the creation of a Committee for the Shipbuilding Industry. Despite the fact that the Committee will be made up solely of members nominated by the governments of the Member States, it will nevertheless be able to call upon the assistance of other interested parties. This is a vital additional means of consultation over and above the consultations with both sides of industry. The Commission feels that this will provide all the guarantees necessary to ensure that effective cooperation is established among all interested parties.

Your committee's motion for a resolution also raises the question of the effectiveness of the Fourth Directive in the absence of a more clearly defined industrial policy. I would point out first of all that the Commission itself is aware of the need to back up its action by a programme for restructuring the shipbuilding industry. Your Parliament is at present engaged in examining this programme. We hope and trust that this action will be brought to a successful conclusion, but to set up a system of this kind inevitably involves a certain time-lag to give the Commission the chance to ensure that the aid systems in this sector reflect a common discipline and do not jeopardize progress towards competitive structures.

The Fourth Directive therefore has a part to play in establishing the necessary framework within which the ways in which the Member States may intervene in the market can be laid down. The Commission will enforce this framework legislation when it comes to evaluate the measures envisaged by the various Member States. The evaluation process will have a dual aim. On the one hand, the Commission will have to ensure that the measures taken at national level do not adversely effect the other Member States' shipyards to an extent contrary to the common interest; and on the other hand, it will have to ensure that the Member States do not try to outbid each other in their intervention measures, a danger which is rightly referred to in paragraph 7 of your motion for a resolution. Under these circumstances, whatever arrangements are made for the allocation of aid must not be regarded as being dependent solely on a structural policy.

As far as structural policy is concerned, our aim is to ensure that the measures taken by the Member States are compatible with a sensible and socially acceptable programme for the restructuring of the industry. The need for a restructuring of the industry is universally recognized although one can argue about the quantitative aspects of such an exercise.

This does not mean to say that the Commission is seeking to give itself the right to pursue a *dirigiste* policy in this industry or to decide in authoritarian fashion on reductions in capacity. On the contrary, in fact, it is only by an ongoing process of active consultation and seeking a consensus of all interested parties that a programme of structural reorganization can be carried out in the acknowledged common interest of the Community.

Mr President, I now come to the Parliamentary committee's complaint in paragraph 6 of the motion for a resolution that the Commission took no account of the previous opinions delivered by the European Parliament on the subject. I think I can claim that, on the contrary, the Commission has made every effort to submit to Parliament proposals taking full account of previously expressed wishes and, more particularly, of the wish expressed on several occasions in the past by Parliament to the effect that the Commission should back up its competition policy in this sector by a genuine structural policy based on the acquiescence of all interested parties.

Must I point out yet again that the Commission has not simply submitted a Fourth Directive aimed at introducing some discipline into the granting of State aid, but that it has also initiated a campaign to reform the industry, which amounts to a comprehensive sectoral policy? Policy guidelines have been drawn up and consultation procedure set in motion. And the outcome of all this should be a sectoral policy acceptable to all parties. The Commission therefore feels that the Committee's censure is — in this respect at least — no longer justified.

I should also like to say that the motion for a resolution rightly emphasizes — as, incidentally, all the speakers in this debate have also done — the importance of taking action at international level. The Commission goes along with this wholeheartedly. It is taking an active part in the talks being held in the OECD's Working Party No 6 on these questions. I would remind you that the Community put forward a proposal aimed at bringing about an equitable distribution of new orders, which, although it came to nothing, did at least serve to persuade the Japanese to take steps to reduce the pressure on European shipyards.

Finally, paragraph 9 of the motion for a resolution requires Parliament and the Council to be informed of the application of the directive which has been submitted for your opinion. I can assure you that the Directive as it stands commits the Commission to report to the Member States on its application. Moreover, a detailed report will be incorporated in the special report on competition which the Commission submits annually to Parliament. I would add that I shall be happy to report to your Parliamentary committee should any major difficulties crop up in the Council.

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Mr President, it just remains for me to say a few words on the amendments which have been tabled. On Amendment No 1, concerning the inclusion of naval vessels, I can say that the Commission has no objection in principle to the inclusion of naval vessels in an overall industrial policy for the shipbuilding sector. The Commission feels, however, that in practice, extending the scope of the common policy in this way will have no real significance in view of the fact that Article 223 of the Treaty gives the Member States the right to take such measures as they consider necessary for the protection of the essential interests of their security.

As far as Amendment No 2 is concerned, I am in full agreement with Mr Stetter as to the aim of his proposal. We agree with him in thinking that prior notification to the Commission of certain aids to the shipbuilding industry is the only way of ensuring that national aid measures can in practice be harmonized to a certain extent and of avoiding the most extreme distortion of competition. I must point out, however, that the Commission has the necessary powers to require prior notification from the Member States if it should judge this to be necessary. The fact that the Commission has explicitly introduced this question of prior notification into the directive to cover investment aid leading to increased capacity or emergency rescue operations testifies to its desire to achieve a consensus of the Member States on the question of those aids for which it already regards prior notification to be as indispensable.

Amendment No 3 tabled by Mr Nyborg seeks to extend the system of prior notification and approval. On the question of the extension of this system to cover the aids referred to in the second paragraph of Article 4 — in other words aids granted for investment which will not lead to an increase in productive capacity — and the aids provided for in Article 6 — in other words anti-crisis aids — I must point out that the Commission already has the right (exercisable when the notified aid schemes come up for scrutiny) to require the Member State concerned to submit advance details of the cases to which the aid will be applied. I would add that a systematic extension of this advance notification procedure — which would have to be laid down in the directive itself — would lead in practice to a flood of notifications which the Commission would simply not be able to cope with. Moreover, this kind of reporting system would run into much more vigorous opposition from certain Member States. The Commission therefore feels that advance scrutiny limited to the one case laid down in the directive is, under present conditions, adequate for the purposes of the directive.

Finally, Article 7 is concerned with aids to shipowners, a sector which has very little to do with a directive on the shipbuilding industry. The Commis-

sion however, decided to include in its directive a provision which would prevent the Member States from evading their obligations *vis-à-vis* aid to shipyards by means of discriminatory aids to shipowners. The Commission can already act in this field by a direct application of the EEC Treaty's provisions regarding aid — in other words Articles 92 and following — in compliance with the Court of Justice's 1974 judgment.

**President.** — The debate is closed.

## 14. 1977 Nobel Peace Prize

**President.** — The next item is the report (Doc. 398/77) drawn up by Mr McDonald, on behalf of the Political Affairs Committee, on the 1977 Nobel Peace Prize.

I call Mr McDonald.

**Mr McDonald, rapporteur.** — Mr President, it gives me much pleasure to introduce to Parliament the report of the Political Affairs Committee on the 1977 Nobel Peace Prize. Mr President, you must agree that the peace and solitude here is the perfect setting for a debate on this important subject.

Nobel Prizes are funded from a foundation set up under the will of Alfred Nobel, a Swedish engineer. His wish was that the peace prize should be given to those who most actively worked for peace and brotherhood. This prize is open to all nationalities, and a committee of five elected by the Norwegian Parliament decide whether or not to nominate a prize-winner or winners each year.

The report before Parliament contains a motion for a resolution which welcomes the decision to award the Nobel Peace Prize for 1977 to Amnesty International.

In 1961, an appeal was made by a British lawyer, Peter Benenson, that something beyond sympathetic declarations and useless denunciations should be done to organize practical help for people imprisoned for their political or religious beliefs, or because of racial or linguistic prejudice. He proposed that an organization be set up which would interest itself directly in the fate of such prisoners and which would act in a practical and impartial manner. The result was the founding of Amnesty International.

This organization has grown into a world-wide voluntary human rights movement which is independent of any government, political faction or religious creed. It works for the release of men and women imprisoned anywhere for their beliefs, colour, language, ethnic origin or religion, provided they have neither used nor advocated violence. These are termed 'prisoners of conscience'. It also opposes torture and the death penalty in all cases and without reservation.

Today, Amnesty has more than 100 000 members in 78 countries. Its international secretariat in London

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handles nearly 5 000 cases of human rights violations each year, regardless of the ideology of either the victims or the governments concerned. It works principally through adoption groups. Each group follows the cases of prisoners who are in a country other than the one in which the group is based. To preserve a balanced and impartial approach, each adoption group interests itself in three cases, one in Western countries, one in Eastern countries and one from the Third World.

Amnesty International is not concerned with the ideals and political affiliations of prisoners, it is rather concerned with the processes by which 'prisoners of conscience' are deprived of their liberty and the treatment they receive while they are in prison. It has used its forces to protect the value of human life and to ensure that governments respect the Universal Declaration of Human Rights proclaimed in the General Assembly of the United Nations in December 1947. Its activities deserve widespread support, and indeed the unanimous approval of this Parliament. It is indicative of the impartial manner in which it operates that it has not only criticized governments in Eastern Europe and underdeveloped countries where pluralist democracy as we know it is not accepted, but it has from time to time pricked the conscience of some EEC Member States, not excluding my own.

No Peace Prize was awarded in 1976 and some people at that time felt aggrieved that Amnesty International had been passed over. The failure to award a Prize that year has, however, to my mind, had a happy outcome, because the 1976 Prize has since been awarded to Mairéad Corrigan and Betty Williams, leaders of the Peace Movement in Northern Ireland. I hope that this movement, which started with such promise, will manage to maintain its initial momentum in the period ahead.

The Nobel Peace Prize has been harshly criticized in some recent years, because it has been awarded to controversial politicians. This year, there can be no such controversy, because we are all behind Amnesty in its efforts to ensure humanitarian treatment for political prisoners. The Prize in 1977 is worth SKr 700 000, about \$ 145 000, and I understand that this money will be used by Amnesty to build the organization in countries where it is at present weak or non-existent, particularly in Asiatic, African and Latin American countries.

The House will recall the visit just a few weeks ago of the Parliament's first delegation to the United Nations. While there, we had the opportunity of talking with Mr Kurt Waldheim, the Secretary-General, and during our exchange of views he stressed that there was a very definite place for non-governmental organizations such as Amnesty International.

In conclusion, I recommend wholeheartedly the adoption by this House of the report of the Political Affairs

Committee, which gives us an opportunity to express our support for the untiring work of Amnesty International throughout the world. I compliment Mr Berkhouwer and Mr Lagorce for tabling the motion for a resolution which gives us the opportunity of extending our sincere congratulations to Amnesty International, not just on their distinction of being awarded the 1977 Peace Prize, but on their great humanitarian work, and I am confident that I speak for all the Members of the Parliament when I compliment Amnesty again and wish them continued success in the tremendous work they have undertaken.

**President.** — I call Mr Prescott.

**Mr Prescott.** — Mr President, I congratulate Mr McDonald on producing his report from the Political Affairs Committee. I note that the people who are active in shouting for human rights and the role of Amnesty are very carefully absent tonight, particularly those people that Mr McDonald mentioned in his speech who have always claimed the time of this Parliament to point out matters concerning human rights and the work of Amnesty. Nevertheless, I do not wish for one second to detract from the tremendous honour that has been given to Amnesty, and it is unfortunate that there are only two Socialists and one Christian Democrat from Ireland present here this evening.

Something which I think we could do which would be of greater importance to Amnesty than putting on record the usual congratulations, which has been well done by Mr McDonald this evening, would be to suggest that this House consider the resources it has at its command which might be utilized on behalf of Amnesty and so on behalf of people who are oppressed by various political régimes in different parts of the world.

I have the honour to sit on a Joint Committee of this House and the American Congress which deals with questions of human rights, and we have been considering possible ways of helping Amnesty. It seems that one of the prime purposes of Amnesty's researches is to persuade forums such as this Parliament to put some pressure on régimes to explain why they are torturing and murdering and why people have disappeared in their countries for pursuing normal activities which are considered to be among the rights of citizens of our own Community.

I may add that looking through the American report on breaches of human rights in areas to which they are providing aid in the form of military programmes, one finds mention of European countries, Member States of the Community, where matters of concern to Amnesty have cropped up. They are not just simply far-off places. There is concern in Germany for the long time elapsing before trial in some cases of detention, problems occasioned by the French judiciary in

**Prescott**

very severe sentences, the treatment of conscientious objectors in Italy, and, in my own country, the use of interrogation methods which have been called torture and for which we have been rightly condemned. So many countries may be considered to have occasioned problems which are brought to our attention by Amnesty.

It is not enough merely to pass recommendations, and, as a member of the Political Affairs Committee, I think we might pursue the matter further. In any event, the Joint Committee of the European Parliament and the American Congress has felt that we could act together by way of joint resolutions, urgent interventions in certain countries, joint study-groups to consider the problems submitted to us by Amnesty and other bodies and certainly public hearings, to which we might invite Amnesty from time to time to come before us and suggest the sort of activities we could pursue.

There is one sphere in which we can give effective help. Whilst many people are imprisoned, tortured or killed by various régimes in the most barbarous ways, there are countries where we could exercise some kind of economic pressure. There is a list here, for example, of parliamentarians who, according to Amnesty International, were imprisoned as of 31 July. If I take as an example one country, Ghana, which is a Lomé country, I can single out one man who was a member of parliament for the Accra area from 1969 to 1972, was detained without trial following the military *coup* of January 1972, which overthrew Ghana's last civilian government, released but rearrested in September 1975, charged with the abetment of sedition for having allegedly aided a former minister of finance in the production of a pamphlet sharply critical of the military government's economic policies — I would have been in jail years ago if that was such an offence here in Europe — and sentenced in November 1975 to five years' imprisonment. He is at present appealing against his sentence. If Europe were prepared to use its collective economic strength for the moral purpose of telling the Lomé countries that whilst this is a commercial agreement designed to help them to develop economically, it should not be considered absolutely binding; if, in the Lomé agreement, which is to be renegotiated, Europe were to consider the possibility of inserting a clause that made it clear that breaches of fundamental rights would have an impact on the implementation of this agreement, then we should have done something much more positive to mark the year of jubilation for Amnesty than simply offering our congratulations this evening.

**President.** — I call Mr Evans.

**Mr Evans.** — Mr President, I assure my colleagues that I shall not detain them very much longer. I appreciate that Mr Vouel wants to reply. I only want to take the floor on one major point.

I do, of course, congratulate Mr McDonald on the motion for a resolution and on his introductory statement, and support wholeheartedly what my colleague Mr Prescott has said. I do not think that any of us denies that the work Amnesty does is of profound importance in the world of today, where democracy is so limited. Indeed, if we were to draw up two lists of countries, one of those which were fully democratic and whose citizens were fully free and lived without fear, the other of those countries whose politicians, trades union leaders and citizens in general were not free but went in fear and did not enjoy democracy, the one list would be very short indeed and the other extremely long. I think the American report that Mr Prescott referred to gives an example of the problems around the world in this respect.

My main point, however, concerns a significant difference between the original motion for a resolution tabled by Mr Lagorce and Mr Berkhouwer and the motion put forward by the Political Affairs Committee. That is the insertion in paragraph 3 of the word 'independent' in the phrase 'independent activities of the organization'. I commend the Political Affairs Committee for inserting that very important word, because the very fact that Amnesty International is free from all governmental assistance or interference and is an independent body in every sense of the word adds considerable weight to its deliberations, recommendations and reports.

I support what my colleague Mr Prescott has said about the setting up of a committee. I only hope it will be understood — and I would ask you, Mr President, to take up this matter with the enlarged Bureau — that it would be a committee set up by us in which we concerned ourselves with human rights and that from time to time we might ask Amnesty for assistance and not the other way round, because the moment that anyone suggested that Amnesty had forgone its independence in any shape or form would immediately give tremendous joy to its enemies — and it has many enemies throughout the world. Those of us who care for democracy and for freedom of speech must ensure that Amnesty retains its independence, because all of us, as politicians and parliamentarians, when we look at that list of prisoners-of-conscience which they have produced, must recognize that but for the grace of God there go some of us. So I welcome Mr McDonald's report and support my colleague Mr Prescott's suggestion to you.

**President.** — I call Mr Vouel.

**Mr Vouel, Member of the Commission.** — (F) The Commission welcomes this Parliament resolution, which is most encouraging for the organization in question and for all those who stand up for human



**Vouel**

rights. The Commission is willing to support and promote the independent activities of this organization. In fact, permanent contact already exists for this purpose between the Secretary-General of Amnesty International and the Commissioner responsible for external relations.

**President.** — The debate is closed.

15. *Agenda for next sitting*

**President.** — The next sitting will be held tomorrow, Thursday, 19 January 1978, at 10 a.m. and 3 p.m., with the following agenda :

- Decision on the urgency of the motion for a resolution on the deportations in Chile.
- Ligios report on Community agriculture
- Vitale report on producer groups
- Hoffmann report on agricultural structures policy
- Guerlin report on feedingstuffs

3 p.m. : Question Time (questions to the Commission)

3.45 p.m. : Vote on motions for resolutions on which the debate is closed.

The House will rise.

*(The sitting was closed at 9.20 p.m.)*

*ANNEX*

*Question which could not be answered during Question Time, with written answer*

*Question by Mr Kaspereit*

Subject: Continuation of the North-South dialogue

Does the Council consider that the United States' proposal to assign to the Economic and Social Council the task of coordinating the development policies of the various United Nations bodies is likely to produce positive practical results by giving fresh impetus to and developing the North-South dialogue (for example as regards the Joint Fund), and will it support this proposal?

*Answer*

The debates of the 32nd United Nations General Assembly devoted to international economic co-operation ended with the adoption by consensus — i.e. with general approval — of a resolution in which the United States' proposal to which the Honourable Member refers no longer appears in full.

The Resolution instructs, *not* the Economic and Social Council, *but* a plenary Committee of the General Assembly, to supervise the application of the results of the negotiations held within the United Nations system.

The Council of the Communities considers that the Plenary Committee will have a very useful role to play in giving a political impulse to the negotiations which are to be continued within the appropriate United Nations bodies. This is why the Community supported the aforementioned Resolution and pointed out, in a statement made when it was adopted, that its Member States intended to make a constructive contribution within the framework thus set up.

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## IN THE CHAIR: MR COLOMBO

*President*

*(The sitting was opened at 10.05 a.m.)*

**President.** — The sitting is open.

### 1. *Approval of minutes*

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

Are there any comments?

The minutes of proceedings are approved.

### 2. *Documents submitted*

**President.** — I have received the following documents:

a) from the Council, requests for an opinion on the following proposals and communications from the Commission:

— the communication concerning Community action in the cultural sector (Doc. 497/77)

which has been referred to the Political Affairs Committee as the committee responsible and to the Committee on Budgets for its opinion;

**President**

- the proposal for a regulation opening, allocating and providing for the administration of Community tariff quotas for certain wines having a registered designation of origin, falling within subheading ex 22.05C of the Common Customs Tariff, originating in Morocco (1978/1979)-(Doc. 498/77)

which has been referred to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture, the Committee on Development and Cooperation and the Committee on Budgets for their opinions ;

- the proposal for
  - I. a regulation amending Regulation (EEC) No 483/77 opening, allocating and providing for the administration of Community tariff quotas for certain wines having a registered designation of origin, falling within subheading ex 22.05 of the Common Customs Tariff, originating in Morocco (1977/1978)
  - II. a regulation amending Regulation (EEC) No 1391/77 opening, allocating and providing for the administration of Community tariff quotas for certain wines having a registered designation of origin, falling within subheading ex 22.05 C of the Common Customs Tariff, originating in Algeria (1977/1978)

(Doc. 499/77)

which has been referred to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture and the Committee on Development and Cooperation for their opinions ;

- the proposal for a directive amending Directive 76/135/EEC on reciprocal recognition of navigability licences for inland waterway vessels (Doc. 500/77)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport.

b) the following oral questions with debate :

- by Mr Schmidt, Mr Dalyell, Mr Kavanagh, Mr Andersen, Mr Prescott, Mr Lezzi, Mr Radoux, Lord Bethell and Lord Brimelow, to the Commission, on the recent talks between the Commission and the Japanese Government (Doc. 502/77) ;
- by Lord Bruce of Donington, Mr Amadei, Mr Lange, Mr Notenboom, Mr Berkhouwer, Mr Yeats, Mr Shaw and Mr Mascagni, to the Commission, on the replacement of financial contributions from the Member States by the Communities' own resources (Doc. 503/77).

### 3. Decision on urgency

**President.** — I now consult Parliament on the adoption of urgent procedure for the motion for a resolution on the deportation of political and trade union personalities in Chile (Doc. 501/77/rev.).

Since there are no objections, the adoption of urgent procedure is agreed.

I propose that this motion for a resolution be placed on the agenda for today's sitting, immediately after the Ligios report.

Since there are no objections, that is agreed.

### 4. Mediterranean policy and Community agriculture

**President.** — The next item is the report drawn up by Mr Ligios (Doc. 467/77), on behalf of the Committee on Agriculture, on the effects of the Mediterranean policy on Community agriculture.

I call Mr Pucci.

**Mr Pucci, deputy rapporteur.** — (I) Mr President, ladies and gentlemen, to start with I think a few remarks are called for about the successive steps taken by the Committee on Agriculture of this Parliament. They are connected with a brief note from the Commission of the European Communities on problems of Mediterranean agriculture dated 4 April 1977, and fall within the current debate on a vast range of problems arising out of the enlargement of the Community. Another more important step taken by the Commission of the Communities was reported to Parliament on 23 December and is contained in the Document dated 13 January 1978.

The meeting, or rather the overlapping, of these two substantially coordinated steps demonstrates the interest taken by the different institutions of the Community in the problems we are now discussing. One reason for this interest is the growing demands of public opinion in general, which become particularly urgent in rural areas and the regions mainly affected.

The nature, variety and convergence of such steps show above all that the approaching prospect of enlargement of the Community — with the accession of Greece, Spain and Portugal — may be considered a suitable opportunity for stressing the urgent need for a solution to the problems under discussion rather than the underlying reason for our demands. In fact the grounds for such demands by the affected regions and the causes of the imbalances which still have a serious effect upon agriculture, the rural environment and the whole society of those regions have existed since the creation of the Community and have increased, contrary to all expectations and to the basic logic which informed the guiding principles of the Treaty of Rome. The development of the Community agricultural policy has only provided a very limited solution.

Far be it from us to belittle the value and importance of certain provisions and steps taken by the Community such as those relating to structural policy ; but the very difficulties encountered at the operational stage of these provisions demonstrates not only a lack of cooperation among the national governments involved but also the extremely serious underdevelopment of the Mediterranean regions.

In this connection it is very significant that the facilities available for structural reform were not fully utilized and too late for both the Italian and French regions. I am not taking refuge in the fact that this is a Community failing and thereby excusing the Italian

**Pucci**

administration for their notorious slowness in such matters, I merely wish to stress the serious underdevelopment of the southern regions and the inadequacy of the means employed by the Community institutions to correct existing imbalances.

I think I should add that the repeated reference in the report to the common agricultural policy's treatment of some typical products of continental agriculture does not mean that the fundamental importance of the protection guaranteed to those products is denied or underestimated; these references are not intended to oppose the interests or reduce the advantages of the more fortunate regions, but only to claim on behalf of the other regions the right to treatment which if not equal is at least not so vastly out of step.

And it is in the light of these considerations that I propose to comment on the excellent report presented by Mr Ligios who for reasons of ill health cannot be present today and whom I wish a speedy recovery. The report is based on a lively discussion and is a just reflection of the opinions expressed and of the fruitful contributions made not only by the Member States involved and the Community institutions but also by the agricultural producers and their organizations.

The report has four main topics:

- the present situation of economic underdevelopment in the southern regions of the Community, particularly the backwardness of their agriculture;
- the treatment of these regions by the Community in the context of the common agricultural policy;
- the role and consequences of imports from Mediterranean third countries linked with the Community by various kinds of agreement;
- the consequences for such regions of a possible future enlargement of the Community.

Mr Ligios takes as an example a typical Mediterranean area, the Italian Mezzogiorno, but the analysis can be applied, albeit to a lesser extent, to the other southern regions of the Community, and cannot be confined to the agricultural sector although this is our main preoccupation. The analysis refers to 1976, but in 1977 there was a further deterioration.

To take only 1976 then, it must be said that the employment situation was particularly bad in the Italian Mezzogiorno. Whereas in the northern regions payments from the social assistance fund dropped by 4%, in the southern regions they were up 70% on the previous year. The southern region taken as a whole lost no fewer than 60 000 jobs in industry, and the number of people registered at employment exchanges increased. 60% of young persons in search of their first job, mostly graduates or diploma holders, live in the south. Inflation has hit lower incomes and a substantial part of the southern population is living on public assistance. Per capita consumption has decreased and as a result internal demand in the Mezzogiorno has contracted. Public and private invest-

ment continues to stagnate, and inflation has reduced and is still reducing the real value of multiannual public expenditure commitments. 61.3% of the national total of young persons registered in the special employment exchange lists come from the Mezzogiorno and rural areas.

As for agriculture, it has certainly seen important changes in the period from 1951 to 1972, notably the increase in gross saleable production and in value added (which is higher than the national average income), while the agricultural labour force dropped from 3 million to one and a half million and to 28% as against 12% in the centre-north.

But these changes took place in limited lowland areas thanks to the introduction of intensive and specialized methods of cultivation, particularly as a result of the implementation of agrarian reforms.

Moreover, all this took place without any overall change in farming methods. Large areas of irrigable plain are still not irrigated and are used for extensive low-yield crops; the percentage of uncultivated or badly cultivated land is still very high; a large section of hill farming has remained backward, with the result that people are deserting the inland zones.

Agriculture in the Mezzogiorno has an inadequate structure, with a large number of extremely small farms, low productivity and an excessively large labour force. Whereas the fertile and generally irrigated coastal area is suitable for intensive fruit and vegetable farming, the hilly or mountainous inland area with an arid and heavily eroded soil is only fit for grazing sheep and goats or for small-scale, low-yield farming.

The Ligios report, although not unaware of the traditional reasons for underdevelopment, investigates why agriculture continues to be backward in the southern regions of the Community and stresses that despite Community efforts to narrow the existing gap between the less favoured and the prosperous regions it has widened still further.

This inadequacy is due to various causes. The report regards action as inadequate in the fields of:

- marketing organizations for Mediterranean products which are far less favourable to producers than those for such continental products as milk, beef and veal;
- protection at the frontiers which is inadequately applied through such mechanisms as the reference price which have proved insufficient and full of loopholes;
- structural measures, which have generally been more limited than those taken in respect of richer and better organized regions.

The report backs up its arguments by analysing the situation for the most typical southern products, namely citrus fruits, fresh and processed fruit and vegetables, olive oil and wine. It notes that in general

## Pucci

while production has increased, Community consumption of such products has simultaneously dropped. In other words, the non-Mediterranean countries with which the Community has association of cooperation agreements. Some striking examples of this trend are given: for example, in 1974 Italy sold a total of 106 000 tonnes of citrus fruit to three non-Community countries, Switzerland, Austria and Sweden, while at the same time all the other eight countries of the Community together consumed a quantity only slightly larger, 182 000 tonnes.

In the case of an important processed fruit or vegetable product, peeled and concentrated tomatoes imports from Mediterranean countries, particularly Greece and Portugal, increased tenfold between 1976 and 1973 with a significant reduction over the same period in the share of the market held by Mediterranean Community countries. One could continue to quote examples of this kind, such as peaches of which thousands of tonnes of Community produce had to be destroyed in 1976 and 1977 while the European markets were flooded with Greek peaches.

The Mediterranean agreements, by distorting market forces, have aggravated the already precarious situation of agricultural producers in the Mediterranean regions of the Community in at least three respects: psychologically, by increasing their dissatisfaction and frustration; practically, by facilitating in every way access to the enormous Community market by competing producers in third countries; and in respect of Community regulations, in which serious loopholes have been revealed.

The inadequacy of Community regulations can be seen not only from the insufficient protection at frontiers, but above all from the way in which EAGGF guarantee funds are allocated to southern and continental products. The report contains a series of figures showing how, while milk, for example, receives a share of Community funds totalling 31.36 % in 1975 and 41.7 % in 1978 — in spite of the fact this product's share of final production value in the Community is not even as high as 20 % — Mediterranean products receive a far lower share, the extreme case being fruit and vegetables which with the share of final production value of about 15 % receive only about 2 % of EAGGF expenditure! This is why, according to another calculation in the report, every farm worker received in 1972-1973 a much higher amount in the developed regions of the Community than in the Mediterranean regions — an average of 642 EUA per worker in the Netherlands, but only 157 EUA in Sardinia and 197 EUA in Sicily!

Even if such figures have a purely indicative value, they clearly show the differences in treatment of different products and different producers over the many years that the common agricultural policy has been in operation.

This has meant much lower incomes for the southern producers than for their other European counterparts; but even in structural policy most of the intervention of the guidance section of the EAGGF has been in more highly developed regions. At least as far as Italy is concerned, finance for individuals projects has not in fact been concentrated to an above average extent in the southern regions where there was greater need, but in the central and northern regions. The Mediterranean regions of the Community were the first to be hit by the inefficiency of community structural policy and difficulties encountered in initiating it, since the backwardness of their agricultural structures could only have been remedied by introducing a structural policy aligned on the prices policy from the very beginning of the Community. This was not done, and the less favoured regions of the Community have suffered as a result.

Moreover, my observations were authoritatively confirmed by a few sentences addressed to the House yesterday by the President of the Council of the Community, which I should like to quote verbatim:

The enlargement of the Community to take in three new countries raises a whole range of problems, not least of an economic nature. The solution of these problems will require both considerable political will and a tangible financial contribution ...

I would stress that it is in no one's interest that enlargement should be carried through in such a way as to weaken the Communities.

The report's analysis demonstrates the existence of very serious problems in the agricultural sphere, which will naturally have to be faced and overcome as soon as possible, with every possible political step and above all with adequate economic measures.

As I mentioned at the beginning of my speech, the European Commission recently put forward a package of proposals relating to these regions. The European Parliament will have the opportunity to consider them together with the new proposals for agricultural prices in 1978. But in the light of what I have said, it must now be stated once and for all that the European Parliament will not be able to agree to proposals of which the sole burden is the need to avoid surpluses and an excessive load on the Community budget. Measures of this kind would only aggravate the present situation, increasing the present imbalance between rich and poor regions, between protected products and the products left to the mercy of third-country competition. Alongside the structural measures needed to improve the quality of products and to avoid substantial surpluses, it will be necessary to safeguard producer incomes through direct income subsidies or other forms of intervention for at least the same period of time. Only in this way will it be possible to deal to some extent with the problems of regions which have so far been too much ignored by the European Community.

## IN THE CHAIR: SIR GEOFFREY DE FREITAS

*Vice-President*

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

**Mr Hoffmann.** — (*D*) Mr President, it was most interesting to discuss Mr Ligios' report in the Committee on Agriculture, and I think we have learnt something about the problems of the Mediterranean area. This is particularly true in my case, as I do not come from that area.

I should therefore like to begin by thanking the previous speaker for his soundly reasoned analysis and for the report. I should like now to take up a number of problems raised in that document.

When discussing the Mediterranean area, we tend naturally to concentrate on agricultural questions, as agriculture is of overwhelming importance in these regions. But before going any further I would point out that it would be totally wrong to discuss agriculture in isolation and ignore other economic and structural problems. A brief examination of the situation in these countries and regions reveals the following features: a large proportion of the population is engaged in agriculture; holdings tend to be very small; *per capita* agricultural output is relatively low; incomes are small and unemployment is very high; methods of cultivation are not exactly up to date in many areas and there is a growing trend towards monocultures.

If we examine these problems in the context of our present economic development, it is clear that the situation in these regions is steadily deteriorating; for the world economic crisis, the widely divergent trends in regional development in the European Community and the fundamentally different approaches to political consensus or lack of it in the Mediterranean countries are steadily exacerbating these problems, and I can well imagine that the internal political discussion on agricultural policy in these countries will be very heated indeed, and that the connection with the enlargement of the Community will very quickly be made.

I have one critical remark to make. It cannot be said that the present situation in the Mediterranean regions is simply the result of a misguided structural policy applied by the Community: the regions should also think carefully about where they've gone wrong. I don't want to sound supercilious in saying this. Of course, the European Community does have its responsibilities, but it cannot be branded as the main cause of the unhealthy situation in the Mediterranean area.

A situation which really concerns the Community is the highly unbalanced distribution of resources. 75 % of all our agricultural price subsidies go to products from the Community's central areas, that is mainly cereals, milk and sugar, as well as to products derived

from these. I therefore think it reasonable to say that these southern regions must obviously be given similar support. A number of changes will thus have to be made. But there is still obviously considerable disagreement on how this is to come about. I should like briefly to outline the alternatives open to us. This problem of unequal resources can be tackled by arguing that the southern regions should be given a bigger share in these resources and receive the same subsidies for the same things, i.e. price support measures, as are applied to other products. But what will be achieved by this approach is that it will no longer be possible to reform the existing agricultural policy as it will become immutably static, and we shall be forced to resort to protectionism, especially with regard to third countries, which account for a substantial proportion of our agricultural produce.

The effects which this would have on our relations with the Third World and with other agricultural countries may be stated quite briefly. It would mean that we would virtually have to exclude countries like Greece, Portugal and Spain from our agricultural markets, and surely no-one wants that. Therefore, the other alternative is the only one which can reasonably be considered: we must adopt dynamic plans for developing the Mediterranean regions, as these are becoming politically more and more important, and we must make these plans part of a sound policy for overall economic development. In practical terms this means that we must use all the funds at the Community's disposal to help to improve the quality of agricultural production. I am thinking here of certain wine producing areas. We must make it easier to convert to alternative products. We must help to improve conditions for the processing of products, especially for the highly perishable crops widely grown in the south, and we must help to improve production methods and opportunities for marketing. I believe that the last two aims, i.e. improved production methods and marketing, can best be achieved by encouraging the formation of cooperatives, as I think that such organizations will prove more viable in the future.

In making my final point concerning the granting of practical assistance I should like to draw attention to a difficult problem: I believe it will become increasingly difficult for these products, which are already in a weak position on the market, to withstand present-day market pressures. For example, in the central regions of Europe extremely little olive oil is consumed, and this is precisely one of the products of which there is a surplus. I often wonder why it should be that, despite its outstanding qualities, this product has no chance of gaining a firm foothold in these regions.

Here too we should consider whether we can provide assistance. However, whenever such assistance is not effective, the problem must be dealt with in the



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overall context of our discussions on regional policy, infrastructures and economic policy — in other words, alternative employment should be created in industry and the services sector.

Finally, I should like to refer to a problem for which I can suggest no solution. If we can agree that the approach which I have proposed is the right one, we are still faced with the problem of what to do in the meantime. We cannot change the situation overnight, and I can see that this will be a major political problem in France and Italy. As I have just said, I cannot offer any solution to this problem, but I think that it needs to be mentioned and that it is up to the Commission to give it further consideration.

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

**Mr Pisoni.** — *(I)* Mr President, ladies and gentlemen, I can inform you without delay that the Christian-Democratic Group will vote in favour of the motion for a resolution put forward by Mr Ligios and so clearly explained by Mr Pucci. The wealth of information contained in the report, and its full and detailed picture of the situation, make unnecessary any further examination. I shall therefore confine myself to a few comments which in our view may help to solve the serious problems facing the Mediterranean policy.

We are pleased that the Mediterranean policy should have hit the headlines mainly because of the membership applications of other Mediterranean countries. For a long time the Italians, especially those who live in southern Italy and were concerned with this policy, had been pointing out that Community policy, being applied on an equal basis to all, but implemented in disparate regions, was widening the gaps within the Community itself. To apply the same standards to different situations is to apply unfair standards and unfortunately up to now this is exactly what has happened. Moreover, we have constantly pointed out that the Community's agricultural policy towards third countries and the signatories of the Lomé Convention severely penalizes southern Italy. I only need very little evidence to prove my contention: the type of gap which has been created between these regions and the rich regions, and the relative percentages of investments both for the guidance section of EAGFF and for the guarantee section. In this context, I have myself asked the Commission to analyse the funds granted by the EAGFF guarantee section in order to discover how much was spent per farm in the various regions of the Community. Unfortunately, the Commission told me that it was impossible to make such an analysis but that it would try to give us some figures; however, we know from studies made by Italian lecturers in agricultural economics that the figure for investments in southern Italy per farm worker is far lower than that for investments in any other region of the Community. If then there is this

type of discrimination in addition to the wide discrepancies already existing, we should not be surprised at the effect which the agricultural policy followed up to now has had on these regions.

If, indeed, it is true that in these regions there has been an increase in productivity, it is also true that the farms which currently exist there are extremely small. Farm workers still represent about 34 to 35 % of the total labour force in some of these regions, which is a very unhealthy figure. An agricultural system which still has such a high number of farmers on land which is moreover poor, badly irrigated and lacking adequate structures is not in a healthy state.

Mr Ligios' motion for a resolution puts forward a number of principles upon which the future Mediterranean policy could be based; our group is certain that Parliament will approve it and hopes above all that the Commission will adopt these principles and base any future agricultural policy upon them.

What, in fact, are the two basic shortcomings in this area? The first is the failure to respect the priorities so often mentioned in this House. For instance, it is not true that the priorities for Mediterranean products were observed. If, as I think, Mr Pucci's figures are correct, the figures for citrus fruit indicate that the priority for Mediterranean products has not been observed at all. If alongside an increase in citrus fruit production in the Mediterranean regions and an increase in citrus fruit imports on the part of the Member States of the Community, there is a significant decrease both in percentage and absolute terms in the consumption of these products in Community countries, this means that the Member States are obtaining their supplies from outside the Community, totally ignoring the much wanted priorities. The peaches affair which caused so much fuss in Italy last year, because the producers were paid 185 lire per kilo to destroy them, while they were fetching 600 lire per kilo on the retail market, shows that the priorities were completely ignored in this sector.

My second problem concerns the level of protection for Mediterranean agricultural products. We have always been opposed to providing protection which then causes structural surpluses to develop; we do not want protection of this kind. But we do want clearly defined action to safeguard farmers, to guarantee them a minimum income and to bring about a transition from the present situation, creating surpluses, to a more healthy one through structural changes which will indeed guarantee farmers an adequate income. In our view this is an important step to take in a situation where unemployment is running at such a high level.

The third problem on which I should like to dwell is that of structural policy. It is unthinkable that a structural policy which suits the Netherlands could also suit the Mezzogiorno; it is impossible to apply there both because of the difference in farm size and

**Pisoni**

different traditions. As I said earlier, in regions where 34 to 35 % of the labour force are farm workers a structural policy must have a completely different basis and scale. We have to catch up on so much leeway that it is not enough to allocate a thousand million more for olive oil or a thousand million more for durum wheat. That would be no use. We must have the courage to face the problem as a whole, providing adequate funds for the measures to be taken. Otherwise these discrepancies will continue to exist. We must also be patient, since structural changes take time; apart from providing finance on a massive scale, we must have the patience to await the results. It is essential to coordinate policies; we cannot concentrate on agricultural policy alone, ignoring social or industrial policy; otherwise those who had to leave the agricultural sector would not find jobs and merely swell the ranks of the unemployed.

Let us not forget that southern Italy faces Africa where production costs are obviously far lower. To mention only one fact which indicates the extent of the difference: in southern Italy we have an average cost per hour which varies from Lit 2 300 to 2 800, compared with a cost per day for agricultural workers in nearby Africa varying from Lit 1 500 to 1 800! It is clear then that we are not in a position to compete immediately with a type of production which has far lower labour costs. I repeat, we do not want protectionist barriers but merely observance of the priorities.

In the wine sector we should like to see a more suitable level of reference prices and adequate external protection along with harmonization of excise and customs duties and taxation in order to ensure free circulation of wine and all alcoholic products, and especially a better balance between them.

Although we are not entirely satisfied with the package of proposals put forward by Commission last December, we think it represents a good start for most of the measures proposed. Fortunately last month's proposals also provided a different definition of the Mediterranean regions. The previous definition based only upon production percentages of certain types of product led to real discrepancies between one region and another. In Italy, for example, there is a discrepancy between the Emilia Romagna region, regarded as Mediterranean, and Umbria, regarded as less Mediterranean because it has different types of product. The Commission's package of proposals employs a different method of selecting the regions qualifying for aid. It will be possible to make a realistic assessment of the situation in the various regions by taking the numbers of workers per hectare, the percentage of farm workers, farm size, production per worker, number of unemployed, and job opportunities outside the agricultural sector.

Having made these comments and in the hope that in future the same policy will not continue to be applied to different situations — since that would mean wide-

ning the gaps, making the poor poorer and rich richer — the Christian-Democratic Group will vote in favour of Mr Ligios' motion for a resolution.

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

**Mr Cifarelli.** — (*I*) On behalf of my group, I should like to express full approval and indeed praise for Mr Ligios' report, which is a suitable complement in the economic field to the general report which our Chairman, Mr Durieux, is drawing up for the Political Affairs Committee.

We applaud the action of the Committee on Agriculture in tackling this problem. And I wish to stress, Mr President, ladies and gentlemen, that the fact that yet another Italian is speaking on this subject does not in any way mean that the problem is of particular concern only to Italy — far from it. Anyone who considers realistically the Community's need for stability and development, be he Dutchman or Dane, cannot but agree with the basic premises of this report. And indeed, a summary of the reasons for our favourable attitude can be found on pages 36 and 37 of the English text of the explanatory statement, to which I would draw the attention of the Commissioner, Mr Gundelach.

Let me state unequivocally that the Liberal and Democratic Group is strongly in favour of enlargement and will certainly not go back on this position, whatever the difficulties involved.

We are therefore in favour of the accession to the Community of Greece, Spain and Portugal, convinced as we are that their accession will also be beneficial to the Mediterranean countries of the Community, and particularly France and Italy. The accession of these countries will in fact lead the Community to review, and in due course to coordinate, in a common policy worthy of the name, its approach to the problems which have long troubled the peoples of these countries. They are in fact real problems of underdevelopment which can only be solved by strengthening the instruments of regional and social policy and providing adequate guarantees for Mediterranean agricultural products.

In this context, I should like to remind you that while production figures have been increasing, exports to the other Community countries as a whole have decreased. In 1975 Italian oranges accounted for only 3.5 % of Community consumption and the figure for lemons has dropped in the last ten years from 60 to 35 %. This is hardly surprising when we think of the network of preferential cooperation agreements and pseudo-association agreements which have been made with competitor countries. If we analyse the tariff reductions, we can see that the fruit and vegetables sector of the Community is subject to far greater competition than the cereals or livestock sectors. And

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the Community's inadequacy is confirmed for example by the unfortunate wine affair, which involved a heated confrontation between Italy and France and even led to violent incidents which we cannot but deplore.

Having thus reaffirmed our forthright acceptance of the gradual enlargement of the Community, we must make sure that this event will be a step forward.

As the trade union representatives of the regions concerned have already pointed out, there is a need for a fair agricultural policy which will provide the producers in the southern regions with real guarantees, without which the hopes pinned on enlargement would be disappointed and the Community would lose all credibility in the eyes of public opinion.

Apart from price support and the modification of market organization systems, it is necessary to respect Community preference in relations with third countries, given that it is clearly unjust that olive oil and oranges, for example, should benefit from different treatment from that given to milk and cereals. And these observations must be borne in mind on the eve of direct elections by universal suffrage because the electors will ask questions to which we must give serious answers. It is no use pointing out, as Lord Bruce did last year during the budget debate, that the *per capita* income of a citizen of Hamburg or Paris is five times as high as that of an Irish citizen or a Calabrian peasant, if when the moment for action arrives nothing is done to solve these problems; and one must not even be surprised if some social groups blame the Common Market for their relative and in some cases absolute loss of income.

The difficulties encountered by European agriculture show that a policy based solely on prices cannot solve the basic problems unless it is combined with suitable modernization of the structures. It is therefore necessary to adapt social and structural measures to the special characteristics of agriculture in the Mediterranean regions, and to make a sizeable financial contribution to the modernization of production, marketing and processing industry structures.

In practical terms, as Mr Ligios has stressed, it is a question of aid to irrigation, the setting up of cooperatives, better coordination among the various Community funds, concentration of aids and also an examination of temporary and limited, but worthwhile, forms of direct subsidy for producers' income. At a time when there is everywhere an encouraging reawakening of interest in agriculture, particularly among young people, it would be harmful if lack of competitiveness or even a worsening of the situation of our farmers as a result of enlargement were to lead to further emigration from the countryside and the decline of important and promising cultivated areas. This could only worsen the already serious employment situation, and would make the Mediterranean countries unwilling to accept this historic event, which we wish to see take

place this historic event, which we wish to see take place and which would serve, among other things, to restore the balance to our Community, at present too heavily weighted in favour of the North.

It is therefore essential in the short term to carry out general studies making it possible to quantify the effects of a Community of Twelve on the directly affected regions.

We are convinced that enlargement will lead in due course to an increase in trade on a scale which will compensate for any disadvantages which may be encountered in the short term. We therefore think it essential to pay particular attention to the transitional period so as to avoid dangerously overloading the Community mechanisms (the figure of Lit 8 million has been mentioned, Mr President) and in particular the financial support mechanisms which are already subjected to excessive strain. Similarly, it will be essential to ensure respect for deadlines for fiscal, social, administrative and legal harmonization in order to avoid dangerous distortions of competition.

Mr President, I should like to remind the House that enlargement ought, in our view, to be an opportunity for renewal and to provide a turning point at both national and European levels. It is no use blaming the common agricultural policy for everything that goes wrong. The common agricultural policy is very often only the expression at a different level of ill conceived national agricultural policies, but equally often it does nothing to correct regional imbalances and at best complements the actions of governments. The EAGGF, for example, spends more on agricultural workers in regions where there is a higher value added per person employed; in other words, if plots of land have been abandoned in the Mediterranean regions, where the lowest rations are found, the EAGGF has certainly done nothing to bring them back under cultivation.

Therefore, Mr President, I think we are all agreed that the turning point should not mean a further flight from the land, even if there is still a large surplus of agricultural labour in some of these regions. If enlargement is to be beneficial, the new thrust of agricultural policy must be the development of an agriculture based on irrigation which will permit fair remuneration for labour. We do not want to reduce the number of workers but to give them fuller employment, particularly by developing intensive cultivation wherever possible and by initiating large-scale reclamations operations, perhaps involving livestock, on the uncultivated land.

The transformation brought about by enlargement must also include the legal relationship between land and labour which in the South is too often outdated. For instance, in those areas it is rare to find producers' groups, and for this reason our debate and proposals arising from Mr Vitale's report on the subject will be very important.

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We have therefore to choose the most difficult way, which is also the most responsible one. The Commission in its own sphere of competence, the national Ministers of Agriculture and the regional bodies which have specific responsibilities in this field must in our view examine the possibility of differentiated and incentive-based intervention prices which will make it possible to use surplus labour in the marginal areas and on uncultivated land; they must work out a policy which takes account of the long agronomical cycles of the southern arboreous crops — vines, olives and almonds; for some products, they must examine the possibility of introducing suitable forms of income subsidy while avoiding the kind of distortions which have been complained of in the case of olive oil; they must aim at a livestock policy for cattle and sheep which will improve the breeds and pastures in the Mediterranean regions; and, finally, they must think seriously and realistically about diversifying Mediterranean agriculture. I would stress the need for diversification, to avoid cut-throat competition for customers, which simply means poor fighting poor. As regards crop diversification, one of the most urgent matters is the soya bean crops of the Mediterranean regions.

Thus it is with an understanding of the complexity of the problems, but with a unified vision of the aims that we in the Liberal and Democratic Group look forward to enlargement leading to and accompanied by renewal.

We believe that enlargement can and must constitute a factor for progress, not only for the Community as a whole, but also for the agricultural and other sectors which will initially be under pressure from competition whose scale and effects we should not underestimate.

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

**Mr Jensen.** — (DK) Mr President, there is a danger that any enlargement of the Community towards the southern part of the continent of Europe will encounter many serious problems.

The countries which have applied for membership are all in fact competing sources of agricultural products in the southern part of the Community. The limited industrial development of these countries threatens the future of the links which have been forged between the Six and later the Nine since the Treaty of Rome came into force. And the Community has established relations with countries in all continents which are evidence of Europe's prominent economic position in the world.

Nonetheless, we must ask whether the Community's external policy, particularly its Mediterranean policy, does not involve a serious risk for agriculture in the Community's Mediterranean regions. This question may be asked at present being negotiated with third

countries in the Mediterranean, of the possible enlargement of the Community to include Greece and Spain, and of the Lomé Convention signed with 52 countries in Africa, the Caribbean and the Pacific.

The general tariff preferences granted to developing countries and the multilateral GATT trade negotiations are already resulting, or will result, in increasingly substantial concessions affecting agricultural products from the Community's Mediterranean regions and the ancillary processing industries. Furthermore, it is stipulated in all the agreements that the concessions must be reviewed from time to time on terms which on each occasion are more favourable to the third countries. There is a danger that these concessions will give rise to a number of demands from third countries who do not benefit from them, and the recipient countries which have a large and still unused production capacity will see in them an incentive to produce, process and export.

The effects of this will be seen in the medium term. The market for the products in question is sensitive and open to competition from products for which the costs of production, particularly wages and social charges, cannot be compared with the corresponding costs in the Community's Mediterranean regions, where wages are nonetheless the lowest in the Community.

This climate of uncertainty and despondency could in the short term have serious economic and political effects for the Community if no guarantees are given for the future development of the Community's agriculture.

Under these circumstances Mr Ligios' report is to be welcomed. It is a realistic survey of the situation. Experience has shown that marketing arrangements for products from the Mediterranean region are not satisfactory. They must be revised so that they offer the same guarantees as for products from other sectors and are really effective. It is also essential that the Community should be able to exercise control over the manner in which governments operate such arrangements over their consequences for the producers. The aim should be to ensure the same protection of production in the Mediterranean region as obtains in other areas.

In addition, any modernization or revival of agriculture in the Community's Mediterranean region will require a vigorous structural policy. There are specific Community resources available. Directives on structural measures must be adapted and supplemented by measures which take account of the special nature of the products and the requirements of the areas in question. In this context as in others the most important thing is to have the resources required to implement a policy. The next is to devise a new effective policy for processed products. It is to a large extent on this level that the future of agricultural production in

**Jensen**

the Mediterranean region will be decided. If such a policy is not devised there is a serious risk that the European food-processing industries will move to the countries in the Mediterranean Basin.

Finally, it is necessary to encourage the consumption of agricultural products from the Mediterranean regions. A combined effort to improve trade and advertising and to rationalize the organization of markets will not by itself be enough. The Community must also tackle areas such as transport conditions and carrying charges, monetary policy and the reduction of duty, e.g. on wine. Such actions are in the interests of the consumer.

The Community organizations which, in the absence of international agreements, have begun to draw up agreements with Mediterranean countries, must generally improve conditions for producers, that is farmers, so that they can cooperate in the Mediterranean with a view to strengthening economic and social progress and thus contributing to the general economic development of the Mediterranean area by complementary trading activities.

The Community's Mediterranean policy should not have the sole purpose of encouraging the export of third countries' agricultural products. It should aim chiefly at encouraging those countries to produce enough food for their own needs. It is the view of the European Progressive Democrats, as we have always made clear, that this should be the basis of our Mediterranean policy. The Community cannot allow its agricultural, industrial and economic resources to be frittered away and a considerable section of its working population to be left without employment.

**President.** — I call Mr Howell to speak on behalf of the European Conservative Group.

**Mr Howell.** — Mr President, on behalf of my group I would like to congratulate Mr Ligios on his excellent report. A tremendous amount of work has obviously been put into this report, and it draws attention to the immense problems we face in the Mediterranean area at present and the mammoth problems we will face when enlargement occurs. We in the Conservative Group believe that enlargement is right and we will be doing all we can to bring it about, but we must be prepared to put our own house in order before that occurs, otherwise we will do more harm than good, we will weaken the Community generally and will therefore be unable to help those new countries who are asking for entry.

We are attempting to solve tremendous problems here in trying to raise incomes in the Mediterranean area and at the same time stop the drift from the rural communities. It is quite obvious that to do this, there must be adequate protection, in order to bring about a more realistic equality between North and South of the Community. We need a complete re-think; we

have not been successful in the past twenty years, and I believe that the key to the question is to have a better marketing organization. I feel that we passed a watershed, as far as the Community is concerned, on 1 January 1978 when we allowed marketing organizations to continue. When the Treaty was first drawn up, this was totally unacceptable, but a greater degree of flexibility has been shown, and I would like to congratulate the Commission, and Commissioner Gundelach in particular, for his part in this. The only way we can get any order into our production is by having an overall marketing organization, and I believe that this is the only way the Mediterranean areas can be helped, as well as the other major sectors. Without such an organization quality cannot be improved and surpluses cannot be contained.

I should like to ask the Commissioner therefore — and I know that he is reasonably receptive to this line of thought — what is the latest thinking within the Commission on the possibility of using overall marketing structure in order to regulate supply, so that we are not embarrassed by great surpluses and wine lakes and so on. It surely does make sense that there should be some limitation on vineyards, otherwise we are going to be perpetually embarrassed by wine lakes. To my mind the answer lies in comprehensive marketing organizations, and I hope that serious thought will be given to this matter.

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

**Mr Vitale.** — (I) Mr President, I want first of all to pay tribute to Mr Ligios for all the work he put into analysing this problem and producing proposals. There is no doubt that his report will be a useful basis of discussion for the working party recently set up by the Committee on Agriculture to look into Mediterranean problems. The working party will not simply take another look at the statistical data, but will work directly with the authorities, political parties, trade unions and trade associations in the areas involved. The reason for this is that we firmly believe that discussion about the Mediterranean means tackling problems which very often a statistical approach, since they are problems connected with a different way of life, a different culture and a different relationship between political, economic and social problems.

The first difficulty arises here: just how are the 'Mediterranean regions' to be defined? Using agriculture as a basis for definition, we cannot, for example, accept delimitation according to the crops which are produced — wine, olives, fruit and so on — simple factors of climate or the percentage of the working population employed in agriculture. These factors could be found in regions which are wholly different from one another for several political, economic and social reasons.

### Vitale

Although I agree with the rapporteur that there must be a precise definition, it is my opinion that this has to be done — as Mr Hoffmann suggested — on the basis of a series of indicators drawn from both inside and outside the agricultural sector. These indicators are: the general level of unemployment, opportunities for development in other sectors outside agriculture, the pattern of land tenure, the general situation of the area, *per capita* income and various other indicators relating not only to the agricultural situation but also to the general state of the regions involved.

The purpose of this, I feel, must not be to spread but to concentrate to the utmost the use of the financial resources which are to be made available for agricultural development in the Mediterranean regions of the Community and, in the future, in the new regions which will become part of the Community. For the present, however, these regions are the Italian *Mezzogiorno*, Corsica and certain areas in the south of France.

These points lead me on to another important factor. If — as Article 39 of the Treaty states — the problems of agricultural development must be closely linked with the economy as a whole, it is obvious in our opinion that there must be close coordination in the use of the guidance section of the EAGGF, the Regional Fund and the Social Fund. In this way, all action will be properly coordinated and form part of a single project affecting not only the development of agricultural production but the raising of general levels of employment and the relations between agriculture, industry, infrastructure and vocational training. Consider, for example, what would happen if action by the EAGGF to develop agriculture forced subsistence-level farmers or farm labourers off the land and on to the labour market when nothing has been done to improve opportunities in the non-agricultural sector, and no other aid was forthcoming. The general result would be to aggravate, rather than solve, the problems which we want in fact to solve, and more social tension and disparity would be created.

This takes me on to a third need, the need to review the structural policies which attempt — as Mr Pisoni correctly pointed out — to apply comprehensive measures for the whole of the Community to situations which differ to a startling degree. I am thinking in particular of the 1972 directives. There have been many complaints about the delays in implementing these directives at national level. The criticism is justified in Italy's case, but this is not the basic problem. The fact is that these directives cannot be applied, and have no meaning — formulated as they are — in the south of Italy, where the pattern of land tenure, the agricultural system and the lack of other employment opportunities mean that the mere thought of raising 90% of agricultural wages to a level on a par with those in other sectors is out of the question. Other parameters have to be adopted for these regions; we must find another strategy based on the situation as it

really is, or else the result will be what it has always been until now. The available funds will be channelled to regions other than those which need structural reform, in accordance with what Myrdal called the 'spiral of underdevelopment'.

I want to take the opportunity which this debate affords — although there will be another, I know — to say what I think about the 'Mediterranean package' drawn up by the Commission. In my opinion — and I feel it is a valid point in this discussion — what emerges is a very blinkered view of the problems that have to be tackled, whether in order to broaden the basis of production or expand the market for agricultural products, and an extreme lack of resources. I entirely agree that we have to restructure vineyards, modernize orchards in order to produce quality products, and cut production costs in the olive oil industry. In short, these sectors have to be modernized through structural reform. But — and this is the point — how on earth are we going to get millions of small farmers with holdings of mostly a mere 2-3 hectares to cooperate in this if we do not guarantee them some kind of income subsidy which is not just a handout, but a form of investment to encourage them to go ahead with plans to restructure their holdings? We must not forget that the Mediterranean regions are characterized by tiny agricultural holdings which do not have the means or the time to develop new productive cycles which will bear fruit only after seven or eight years. This is especially true where tree crops are grown, as is the case in southern Italy. Income subsidies are essential here if the various measures outlined in the package are to be implemented in collaboration with the producers.

Another problem — and I am getting near the end of what I have to say now — is the lack of resources. The Committee's report correctly pointed out that Community aid for regional policies has hitherto accounted for less than 5% of national efforts in the *Mezzogiorno*. This figure is not changed much by the package on Mediterranean agricultural policy. The total of 1 000 million units of account over five years is less than is spent in a year on compensatory amounts alone, and is only a fraction of what is scheduled for butter and milk powder surpluses. We are coming back to the same old story which always crops up during the budget debate. We cannot hope to find adequate funds for a common agricultural policy if we do not start with a complete rethink of the price support system, i.e. with forecasts for cereals and animal products, so that we can set to work with a policy for the gradual reduction of the cost of intervening in the case of surpluses and stockpiling.

In our view, the Ligios report does not lay enough stress on this need for a thorough review of the common agricultural policy as a prerequisite for a genuine Mediterranean policy. Essentially, the report says that northern European products are well protected — at high cost — and that therefore similar

**Vitale**

protection must be granted to Mediterranean products. If you ask us, this is leading the Community into the dead-end of ever-increasing surpluses; it is a refusal to consider a serious structural policy.

Although we agree with the proposals put forward in the Ligios report with the aim of balancing action in northern and southern Europe — and they should thus be welcomed as an immediate, transitional measure to obviate the disastrous effects that the accession of the applicant countries could have on agriculture in the south of France and Italy — we nevertheless feel, for the reasons I have given above, that only a more thorough review of the common agricultural policy can lead to a serious structural policy to benefit the Mediterranean regions.

For these reasons, Mr President, the Italian Communists will vote neither for nor against the motion; we shall abstain.

**President.** — I call Mr Hughes.

**Mr Hughes.** — Mr President, I will in fact start my speech by taking up the last remarks of the previous speaker. This is an excellent report in many respects, and paragraph 15 of the motion for a resolution states very wisely that without a thorough reform of the common agricultural policy and a more effective regional policy, the problems of the Community's Mediterranean regions will become increasingly and unacceptably acute. That is the key paragraph in this report. One of the characteristics of the present common agricultural policy is excessive protectionism for a number of Northern European products at very high cost to the consumer, the taxpayer and the whole Community budget. The first need in a balanced agricultural policy to include the Mediterranean is to roll back the protectionism on these Northern products rather than, as suggested in certain other paragraphs of this motion for a resolution, to adopt for Mediterranean products that same excessive protection.

It is in that spirit that three of the four amendments down to this report in my name are intended. I do not believe the statement in paragraph 4 of the motion for a Resolution that it is the agreements with other Mediterranean countries that are the root cause of the problems facing and the dissatisfaction occurring among Mediterranean farmers. I believe the problems are much deeper and that it is unreasonable and unacceptable that they should request protection, which can fossilize ineffective and inefficient structures, as a means of solving their problem. I do not believe agreements with Greece or the Maghreb or Mashrek countries of themselves cause the Mediterranean farmers problems. They may occasionally aggravate them, but they are not the cause, and to say that these must be done away with to help the Mediterranean farmer within the Community puts further difficulties in the way of entry into the Community for Greece, Spain and Portugal.

Similarly, in the amendment to paragraph 7 I seek to delete the words 'at ensuring greater protection from imports from other Mediterranean countries at artificially low prices'. It might be argued at a Jesuitical level that at artificially low prices one could allow for protection, but the question then is what is the meaning of 'artificially low' in the spirit of the rest of this report. It is something lower than the price that can unfortunately be obtained very frequently for an inferior quality article produced within the Community.

With regard to paragraph 10, I think it would be fair to say that the present thousand million unit of account package from the Commission underlines the fact that the present range of proposals has manifestly failed in using reference price and such mechanisms to deal with this problem. To put in paragraph 10 of the motion for a resolution in the light of the new Commission proposals is entirely meaningless, unless it is the intention of this House to totally reject those proposals.

Had I felt it was necessary, I would have tabled a further amendment regarding the problem of new potatoes, because again I am not satisfied that protection against access of new potatoes in the best way of securing income for Mediterranean area potato growers.

Of course, there will be those who feel that one must retain a degree of protectionism as an interim measure. I would say to them that as long as protectionism allows the producer to keep using inefficient farming methods, so long will this Community and others have to pay an even higher price to induce the necessary changes. The use of the weapon of protectionism makes it more expensive to make the necessary structural changes. Therefore, every time you increase the protection, you increase the need to spend more money on the non-price-related activities that will be required.

Finally, the amendment I have tabled to delete paragraph 13 brings us back to much of what Mr Vitale has recently been speaking about. Defining the problem in terms of specific regions and saying that the Community aid to be primarily reserved for Mediterranean areas should be concentrated in certain regions, without going into the problem of how you define 'certain regions', is wholly meaningless. Proper definition must, as Mr Vitale said, take account of sociological factors, the pattern of land ownership, transport infrastructure, the alternative employment possibilities, the whole range of the problems facing that area. It is in this sense that the new Community package does not seek to depopulate areas where there is no alternative employment but agriculture. One of the weaknesses of some previous structural proposals was precisely this, that they appeared to want to get rid of farmers without offering them anything else to do.

## Hughes

I conclude by congratulating Mr Ligios — in his absence Mr Pucci will, I trust, pass on these congratulations — on the immense amount of analytical work that has gone into this report. At the heart of the report, however, on this vital question lies an anachronistic belief in the benefits of protection as the means of solving the problems facing Mediterranean farmers. There I disagree which it. What is needed, is, as paragraph 15 of the motion for a resolution says, a thorough reform of the common agricultural policy rolling back excessive protectionism in regard to Northern products rather than extending that protectionism to Mediterranean ones.

### 5. Agenda

**President.** — At its meeting this morning, the enlarged Bureau took the following decisions concerning the agenda for this part-session.

This afternoon, after the votes, the Commission will make a statement on the last meeting of the Council of Agricultural Ministers on fisheries. This statement will not be followed by a debate.

— Oral question by Mr Schmidt and others to the Commission, on the recent talks between the Commission and the Japanese Government (Doc. 502/77), will form part of a joint debate with oral question No 475/77, by Mr Baas on the same subject, included on Friday's agenda.

— Oral question by Lord Bruce and others to the Commission, on the replacement of financial contributions from Member States by the Community's own resources (Doc. 503/77), will be included as last item on Friday's agenda.

Since there are no objections it is so agreed.

I call Mr Hughes.

**Mr Hughes.** — Mr President, you say that after the Commission's statement on fisheries this afternoon there will be no debate. Will there be an opportunity to ask questions of clarification on the statement?

**President.** — No, it is a statement by the Commissioner and then we contemplate it.

### 6. Mediterranean policy and Community agriculture (continued)

**President.** — We continue the debate on the Ligios report (Doc. 467/77).

I call Mr Lemoine.

**Mr Lemoine.** — (F) Mr President, we feel that this debate on the agriculture of the Community's Mediterranean regions is highly important and timely, as we are going through a period in which the farmers, wine-growers and all the other people of these regions are looking to the future with the gravest forebodings. For them, Europe today means, more than anything else, distress at the possibility of losing their means of

production coupled with the certain prospect of unemployment. It means inadequate incomes and the accentuation of their region's decline, even though they were told that the Common Market would gradually eliminate all disparity in regional development.

The report submitted by Mr Ligios on behalf of the Committee on Agriculture outlines the present situation and future prospects in a way which sadly confirms that we were right to oppose the policies applied so far. These have been aimed primarily at reducing production and the area under cultivation. This was Mr Mansholt's main objective, and Mr Gundelach took up this idea again recently by proposing to grub up part of the Languedoc-Roussillon vines. Isn't this the same policy as that under which blast furnaces, shipyards and the most up-to-date textile factories are shut down?

Surely, such a policy is both paradoxical and scandalous. Paradoxical, because one of the aims of the Community is supposed to be economic growth leading to an improvement in the standard of living. Scandalous, because we cannot sit back while the work of generations of wine-growers is destroyed, and because these wine-growers are forced to swell the ranks of those waiting in the dole queue.

The crisis which has hit Mediterranean agriculture could have been avoided. It is first and foremost — and this applies to all agricultural production — the result of the austerity policies pursued by all Member countries and imitated by the Community institutions. In 1976 my party estimated that there were 16 million people living in poverty in my country. Now the highly official 'Centre d'études sur les revenus et les coûts' has put the number at 17 million. This means that one Frenchman in three goes short on bare essentials and hesitates before buying a bag of pears or peaches.

The crisis affecting Mediterranean agriculture is also the result of trade agreements concluded without considering the interest of the people and workers of the Community. It is an indisputable fact that the trade agreement concluded in 1970 with Franco's Spain enabled Spain to increase its exports of Mediterranean products to the Community, thus posing a threat to the incomes of farmers in the Community's southern region. In four years, Spain's exports of tomatoes to the Community increased by 40 %, those of grapes by 77 %, and wines by 268 %, following a reduction in customs duties of about 50 %. In the case of wine, the increase would have been greater still had it not been for quotas.

These figures help us appreciate the very great anxiety aroused by the applications for membership of Spain, Greece and Portugal. We are all aware to what extent wages, working conditions and social legislation there lag behind those of the Community. If customs protection were eliminated. Spanish wine would be available



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at about half the price of wines from the south of France. This would result in rural depopulation. I am thinking in particular of the Languedoc-Roussillon wine-producing area covering 45 000 hectares — the world's largest — which accounts for 70 % of the region's agricultural production.

During a visit to this area as a member of a Parliament delegation, I was able to meet the wine-growers' representatives. They told me about the hardship which is already being felt in the area, and about the continuous increase in working hours and dwindling incomes. They refuse to import cheap labour, but ask instead to be allowed to continue their work and be given adequate means to do this.

We do not believe in national economic self-sufficiency: on the contrary, we believe that good relations of all kinds, and especially trade relations, are essential pre-requisites for progress. However, there must be motivated by concern for the people. We are in favour of the closest possible cooperation with Spain, a country bordering my own and with which it is historically linked in many ways, and we are pleased that it has finally emerged from its long ordeal in the grip of facism.

However, we cannot accept enlargement as sought after by big business: such a move would be perfectly in line with the plan to redeploy the major financial and industrial groups which dominate the Community. In the past few years these have stepped up their investments in the countries which have applied for membership of the Community. It is not true that 800 French undertakings have already set up business on the Iberian peninsula! They want to cash in on more advantageous conditions and increase their profits by re-exporting their goods to the Community countries, in particular France.

The trade balance between the Languedoc-Roussillon area and Spain has already deteriorated considerably. So it is not just wine production and agriculture which are affected, and would be even more so in the event of enlargement, but all activities in the south of France. That is why we have always pressed for minimum prices at frontiers. It is not enough to apply for the revision of regulations relating to products from the southern region, as the French government has done. We should create a situation in which the incomes of all farmers, and if necessary the means required to adjust production machinery, are guaranteed. This approach does not appear to be favoured in the Commission's document, and I do not think that references to 'socio-structural measures' will be enough to assuage the justifiable anxiety of wine-growers who have been told that their wines are to be grubbed up.

We are in favour of maintaining and improving the quality of all agricultural goods produced in the Mediterranean area. This could be brought about by the improvement of my own country's domestic market

which would ensue from an increase in wages and social benefits — a process which would be facilitated by organizing agricultural markets in accordance with the interest of producers and consumers once the trusts, which are such a burden to agriculture, have been nationalized. To achieve this, cooperation and trade must be developed with the interests of the people at heart.

**President.** — I call Mr Guerlin.

**Mr Guerlin.** — (*F*) Mr President, ladies and gentlemen, I should like, as a French socialist, to speak very briefly on the highly important problem of the agricultural policy applied to the Mediterranean regions. This problem is a particularly awkward one since it now has to be dealt with in the context of Community enlargement. As everyone knows, the French are almost unanimous in believing that while enlargement is politically desirable, it will not be possible to achieve it until present economic problems, in particular those of agriculture, are solved. But Mediterranean agriculture would still pose a problem even without enlargement. A very careful and detailed analysis of the situation has revealed the all immense difficulties involved. In particular, this analysis frequently reveals paradoxes which are difficult to reconcile. Firstly, it argues that we should not apply a prices policy which would result in Mediterranean products being as overproduced as those of the North. But prices will have to be fixed! Producers have to recoup their production costs, and they must be sure of obtaining reasonable incomes.

Secondly, as Mr Hughes rightly pointed out a moment ago, competition from products imported from third countries is not the root cause of the problems of Mediterranean agriculture. But it cannot be denied that such competition does have harmful effects, and this important aspect of the problem will have to be considered, even if, as in my case, one is against protectionism.

To overcome this paradoxical situation the Commission has proposed a structural policy. We are all fully agreed in principle, as we appreciate that in the long term only such a policy will bring about a satisfactory solution. I agree with many of the Commission's proposals. I shall not go into any detail, because the proposals are still being worked out and discussed, but by ensuring complete impartiality we shall be able to produce concrete proposals. I am fully aware that structural reform is necessary if we wish to overcome these paradoxical problems.

However, if we are to be successful, I believe that two conditions will have to be met. Firstly, the Community should have sufficient funds at its disposal and a definite policy for using these. Secondly, the Commission should work out practical proposals by maintaining permanent contact with those affected: cooperation should be established and policies implemented

**Guerlin**

with the widest possible support from those concerned. If both these conditions are fulfilled, it will be possible to devise a sound policy on the basis of the Commission's proposals.

Nonetheless — and here I should like, in particular, to address Mr Gundelach — while I believe that a structural policy would prove effective, I am rather anxious, like Mr Hoffmann, about the time it will take to carry out these reforms. There will be a very trying and extremely dangerous interim period during which the people of these regions will have to live — or subsist — awaiting the benefits of structural reorganization. This is a problem, Mr Gundelach, which was not referred to in the Commission's proposals or in the discussions which we held in the Committee on Agriculture and elsewhere. The problem has not been dealt with although it is of fundamental importance, and the policy is going to be applied in a psychologically explosive situation. When you get down to work, you will be working with dynamite. I should therefore be pleased if you could allay my fears.

If we fail to grasp the reality of this problem, we are in danger of rebuilding Mediterranean agriculture on very shaky foundations. If these foundations crumble, nothing can be built. Speaking as one who is familiar with this region and with the psychological atmosphere in which the situation is developing and with which you will have to contend, I ask you, first and foremost, to adopt a policy of cooperating fully with those affected. I would ask you to tackle the problems which will arise during the interim period, and not merely by fobbing the people off with worthless charity but by respecting their work and dignity. If an assurance is not given on this point, I hardly see how I can give my full approval, although I am in favour of a structural policy and the proposals which have been submitted. For this reason, as a French socialist, I shall abstain from voting.

**President.** — I call Mr Albertini.

**Mr Albertini.** — (I) Mr President, ladies and gentlemen, I want to add my words of praise to those already expressed concerning this report. It is sound and serious, and indicates considerable analysis. We have to thank Mr Ligios for this, and at the same time I should like to wish him a speedy recovery. The report was more than competently presented by Mr Pucci, who provided us with additional facts with which to assess the problem we have before us. It is a problem of vital importance. Mr Gundelach himself, referring to it at a recent meeting of the Committee on Agriculture, said that Community solidarity depended on it. I feel that his warning must be heeded when we come to formulate opinions and take a real look at the problems facing us. There is no doubt that, as far as the Mediterranean is concerned, many of these problems stem from the enlargement

of the Community to include three new Mediterranean members: Greece, Spain and Portugal.

We shall have the opportunity of returning to this topic when we discuss the 'Mediterranean package' which was submitted to the Council last month. It may not be the panacea for all the ills of the Mediterranean area, but it is undoubtedly a step in the right direction and one which has to be given due consideration.

I want to turn now to the specific problem of Mediterranean agriculture. Let me say right away that it is characterized by several negative factors which, for a number of reasons, have not only not been eliminated but have continued and are continuing to get worse, with the result that agriculture in the Mediterranean regions now runs the risk of landing in a crisis from which it will never recover.

There are three basic negative factors in the case of the Italian *Mezzogiorno*. Firstly, there is the disproportionate percentage of those employed in the agricultural sector compared with other regions (49 % in the *Mezzogiorno* compared with 39 % in France and northern Italy and 18 % in Germany, Belgium, Luxembourg and the Netherlands). Secondly, there is the irrational pattern of land ownership whereby the vast majority of holdings are very small. The report by Mr Vital on producer groups provides a statistical background which highlights the disproportionate number of Italian farmers when compared with numbers in other countries. Thirdly, and lastly, there is the extremely low *per capita* income, which is about one quarter of the average income of the rest of the population in the EEC. This is the source of the gap between agriculture in the northern countries and in the Mediterranean regions, and the gap is gradually widening, with all the dangers that this entails for the stability of the Community, because the Community has pursued a policy of prices rather than of structural reform which has generally been left to the individual Member States.

The prices policy has gone ahead with intervention on a constant and massive scale, with the result that what was supposed to be a flexible, short-term policy for immediate intervention has become a permanent, or at least long-term, policy, which has swallowed up 90 % of the EAGGF resources. At the same time the policy on structural reform has been neglected and more or less abandoned to its fate. Furthermore, the criteria adopted in applying the prices policy have led to a tremendous imbalance as regards typical products in various areas of the Community.

Only on very rare occasions have southern products been able to benefit from Community support. Apart from olive oil, which is supported to a considerable extent, southern crops have not generally enjoyed the same financial treatment as the large-scale production of cereals and animal products. Thanks to market

## Albertini

support and the guarantee section of the EAGGF, these products have produced great surpluses.

However, it is quite clear that the Community's agricultural policy would never achieve harmonious development and a continuous and balanced expansion — which is precisely what Article 2 of the Treaty establishing the EEC calls for — as long as a policy of market support was chosen, instead of one of structural improvement and reform, which are what is needed in the southern regions of the Community.

What I am saying is meant to be constructive criticism. Naturally, I am not advocating protectionism or a market policy in favour of Mediterranean products. You cannot call for a policy which in other respects has been criticized and recognized as the primary cause of the present disparities and which in any case would not contribute to, but only hold up, any solution to the basic problem of development in southern Italy.

If we were to carry on with the system used until now, by which I mean the unequal allocation of funds to the guidance and guarantee sections of the EAGGF, which has always been to the disadvantage of the weak agricultural economies, the result would only be to increase imbalance a hundredfold. The time has come to choose another path, better suited to the task of bridging the immense gaps in this sector.

It follows from what I have said that I believe that the solution to the problem of the *Mezzogiorno* cannot be found in protectionism, as Paragraphs 4 and 5 of the Ligios report would seem to indicate. I agree with Mr Vitale that this excellent report should have gone into the problem of agricultural prices more deeply.

I feel that the tendency to exclude protectionist measures — which Mr Gundelach emphasized on several occasions during meetings of the Committee on Agriculture — has been rightly endorsed by the 'Mediterranean package'. This states that it must be possible to apply the measures intended to ensure development in the Mediterranean area without prejudice to the courses already chosen and the undertaking to reduce structural surpluses, prevent the creation of new surpluses and avoid over-production. We must also avoid pushing up the prices of foodstuffs against the interests of the consumers.

All this could, I feel, provide some kind of guarantee as regards the Commission's intention and have a profound effect on this long-standing problem affecting the Community.

In fact, even though the agreements between the Community and countries in the Mediterranean basin may have played a part in worsening the plight of the Community's southern regions, this is naturally neither the sole nor major cause. Basically, the situation has got worse because the Community has always focussed attention and concentrated action on a market policy in the agricultural sector, while at the same time completely ignoring the structural policy

which would have permitted agriculture in the south to stand up to competition from non-member countries, even if only for some time.

Although it might be all right to give market support or apply some other protectionist measure to a Mediterranean product for a short time, it would be quite wrong to introduce such measures as general practice. The result would be the acceptance and support of an agricultural policy which we, for our part, have always criticized and blamed for every kind of problem. Furthermore, we should be using procedures which are completely unsuited to solving the basic problem of development in southern Italy.

What we have to do, in fact, is to block this market policy, this policy on prices. Apart from failing to solve the problems of European agriculture in general, it is a tremendous burden on the Community's purse.

In my view, the serious problems which are bound to arise when the Community is enlarged must be tackled by eliminating all discrimination in the treatment of commodities and in the attitude to various concrete situations.

Planning must be the key-stone of a revamped common agricultural policy, so that basic decisions and general aims can be formulated and farmers given a precise and useful guide to what they should produce in various sectors.

Basically, in order to ease forward the process of conversion in backward areas, action will have to be taken to change the way in which decisions on production are made. This action will have to be based solely on practical and commercial considerations and operate with definite and telling effect on the factors which influence the cost of the product.

To achieve this policy on costs, there are certain basic things we have to aim at. These are covered by the 'Mediterranean package': increased irrigation, encouragement of cooperative schemes and producer groups, investment in the infrastructure of the commercial sector.

I ask the Commission to consider these points, which I feel may be helpful in tackling the problem in a serious manner.

IN THE CHAIR: MR LÜCKER

*Vice-President*

**President.** — I call Mr Power.

**Mr Power.** — Mr President, I too would like to commend the rapporteur on the report he has presented to us on behalf of the Committee on Agriculture dealing with the Mediterranean agricultural problems. Indeed, the congratulations he has received from all the speakers here this morning must assure him of the good work that he has done on this report.

## Power

It is only since the issue of enlargement that full attention has been paid to the problems of the Mediterranean area, an area which is very rich in historical and cultural terms, but in economic terms an area in decline. If there is a positive side to enlargement at the present time, it must be that it has drawn our attention to the neglect of an area of our Community, and now we must go about taking measures to overcome the three central problems raised in the report.

The problems as I see them are as follows :

- (1) the underdevelopment and serious economic problems facing, in particular, the south of Italy and certain French regions such as the Languedoc ;
- (2) the insufficient safeguards in Community legislation for Mediterranean products ; and lastly
- (3) the threat that enlargement holds over this area, when it is understood that the new applicant countries, Greece, Portugal and Spain, can produce the same goods more cheaply, and with a far greater production potential.

We firmly believe that agriculture is the wealth of the future, but without first giving economic encouragement to all the underdeveloped regions of the Community, including Ireland, it will never be tapped sufficiently. It is therefore high time that the Community implemented practical solutions to the problem. A definitive geographical concept of the Mediterranean area must be a practical priority in our approach to this problem, whether it is to be on an ecological, geographical, geopolitical, historical or cultural basis. Furthermore the failure of the Community to introduce from the very beginning an efficient structural policy has since been shown as an omission and has separated the EEC into two compartments, one of growth and one of stagnation. Structural improvements, in areas such as marketing and processing, increased efficiency in producer groups, product diversification, drainage, transport and vocational training, will be further steps towards solving these particular problems.

Also in the report our attention is drawn to specific dangers of enlargement. With three new Mediterranean Member States, surpluses could become a major cause for concern. Already we see that the Community is largely self-sufficient in wine, tomato products, preserved sardines, citrus and other fresh fruits and vegetable products. Is enlargement then to add to all these products and provide us with further lakes, and further mountains, and further headaches? Both Greece and Portugal face very serious structural problems. As a consequence, fear is expressed, and has already been expressed by speakers here this morning, that enlargement would mean a substantial transfer of resources from the Guidance Section of the EAGGF, the Regional Fund and the Social Fund to the new

Member States. If this were to be done before the Mediterranean area and the regions of Ireland had solved their own structural problems, then the difference between the rich and the poor areas of the Community would be almost impossible to correct.

This morning we heard criticism of the reluctance of northern European farmers to 'roll back the protectionism they enjoy' — those were the words used, Mr President. This very criticism emanated from a source that has enjoyed centuries of cheap food which enabled them to concentrate on industry and to improve their standard of living at the expense of these very same northern European farmers. We in Ireland are eternally grateful to the EEC for peeling back the cocoon of cheap food that these people enjoyed, and for the first time giving farmers in these regions an assured market and realistic prices for their produce. Thus for the first time the standard of living gap was narrowed — it was not bridged, but narrowed. The remarks I heard here this morning convinced me that the cheap food syndrome still creates illusions that the halcyon days of the lotus-eaters may return.

We must remember that the future of Europe cannot be shaped without first solving the existing regional problems in the Community from Greenland to Ireland to the Mediterranean. Only when we have brought the level of development in the backward regions into line with that of the strong economies of Europe should we contemplate enlarging our Community further. Only then, from a position of strength and following an effective programme of regional and structural policies, could we honestly welcome the three new applicant States into a common market that would be capable of helping them in every sector of their economies letting them share in the future prosperity of the Mediterranean region.

In conclusion, Mr President, I would like again to thank the rapporteur for giving us this opportunity to participate in a debate that can only help to shape the future of our Community and which, I think, will be seen in the future as an honest appraisal of a very difficult and complex subject.

**President.** — I call Mr Baas.

**Mr Baas.** — (NL) Mr President, I had not originally intended to take part in this debate, but I must say that one or two remarks which have been made in the course of the debate have caused me to change my mind. I greatly deplore the fact that the agricultural policy and its results are being judged in isolation and that far-reaching conclusions are being drawn from this examination. What the spokesman for the Socialist Group said was quite right. When assessing the future of agriculture, we must not view agriculture in isolation, but at the same time — and this mistake was made this morning — we must not judge the

**Baas**

European Community simply on its agricultural policy.

Many of our Member States have undergone fundamental changes in the last twenty years, and I am thinking in particular here of the changes which have taken place in Italy. The European Community has been responsible for some extremely positive developments. Reference has been made in this morning's debate to discriminatory treatment of the North, to the detriment of the South, but in my opinion, the most that can be said is that there has been some divergence between developments in the North and in the South of the Community. The common agricultural policy was created to provide support or protection for certain products. It was only natural that the South of the Community where *per capita* output was much lower than in the North, should have received different, and less, assistance. Over and over again this morning we have been told that we have got our priorities wrong and that the Community has failed in its duty. I have been a Member of this House for a long time, and I would ask the Members from the South not to expect a plan from the Community, but rather to come up with a plan of their own for the reorganization of economic activity in large parts of their own countries. I have the feeling that at the moment the opposite is happening. We are constantly hearing how much financial aid has gone to the North and how much to the South, and there is even talk about the possibility of reducing the amount of support for the North, as if this would give us some spare capacity to be allotted to the South. This is just playing the North off against the South, and I feel that it creates an atmosphere which is hardly conducive to achieving a satisfactory solution acceptable to all parts of the Community.

There can be no disputing the fact that Italy and certain rural areas of southern France are well behind in terms of development, and we have a responsibility to both of them to come up with ideas and plans. But first and foremost, the responsibility for producing plans lies with the Italian and French Governments. The European Community can never go further than making the necessary funds available. The transfer of resources has in the past always been a means of making a substantial contribution to a community. The history of the Federal Republic of Germany shows that large amounts of money have always been transferred from one place to another. But in this case, I do not think that it is the transfer of funds which is at issue. If the Community were to be presented with a very clear and precise programme for the reorganization of agriculture in Italy and southern France, it would be more than willing to consider it. But we must be realistic about this. As we know, the characteristic feature of agriculture in southern Italy and southern France is the proliferation of small holdings.

The exodus from agriculture is still regarded as a major problem, the idea being to persuade people to stay on the land. We have been talking about this for twenty years now. For twenty years, we have been saying that the exodus must be prevented, that it is undesirable. But we have no coherent approach which will earn the confidence not only of the southern part of the Community but, above all, of the Community as a whole.

I have the greatest admiration for the report drawn up by Mr Ligios, which I would regard as a first report on the situation in the Mediterranean area. It does, however, give the impression that the accession of Greece, Spain and Portugal is giving rise to fears caused by the threat of competition.

But if the agricultures of southern France and Italy are not yet capable of competing with those of Spain and Greece, what on earth are we talking about? There is constant talk of adopting a sectoral approach to the problem. When will we finally be in a position to make an overall assessment of the situation? Mr Gundelach bears the heavy responsibility for providing us with the necessary data to enable us to enter into a general discussion on the state of agriculture in the southern regions of the Community and the problem of the accession of Spain, Portugal and Greece. We are still waiting for Mr Gundelach to make a real contribution to this discussion.

We are all supporters of the accession of Spain, Portugal and Greece, but saying as much is only a very small part of the battle. Now that we have read about all the consequences of accession, nobody dares take the risk any more I should like particularly to ask Mr Gundelach to make it possible for us, while we are on the subject of accession, together to find the courage to take this step, in the certain knowledge that such a step can indeed be taken. If Mr Ligios' report can go some way towards enabling us to do this, then this morning's debate will not have been in vain.

**President.** — I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — Mr President, I, for my part, would also like to congratulate the rapporteur for the very interesting and ambitious job which has been undertaken. In particular, I would express my appreciation of the analytical work which has been undertaken in this report, the results of which I can to a large extent, but not totally, associate myself with. To that extent I can also associate myself with many of the remedies indicated in the motion for a resolution but then again not all of them, and, to say it right from the beginning, in particular not those advocating a more closed, a more protectionist, Community than we have at present. I will, in my few remarks, try to explain why, in these particular areas and also those where the

## Gundelach

responsibility for the state of affairs in the Mediterranean area is attributed to the Community treatment of other Mediterranean countries or even the Lomé Convention countries, as has been said in the course of the debate today, I take an entirely different view and cannot subscribe to the relevant paragraphs of the resolution which has been presented.

Now, I conveyed the view of the Commission to the Parliament at its last part-session, when I presented what I still consider to be a very far-reaching, substantial and concrete proposal, a proposal which, to use Mr Hughes's words, covered the whole ground, all the various elements which must be taken into account in building up a valid policy for redressing a situation of economic and social imbalance in the Community. It dealt with structural problems and related not just to agriculture but, more broadly, to structural problems — not only those directly related to the production of various commodities, almost invariably agricultural, because that is where most of the difficulties lie, but also to those problems which must be overcome in order to make agricultural production more efficient and more market-oriented. In order to achieve that, it is naturally not enough to produce the right products; we must deliver them to the market in the right way, with all the necessary transportation facilities, trading channels, trading organizations, all the necessary know-how. All this is taken into account in this broader conception contained in our proposal for structural reform.

Not only this: we are also taking into account whatever weaknesses there may be in the market regulations for various Mediterranean commodities. Quite candidly, we cannot see that the solution lies in a higher degree of protectionist aid, for we are not importing all that much. When the example is cited of oranges, which Italy is selling to a large extent to third countries while we are importing them, I would remind the House that Italy is exporting these oranges with refunds paid by the European Community, and this is part of our common agricultural policy. Is it so wrong that we import other citrus fruits from third countries and redress the balance by granting export refunds on Italian oranges sold to third countries? In my view, it is not. It is a sensible policy towards our consumers; it is also a sensible policy towards our trading partners, who mostly have an overall trade deficit with the Community. And if we close down our trading channels with these countries, we create additional unemployment in the Community and thereby weaken our chances of solving our own internal problems of imbalance.

I must therefore warn very strongly against the facile argument that we should import fewer oranges and other Mediterranean products in order to increase the level of employment in the Mediterranean. My answer to this argument is that we would only decrease the level of employment, because Europe, and that goes

for the Mediterranean area too, is vitally dependent upon its ability to trade. And the minute we start stopping the trade channels we are stopping up the arteries, the blood-vessels, of the Community itself, including the regions we are talking about.

It is common ground, and this must be faced, that there is an imbalance between certain regions of the Community and other regions. It is evident that in one of these groups of regions the Mediterranean regions are among the most important; but I think it must be underlined at the outset of this debate that these are not the only developing regions we have in the Community which must be taken into account when shaping our policies, be it the agricultural policy, be it the social and regional policy, all these policies which naturally, as several Members of the House have rightly pointed out, have been working together (and that is the consistent view of the Commission). We have other developing areas — Ireland for instance. Greenland has also been mentioned. They must not be forgotten, and I underline that point in order that we avoid a certain weakness in our debates. Evidently there is a serious problem as regards the Mediterranean area, or a number of Mediterranean areas; but I cannot accept that the lack of development, the manifest social and economic difficulties of these areas and the gap between their degree of development and that of other areas in the Community — differences in the level of income, in standards of living, in employment problems, whatever criteria you care to take — are due to the Community and its policies. This is to disregard historical and factual realities. This unfortunate situation in the Mediterranean areas has been building up over a long time, if not for centuries. You cannot criticize the Community for that situation: it was there in full flower before the Community was created; it has its roots in a much more complicated development over a much longer period of time. What one can say is, Have you, the Community, so far done anything important to help redress this balance? There my answer would be, No, the Community has not up till now made a sufficiently active effort, produced a sufficiently coherent policy to redress an imbalance which already existed before the Community was created. Thereby the Community has permitted this imbalance to continue and even to worsen during the Community's existence hitherto. This is, in my view, the correct way to present matters and criticize previous Community policies. It is that lack of an active and a specific Community policy to redress an existing and growing imbalance which we are now trying to overcome by presenting to the Council and to you the far-reaching proposals for reform to which I have referred, which I had the honour to present in greater detail to the House at its December part-session and which I hope in the near future to be able to discuss with the House in its various committees and in plenary sitting in order

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that in their final form they can be presented as the most appropriate instrument of Community policy to deal with what one speaker rightly quoted me as having called a Community responsibility, if the Community wants to be what, in my view, is the only thing it can be — a Community of co-responsibility, a Community of solidarity.

But we have made the proposals, and therefore you have the basis for a continuation of the useful debate that has taken place this morning on the excellent report and motion for a resolution. You have on your table already the first batch of far-reaching concrete proposals on the basis of which a concrete policy can be shaped. I would invite you to pass on as quickly as possible from this debate to the only thing that really matters — concrete methods. Because words and speeches are good, but only good if they lead to concrete action.

In taking this action we have to be fairly sweeping. Naturally, as various speakers have said, the solution cannot be found in agriculture alone. The Commission will also have to put forward proposals, as they have said they will for the Regional and Social Funds, and coordinate that with action in the agricultural field. But, one of the characteristics of the Mediterranean area is that it is heavily dependent on agriculture. It would be an illusion to believe that that can be changed overnight. In particular with the present economic climate which is unfortunately not going to change from one day to another, there will be no alternative employment in industry in those areas for years to come. We, therefore, have to maintain the workers in agriculture and this means that we have to give Mediterranean agriculture conditions in which labour can stay in agriculture for years to come.

We have therefore concentrated our first batch of proposals on the agricultural front, not because we thought it was easier, but because we thought it was a priority, and I am convinced that it is. We have, furthermore, concentrated these proposals on the Community as it is at present. We have not at this time really been looking over our shoulder too much to the very serious and very important problem of enlargement. Except in this sense: if we are to be able to face the problems created by enlargement, which is desirable and necessary for political reasons, we must first and foremost strengthen the existing Community. That is why these proposals are not directed to circumstances in the applicant countries. That will have to be dealt with in the context of accession negotiations. We are concerned with the existing Community, and trying to come to grips with existing weaknesses and disparities, and it appears to me to be very important to underline that these are the priorities with which we have to operate at present.

As we have said, for the future a number of these proposals has to be directed towards creating better structures, because it is only by helping farmers in these countries to produce more efficiently and to

improve the quality of their products in accordance with what the consumers demand that we can bring about a viable Mediterranean agriculture. Part of their losses on markets in Europe and elsewhere is not due to wrong Community policies or price policies, it is due to a lack of investment — the capital and human investment needed to create the kind of product that is in demand in modern markets. And here I must be quite categorical. It is no good expecting our markets to absorb products consumers do not want, or at prices consumers do not want to pay. Let us be realistic. There is no policy which can induce consumers to accept goods which are no longer of a quality or presentation or price which they do not want.

And an agricultural policy which is based on producing for intervention only is not an agricultural policy which is credible, be it in the South or be it in the North. (*Applause*) I therefore also agree with those who have said that, in this overall exercise we are undertaking — without necessarily adopting the formal approach of restructuring the common agricultural policy, for that kind of thing usually runs into a lot of political difficulty — it is nevertheless true that the creation of a new equilibrium in the Community must include the elimination of so-called northern products, which are sometimes southern products and end up in permanent intervention, the structural surpluses to which I have referred on many occasions. I do not think a policy which tries to bring about a sound equilibrium between demand and production is, as one Member said, a scandalous policy. I do not think that. I think it is a scandalous policy to produce for markets which are non-existent today and unlikely to exist tomorrow. (*Applause*) I quite admit that some of our problems in agriculture are due to the way the general economy is being managed and the way conditions have been created. And I hope that day will come soon when we revert to a reasonable level of growth, and then the problems of agriculture will also to a certain extent present themselves differently than today. The difficulties we have in the agricultural sector are to a large extent due, not to agriculture itself but to factors which belong to the general economy. In the meantime we will have to do the best we can. What we need as a driving force in the Mediterranean area is to give the farmers in that area the tools in their hands to produce for a market which will buy. We must put them in a better competitive position with other farmers in the Community and with farmers in third countries, to allow them to acquire a better share of the markets. That we believe is feasible.

It also includes vocational training and organization of the producers, either for production or sales purposes, along the lines Mr Howell was referring to, and that is part of our proposal. The aim is not to create monopolies, to stifle normal competition or to stifle individual initiative, but to encourage the self-reliance without which it is not going to work.

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There must be a new framework also from the point of view of organization. Otherwise we are not going to have a take-off in the Mediterranean areas, however much money we transfer. Therefore it must begin with a human element, a better organization of people, a better training of people. Then there will be a chance that money being poured in will achieve its purpose. The proposal I put on the table is for 1 000 million units of account for five years, which should only be part of an even bigger sum. But sums of money, however big we make them, will not work unless they are put into a framework which will ensure — and here I very much agree with two speakers in this morning's debate — that they will be channelled to those who need the money the most; and that means the smallest farmers. The small farmer must be helped to make his farm more efficient. If he is not helped then we are just moving money around, not really coming to grips with the fundamental social problems we want to solve. That means a new type of organization. It means help for the individual. That is part of our proposals and it must be strengthened. Besides these structural proposals, which also include afforestation, water-supply systems, transport, market channels and so on, we must also do something about the vineyards.

As I said, I do not think there is anything scandalous about bringing the production capacity for wine more into line with consumption than it has been hitherto. It is necessary to avoid the kind of conflict which we have had between two Member States in the past, and may have between them again in the future. But that means that we must also be willing to spend money and have the imagination to find alternative products. And there are alternative products, be it soya beans or increased meat production, which has fallen far too short. We tried to give a boost to beef production in the last price package, and shall be doing so again, because there has been too sharp a fall. Alternative production can be found. That is the second road we must follow.

As regards the Community preference, I have said I do not want to go the protectionist road, and I do not think it can help to any significant extent. But that does not mean we will not want to take a critical view of market regulations, reference prices or what have you, in order to have an adequate instrument of protection against unfair competition, against various types of dumping of Mediterranean products on our markets from other countries. That is a different matter from an overall protectionist attitude. Some of the examples which have been quoted this morning about peaches and other things of that kind fall into that category. We did as a matter of fact act to protect Italian producers of peaches when the situation to which reference was made occurred. Here there is an improvement which can be undertaken and should be undertaken for fairness' sake.

One question asked was: all this may be very well for the long term but is it not true that structural policies take time? The answer is obviously yes, they do. They will only work over a period of time. What happens in the meantime? That is a fair question, and it deserves an answer. Most of my energy and most of my discussions with those directly involved in these matters — not in Brussels, but out in these regions, all of which I have been visiting — has been concentrated on finding a solution for the intermediate period. Because I think one sees fairly clearly what has to be done in the long run, what structural policy measures have to be taken.

But how are we to survive in the meantime? Some of the measures in regard to market organizations must be designed to take care of that problem. What we are proposing for olive oil is directed towards these intermediate solutions. I am acutely aware of the necessity of adding to our proposals, in particular in the field of wine, something that will produce immediate results and I think that is the area where it is most needed. I have stated this previously in this House and in the Council, and I will repeat it. Our proposals will not be complete until they have had added to them something concrete for the immediate future as far as wine is concerned. We cannot just wait until the results of restructuring in the vineyards take effect — in three, or four, or five, or six years from now. The policy for restructuring in the vineyards is a solid policy, it is a good policy, but there must be something extra in the meantime and I commit myself to putting forward in the near future that something extra, in particular in regard to wine. I have already done it in regard to olive oil, and the same may be done for yet other commodities.

Finally, I have been asked: shouldn't there be some kind of income aid? In a previous communication to the Council and to Parliament I stated that this was not necessarily ruled out as a last resort. It certainly should never be considered as any kind of charity. But I am always wary of incomes support for psychological reasons, because it does smell of charity. Secondly, it can have the effect of freezing an unfortunate structure: You just stay there with your little hut and your one hectare, and we'll give you some money, and if you keep quiet, we'll leave things as they are. I am not happy about that. That is why I have used the term 'income-aid.' I am not ruling it out in specific regions under special, clearly-defined circumstances, but only as a last resort if we cannot find the proper solution to incomes problems by means of structural policies or intermediate solutions for individual products in the context of the marketing regulations. We are carrying out a study of incomes-support policies, but I must say that, for the reasons I have indicated — to prevent the freezing of an unfortunate structural situation or



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production pattern — I would only recommend resorting to such policies as a last resort.

Mr President, as I previously said, I am looking forward to continuing this debate in more concrete terms in the context of your examination of what, I repeat, are far-reaching proposals which I put before you in December. They are far-reaching, but I am not saying they are the last word. I said at the time I presented them that they were important and substantial, but nevertheless only a beginning. But any policy begins at the beginning, and I am looking forward to a discussion of that beginning in this Parliament at the earliest possible moment.

*(Applause)*

**President.** — The debate is closed.

### 7. *Deportations in Chile*

**President.** — The next item is the motion for a resolution (Doc. 501/77/rev.) tabled by Mr Klepsch on behalf of the Christian-Democratic Group, Mr Fellermaier on behalf of the Socialist Group, Mr Durieux on behalf of the Liberal and Democratic Group, Mr de la Malène on behalf of the Group of European Progressive Democrats, Lord Bethell on behalf of the European Conservative Group and Mr Sandri on behalf of the Communist and Allies Group, with request for debate by urgent procedure pursuant to Rule 14 of the Rules of Procedure, on the deportation of political and trade union personalities in Chile.

I call Mr Klepsch.

**Mr Klepsch.** — *(D)* Mr President, ladies and gentlemen, on behalf of my group, I should like to thank the other groups in this House for the solidarity they have shown in tabling this joint motion for a resolution. We have tabled the motion because we want, to show in a practical way that we are not indifferent to the fate of democrats in a country like Chile. We feel we are all the more justified in doing so in that, just a short time ago, a referendum took place in Chile designed to demonstrate that all the basic and human rights were in safe hands. But the only yardstick by which we can measure the Chilean Government's assertion that it is working towards a gradual reintroduction of democracy is what that government actually does. And on this point, I should like to draw this House's attention to the following facts.

We have established that, on 13 January 1978, the basic and human rights of the persons named in the motion were directly and seriously violated. I have the honour to be personally acquainted with one of these persons, namely Thomas Reyes Vicuna, the former President of the Chilean State, an old, sick man who has been banished to a remote Andean village whose climate will have an adverse effect on his health. As a result, we are deeply concerned about his state of

health, quite apart from the repressive measures taken against him.

My group wishes to emphasize that it is fully aware of the fact that the Chilean Government — unlike, for example, the governments of Uruguay or Argentina — has full control over the security forces, so that it must accept full responsibility for these measures. We therefore demand that the Chilean Government give at least a little more credibility to its utterances by desisting from repressive measures of this kind, and by restoring the human rights of these individuals. And indeed this applies not only to the people mentioned in our motion, but also to all the victims of repression who still languish in Chilean jails or detention camps. We would commend these facts to your attention, particularly since these repressive measures were taken after the so-called referendum in Chile.

At this point, I should like to underline the comments made by the President of the European Union of Christian Democrats, Kai Uwe von Hassel, to the effect that the formal procedures of this referendum and the circumstances surrounding it showed quite clearly that there is unfortunately no sign whatsoever of a gradual change for the better. My group — and I hope the same goes for the other groups — see this motion for a resolution as a means of calling upon the Chilean Government to reverse their previous decision and restore full rights to all the victims of political persecution. We might then be in a position to take a more favourable view of the Chilean Government's claims about the restoration of democracy. My group condemns the repressive measures taken by the Chilean Government in the strongest possible terms.

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

**Mr Edwards.** — Mr President, the mover of the motion for a resolution has stated very clearly what the present situation in Chile is. Before I came to this Parliament, not quite a year ago, I was the chairman of the Chemical Trade Union International, operating in forty-two countries with a membership of five and a half million. Seven affiliated unions came from Chile. None of those unions is in existence today. Their leaders are dead, in prison, or in exile. The funds of those seven unions were confiscated by the government and the whole organization of the seven unions disappeared. As we can see, it starts with the Left, it sweeps to the Liberals, takes on the Christian Democrats, and finally it takes on everybody who wants to breathe free.

Now we are political men and women, and all our work is about human freedom. All the work we do in our parliaments, in this Parliament, in committees, in our constituencies, is fundamentally about human

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freedom; it is about the right of people to speak freely, to elect democratic governments, to have a free press, to have free trade unions. If our work is not about this fundamental thing, it is about nothing at all, and our work is wasted.

Now, I'm old enough to know that what is happening in Chile has happened many, many times before in our Europe. I remember what happened in Italy. When the Left was destroyed by Mussolini's thugs the right wing said it would never happen to them, but it did. And the Conservatives of Europe, who did not want to be bothered, who had a comfortable life, said: 'Well, the trains in Italy are running on time, so this dictatorship is working.'

Then it happened in Germany, and there was the same complacency when the Socialists and the Left were destroyed; they were the first to fight against fascism in Germany, and they were its first victims. And then it happened to the Christians, and it happened to all the voices of freedom, because we were complacent, we thought it wasn't our business. We repeated Cain's cry: 'Am I my brother's keeper?'

And it happened in Spain, and it happened in Greece under the Greek colonels. And I remember one Conservative in the Council of Europe saying: 'Well, I have been to Athens, I've never heard about torture, the trains are running on time!' The same old story, the same justification as we had during the period of Mussolini. And it happened in Portugal.

It is our business, it is our duty, it should be our joy, to protest against every invasion into human rights. And in this great area of Latin America, it is crucial that we defend human rights in Chile, because if we don't it will spread like a prairie fire and the whole of Latin America will be overwhelmed by military dictatorships.

So, on behalf of the Socialist Group, I support this motion wholeheartedly. There is an old Persian maxim, I think it runs: 'Once bitten, shame on him; twice bitten, shame on him; thrice bitten, shame on you!' I support the motion.

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

**Lord Bethell.** — Mr President, on behalf of the Conservative Group, I too have the honour to support this motion which was so ably presented by Mr Klepsch. I do this in the spirit in which I have supported similar motions on human rights in the past, on the basis of a very clear and simple principle that every citizen of every country is entitled to engage in political activity, whether it is trade-union activity or of any other sort, and that provided he or

she pursues these political aims by peaceful and non-violent means, they should be entitled to carry out their work as best they can. If such a person is oppressed, imprisoned, deported, deprived of rights, this is something to which we must turn our attention very seriously. I spoke more than a year ago in defence of Mr Luis Corvalan, who was a Chilean Communist, in favour of his release from prison. I also spoke in favour of the release of Mr Vladimir Bukovsky. They are now free. This Parliament has concerned itself frequently with such cases. So while supporting wholeheartedly what Mr Klepsch has proposed, I want to make one or two observations on the points raised by the previous speaker.

We shall all be delighted to note that this resolution is signed by representatives of all the main political groups in this Parliament. When there is a motion for a resolution in defence of someone oppressed in a right-wing country, this is usually what happens. We have the unanimity of this Parliament in defence of the oppressed person, and when such a speech is made as was made by Mr Klepsch, we all applaud, we all say that is correct. But when there is a motion for a resolution about oppression in the Soviet Union, we do not see any of the gentlemen on the Communist benches. They do not take part in such debates; they stay away, they do not speak, they do not vote. They fail in their duty. So with that observation I simply wish to commend this resolution to the House and hope that it will be carried unanimously.

**President.** — Mr Veronesi, you did not enter your name in the list of speakers. Do you wish to speak?

I call Mr Ellis on a point of order.

**Mr Ellis** — I heard you say now to the Communist Member that because he had not put his name on the list of speakers it might be that he would not be called. Now I was in the situation at the last part-session where something quite similar happened to me. Can I have a clear-cut understanding of how in fact I can speak in a debate without any fear of my not being called when there is time available?

**President.** — Mr Ellis, you misunderstood me. I only pointed out to Mr Veronesi that he had not had his name included in the list of speakers.

Mr Veronesi, do you wish to speak?

**Mr Veronesi.** — (I) No, thank you.

**President.** — The debate is therefore closed.

The proceedings will now be suspended until 3 p.m.

The House will rise.

*(The sitting was suspended at 1 p.m. and resumed at 3.05 p.m.)*

## IN THE CHAIR : MR COLOMBO

*President*

**President.** — The sitting is resumed.

8. *Verification of credentials*

**President.** — At its meeting this morning, the Bureau verified the credentials of Mr van der Gun, Mr Luster, Mr Notenboom and Mr Vergeer, whose appointments were announced on Friday, 16 December 1977.

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.

Since there are no objections, these appointments are ratified.

9. *Point of order*

**President.** — I call Mr Dalyell on a point of order.

**Mr Dalyell.** — Mr President, I rise on a point of order, as a matter of some urgency, to ask whether you would consider, either at the end of our business today or tomorrow morning, making a statement on the subject of the proposed new building in Luxembourg.

In the House of Commons yesterday, I was approached by a number of colleagues of all parties who, having seen a devastatingly bad British press on this subject and drawings of an elephantine building, asked: what are you people up to? Now, Mr President, I understand that on a subject that has taken 20 years to discuss, we are going to have to make a decision in something like three weeks. However, the real reason I rise on a point of order is that we all have to go back to our own parliaments, where many colleagues will expect us to be able to answer questions as to what the Parliament's attitude on this is and whether, in fact, you, as our President, have given any undertakings to the Luxembourg Government. Therefore, in order to clear this matter up, I wonder if you would consider either having a statement at the end of business today or tomorrow morning. In particular, as a member of the Committee on Budgets, I should like some information to be given to that committee before its meeting on Monday.

Normally I would not bother Parliament with a point of order, but, as I say, we are under considerable pressure, given the press this question has been given in my country and doubtless in other countries. It is for those reasons that I ask for a statement.

**President.** — Mr Dalyell, I shall not be making a statement, either at the end of this sitting or at the beginning of the next.

I am in fact unable to do so because no decisions have yet been taken on this problem. I can only tell you

that none of the problems concerning improvements in the organization and operation of Parliament's places of work, even with direct elections coming up, have anything to do with the question of Parliament's seat, which is subject to the Decision taken in April 1965 by the representatives of the governments of the Member States and to the provisions actually implemented to date.

Any decisions which the European Parliament may take with regard to improvements in the organization and operation of its places of work do not affect the present situation in any way at all.

Similarly, the decisions which the individual governments may take to improve Parliament's work are taken on their own responsibility, even though in agreement with Parliament, and of course they too have nothing to do with the question of Parliament's permanent seat.

This is the spirit in which we are working towards the elections, and it would be good if there were to be no misunderstandings on these matters, because we are determined to respect the existing agreements.

I thank the Honourable Member for giving me the opportunity to confirm this in public.

I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, may I ask you a question? If the new building materializes, who is going to pay the rent? This Parliament, I assume. It is therefore logical for Parliament to take an interest in the matter, and Mr Dalyell's question as to whether it is possible to inform the Committee on Budgets seems to me a perfectly logical one, since account will have to be taken of the rent. I should like to hear your view on this.

**President.** — Of course these problems ought to be looked at by the Bureau and then by the Committee on Budgets. The problem to which you refer will be dealt with when the time comes, since for the moment there is only a preliminary proposal from the Luxembourg Government and there is no question as yet of the amount of rent.

I call Mr Spicer.

**Mr Spicer.** — I personally and, I am sure, our group welcome the statement you have made on this. If the Luxembourg Government wishes to chance its arm, if it wishes to put up a building then that is its own affair. We have no responsibility. That is all you have said, I am sure we all support that view and will support you in the line you have taken on this.

**President.** — Mr Spicer, you have gone rather too far in your interpretation of what I said.

To avoid any misunderstanding, I repeat that any measures taken will be based on the 1965 Decision by the governments and that any resolutions which may be adopted do not affect, either directly or indirectly, this Decision.

## President

If the Luxembourg Government takes decisions on the matter, it is clear that it does so on its own responsibility. Therefore it is also Parliament's responsibility to avoid government decisions being taken without previous agreement. If such agreement is reached, the problem will be dealt with first by the Bureau and then by the Committee on Budgets.

### 10. Question Time

**President.** — The next item is the third part of Question Time (Doc. 483/77).

We shall continue with the questions to the Commission of the European Communities.

I call Question No 10 by Mr Spicer

When the Commission is investigating an allegation of dumping, what degree of market penetration (actual or threatened) by the goods allegedly dumped is held to justify action?

**Mr Haferkamp, Vice-President of the Commission.**

— (D) In accordance with the provisions of anti-dumping law, the Commission takes account, when working out the extent of damage, of all the factors which go against the interests of Community industries; the market share of products which it is alleged are being dumped is an important element, but account must also be taken of the price situation, the profit situation, export figures, the utilization of capacity and the employment situation. The rules expressly lay down that none of these criteria may on its own be taken as sufficient proof of dumping. It is impossible to draw up any general and fixed rules on the extent to which a particular product must penetrate the market before it can be regarded as harmful. It is perfectly possible for a healthy industry to support even considerable market penetration by another competitor, whereas a relatively low level of market penetration can be harmful in particularly sensitive sectors.

**Mr Spicer.** — Does the Commission not consider that the time lag he suggested might, perhaps be rather too long and that the damage could be done before effective action is taken. Is there any way in which he feels that we within the Community could tighten up on this and shorten the time before action is taken?

**Mr Haferkamp.** — (D) We have the possibility of taking temporary measures, and most of the time is taken up with establishing proof. It is often the case, that when a complaint is made, we must investigate the matter further, If proof is available, the decision is generally made within five days.

**Mrs Dunwoody.** — Would not the Commissioner agree that in that set of circumstances it would be better to delegate action to the national governments, which already have reasonably efficient machinery for

imposing countervailing duties, until the Commission knows that it has enough information on which to act? That would cut down the time taken, cut down the damage and protect jobs in industries which are already very much under attack?

**Mr Haferkamp.** — (D) My answer is no, for the following reason: national decisions must also comply with legal provisions, and national decisions must also be based on the necessary proof. We have very close and fruitful cooperation with all the national departments concerned.

**Mr Normanton** — On the basis of the Commissioner's explanation of the definition of criteria of dumping, would the Commission not agree that the penetration of the Community market by the American aircraft industry, to the extent of 97.6% for heavy long-distance aircraft and 87% in the case of medium and short-haul aircraft, is a matter which it should regard as urgently calling for examination and, hopefully, appropriate action?

**Mr Haferkamp.** — (D) I agree with the Honourable Member in that the situation of the aircraft industry requires urgent examination. I would refer you to the debate held in this House a few days ago. But this is not a matter which can be regulated simply by applying dumping criteria.

**President.** — I call Question No 11 by Mr Martelli:

At the part-session of May 1977 the Assembly expressed approval in principle for the establishment of a European Export Bank and called on the Commission to submit a new proposal as soon as possible. The Commission had undertaken to submit the proposal, based on the comments made during that debate, by 31. 12. 1977. Can the Commission give information on the state of progress on this matter?

**Mr Haferkamp, Vice-President of the Commission (D).** — On this question I must first of all make it clear that in the sitting on 9 May last year my colleague Mr Tugendhat stated that the Commission wanted to make progress on this matter as quickly as possible and was aiming at the end of the year as a deadline. At the time we were not able to make a firm promise on the time limit and it was right to make such a cautious statement, since despite considerable efforts we have not in fact managed to keep to the timetable we wanted.

There are basically two reasons for this. Firstly, the question of the establishment of a European Export Bank is, as has indeed already been discussed here, closely bound up with the general problem of export finance. Parliament itself drew attention to this in the debate on 9 May and also in its resolution of 15 June. A major part of our work here has been aimed firstly at renewing the gentlemen's agreement on

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export credits and additionally at improving the international agreement. You will agree that such agreements and international conventions also form a vital basis for the effective operation of such a bank. We have recently made substantial progress on this point.

The second reason for our not having been able to finalize the proposal by the end of the year is connected with the fact that in the course of this work new questions and new problems frequently arise which we have had and will continue to have to discuss with the Member States and the economic circles concerned before we have a sound basis for such an important operation as this Export Bank.

**Mr Martinelli.** — (I) Is the Commissioner — who after about seven months has come to tell us that the Commission has had a great deal to do and that this was not one of the most pressing questions — now able to fix a date, or at least a tentative date? Will we get a more or less similar reply in six months from now?

**Mr Haferkamp.** — (D) I cannot give a definite date here. I am thoroughly in favour of reporting at frequent and regular intervals to Parliament and the relevant committee on how the work is progressing. That seems to me to be more sensible than speculating on a date.

**Mr Dalyell.** — As the rapporteur for the Committee on Budgets on the European Export Bank, could I ask what precisely are these new problems to which the Commissioner referred which have arisen with industry, or if it would take too long to answer that, would he write to Mr Lange, the chairman of the Committee on Budgets, setting out precisely what these new difficulties are?

**Mr Haferkamp.** — (D) I shall be happy to explain this in detail. The difficulties are primarily connected with the fact that we had the formal international agreements and the gentlemen's agreement. It was already difficult enough putting that in a sensible and generally acceptable form. A further factor was the need to renew agreements which expired on 30 June last year; it is obvious that for an institution such as this to operate properly there is also a need for a political agreement to the effect that there should be no outbidding each other, in respect of credit conditions, etc, at the expense of the Finance Ministers. This is still being dealt with and just last week we made progress on this question in the course of international discussions in Paris, so that I think that with regard to the political framework we have a sounder basis here than a year ago. But I shall be glad to set this out in detail for the Honourable Member.

**President.** — I call Question No 12 by Mr Osborn, for whom Lord St Oswald is deputizing:

What studies have been made by the Commission and by Member States of the fishing and oil potential of the South Atlantic, particularly in the neighbourhood of the Falkland Islands, and how does the Commission plan to develop an economic relationship with the government and people of the Falkland Islands?

**Mr Haferkamp, Vice-President of the Commission.** — (D) The answer is as follows. The European Communities have not so far financed any studies in the fisheries and oil sectors in the area concerned. As you have already heard from the Council's reply, relations with the Falkland Islands are governed by the provisions of the Council Decision of 29 June 1976. Under the terms of this Decision — and it is also our intention to put this into effect — the economic and social development of the countries and regions concerned, which include the area referred to here, is to be encouraged and their economic structure strengthened.

**Lord St Oswald.** — I am much encouraged, and I think Mr Osborn will be encouraged by the reply, so far as it goes, of the Commission. I am sure that they take into account the fact that there are very considerable possibilities. I am delighted to hear that the Commission have powers, and that they are well disposed towards using those powers for investigation. I am sure that the Commission will take into account the fact that there is the equivalent of twenty thousand million barrels of oil on the shelf between the Falkland Islands and Patagonia, and I am not going to embarrass the Commission by making a political point of the fact that twenty thousand people in Patagonia speak Welsh as their first language.

**President.** — I call Question No 13 by Mr L'Estrange:

Pending the introduction of a comprehensive common organization of the market for sheepmeat and in view of the often repeated closure of the French market to Irish sheepmeat by the French Government when prices fall below a certain level, will the Commission consider ways and means of preventing such action by the French Government or, alternatively, propose the introduction of a subsidy to Irish sheepmeat producers to compensate them for losses arising from such wilful obstruction of intra-Community trade?

and Question No 14 by Mr Feit, dealing with the same subject:

Can the Commission indicate the effects of the proposals concerning the organization of the market in sheepmeat, which will come into force on 3 April 1978, on incomes in the Community's least-favoured regions? How does it intend to limit the impact of imports of sheepmeat from New Zealand on prices on the European market?

**Mr Gundelach, Vice-President of the Commission.** — I would like to state that until 1 January of this year, the six original Member States of the Community had certain facilities for protecting their markets

## Gundelach

for sheepmeat from imports from the three new Member States. Those facilities ceased to apply after 1 January, and the general rules of the Treaty concerning the free movement of goods are now in force. Consequently, there is no legal possibility for any Community government, including the French Government to close the market to imports, including imports from Ireland, and to my knowledge that has not happened. In other words, there have been free imports from Ireland into France.

Other questions concern levies on imports from another Member State, the United Kingdom, and the Commission is taking the necessary steps under the Treaty to deal with what would appear to be an infringement. In other words, the Commission must deal with this matter and secure the free movement of sheepmeat.

Consequently, in the interim period until a sheepmeat regulation has been adopted by the Community, to pay *ad hoc* subsidies to one individual Member State would not be in accordance with the rules on general treatment of people in equal conditions.

But — and this is the main element in the second part of Mr Feit's question — a Community market regulation for sheepmeat has previously been proposed by the Commission, but not adopted by the Council. Now a solution has to be sought in the context of the price review, and will hopefully be adopted before the first of April. Special attention must, in the view of the Commission, be given to the income situation of farmers in the Community's less-favoured regions. What we have in mind is that there should be some kind of assistance, some kind of premiums, one way or another, for the producers of sheepmeat in those areas, in an overall market regulation. In this way we can solve the legitimate income problems of farmers in least-favoured regions, while maintaining relatively low prices for sheepmeat consumers. This would also help to solve our trading problems with New Zealand, against which there is, however, I must recall, a tariff of no less than 24 % at present.

**Mr l'Estrange.** — Could Commissioner Gundelach inform us when there will be a common agricultural policy for sheepmeat?

**Mr Gundelach.** — I cannot naturally commit the Council here, but as far as the Commission is concerned, it is a necessity that a common market regulation policy for sheepmeat be adopted before 1 April, that is, in the context of the forthcoming price package.

**Mr Howell.** — In view of the seriousness of the charge of discrimination against British sheepmeat producers, can Commissioner Gundelach tell us what action the Commission has taken since these cases

have been reported to him and if he is treating this with great urgency?

**Mr Gundelach.** — Yes. When we were informed of the possibility that there had been discrimination in treatment, we immediately took the normal steps open to us under the Treaty and we will continue to do so. Having said that without any hesitation of any reserve, I would like to say that I am not too sure that over the next few months until a market regulation is adopted the matter is going to develop into a serious conflict. However, as for the legal steps necessary to keep matters in those terms, they are being taken and will continue to be taken by the Commission.

**Mr Power.** — I would like to ask the Commissioner if he is aware that sheep-raising in Europe is confined to disadvantaged areas where there is no alternative income and that a common market in sheepmeat is very necessary to help people in these areas to increase their incomes. Is he aware that Britain can only export her own sheepmeat because of her imports from New Zealand? Does he think it is morally right for the United Kingdom to question the access of Irish sheepmeat to the French market when it is itself so blatantly in breach of Community rules with regard to milk and potato marketing boards?

**Mr Gundelach.** — Production of sheep and lamb is not exclusively confined to the disadvantaged zones in the Community, but there is a certain concentration there and I have clearly indicated that it is the Commission's policy — and I think we are going to be followed by the Council — to give special treatment to producers in the disadvantaged zones.

When it comes to the question of applying the law to exports of meat and lamb from the United Kingdom, I am not talking in ethical terms, I am talking in terms of existing law: the law is what the law is, and the law is from 1 January that there should be free trade. I am at the same time saying that I think in the interim period, until the market regulation has been adopted, we should behave as sensible people and not rock the boat and I do not think anyone is going to do that. So I think this situation will remain reasonably under control.

As far as imports from New Zealand are concerned, if you consider the figures for our production and consumption you will see that there is a need in Europe for those imports from New Zealand, and what is wrong with that?

*(Applause)*

I have indicated that it is subject to a tariff in the normal manner, and I do not see anything unnatural about that state of affairs.

*(Cries of 'Hear! Hear!')*

**Mr Spicer.** — The Commissioner did indicate that he recognized that the export of Irish lamb to France

Spicer

and the way in which it is being conducted was not in effect a serious problem. I think that we would all recognize that this is so, but would he also recognize that in the United Kingdom that has received very wide publicity indeed and will, unless some action is taken urgently by the Commission, provoke unfavourable comment not only within the National Farmers Union and the agricultural community but also — perhaps to the delight of some people — in wider circles and be placed at our door as yet another example of how the EEC operates double standards?

*(Cries of 'Hear, hear!')*

**Mr Gundelach.** — Having described my conception of the substance of the matter, I thought I had made it quite clear that the Commission has taken the necessary legal steps *vis-à-vis* the French Government concerning the imposition of certain levies on imports of lamb and sheep carcasses from the United Kingdom, just as we have taken legal action against the United Kingdom Government for stopping imports of potatoes from other countries.

*(Laughter)*

**Mr Ryan.** — Accepting what the Commissioner says about the value to Europe of cheap imports from elsewhere, does the Commission accept that it is appropriate that 250 000 tonnes of cheap New Zealand lamb should be imported by one of our member countries, while at the same time it exports 25 000 tonnes of its own lamb to the more lucrative market of Europe and does not allow the rest of Europe to share in the free or cheap food benefits which accrue to it by this operation?

**Mr Gundelach.** — I think the Honourable Members have got a few facts wrong. We have, as I said, an arrangement negotiated in the GATT years ago by the Community as it was then constituted, the Europe of Six — it was not even the Europe of Nine — which instituted a tariff of 24 % for imports of sheep and lamb from New Zealand. That import can be undertaken by anybody in Europe: it is not an exclusive right to the United Kingdom, it is available to any Member State of the Community. That is the first point.

Secondly, your figures for the amount of lamb and meat which the United Kingdom exports to other European countries is quite wrong. It is a much smaller figure which the United Kingdom normally exports to other Community countries, the highest being about 400 live sheep or lamb to the French market in the course of the year — maybe in the future it will be slightly more, but I rather doubt it. So it is not a question of lamb being imported cheap into the United Kingdom and then sold to other Community countries. That is not the story at all.

*(Applause)*

**President.** — I call Question No 15 by Mrs Ewing:

Will the Commission take note of the large amount of land in the member countries of the Community not at present fully used for agricultural purposes, and consider measures to use this land for forestry, bearing in mind that much of this land is suitable for this purpose?

**Mr Gundelach, Vice-President of the Commission.**

— My reply is really very brief, because it is a very loud and clear 'yes'. The Commission is of the opinion that the land of the type referred to by the Honourable Member should be subjected to forestry. We have previously made proposals to the Council which have not been very enthusiastically received. We have returned to the attack, first now in connection with the Mediterranean policy which we discussed at some length this morning — this is a priority but certainly not an exclusive area — and we shall shortly make other proposals in order to get the Council to accept that money should be spent by the Community to plant forests on the type of land to which the Honourable Member has referred, which is better used for forests than it is either for no purpose at all or at a high cost for not very economic purposes. We need forests both from the environmental point of view and for the purpose of providing us with wood as a raw material, and therefore it would be an excellent investment. I personally attach the greatest importance to this policy.

**Mrs Ewing.** — May I thank Mr Gundelach for the answer, which of course is along the lines I would wish to have had? Is the Commissioner aware that in Scotland millions of acres highly suitable for softwood tree planting are mostly in the hands of a few individuals and producing a quarter of an ounce of grouse per acre, and yet not one acre has been acquired by compulsory purchase for the public sector since the Forestry Commission was set up? Does the Commission not agree that this must be a waste and abuse of a unique natural asset on the grand scale? I look forward to seeing plans for bringing these acres under trees for the future of our environment.

**Mr Gundelach.** — Without interfering in internal national affairs, I can only repeat that the Commission will do its utmost to create the incentives and pressures necessary to ensure that land which is not really well used for other purposes is used for forests, because we do need the wood — it is becoming a scarce product in Europe — and we need the forests also for environmental reasons.

**Mr Dalyell.** — Is the Commissioner aware that any topic on which Mrs Ewing and I agree is such a blue-moon event that he really ought to take notice?

*(Laughter)*

**Dalyell**

Could I ask him whether he could tell us precisely how the Council is not enthusiastically receiving his propositions? What should we, as Members of the British or any other Parliament, be doing to urge our own governments to do more in this important field?

**Mr Gundelach.** — I am quite sure that the active support of the European Parliament, both by addressing itself directly, as such, to the Commission and indirectly through Members in their national parliaments, will assist me in convincing the Council that this is an excellent policy.

**Mr Cifarelli.** — Does the Commission intend to carry out a comparative study, an examination of present needs, from the forestry point of view, and of the harm caused by insufficient afforestation? I think that public opinion and the national parliaments must be made aware of the harm caused by the lack of adequate forests.

**Mr Gundelach.** — Yes, naturally, when we make proposals of this kind they have to be backed up by the necessary analyses concerning the value of the land put to this or that use, the situation in regard to forests, the lack of raw materials, the environmental consequences of diminishing the area of afforested land, etc. All these analyses have already been made in support of the proposals submitted by the Commission in 1975, and we are in the process of updating them as support for renewed and more vigorous and comprehensive proposals which we intend to make shortly.

**Mr Corrie.** — Mr President, in any new proposals the Commission bring forward, would they try to encourage the planting of hard woods as opposed to soft woods and pine, which are very quickly used for chip boarding, because of the massive amount of money spent on bringing hard woods into the Community for building purposes?

**Mr Gundelach.** — Yes, indeed. Without going into too many technical details about forestry which I do not master anyway nearly as well as fisheries by now, the normal procedure is that when you take so-called waste-land, you start with softwood but, having gone through one cycle of soft wood, you have prepared the ground for hard wood. And that is the way we must proceed — not use soft wood everywhere and all the time, but proceed from a cycle of soft wood to the planting of hard woods.

**Mr L'Estrange.** — I would just like to ask the Commissioner whether he would not press the Community to introduce a scheme of aids to encourage forestry as much of the suitable land is in the Community's least-favoured areas? Could it not be looked upon as a means of redressing the growing imbalance between the wealthy and the poor areas?

**Mr Gundelach.** — The answer is 'yes', and its inclusion in the proposal we discussed this morning for the Mediterranean policy is an example; that does not necessarily exclude, for instance, Ireland.

**President.** — Since their authors are absent, Questions No 16 by Mr Dondelinger, No 17 by Mr Albers and No 18 by Mr McDonald will be answered in writing.<sup>1</sup>

Question No 19 by Mr Ryan was answered during the sitting of Tuesday, 17 January.

I call Question No 20 by Mr Schmidt:

On 28 November 1977 the Council, on a recommendation from the Commission, concluded an Agreement in the form of an exchange of letters extending for one year the Trade Agreement between the EEC and the Argentine Republic. In view of the situation concerning human rights in Argentina, how does the Commission justify its recommendation and the use of a procedure which avoids the necessity for approval by the European Parliament?

**Mr Haferkamp, Vice-President of the Commission.**

— (D) The Agreement with Argentina, which has been in existence for a number of years, contains essentially three elements: mutual granting of most-favoured-nation status in trade, an information system in the agricultural sector and the establishment of a joint committee. For the Commission's part the institutional aspects of the Agreement have been practically on ice for over a year in view of the internal political situation in Argentina to which the question refers. In the past few years, Argentina has made considerable efforts to obtain an extension of the Trade Agreement on the lines of a comprehensive cooperation agreement. The Commission has not been at all receptive to these overtures. As a result of this attitude, relations between the Community and Argentina, apart from the formal continuation of the Agreement, have become extremely cool in recent years. We have let Argentina know that the improvement and development of relations between the Community and Argentina can only be given serious consideration again when the internal situation in Argentina has shown a suitable improvement.

**Mr Schmidt.** — (D) Mr Haferkamp, in view of what you have yourself just said about the situation, do you feel it is right to do this by means of a letter? Here in Parliament, the Political Affairs Committee has a motion for a resolution signed mainly by Christian Democrats and Socialists, which sets out once again some of the fundamental violations of human rights. Would it not be better in this situation, in order to maintain credibility, to choose not this shortened procedure but one which would provide an opportunity of having a full discussion on the situation in Argentina?

<sup>1</sup> See Annex.



**Mr Haferkamp.** — (D) In a whole series of debates on human rights questions in this House the Commission has always made its position unequivocally clear. I think that we are in complete agreement here on the essence of the matter and I am of course willing to do anything that might contribute to making this more apparent to the outside world. But I am not sure it is right to deal with each of these questions in detail for each individual agreement, including, for example, the numerous Association Agreements with which we are concerned. I think that the right course is to pursue discussions on the underlying questions, for example the major debate on human rights that we had in Strasbourg a few months ago, the essence of which we keep on bringing up again, as was the case in connection with the report on the reunification of families in this House yesterday; we should thus pursue the matter on this basis and then try in each individual case to put our conclusions into practice. Similarly, I am quite willing to use the Agreements and formal procedures themselves as an opportunity for this; on this point there is no difference of opinion between us whatever.

**Mr Edwards.** — In the light of that reply, I wonder if it can be the general policy of the Commission to freeze agreements of this nature with all countries that are violating human rights. Is this to be the practice? If not, I hope it will be.

**Mr Haferkamp.** — (D) The fact is that we have various types of agreement, and I should like to repeat what I said in the human rights debate in Strasbourg a few months ago — that it is not, I think, so much a question of making general declarations but of deciding each case on its merits. There is a great deal of difference between the various cases in which human rights have been violated; our relations with the various countries also vary greatly. I think that what was brought out in that debate on the basis of Mr Bertrand's report and approved unanimously by all Members of this House should still be a valid principle for us: our aim should be not so much to be systematic as effective.

For example, the sort of attitude I described just now, i.e. blocking further development on some things and more or less putting them on ice, will be a rather different matter from the question of finding basic guidelines on the question of human rights for the whole range of ACP countries in connection with preparations for the new Lomé Convention. I simply mention that to show how great the differences are. We shall in any case have to do whatever is most effective, and you can rest assured that the Commission is fully in agreement with you.

**President.** — I call Question No 21 by Mr Jensen:

Since the existence of the Community's considerable coal stocks is mainly due to the fact that the EEC steam coal

price exceeds by approximately 80 % the world market price of US\$ 32 per tonne, does the Commission intend to bring the Community price down to world market level by granting direct aid to those coastal countries which are the principal importers of coal from third countries, rather than by granting aid for stockpiling?

**Mr Haferkamp, Vice-President of the Commission.**

— (D) It is true that there is a considerable gap between the price of steam coal on the world market and the Community prices. This is, however, due to a combination of factors — above all the relatively high extraction costs in the Community and also the current energy surplus on the world market as a whole. It is a year now since the Commission submitted to the Council a proposal for paying assistance for the use of coal in power stations. The Commission stands by its proposal. I should like to say, however, that it is not possible to subsidize home-produced steam coal sufficiently to bring it into line with world price levels. This would be beyond the Community's financial capacity. Moreover, the question of steam coal is to be raised again at the next Council meeting on 21 March.

**Mr Jensen.** — (DK) If the Commission wishes to finance aid to Community coal through import duties on coal from third countries or possibly through other duties, which will also have to be borne by Member States with no coal production of their own, does it not think that such a proposal ought to be accompanied by a crisis plan for the EEC's coal supplies, so that the non-coal-producing Member States can be sure in advance that the production capacity, the maintenance of which they are helping to finance, will also be available to them in the case of a shortage as referred to in Article 59 of the ECSC Treaty? In other words, should not any financial solidarity on the part of the coal-importing Member States be accompanied by solidarity of supply on the part of the coal-producing Member States?

**Mr Haferkamp.** — (D) One Article of the ECSC Treaty, which has just been quoted, already contains an obligation to ensure even distribution of supplies to the common market in times of crisis; the Commission in its capacity as High Authority would then also be responsible for putting this into effect. An important factor in the whole coal policy of the past ten years has been the fact that on the one hand there is this obligation on the producing countries to supply coal, while on the other hand in times of surplus there is also an obligation on the importing countries to purchase coal, which should be the natural counterpart to this solidarity. The Commission bears both these aspects in mind.

**President.** — I call Question No 22 by Mr Nyborg:

Does not the Commission feel that the time has come to look into conditions of competition in the aviation sector

**President**

with reference to Articles 85 and 86 (a) of the EEC Treaty, having regard, for one thing, to the apparent incompatibility of the IATA agreement with the provisions of those Articles?

**Mr Vouel, Member of the Commission.** — (F) As pointed out in the reply to Written Question No 778/77 by Mr Fellermaier, and as Mr Burke stated before this House on Tuesday in his reply to Mr Seefeld and Mr Ryan, the Commission is currently studying all the questions concerning the application of competition rules to air transport. In this context, it is engaged in drawing up a draft Council regulation on the application of Articles 85 and 86 of the Treaty to air transport. It should be possible for this draft to be discussed with the national experts in the next few weeks and then to be submitted to the Commission for approval and transmission to the Council. I would add, Mr President, that this draft regulation will deal with all the questions of competition in the area concerned, including the agreements concluded in the International Air Transport Association.

**Mr Nyborg.** — (DK) I should like to take this opportunity of asking the Commissioner the following question: if we now want to call in experts from the various Member States and negotiate with them, should we not also take due account of the fact that there are such things as private airline companies, so that it can be guaranteed in advance that not only experts from the national airlines are called in?

**Mr Vouel.** — (F) We shall naturally take account of all the aspects and, if necessary, consult all the appropriate experts.

**Lord Bethell.** — The House is pleased to hear that at last the Commission seems to be turning its mind seriously to the question of the high cost of air travel between the different parts of our Community. We now have the quite absurd situation where it costs only a very little more to fly from London to New York than from London to Paris. Nothing surely could do more to bring our Community together than to address ourselves seriously to the restrictive practices of IATA and to reduce the cost of air travel between our Member States.

(Applause)

**Mr Vouel.** — (F) I agree very largely with the ideas expressed by the Honourable Member.

**Mr Noè.** — (I) Will this document also deal with the thorny problem of the relations between charter flights and scheduled flights organized by companies belonging to IATA?

**Mr Vouel.** — (F) This will also be taken into account.

**Mr Cifarelli.** — (I) I think that the great price controller is public opinion and ask the Commission to inform consumers as much as possible of the methods of fixing fares, comparative figures, mileage allowances and so on. This is a basic and indispensable requirement.

Does the Commission think that it must make an effort in this direction?

**Mr Vouel.** — (F) This aspect of the question was fully dealt with in the reply by Mr Burke to the questions by Mr Ryan and Mr Seefeld. Naturally, everything which the Commission does also takes consumers' interests into account.

**President.** — *Question Time* is closed.<sup>1</sup>

I thank the representatives of the Commission for their statements.

11. *Votes*

**President.** — The next item is the voting on the motions for resolutions contained in the reports on which the debate is closed.

We shall begin with the motion for a resolution contained in the *Blumenfeld report (Doc. 427/77): Political cooperation in Europe.*

I put the preamble and paragraphs 1 to 4 of letter A to the vote.

The preamble and paragraphs 1 to 4 of letter A are adopted.

On paragraph 5, I have two amendments proposing new wording for this paragraph:

— Amendment No 1, tabled by Mr Lange and Mr Radoux on behalf of the Socialist Group:

5. to decide to end the distinction between 'Community' and 'political cooperation' matters and to call on the Conference of Foreign Affairs Ministers to enable the Commission to participate fully in all political cooperation meetings;

— Amendment No 2, tabled by Mr Sieglerschmidt:

5. to decide to end the avoidable distinctions between 'Community' and 'political cooperation' matters and to call on the Conference of Foreign Affairs Ministers to enable the Commission to participate fully in all political cooperation meetings.

These amendments are mutually exclusive.

I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, I should like to point out that the first amendment has been withdrawn and that only Mr Sieglerschmidt's amendment remains.

<sup>1</sup> See Annex: Questions which could not be answered during Question Time, with written answers.

**President.** — I note that Mr Lange's amendment has been withdrawn. We are therefore left with Amendment No 2 by Mr Sieglerschmidt.

I call Mr Klepsch.

**Mr Klepsch.** — (D) I should just like to give the rapporteur's opinion, since he asked me to do so in view of his inability to attend. I ask to speak simply in order to deputize for the rapporteur.

**President.** — Please give us the rapporteur's opinion on Amendment No 2.

**Mr Klepsch.** — (D) The rapporteur said yesterday that he was prepared to accept Amendment No 1, which has unfortunately been withdrawn, but not Amendment No 2. That is all I can say, and since we are now left with Amendment No 2, I am in a difficult situation; I have informed you correctly of the rapporteur's opinion.

**President.** — I put Amendment No 2 to the vote. Amendment No 2 is rejected.

I put paragraph 5 to the vote.

Paragraph 5 is adopted.

I put paragraphs 6 and 7 and letter B to the vote.

Paragraphs 6 and 7 and letter B are adopted.

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

The resolution is adopted.

We shall now consider the motion for a resolution contained in the *Prescott report (Doc. 465/77): Aid to shipbuilding*.

I put the preamble to the vote.

The preamble is adopted.

On paragraph 1, I have Amendment No 1, tabled by Mr Stetter on behalf of the European Conservative Group:

This paragraph to read as follows:

'1. Reiterates that it is urgent and important for the Community to develop an industrial policy embracing the interdependent sectors of shipping, shipbuilding and shiprepairing, including the construction of naval vessels, and commercial trade policy.'

What is Mr Prescott's position?

**Mr Prescott, rapporteur.** — Mr President, after some discussion the committee voted against this amendment in committee and recommends the House to vote against it this afternoon.

**President.** — I put Amendment No 1 to the vote. Amendment No 1 is rejected.

I put paragraph 1 to the vote.

Paragraph 1 is adopted.

I put paragraphs 2 to 7 to the vote.

Paragraphs 2 to 7 are adopted.

On paragraph 8, I have Amendment No 3, tabled by Mr Nyborg:

This paragraph to read as follows:

'8. Notes, in this connection, the significance it ascribes to certain provisions of the proposal for a directive (Article 4 (1), Article 5 and Article 6 (2)) stipulating that the Commission must approve certain aid measures in advance; calls on the Commission and the Council to extend the prior approval to include the other forms of aid referred to in Articles 4, 6 and 7.'

What is Mr Prescott's position?

**Mr Prescott, rapporteur.** — I recommend the House to vote against this amendment, and I believe this is supported by the Commission also, Mr President.

**President.** — I put Amendment No 3 to the vote. Amendment No 3 is rejected.

I put paragraph 8 to the vote.

Paragraph 8 is adopted.

After paragraph 8, I have Amendment No 2 tabled by Mr Stetter on behalf of the European Conservative Group:

After paragraph 8 insert a new paragraph to read as follows:

'8a. Urgently calls on the Council to give the Commission the necessary powers concerning prior approval, since this is the only way of ensuring that national aid measures can in practice be harmonized to a certain extent and of avoiding the most extreme distortion of competition.'

What is Mr Prescott's position?

**Mr Prescott, rapporteur.** — The committee discussed this amendment at some length. I recommend the House to consider its rejection, and believe it would also cause considerable administrative difficulties to the Commission.

**President.** — I put Amendment No 2 to the vote. Amendment No 2 is adopted.

I put paragraphs 9 to 11 to the vote.

Paragraphs 9 to 11 are adopted.

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

**President**

The resolution is adopted.

I put to the vote the motion for a resolution contained in the *McDonald report (Doc. 398/77): 1977 Peace Price*.

The resolution is adopted.

We shall now consider the motion for a resolution contained in the *Ligos report (Doc. 467/77): Community agriculture*.

I put the preamble and paragraphs 1 to 3 to the vote.

The preamble and paragraphs 1 to 3 are adopted.

On paragraph 4, I have Amendment No 1, tabled by Mr Hughes, proposing that this paragraph be deleted.

What is Mr Pucci's position?

**Mr Pucci, deputy rapporteur.** — (I) I am not in favour.

**President.** — I put Amendment No 1 to the vote.

Amendment No 1 is rejected.

I put paragraphs 4 to 6 to the vote.

Paragraphs 4 to 6 are adopted.

On paragraph 7, I have Amendment No 2, tabled by Mr Hughes:

Delete the words:

'...at insuring greater protection from imports from other Mediterranean countries at artificially low prices, ...'

What is Mr Pucci's position?

**Mr Pucci, deputy rapporteur.** — (I) I am not in favour.

**President.** — I put Amendment No 2 to the vote.

Amendment No 2 is rejected.

I put paragraphs 7 to 9 to the vote.

Paragraphs 7 to 9 are adopted.

On paragraph 10, I have Amendment No 3, tabled by Mr Hughes, proposing that this paragraph be deleted.

What is Mr Pucci's position?

**Mr Pucci, deputy rapporteur.** — (I) I am not in favour.

**President.** — I put Amendment No 3 to the vote.

Amendment No 3 is rejected.

I put paragraphs 10 to 12 to the vote.

Paragraphs 10 to 12 are adopted.

On paragraph 13, I have Amendment No 4, tabled by Mr Hughes, proposing that this paragraph be deleted.

What is Mr Pucci's position?

**Mr Pucci, deputy rapporteur.** — (I) I am not in favour.

**President.** — I put Amendment No 4 to the vote. Amendment No 4 is rejected.

I put paragraphs 13 to 17 to the vote.

Paragraphs 13 to 17 are adopted.

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

The resolution is adopted.

I put to the vote the *motion for a resolution (Doc. 501/77)rev.): Deportations in Chile*.

The resolution is adopted.

## 12. Statement by the Commission on fisheries

**President.** — The next item is the statement by the Commission on the last meeting of the Council of Agriculture Ministers, which was devoted to fisheries.

I call Mr Hughes on a point of order.

**Mr Hughes.** — Mr President, should like to register very great disquiet that following the statement we are about to hear no opportunity is offered to members of this House to even ask a question. I accept entirely that there should be no debate, but I must register deep disquiet that no opportunity is allowed to Members of this House to question the Commissioner on his statement.

**President.** — This morning the Bureau decided that, instead of holding a debate on this subject which would have considerably lengthened the proceedings, the Commission should inform Parliament immediately of the decisions taken by the Council of Ministers on fisheries.

Subsequently, Parliament, using the procedural instruments which are available to it, will be able to conduct a thorough debate.

I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — Mr President, I am very pleased to be given this opportunity to make a progress report on action taken by the Council on the proposals of the Commission, which have been the subject of a debate in Parliament, for an internal fisheries régime for the Community. I say it is a progress report, because you may recall that when the Council met to discuss initially the Commission proposals for an internal fisheries policy at the beginning of December, it decided unanimously to suspend its work but not to adjourn the session of the Council. This is commonly called 'stopping the clock'. It decided to resume the discussions on 16 and 17 January, but as part of the original session which started on 3 December.

The reason for this suspension was partly that all the elements necessary for a decision were not available. Among other things the European Parliament had not had an opportunity to express its views and give its advice on the Commission proposals until your December part-session. Furthermore, Member States,

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which were demanding that in the allocation of quotas of various species of fish, regard be had in accordance with the principle of the Commission's own proposals, to losses, including losses in third countries, presented at the earlier stage of the Council session in December the necessary concrete information allowing an assessment to be undertaken for the first time of the overall magnitude of the losses for which compensation, or burden-sharing to be more correct was to be undertaken.

Having obtained these additional and necessary elements, the Commission proceeded to revise its proposals concerning rules on fish conservation, methods of control, respecting quotas and rules on conservation and finally an allocation of the total allowable catches for all main species and stocks. This final allocation takes into account the concept of losses and other special problems existing in the United Kingdom in particular and to a lesser extent in other countries, for instance, the Federal Republic of Germany.

In preparing these proposals the Commission has operated along the lines I described fully in a debate in this House in December. We have followed the lines of that discussion in sharpening up our proposals concerning fish conservation and control measures, and in that connection I would like to point out that the Commission has strongly underlined the use that can be made in the context of control, and possibly also for other purposes, of the concept of fishing plans. The fishing plan is a notion that the Commission introduced into the debate early in 1977 as a means whereby the gap between the thinking of certain European countries on the one hand and that of the United Kingdom and Ireland on the other could possibly be bridged. The fishing plan is an instrument whereby one defines and controls rather rigidly and in detail the fishing operations permitted to any country fishing in a given described water, in order to catch the fish allocated in the form of a quota.

In the Commission's view this idea of a fishing plan is a possible measure whereby respect for the rules of the Treaty on free access to fishing waters and non-discrimination, subject to rules on conservation and to the quota allocation, can be brought into line with the position of those countries that originally claimed certain reserved zones over and above the 12 miles proposed by the Commission, zones which the Commission and others, as you will know from previous discussion, felt were not in accordance with the principles and rules of the Treaty and therefore politically unacceptable. We have therefore, for these reasons, underlined the use of these fishing plans in our final proposals.

In reallocating the quotas, we have, as I said, taken into account the losses and special problems of the

countries to which I referred, having already in earlier proposals fulfilled the promises made to Ireland, Northern Ireland, the United Kingdom and Greenland for a preferential treatment in quota allocations. The overall result of our proposal for the allocation of quotas can be briefly described as follows: while the Community overall has suffered a loss of fishing possibilities in the order of magnitude of 7 to 8%, due to conservation, over-fishing or diminished fishing opportunities in the waters of third countries, our proposed allocation would leave the United Kingdom in a situation where it actually has no overall loss compared with the situation on average between 1973 and 1976. That overall figure would naturally conceal a certain difference of distribution in regard to individual stocks and quotas. In particular, full satisfaction would not be given to British demands in regard to cod, because the amount of cod necessary to do that is not available in European waters, unless the cod fishing of other European countries is virtually wiped out...

**President.** — Will the Vice-President of the Commission give way? You may therefore speak, Mr Hughes.

**Mr Hughes.** — Can the Vice-President of the Commission indicate how this Parliament will be given formally the sort of information that he is now giving, so that the fisheries sub-committee and the Committee on Agriculture can provide this Parliament with an opinion upon it. He has clearly indicated very major changes from the proposals on which this Parliament has given an opinion. And what I would ask him is what legal procedure he is going to use to enable this Parliament to take cognizance of these changes and draw up an effective opinion, since the decision of the enlarged Bureau denies us the right to question the Commission following this statement.

**President.** — Our Rules of Procedure, Mr Hughes, provide for various ways of obtaining information about a subject: by putting questions or by holding a debate with the Commission representative in the committee responsible, so that this matter can be discussed whenever you wish.

Mr. Gundelach, please continue.

**Mr Gundelach, Vice-President of the Commission.** — I was asked to give way and I gave way. If Parliament does not wish to hear the rest of my report, naturally I will not impose myself on Parliament.

Mr President, I will continue then with my report, but on the procedural problem raised by Mr Hughes, I would say two things. First, I would like him to recall that at the beginning of my statement I said that in revising our proposals we were following the normal practice. You hold a debate on a Commission proposal. You recommend that we make certain changes, and we go and make these changes, and maybe

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certain other changes, but it has always been the changes that were discussed in this House. You can't then be surprised and say 'What is this? Are these new proposals?' Yes, of course, there must be new proposals, otherwise I haven't been taking the debate in this parliament seriously. Otherwise we could go round in a circle *ad infinitum*.

Having said that, naturally the Commission has nothing against the Parliament as such and its Committee on Agriculture and sub-committee on fisheries being informed of the Commission's proposals. Otherwise I wouldn't be standing here describing them. I'm sorry if I am taking too long, but I am trying to explain the main points. Quite obviously the Commission wants to give you this information and give you the possibility to deliberate thereon. You will remember the other thing I said, namely, that at the present moment the Council is still in session and negotiating. That, of course, limits the amount of information I can give you, if I am not to betray the trust reposed in me in regard to these negotiations.

I was in the process of describing the profile of the amendments to the quota distribution following the discussions in December, as a result of the reallocation of large additional quotas to the United Kingdom. They included a considerable amount of cod, less than it had hoped for, because the cod isn't there, unless we wipe out others to an extent which is economically and politically not feasible. The losses of others who have had to give up these quotas in order to bring this result about is naturally higher than the average of 7 to 8 % to which I referred. They are in the order of magnitude of 10 to 17 %, the 17 % being the loss figure overall for the bigger fishing nations like Denmark and the Netherlands. The lower figure is for France, which has a dual role, fishing both the North Sea and the Mediterranean Sea and Bay of Biscay. This affected percentages; if they were based solely on the fishing situation in the North Sea, its loss percentage would be more or less in the same order of magnitude as the other countries, i.e. the same as Germany and the Netherlands and slightly lower than Denmark.

Mr President, these were basically the amended proposals the Commission submitted to the Council when they met on Monday this week. The Council has discussed all these proposals and yesterday arrived at the point where the Ministers agreed that, since they were now up against certain fundamental political decisions, some further time for reflection was needed before these political decisions could be taken. The Council meeting was consequently suspended once again until 30 January 1978. In other words, there is no breakdown in the negotiations, but a short period of reflection. When we stopped the clock we prolonged all legal texts and conservation measures and what have you until the end of January, so we are

still operating within the time period during which we can continue the negotiations.

In an overall package of this nature, which is obviously extremely complicated and where conservation measures are inter-linked with quotas, where quotas are inter-linked with control measures and control measures raise the fundamental issue of the fishing plans to which I have referred, no government can say yes to any particular aspect before the whole package, as such, is adopted. I must underline that. I do not want in any way to be misunderstood on this point. Nobody can or nobody has said yes to anything, and cannot do so before they have seen the overall package. But having said that, I think it is equally fair for me to report to Parliament that on the basis of the Commission's proposals, a considerable amount of progress has been made in the field of rules concerning fish conservation control and even in regard to the quota proposals. Subject to overall agreement and subject to agreement on politically delicate issues, I think it is fair to say that all delegations, without exception, have accepted the Commission's proposals as a workable basis for a compromise and as a very big step towards an ultimate agreement.

I do not believe — this is my personal impression — that the difficulties facing a decision lie either in the quota field or in the field of concrete rules concerning conservation, even if they are issues which are still undecided, or in the field of control. I think they lie in the question of how one can marry the concept of quotas with concepts of fishing plans and other control measures in such a way that, on the one hand the fundamental principles of the Treaty continue to be observed, and on the other, a situation is brought about which the United Kingdom, in particular, can accept as a satisfactory alternative to positions it has previously taken but not pressed in these negotiations, not necessarily because it has given them up, but because, for the sake of seeking a compromise, it has said: let us see whether there is an alternative in a proper combination of various other elements which are in the Commission's package, either fully or partially, maybe with something added. I think it is fair to say that the United Kingdom's criticism of the Commission's proposals was based more on certain elements that were lacking than on what was there.

Therefore, when the Council resumes, it will not be in order to undertake a new and lengthy technical discussion of a number of paragraphs concerning control and conservation or a long complicated discussion of quotas of 60 different stocks and species; most of that has been digested — not decided upon, but digested — and is ready for decision once the Council can find a political answer to the one fundamental issue of how you marry the quota system with a control system such as the fishing plans which the Commission has previously put forward. The difficulty there is not the

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concept of the fishing plans, which are in principle accepted by all members of the Council now, but the territory in which to apply them. It is not difficult for any member of the Council to apply them in the waters around the Irish coast or the west and north of Scotland or the west of England, but discussion is continuing about the feasibility of using such plans in an appropriate manner in the North Sea. That is fundamentally the issue now under examination by the Member States, and naturally also by the Commission, in order to see whether, on this politically highly delicate and important issue, a way cannot at last be found which will permit a compromise. It is on this area that subsequent discussions will be concentrated. If a way can be found there, then there may be minor changes or adjustments in the rest of the package, but I do not believe, following the discussions which have taken place so far, that it is in these other areas that major difficulties, to put it prudently, will emerge.

Mr President, I think it is fair to say that the Council recognizes that it has been presented by the Commission, with the very valuable help of Parliament, with a complete and viable basis for negotiation and that they have all the elements necessary for concluding a political deal. There is no factual element missing, there is no concept missing, it is all there on the table. All nine ministers recognize it and they recognize now, if I feel at liberty to say at long last that the responsibility is now theirs. The Commission no longer has the responsibility of pulling a new rabbit out of the hat. All the rabbits are on the table. It is how to pair them. That is the political task which must now be undertaken with great political diligence and great political prudence, but also with great imagination.

I think secondly that it is clear that the Council recognizes the extreme importance of arriving at a positive conclusion to these discussions. Firstly, because the uncertainty for the fishing industry is becoming intolerable; secondly, because our position towards third countries is being undermined. We will not be in the position to conclude serious negotiations with important fishing nations like Norway, or to find a solution to the problem of Eastern European countries, until we have a solid basis for an internal fishing policy. And by the way, as I have said previously, no individual Member State any longer believes that it can solve these problems on its own.

Finally there is more at stake than the interests of the fishing industry itself. The Council, I think, unanimously recognizes the need to find a politically valid solution together with a valid economic and social solution in these areas. I should add that the package will also include structural policy and the other matters we have discussed. But finding a political solution to these issues is a test of the political will to make the European Community work. If we fail in that test, the political repercussions will go wider than the fishing industry. They will have consequences for other areas of cooperation. They will indicate a certain

impotence of the Community to handle, in a politically imaginative manner, matters of common interest to it. Therefore the stakes are high, and it is with some satisfaction that I can report to the European Parliament that the Council seems to recognize that the political stakes are high. This being so, while I cannot report that I am 100 % confident that a solution will be found within the next ten days, at least I can report that has been made in that direction and one can see the glimmer of a solution within a reasonably short period of time.

*(Applause)*

## IN THE CHAIR : MR. YEATS

*Vice-President*

**President.** — Thank you, Mr Gundelach.

I call Mr Hughes on a point of order.

**Mr Hughes.** — While echoing, Mr President, your thanks to Mr Gundelach for this statement, can I draw your attention in the chair to the General Instructions of the Bureau on Rules 30 and 31, which read :

'Following explanations or statements made in plenary sitting by members of the Council or Commission, the chairman of the appropriate parliamentary committee shall be given the opportunity to speak for five minutes.

Moreover Members of Parliament may then avail themselves of a period of up to 15 minutes in which to put brief and concise questions with a view to clarifying specific points in such explanations or statements, without, however, engaging in debate on the subject.

*(Decision of the Bureau of 24 May 1973)*

Am I to understand that that Rule was broken this morning in perpetuity and that we now say : Decision of the Bureau of 19 January 1978 : 'following such statements, no such requests can be allowed' ?

**President.** — Mr Hughes, first of all, of course I should make it clear that what you have quoted as a Rule is not a Rule. Its forms part of the guidelines but it is not part of the Rules.

Now, as you stated at the end of your point of order, what you quoted was a decision of the Bureau in 1973. This has, of course, been the normal practice since then. It is, however, open to the Bureau to change its decision in a particular case, and as explained already by the President the Bureau decided this morning that, in the circumstances of this particular statement, there would be no intervention from the floor of the House. This applies of course only to this particular situation, and the normal guideline laid down by the Bureau in 1973 will apply in other cases. However, as far as the chair is concerned, the Bureau took a specific decision this morning that there would be no interventions from the floor after the statement by Mr Gundelach this afternoon. This has been explained already by the President, and I think we are all bound by this situation.

**President.** — The next item is the report (Doc. 375/77) by Mr Vitale, on behalf of the Committee on Agriculture, on

the amended proposal from the Commission of the European Communities to the Council for a regulation concerning producer groups and associations thereof.

I call Mr Vitale.

**Mr Vitale, rapporteur.** — (1) Ladies and gentlemen, the proposed Regulation dealt with in the report from the Committee on Agriculture is extremely important for at least three reasons.

Firstly, it is the culmination of discussions which began way back in 1967. In that year a first proposal was submitted, to be followed by a second in 1971 and a third a year later. The vote we take today should therefore put an end to discussions which have now been dragging on for more than ten years.

The second reason is that the topic of producer groups is a major one in the context of the structural policies which are currently being discussed in connection with the Mediterranean policy, the proposed enlargement of the Community and, in a more general sense, the proposals on the 'Mediterranean package' which were outlined by Mr Gundelach at the last part-session of Parliament.

The third reason why this Regulation is important is that it breaks new ground as far as regards both substance and procedure. The legal force of the Regulation which the Commission has proposed to the other institutions and this is new, of course — varies from country to country and from region to region in the Community. The Regulation is directly applicable in Italy, where everyone agrees that the need for action in this field is greatest owing to the unsolved problem how to concentrate supply. In other areas of the Community the Regulation can be applied when the need arises — i.e. when conditions similar to those in Italy occur — by decision of the Council acting on a proposal from the Commission. The Committee on Agriculture looked carefully at this aspect of the problem, as it has political as well as legal significance, and in the end agreed that it should be accepted.

Discussion among the various Community institutions has dragged on, as I said before, for more than ten years. This shows how difficult it was to produce in reasonable time a regulation which could be applied equally throughout the Community.

When structural issues are discussed, the tremendous differences in the organization of production and the degree of vertical integration soon become apparent, as indeed we heard during this morning's debate. This explains the lack of agreement in the Council for more than ten years. In some areas — the United Kingdom, for example — where a strong cooperative tradition exists, or where there are other kinds of

groups or systems of vertical integration between agriculture and industry on the basis of long-term contracts, the Commission proposals seemed to go too far and become restrictive, and in any case it was not felt that there was any urgent need for them. In other areas seeking Community support to encourage producer groups in all sectors there were attempts to widen the scope of the Regulation.

The Council was split by many other points over these ten years, and this made it impossible to agree on a text. There were numerous problems. Should there be a scheme of investment subsidies? Should aid from the Member States to recognized producer groups be compulsory or not? What kind of rules should govern the group and its members, i.e. should the group simply regulate the manner in which its members marketed their goods or should it engage directly in marketing activity? These were all questions which were thoroughly argued over.

It was then that the Commission realized that a general regulation, valid throughout the Community, could only come from a process of structural development and reform. It was an objective to be pursued in the long term, by applying in particular the structural directives of 1972 — although I mentioned the shortcomings of these earlier today.

There was also the realization that delaying for years a decision on a regulation in this area would not harm the regions where supply was already concentrated and where producers were already organized in some way or another, but that it could only reinforce the inferior status of those regions which had not reached such a level of organization. This is basically what happened. If this state of affairs had continued, it would have had an increasingly adverse effect on the entire Community, and not simply Italy or the countries most involved. There are two reasons for this. Firstly, it would have held up the proper implementation of Article 39 of the Treaty of Rome as regards the modernization of agricultural holdings throughout the Community, the incomes of those engaged in farming, the availability of supplies and reasonable prices to the consumer. If the production costs of a commodity in any area of the Community, be it Italy or elsewhere, are high because producers are not organized, it is the producers and consumers of the whole Community who have to pay in the end. Secondly, if producers were more organized in areas where this was needed, we could very often forestall overproduction and consequent stockpiling at the intervention agencies, with all that this means for the Community budget.

It was these two factors which led to the present Regulation. It is specific in that, although it is valid for the whole Community, it is immediately and directly applicable in the regions where measures are most called for. This means in particular Italy, where there



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are problems in the concentration of supply. It was, in fact, with Italy in mind that this proposal was drawn up. No one can doubt that urgent action is desperately needed in Italy. The report contains data — which I trust the Members will have studied — concerning both the size of holdings and the percentage of sales of products through cooperatives or other types of producer group. Consider for a moment that there are nine times as many agricultural holdings in Italy as in the United Kingdom, almost twice as many as in France and one and a half times as many as in Germany. It is obvious what such a fragmentation of land ownership means for agriculture in my country. At the same time, the amount of agricultural production marketed through cooperatives or producer groups does not even reach 13 % in Italy, whereas in the rest of the Community the average is 35-40 %. The speculators are the ones who gain, and another result is that the producers lose a fair proportion of Community aid, such as funds for the integration of olive oil and durum wheat prices. In addition, the lack of producer groups leads to a chaotic system of production. We are asking for the production of a number of commodities, like wine, milk and various types of fruit, to be cut back, and so we must do something to encourage the growth of producer groups which can plan and control production. This will be to the advantage of producers, not only in Italy but throughout the Community. People are always surprised at the amount of aid handed out for the redevelopment of citrus orchards, but the real reason why progress is so slow in this sector is that there are no producer groups to urge it along. This is why the Committee on Agriculture feels that the Commission's proposal for a Regulation limited territorially ought to be approved by Parliament.

As for the individual parts of the Regulation, the Committee on Agriculture has proposed one or two modifications. The first concerns the list of products to which the Regulation should apply. We agree that fruit and vegetables should be excluded, since there is already a specific regulation for them, although it needs to be improved as part of a more thorough Mediterranean policy. We fail to see, however, why potatoes should be excluded. I know that talks have been going on since the beginning of 1976 on a proposal for a common potato market, but it is likely that they will go on for some time yet, in view of the fact that it is such a tricky subject. The Committee on Agriculture therefore feels that, pending a final solution, this product ought to be included in the list of those covered by the Regulation under discussion.

A second amendment concerns Article 5 of the Commission's draft Regulation. This proposes that producer groups shall consist of producers and other persons. The wording is somewhat cryptic and mysterious. This Regulation is aimed at Italy, and the situa-

tion there is such that it would be better if the Regulation made no provision for membership of producer groups of persons other than producers. What we have to encourage in Italy are groups in which the producers are self-governing and accept greater responsibility.

Since the majority of producers in Italy lack bargaining or entrepreneurial skills, they could well be dominated if other persons were admitted to the group, and they could end up in a kind of straitjacket. This was why the Italian Senate recently adopted a bill, which in our view it would be unwise to contradict, since it was adopted virtually unanimously and which laid down that persons other than producers were to be barred from membership of producer groups. Of course, things may be different in other countries. In France, for example, there is special legislation and there are other kinds of producer groups.

The Committee on Agriculture therefore proposes that the question of admitting persons other than producers to membership of producer groups should be left to the Member States to decide. On the other hand, the Regulation should state quite clearly that 'cooperatives and consortia of such cooperatives set up to process and market products may be recognized as producer groups'.

Some of the perplexity was also occasioned by the Commission's failure to define the concept of 'producer', which was referred for a definition to the Standing Committee on Agricultural Structures. We do not know, for example, whether this Standing Committee would include marketing cooperatives and other cooperative groups in the category of producer groups. The definition of 'producer' is important both from a technical and a policy point of view. Indeed, it is too important to be left out of a legislative text, thus depriving Parliament of the chance to express an opinion. This is why we want an exact definition of 'producer'. The Committee on Agriculture therefore proposes that this referral to the Standing Committee which I mentioned a moment ago should be deleted, and that its own definition be inserted as follows: 'The term 'agricultural producer' shall mean the farmer who, operating individually or as a member of a group, produces for the market and who, either individually or as a group member, is the owner of an agricultural holding and can dispose, either in whole or in part, of the product for which the group to which he belongs is recognized'.

There are two other suggested modifications which the Committee on Agriculture would like the House to consider. The first concerns Article 10. In the Commission text, aid shall be granted to producer groups to encourage their formation and facilitate their operation 'during the three years following the date of their recognition'. We propose that the period of this common measure be extended from three to

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five years. Our reasons for this are those that I gave before: the fragmentation of land ownership and supply to the market, the lack of vertical integration with the processing sector, the difficulty of reorganizing production and of finding increased openings on the market. It is unlikely that three years will be long enough for producer groups in particularly depressed areas to become fully operational and self-sufficient. A short extension to cover a five-year period would not cost a great deal more, and it would allow the objectives we are aiming at to be reached.

As for investment aids, all the members of the Committee on Agriculture agreed that this provision should be taken out of the original text. Aid of this kind is now covered by the Regulation on the Marketing of agricultural products. The Committee did feel, however, that recognized producer groups and associations should be given priority in the allocation of the investment aids which are laid down in the Regulation.

To sum up, the Committee on Agriculture calls on the House to adopt, with the changes we have mentioned, the amended proposal from the Commission. We can thus put an end to this affair, which began far too many years ago and which is now ripe for conclusion.

*(Applause)*

**President.** — Mr Lange, do you wish to intervene at this stage?

**Mr Lange, draftsman of an opinion.** — (D) The rapporteur has not had a chance to comment, so we must now once again, having been asked for a opinion, very briefly set out our ideas before the spokesmen for the Groups take the floor, in order to see whether we can agree. This is why I asked to speak again. I would ask you to make allowances for this, and I am sorry it was not made clear to start with.

Mr President, ladies and gentlemen, Mr Vitale is, of course, to a certain extent quite right to record what the Committee on Agriculture has to say on this question and disregard the Committee on Budgets — the fact is that the Committee on Budgets was unable to deliver its opinion before the Committee on Agriculture concluded its discussions. We thus only got round to it later because, as you yourself know, Mr President, as a member of the Committee on Budgets, we had to deal with the 1978 budget. We afterwards attempted to make good this omission as quickly as possible, and Mr Cointat then did his work as draftsman of the opinion. It is now my duty to stand in for Mr Cointat, as he is prevented from being here today on account of business at home in connection with preparations for the French elections.

We have no objections to make with regard to the Committee on Agriculture's position, but would like

to make a few additions which the Committee on Budgets regards as necessary, partly by virtue of our rights as Budgetary authority and partly in order to facilitate Parliament's supervisory rôle in respect of the implementation of this or subsequent regulations.

Mr President, I do not, however, wish to go into details about the opinion submitted here by Mr Cointat, as the members can all read it for themselves. We merely propose — and I hope that Mr Vitale as rapporteur for the Committee on Agriculture can agree to this — the insertion in paragraph 2 of Article 3 of the words 'and after consulting Parliament'. We must try to uphold our rights as a Parliament in this connection and not again allow the Council and the Commission to go their own way.

The same goes for Article 10, paragraph 2. Here it should thus also be laid down that the Council is to reach a decision on a proposal from the Commission 'and after Parliament has given its opinion'. Parliament should not be excluded here either.

There is also an addition to what the Committee on Agriculture proposes for Article 10, paragraph 1, as we should not like the appropriations to remain unused at the end of the planned 5-year period. We want the promised aid for producer groups to be actually paid within five years. This will simplify Parliament's supervisory rôle and of the work of the European Court of Auditors.

We then have a further small addition to Article 15, which, however, as I said, only serves to supplement the Committee on Agriculture's position. Applications for reimbursement are to relate to expenditure incurred by the Member States during the calendar year. That is all right as far as it goes. Again for auditing reasons, however, the Committee on Budgets proposes that these applications should be made available to the Commission complete with full supporting documents and proof of utilization by 1 July of the following year. The words 'with full supporting documents and proof of utilization' therefore need to be added.

We thus have, firstly, a strengthening of Parliament's position with regard to budgetary powers by inserting the words 'and after consulting Parliament'; and secondly a strengthening of Parliament's powers of supervision by means of the additions we propose to Article 10 and 15.

I hope the rapporteur of the Committee on Agriculture will be able to accept these proposals. We had no choice but to present them in this form. There was unfortunately no other way. I believe, however, that we shall nonetheless be able to achieve consistent and unanimous results.

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

**Mr Albertini.** — (I) Mr President, on behalf of the Socialist Group in this Parliament let me say right away, in connection with this Regulation on agricultural producer groups, that we support the proposals submitted by Mr Vitale and which Mr Lange enlarged on just now on behalf of the Committee on Budgets.

I must stress the unique nature of this important document which was drawn up by Mr Vitale and about which Mr Lange offered some additional information. We have been discussing this problem for more than ten years now, as no agreement could ever be reached on account of the difficulty of producing a single regulation to cover the patently different situations in the various Member States.

This proposal gets us out of the *impasse*, by stating that the Regulation is not binding on all the Member States of the Community but on one in particular: Italy. This does not mean, however, that the Regulation cannot be applied, if the need arises, to other Member States.

I said that this Regulation applies in particular to Italy. As Mr Vitale pointed out, this is a country where holdings and agricultural activities are split up into small units, and this means that individual producers have no way of safeguarding their own work and their own particular activity. They cannot get contracts for a reasonable period of time, or plan production without the aid of organizations with technical departments which can supply the data needed to plan production, in both the qualitative and quantitative sense.

The great problem for Italy is deciding what products should be covered by the Regulation. Mr Vitale told us that a number of products have been eliminated from the list because they are already covered by other special regulations, although there is still a need to improve on these. He was also firm, and quite rightly so, in asking for potatoes to be included on the list, as this product is not yet covered by a Community regulation.

Sufficient safeguards could be provided by the recognition of the various categories and the definition of 'producer'. These, in fact, are additions to the proposal submitted by the Commission.

Our hope is that with this Regulation we can finally solve this problem. In this way each State, depending on its actual situation, will be able to use this Regulation to introduce more system into its agricultural production, especially that of small producers.

With the modifications proposed by Mr Vitale and subsequently by Mr Lange, the Socialist Group is prepared to give its full support to this Regulation.

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

**Mr Pisoni.** — (I) Mr President, ladies and gentlemen, I do not want to speak for long since in some ways this debate just carries on from this morning's discussion. Let me say at once that the Christian-

Democratic Group intends to vote in favour of Mr Vitale's motion and the modifications proposed by the Committee on Agriculture.

The Regulation we are discussing is selective in character and applies to a specific situation. The difficulties which have been encountered in ten years of trying to find some arrangement whereby the Regulation could be applied to the entire Community clearly illustrate the variety of situations to be dealt with. The fact that there is such a variety has to be acknowledged, and we have to take proper measures to deal with it. If we do this, we shall be implementing the kind of selective policy which is essential if we are going to make up for lost time and close the gaps which have gradually been growing in various regions.

Consequently, it is not because this Regulation particularly affects Italy that I welcome it. If the special conditions it caters for were to arise in another Member State, I should be happy to see the provisions adapted to suit the relevant situations.

This Regulation has already been explained by the rapporteur and other speakers. It is a known fact that in Italy, in some areas in particular there is no tradition of cooperation and working together, and land is split up in the most incredible fashion. Production is on such a small scale that individual producers trying to market their goods are victimized and are unable to place their products in the best competitive conditions. Grouping these small producers is basically to everyone's advantage. It is a must if Community preferences are to be complied with.

In my opinion, the failure to comply with these Community preferences is not entirely the fault of the Community or other countries. A certain amount of blame must also be laid at the door of those who have failed to ensure compliance. As long as we have thousands of producers who cannot get together, we shall never manage to make our products competitive and we shall go on losing markets. To avoid falling prey to the middlemen, you have to be there with a product which is of constant quality and price and which is delivered on time. Otherwise, we get the situation we had with peaches last year: they cost 165-170 lire per kilogram wholesale and went for 600-700 lire in the shops. These are anomalies which occur because there is no organized system to bring reasonably priced goods to the markets where they can be sold.

This is why Italy, especially southern Italy, has lost many markets in Europe. Things are different in the north, but the cooperative tradition has existed there for 80 or 90 years. Almost the entire production of fruit and vegetables, especially apples and grapes, is marketed by cooperatives or producer groups. In the south, on the other hand, very few products are marketed in this way. This is why something has to be done, and the solution is not simply to grant certain facilities to a Member State but to put things on an even keel, so that the whole community benefits.

**Pisoni**

This is why we applaud the choice of this system and the form of cooperation it envisages. It is the simplest and most suitable way of getting things under way, of creating the right habits. However, we do not feel that this is the final solution, since cooperatives are something quite different, more solid, more rooted in reality, and more durable. Given the flexible character of the association in our legal system, we feel we should further this process by using this simpler form of organization to free small producers from the yoke they have borne for generations and teach them to manage their own affairs. They must learn to run their own farms, and the markets, too. This will set them on the road to cooperation, and once there is sufficient homogeneity, things can be regulated on a European basis.

This will also apply — as Mr Vitale pointed out — to production guidelines. As long as there is absolutely no organization and no mutual ties, everyone will go on producing as he thinks fit. Producer groups, however, could steer members to the production of other goods. In this way surpluses would be avoided and the market demand would be met. The groups would not be beset by structural problems and would not have to ask for constant handouts which somehow stigmatize those who receive them. Everyone wants to do the best he can and live in a decent manner on equal terms with the rest of his fellow men.

We hope that the extension to five years will lead to something. Even so, we are well aware that five years is not long enough to fashion a mentality that can accept cooperatives and producer groups, in the same way we feel it is impossible to break down certain barriers and demolish the system of complicity that exists in certain areas of Italy.

I am nonetheless optimistic. I do believe that we shall see some results, even though they may not be spectacular.

In acknowledgment of the work of our colleagues in the Italian Parliament and of those responsible for agricultural policy in Italy, we shall vote in favour of this motion for a resolution. We hope that it will be a genuine contribution to the task of changing agricultural policy in the southern regions of the Community.

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

**Mr Herbert.** — Mr President I would also like to congratulate Mr Vitale for producing this excellent and very very important report and for expressing his concern for the producer groups.

The report, Mr President, as the House will realize, deals with the fundamental aspect of agriculture. It mainly helps farmers to organize and to help themselves. The Commission's proposals provide financial support to groups of agricultural producers whose

members are prepared to accept certain disciplines in the marketing of their produce. This legislation indeed is universally welcomed and its benefits are quite obvious and need no elaboration.

On the other hand it is very difficult for me to understand how this very important legislation was under discussion for ten years, as the need for it was quite obvious. The need was greatest in Italy owing, as Mr Vitale says and we recognize, to the structure and organizational difficulties of farmers there. These difficulties are not experienced by some other countries, including my own, where over the past sixty years the cooperative movement has completely revolutionized farming across its whole spectrum. The cooperative movement in Ireland has been advancing over the years, and it is true to say that it can be credited with the reorganization, modernization and rationalization of the dairy sector in Ireland, which is the most important sector.

The fact that some countries have organized and modernized and produced their own cooperative movements does not mean that other Member States should be denied this help. This is the reason why we welcome this proposal.

I mentioned earlier that this proposal was of fundamental importance to Italy. It is primarily aimed at organizing agricultural producers in Italy. But it does not allow, on the other hand, for the benefits of this proposal to apply too easily to other Member States or other regions, because that will require a Council Regulation. I would ask the Commission to simplify this procedure and to find a more flexible formula for extending the scope of this proposal to other areas. I welcome indeed Mr Vitale's inclusion of the potato sector in his report; it was excluded in the Commission proposal. This is welcomed by me at a time when the potato sector and potato producers are experiencing great difficulty, and I would suggest that the potato sector should be included until a common policy is adopted by the Community.

Turning, Mr President, to the motion for a resolution, I wish to state my agreement with the concepts contained in it. However, Mr President, I take exception to one specific paragraph, paragraph 8, and to the new Article 11a in the proposal for a regulation. Mr Vitale is here attempting to give the producer organizations priority of access to EAGGF funds. There is no justification in my opinion for such priority at this time. It is totally unfair to those other farmers in the Community who have chosen a different system of organizing themselves, as they have, for example, in my country though the cooperative system. To allow priority of access to EAGGF investment aids would be an act of discrimination against other farmers in other countries who are also trying to organize the production of their agricultural produce. Therefore, Mr President, I and my group cannot accept paragraph 8 and the new Article 11a proposed by Mr Vitale.

**Herbert**

Apart from these comments, Mr President, I welcome this proposal from the Commission. I can support the motion for a resolution, with the exception of paragraph 8, and I again congratulate Mr Vitale.

**President.** — I call Mr Bersani.

**Mr Bersani.** — (I) Mr President, I too want to thank Mr Vitale who has devoted so much time and energy to the problem of producer groups, not only here in the European Parliament but also in the Italian Senate.

This is a tremendously important problem for Europe, for the Mediterranean, for Italy and for the other regions of the Community which may be regarded as being in a similar position to those specifically dealt with here. This Regulation is, as I said, tremendously important, because it goes a long way towards redressing the balance between the market and the structures, the two major elements of agricultural policy. The lack of balance has made the structural side the weak link in our agricultural policy. This Regulation will also even up the unfair bias in favour of the northern regions of the Community *vis-à-vis* the South, and will provide a new deal for the latter. All in all, this is a Regulation of immense significance for Europe, as well as being important for the regions involved.

I am in general agreement with the improvements made by the Committee on Agriculture. We have to have a proper set-up for producer groups and the Committee's proposals seem to meet this need. We have to have groups which exclude those persons who are not directly concerned with production. The Italian Parliament recently unanimously approved a motion calling for a European solution of this kind. I am particularly pleased that such a solution is within our reach today.

The improvements proposed by the committee to deal with these vital questions are, in my opinion, of singular merit. The debate today, as on other occasions, has again raised the tricky problem of the relationship between producer groups and other groups which are organized differently that is, which have different legal structure. Foremost among these are the cooperative groups. Both Mr Pisoni and Mr Vitale, in his report, stressed the importance of this aspect. There is a risk that we may be supporting less efficient forms of association at the expense of other forms which are more solid and influential, and thus more capable of carrying through a genuine long-term structural policy.

It has always been my view that producer groups and cooperative organizations should be — if I may use a typically Italian turn of phrase — two lines converging in parallel. By this I mean that neither should be subordinate to the other. There is, indeed, a risk of this. There is a legal risk when it comes to spec-

ifying the exact balance of representation between individual members and the members as a group in cooperative organizations and associations. There is a risk when we draw up legislation on the statutes of producer groups. And there is a risk, I should think, in the actual application of agricultural policy, when a fair balance has to be found between the two types of organization.

As far as Article 11 (a) is concerned, it quite rightly indicates a principle of priority but at the same time there is a certain degree of ambiguity. This was also mentioned by the Member who spoke before me. Although we have to apply Regulation No 355/77 in connection with the activities of producer groups, it is also true that this Regulation makes provision for two major categories of aid, viz. for processing and for marketing.

Now the specific tasks of producer groups are to regulate production and to organize the sale of their products — both of which are typical market operations. The cooperative groups are, by nature, much more suited to tackling the problems of processing, and these are fundamental problems for anyone who feels that producer groups, structural problems cooperative organizations and market problems must, in the long run, develop some kind of interlinked relationship which with the help of long-term contracts — and the five-year period seems very suitable for this — could establish a frame of reference to bring them together.

Looking at Article 11, I wonder whether it might not be a good thing either to extend the provision and bring in similar types of group or, if this is rejected, to confirm what was said about marketing in the Vitale report which was approved by the Committee on Agriculture. It is my view, in fact, that the committee did not intend to distinguish between processing and marketing operations. If I am wrong on this, I am sure I could agree with some other definition.

These, Mr President, were the remarks I felt I had to make about a problem which is — I repeat — of tremendous importance and can mark the start of a new era, especially in the poorer regions of the Community.

**President.** — I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — Mr President, I would first like on behalf of the Commission to thank the rapporteur for his excellent report based on a very detailed analysis of the present situation as regards agricultural structures and the supply of agriculture products in the Community. I would like to say that, as far as principles are concerned, in our debate this morning I expressed my views on the necessity of this construction we are talking about this afternoon. I did so, I think, rather forcefully and I do not want to repeat myself, but I want to refer to that statement.

## Gundelach

The fact that in this text we are concentrating on the situation in Italy is very obvious, because it is there that the need is most urgent and the conditions such that we can act. But, be that as it may, it is quite evident that in a Community like ours, one can never provide a facility for certain people and not be willing to provide it for others in similar circumstances. In providing this facility now first and foremost for Italy, we naturally have in mind that it should be available for others as well.

Now, the modalities by which it is brought into play in the circumstances that apply elsewhere are another matter. Maybe it could have been done more flexibly than the way in which we produced it. That comment has been made. I have a feeling that, if we had proposed a more flexible way, we would have run into more serious political difficulties and might have delayed action where action is badly needed. I do not really want to take that risk because action in Italy, bearing in mind our discussion this morning on the Mediterranean policy, is urgently needed, and this aspect of what I consider the overall Mediterranean policy is essential for the success of all the rest.

Having said that, Mr President, I will concentrate on the more fundamental amendments that have been tabled and make some comments on them. The Commission could accept the amendment to Article 2, i.e. application to potatoes, pending the establishment by the Council of a common organization of the market in potatoes, and also the idea of the producer being defined in the body of the regulation, in Article 5 (3). As regards the definition itself, the Commission, which partly shares the concern expressed by the rapporteur, is considering the matter at the present moment.

On the question of mixed groups, Article 5 (1) (b) of the proposal and Article 5 (4) of the amended text, the Commission does not wish to disregard national legislation. However, it considers that these groups should be recognized only if national legislation so provides. It is not, however, in favour of a formula which would allow Member States discretionary powers on this, since it considers that this matter should be decided on the basis of objective factors, so that the persons concerned may know their rights.

As regards the addition of a new paragraph 5 to Article 5 on the subject of cooperatives and groups of cooperatives, the Commission does not consider it useful to refer specifically to certain legal forms in this text. The question of legal forms depends on national legislation. The Commission considers in any case, even without mentioning them directly, that cooperatives or associations could be recognized as groups or associations in respect of such of their activities as come within the field of application of the regulation.

On the question of the increase in launching aid, Article 10 (1), the Commission considers that it is pref-

erable to be fairly prudent in granting such aid, in view of the fact that the regulation covers almost all agricultural products and should do so. A higher rate of aid could, in any case, be provided for in particular sectors and regions (SEE Article 10 (2) of the proposal) by analogy with what has already been proposed for the fruit and vegetable and olive oil sectors in the Mediterranean policy. Prudence therefore, but certainly not a closed door. I don't think we would in this perspective, wish to change the years of application to which reference has been made.

On the question of priority in the application of Regulation 355/77, Article 11 (1), in view of the objectives of this regulation, it would be preferable to avoid discrimination between the various recipients of the aid provided for by it, and, in particular, discrimination between recognized groups within the meaning of this regulation and other agricultural associations. The producer groups and associations thereof do, in any case, as has been stated in the debate, benefit from a *de facto* if not a *de jure* priority in connection with Regulation 355. They are better able than other economic groups to show that they fulfil the conditions of the regulation and the priorities to which it refers.

I shall now refer briefly also to the amendments tabled by the Committee on Budgets. There are, I think, four of them listed. The first refers to Article 3 (2). The Commission have no difficulty with the content of this amendment. I might have preferred, as far as form is concerned, to delete the provision entirely, since the procedure would be the same as that provided for in Article 43, but that is a matter of form. As far as substance is concerned, there is no difficulty.

Two, the second sentence of Article 10 (1) — this we can accept; and four, Article 15 — obligation of Member States to make available to the Commission etc., — this we can accept.

In regard to Article 10 (2), there again the Commission really wants to establish the principle that the launching aids might be increased in this Regulation itself. Under the legal practice we have, that makes it difficult to have the compulsory consultation of the European Parliament, which would invoke Article 43. In saying this I want to underline that, this being our objective, the Commission did not want to avoid consultation with the European Parliament, I am sure we can find the appropriate legal formula by which to do it. As far as the substance is concerned, I have no difficulty, but I have some difficulties with regard to the principle of increases in launching aids in the directive itself, not in subsequent acts. However, if subsequent acts have to be taken, we have nothing against Parliament being consulted.

**President.** — The debate is closed.

14. *Agenda*

**President.** — I call Mr Houdet on a point of order.

**Mr Houdet, chairman of the Committee on Agriculture.** — (F) I should like to request that the Guerlin report on feedingstuffs (Doc. 412/77) be referred back to the Committee on Agriculture.

**President.** — Mr Houdet, can you give any explanation for this last-minute request?

**Mr Houdet.** — (F) Mr Guerlin, who is absent, has asked to add something to the report which he was to present.

**President.** — I am a little at sea about this, Mr Houdet. He wishes to complete his report, which has been accepted by the committee, tabled and placed on the agenda for debate?

**Mr Houdet.** — (F) Something new has cropped up, Mr President. I am passing on Mr Guerlin's request, since the Committee on Agriculture could not refuse its rapporteur's request.

**President.** — Well, all I can say, Mr Houdet, is that under Rule 26 you are entitled as of right, as Chairman of the Committee on Agriculture, to seek the reference of this report to committee and that is the end of it. But I can only express regret that it has been left until this late minute. The Bureau met this morning to discuss the agenda, we adopted the agenda at the beginning of the week, people have entered their names to speak on this report. It is extremely inconvenient and unparliamentary to do things in this way. The Guerlin report is referred to Committee.

15. *Regulation on exchange rates for the agricultural structures policy*

**President.** — The next item is the report drawn up by Mr Hoffmann, on behalf of the Committee on Agriculture, on the proposal from the Commission to the Council for a regulation on the exchange rates to be applied for the purposes of the agricultural structures policy (Doc. 453/77).

I call Mr Hoffmann.

**Mr Hoffmann, rapporteur.** — (D) Mr President, I think I can justify our recommended approval of the Commission's proposal by just summarizing the points which are set out in the explanatory statement. The system at present in force provides for aid to be granted at the green currency conversion rate obtaining at the time the aid is granted from the Agricultural Fund. The Commission now proposes that this system be modified because, in cases where the aid is made in instalments over several years, and particularly in countries with weak currencies, the value of the aid received is reduced drastically, to the detriment of the farmers who are entitled to it. The

Commission therefore proposes that the representative rate should be recalculated on 1 January of each year, and that this rate should be used to calculate the amount of aid actually paid over. I have had a look through the Committee on Budget's opinion on the subject, and they have come to the opposite conclusion. Their explanation, is of course, justified to some extent in noting that we should only be putting off certain other currency problems. However, under no circumstances can I accept the conclusion reached in the Committee on Budget's opinion, to the effect that:

It should be noted that, under the system proposed — (i.e. by the Commission) — the weak currencies will, so to speak, be rewarded.

This is, of course, a perfectly reasonable interpretation from the Committee on Budget's point of view, but it unfortunately misses the point, which is not whether an inflationary monetary policy should be rewarded or whether governments should be encouraged to continue to pursue inflationary policies, but whether the people at the receiving end — in other words, the farmers — should be guaranteed proper compensation for the damage done by inflation. I think this is an entirely different point of view from the one adopted in the Committee on Budgets' document. Moreover, I think the Committee on Budgets is mistaken in suggesting that we should start by applying the European Unit of Account to the agricultural sector. My objection to this is a simple one. By introducing the European Unit of Account and applying it simultaneously to the agricultural sector, we shall of course be manipulating the monetary compensatory amounts, so long as the agricultural system itself has not been modified. And the monetary compensatory amounts in turn present us with a special problem. If we introduce European Units of Account for the agricultural sector, it will mean, for example, that — in the same way as price levels are manipulated — the Federal Republic of Germany will have higher and Great Britain lower monetary compensatory amounts. I have no wish to start an argument here and now on the effects of monetary compensatory amounts — there will be opportunity enough to do that at some other time. I should just like to make one small point, and that is that the system of monetary compensatory amounts means that those countries with strong currencies are favourably treated, with the agricultural producers in those countries getting a hidden subsidy. On the other side of the coin, those countries with weak currencies receive a subsidy for the consumer. If, then, we want to see things from the point of view of that section of the population which is really affected, namely the farmers, we must, in all fairness, say that the Commission's proposal should be accepted as the best solution we have to offer at present. Of course I agree that, in the long run, we shall have to come round to introducing the European Unit of Account.

**Hoffmann**

If, though we were to combine the two proposals, the farmers would have to wait a very long time for any assistance, because I am afraid that this agricultural problem will be with us for a long time yet.

**President.** — I call Mr Aigner to present the opinion of the Committee on Budgets.

**Mr Aigner, deputy draftsman of an opinion.** — (D) Mr President, ladies and gentlemen, I am standing in today for the Committee on Budget's draftsman, Mr Notenboom, who presents his apologies for not being able to be here in person. I must say, Mr Hoffmann, that I was unable to follow *your* argument, which seemed to me to miss the point. You are forgetting that what we are concerned with here are not direct payment to the ultimate recipient, but national expenditure which is refunded from the Community kitty — and this is the real problem which we have been discussing in the Committee on Budgets. We felt that we should not add even more administrative complication to the system simply because no political decision has been taken on economic and monetary union. That is the first point.

I move on now to the question of monetary compensatory amounts. The system is gradually becoming so complicated that the reality of the situation often has nothing at all to do with the political intentions, and certainly not with the wishes of this Parliament.

The second point, Mr Hoffmann, is this. The Committee on Budgets has said — rightly, in my opinion — that we must give some symbolic indication — and of course it can be no more than that — of the fact that the Community will, in the future, no longer be prepared to finance inflationary policies from Community resources. Moreover, the drawback system can be used to make the government responsible for causing the damage bear the cost of repairing that damage and not simply leave the Community to pay the bill.

The Committee on Budgets feels that the proposed regulation is the wrong way to tackle the present difficulties in the agricultural and monetary spheres. We should prefer to see the Commission put forward a proposal designed to apply the European Unit of Account to the Guidance Section of the EAGGF. This would cause the EAGGF Guidance Section's refunding policy to be affected far less by currency fluctuations because there would then be a certain safety margin.

The Committee on Budgets is aware that, even if the European Unit of Account were to be applied, it might still be necessary to have a regulation similar to the one before us today. But such a regulation would only be the second step. We are of course quite prepared to accept a regulation which will simplify the Commission's administrative work. We therefore suggest that the proposed regulation be discussed

again once the conditions set out in the amendment have been fulfilled :

1. The Committee on Budgets considers that the application to the agricultural structures policy of the fluctuating representative rates of the agricultural prices policy runs counter to the original aim of the system ;

2. The Committee on Budgets emphasizes that the annual fixing of representative rates for the agricultural structures policy would benefit weak currencies in a manner which is questionable from the point of view of finance policy, and therefore feels that the additional expenditure arising from such fixing should be met by the Member States concerned rather than the Community budget ;

3. The Committee on Budgets calls for the European Unit of Account to be applied to the EAGGF Guidance Section, as this would lessen the effects of currency fluctuations on structures policy ;

4. The Committee on Budgets stresses that the possibility of fixing the daily fluctuating European Unit of Account should be considered only *after* the latter has been introduced ;

5. The Committee on Budgets rejects, therefore, the proposal for a regulation.

I would repeat, Mr President, that your Committee on Budgets feels that the system should not be allowed to be complicated by a succession of ever more extensive administrative regulations, which tend only to delay still further the long overdue political decision on economic and monetary policy. We do not believe that inflationary policies should be rewarded from Community resources to the detriment of those Member States which pursue a policy of greater stability. Thirdly we feel that the recipient of these payments is not affected by this proposal — instead it is the governments which are affected, and they should be held liable for their misdirected policies.

On behalf of the Committee on Budgets, I therefore call on the House to reject the Commission's proposal.

**President.** — I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — Mr President, I will try to be brief. It won't come as any surprise that I side with the rapporteur, whose report was, I think, both clear and well-balanced and arrived at a sensible conclusion ; but I must naturally answer the views expressed by the Committee on Budgets. Now, in all reason, I do not think one can say that the Commission proposal would be funneling Community funds to fuel more inflation. That is exaggerated. It is also untrue to say that the individual receiver, since the matter concerns the refunding of national schemes, would not be affected ; he will be, he is, affected by inflationary policies if certain adjustments are not made, but that is not really what it is all



## Gundelach

about. We are merely suggesting that it be done in a more reasonable manner than hitherto. The countries with a strong currency have also received certain compensation when their currencies were revalued, to avoid changes expressed in their national currencies. So let's not be holier than God, because that's not in accordance with the reality.

I think this is a sensible proposal, I don't think the objections from the Budgets Committee are really quite valid. I think the Budgets Committee refers only to one aspect of the proposal, relating to aids that are paid under the Community regulations over several years. But the majority of these aids are made over in a single payment after they have been granted for instance, 75 % of the expenditure declared by the Member States in 1976. For this reason, the other aspect of the proposal should certainly not be overlooked — namely, that the amount of the aid granted during the years is determined on the basis of the rate in force on 1 January. This means that in countries in which the representative rate for the national currency has devalued in the course of the year the amount of aid is not increased, as is the case in the present system. In this respect, the proposal will, therefore, bring about a reduction in Community expenditure resulting from applying the new system in the so-called inflationary Member States. That is not taken into account by the Budgets Committee.

The second point which should be underlined concerns the European unit of account. The European unit of account is applicable to the Community budget, but for the moment it is not applicable to the common agricultural policy. It is expressly stated that the measures provided for in the proposal may need to be amended when the European unit of account is introduced into the common agricultural policy. However, at the present time the agricultural unit of account is in use, and, as I have already said, this regulation aims at remedying the inconveniences in the present system by reducing the frequency of changes in green rates to a maximum of only once a year. So that, Mr Aigner, is the case and not the opposite.

Finally, you can say, Why don't you introduce the European unit of account into the common agricultural policy? That, in the Commission's view, should sooner or later be done; but as you will see from the report we have submitted to the other Community institutions on that subject, it is an extremely complicated exercise. One has to choose the switch-over point where it can be done in regard to prices. Shall that be such that there is an increase in prices in units of account in the devaluing countries, shall it be there when there is a decrease in prices in the national currencies of the strong currency countries, or there where the effects in national currencies are neutral? That is probably the conclusion to which the discus-

sion would lead. But the minute you adopt this position you aren't really changing anything concerning the monetary compensatory amounts. You may change their composition — a bit more of the positive and a bit less of the negative — but you are not reducing the distance between the lower and higher, you are not solving any substantial problems. And you are not achieving a higher degree of stability, for the minute you use an EUA in agricultural policy, you have to change the monetary compensatory amounts much more frequently than now, because you have to do it each time. One of the currencies which make up the EUA basket changes and that shifts the whole weight, and you have therefore constantly to change the monetary compensatory amounts. It would be a nightmare of a system. Consequently it is not a step to be taken too lightly. This being the case, I really think that what we have suggested is something which is reasonable and relatively simple and consequently should be adopted.

**President.** — I call Mr Lange.

**Mr Lange, chairman of the Committee on Budgets.** — (D) Mr President, I should like to put a question to the Member of the Commission. The Agricultural Fund consists of two sections — a Guarantees Section which is responsible for pricing policies, and a Guidance Section which is responsible for the structures policy. What your speech amounted to was an amalgamation of the two sections, and you take this to justify not introducing the European Unit of Account into the Guidance Section. This is what you meant — although you did not say so in so many words — by referring constantly to price policy and the common agricultural policy. I would freely admit, Mr Gundelach, that we take every opportunity to press a little for the introduction of the European Unit of Account. That will be happening even more frequently in the future, and you can then criticize us for taking a very one-sided view of things. We can take that kind of criticism, but you will then have to tell us how long you see this period of reflection lasting? We would never have got the European Unit of Account used in the budget if this Parliament had not pushed for it so vigorously and if we hadn't introduced the European Unit of Account into the Lomé Convention and at the same time into the activities of the European Investment Bank. It is high time we stopped complaining about all the complications and the difficulties. Surely these difficulties can be overcome?

The Commission ought to be asking itself whether, in this case, guidance and guarantees could not be separated to enable progress towards introducing the European Unit of Account into the agricultural structures policy and agricultural policy in the widest sense of the word.

**Lange**

Mr Gundelach, I admit that we are still left with the problem of currency fluctuations. But if we were to take the basket currencies, we would at least have some safety margin. This problem would then no longer be as intractable as it is with the old unit of account, and we could manage to live with the situation which Mr Aigner attacked so vigorously on behalf of the Committee on Budgets. But only then. As things stand at present, this is more than problematic.

Hence my question, Mr Gundelach. Will you not even examine the question in the light of the separation of the guidance and guarantees operations, as I mentioned earlier?

**President.** — I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — Mr President, I will always examine what I am recommended to examine by Mr Lange, as he very well knows. I have my doubts, however, about the wisdom of following a different course in regard to the European unit of account in the two different sectors of the agricultural policy.

I should like to clarify what I stated in regard to the European unit of account and the agricultural policy. I was not saying, Mr Lange, that I wanted to see that introduction delayed until the Greek calends. I think it has to be done. I have not been very keen on doing it in the middle of a price-fixing period, but once that is out of the way then I think we have, as you will see from our report, to turn to it, since it is being done in other areas of Community policy and it has its advantages — namely, that of giving a more realistic and correct expression of the economic realities of the Community. I am in favour of it and I think it should be done; and I do not want to leave you in any doubt on this particular point or leave you the feeling that I shall be dragging it out and you will have to be kicking me repeatedly until eventually it may happen. That is not the situation. On the other hand, I do not want there to be the illusion anywhere that the introduction of the new unit of account in the agricultural field will settle any of our real heavy-weight problems. It will not change my price policy, it will not change my monetary compensatory policy; it will give a more realistic picture, and in that sense it will be helpful. As for introducing it in the Guidance Section before this is done in the price sector, you have asked me to study the matter and I will certainly study it; I am not sure it is the right way, but I will certainly study it. In the meantime, I remain of the opinion that what we have proposed here, all things being considered, is a simplification and a more realistic manner of dealing with this question than the present system.

**President.** — I call Mr Aigner.

**Mr Aigner, deputy draftsman of an opinion.** — (D) Mr President, I should like to make a very brief

comment. I do not think that we shall be able to sustain our agricultural policy in the near future without the monetary compensatory amounts, because the foreign exchange market is being disturbed by so many waves of speculation that the rate of exchange bears no relation to the domestic purchasing power. I am fully aware of the difficulties and, heaven knows, I am not the kind of man to try to force anything through. Mr President, it can be no more than a symbolic act, a kind of token gesture, for the Committee on Budgets to vote against this proposal.

I should just like the Commission to realize that Parliament's wish is that, in future, inflationary policies should not be financed from the Community's resources, but that at least the damage done to those resources by inflationary policies should be charged to those causing the damage, and that the Community should in future offer no special rewards for the pursuit of such inflationary policies. That is the symbolic act — and it can be no more than that — embodied in the Budget Committee's opinion.

**President.** — I call Mr Gundelach.

**Mr Gundelach, Vice-President of the Commission.** — I do not want to prolong the debate, I just want to assure Mr Aigner on one point. I have not said that we can do away with monetary compensatory amounts just like that. I have said for a long time that this is something which will take a considerable period of time. I did not want there to be any misunderstanding on that point.

**President.** — The debate is closed.

#### 16. Agenda for next sitting

**President.** — The next sitting will be held on Friday, 20 January 1978, with the following agenda:

9.00 a.m.

- Procedure without report;
- Fuchs report on paper recycling;
- Oral question, with debate, to the Commission on state aid in the EFTA countries;
- Joint debate on two oral questions to the Commission on EEC-Japan trade relations;
- Baas report on the state of the environment;
- Cassanmagnago Cerretti report on the physical properties of foodstuffs;
- Joint debate on two Aigner reports on food aid;
- Bruce report on the transfer of appropriations;
- Oral question, with debate, to the Commission on the Communities' own resources;
- At the end of the sitting, vote on the motions for resolutions on which the debate has closed.

The sitting is closed.

(The sitting was closed at 6.10 p.m.)

## ANNEX

*Questions which could not be answered during Question Time, with written answers*

*Question by Mr Dondelinger*

Subject : Concrete reinforcing bars

Has the Commission noted reports that the Swiss Confederation is at present exporting to the Community three times as many concrete reinforcing bars as it produces ; can it check on the origin of the concrete reinforcing bars passing through Switzerland, and what measures does it contemplate taking if part of the Swiss exports should in fact prove to be disguised exports from a Member State ?

*Answer*

The Commission is alive to the possibility of deflections of trade. The Commission has taken a Decision (No 3001/77/ECSC of 28 December 1977), which was published in OJ L 352, requiring the undertakings producing the three articles which are subject to the minimum price system — including concrete reinforcing bars — to supply fortnightly statements of deliveries to each of the Member States of the Community and to Austria and Switzerland. This Decision, which came into force immediately, will enable any deflections of trade to be detected.

Moreover, the Commission has contacted the Swiss authorities with a view to studying ways in which the Swiss might cooperate in implementing the anti-crisis measures decided on by the Community.

*Question by Mr Albers*

Subject : Relations with East European countries

Are the East European countries taking part in the negotiations to control textile and man-made fibre imports, and is sufficient attention being given to the phenomenon of jobbing-finishing (work contracted out to the East European countries) ?

*Answer*

Negotiations on an agreement on textiles were carried on with the three state-trading countries which are signatories to the Multifibre Arrangement, namely Rumania, Hungary and Poland. So far, these negotiations have only resulted in the signing of an agreement with Rumania. An autonomous arrangement is still being applied to Hungary and Poland.

The special nature of jobbing-finishing (i.e. the completion of semi-finished products in third countries and their subsequent re-importation into the Community) is recognized in terms in the Multifibre Arrangement. In view of the importance of jobbing-finishing in third countries, every effort has been made to deal with the question adequately in the Agreements.

*Question by Mr McDonald*

Subject : Arterial drainage in the West of Ireland

It was recently reported that the Commission intended to allocate 15½ million pounds for arterial drainage in the West of Ireland. Would the Commission elaborate on this report, give details of the studies upon which this figure is based and state whether the Shannon river catchment area can be included ?

*Answer*

(a) The sum of £ 15.5 million mentioned in the question relates not solely to arterial drainage operations but also, as proposed by the Commission, to field drainage measures. In setting the main points of the programme to be drawn up for the acceleration of drainage operations, the Commission paid particular attention to the current state of affairs and to the scope that may exist for speeding up the work. The Shannon catchment area cannot be incorporated into this programme.

- (b) The Shannon cannot be included because no workable plan has yet been drawn up for the management of the water resources of that area, and it would therefore be impossible to implement the measures stipulated in the programme within the period it covers.
- (c) Proposal from the Commission for a Council directive on the programme for the acceleration of drainage operations in the disadvantaged areas of western Ireland.

*Question by Mr Früh*

Subject : EEC-USA agricultural trade balance

What was the outcome of the recent discussions between the Commissioner responsible for agricultural policy, Mr Gundelach, and the American Secretary of State for Agriculture, Mr Bergland, as regards achieving a more equitable agricultural trade balance between the EEC and the USA ?

*Answer*

Discussions which have taken place recently with Mr Bergland are made in the context of the ongoing process of the MTN of the GATT. The particular aim was to achieve progress in the agricultural sector of the negotiations notably in the cereals sector with the objective to find an equilibrium in the finding of mutual concessions through the discussion of multilateral arrangements for feed grains as well as wheat. These products are important in the USA/EEC trade balance.

The agricultural and commercial trade balance of the Community with US has always been in deficit.

The Community has never had a policy whose objective was the achievement of the trade balance but a policy of looking for an equilibrium between the mutual interests for exports, since the Community is the first agricultural purchaser of the USA and the USA is also the first agricultural purchaser of the Community. All the actions taken by the Community in its relations with the United States are guided by these considerations, which include the MTN in its general and bilateral aspects.

*Question by Mr Power*

Subject : UK Temporary Employment Subsidy

Does the Commission consider that the continuation of the UK 'Temporary' Employment Subsidy is justified under present circumstances ?

*Answer*

The Commission has examined, pursuant to Article 93 of the EEC Treaty, the application made by the United Kingdom of the Temporary Employment Subsidy. The Commission is not opposed to the principle underlying this system, as it is fully aware of the economic and employment difficulties existing in the United Kingdom and throughout the Community. It considers, however, that the system cannot be justified in its present form, one reason being that it shifts elsewhere, or even exports, the problems it is intended to solve.

The Commission has therefore asked the British Government to ensure that a number of adjustments be made immediately to this system.

*Question by Mr Terrenoire*

Subject : European Unit of Account

Now that the European Council has decided that the European Unit of Account shall be adopted as of 1 January 1978 and that the necessary compensations for 1978/79 shall be made, at six-monthly intervals, outside the budget, does the Commission feel that the system is unclear and difficult to explain to the European taxpayer, and can it state how it will affect the funds available to it ?

*Answer*

The Question presumably refers to the fact that the Council's decision to adopt the European Unit of Account with effect from 1 January 1978 was accompanied by an agreement on the interpretation to be given to Article 131 of the Act of Accession. This agreement provided that any financial adjustments between Member States which may be necessary in 1978 and 1979 to give effect to the Council's interpretation of Article 131 should be made by the Commission, at three monthly intervals,

outside the framework of the Budget. These adjustments will have no effect on the total funds available for financing the Budget; they will affect only the distribution of these funds between Member States. The Commission intends to annex details of these of these adjustments to its annual accounts.

The system is perhaps a little complicated, but the net results for Member States, and therefore for their taxpayers, are in line with the intentions of the Treaty of Accession.

*Question by Mr Brosnan*

Subject: ECSC loans for housing

Due to the substantial increase in the cost of housing resulting from inflation does the Commission intend to increase the level of house loans to workers in the coal and steel industries?

*Answer*

The Commission has, because of cost inflation and increased demand for our housing loans as a consequence of an enlarged Community, regularly stepped up the overall volume of this financial aid. The total amount of loans made available to coal and steel workers throughout the Community has passed from 13 millions u.a. in 1971/1972 (for six Member States), to 20 million in 1973/1974 (nine Member States), to 25 million in 1975/1976 and to 30 million u.a. in 1977/1978.

Traditionally, and considered globally at Community level, the total amount of loans made available by the Commission covers only one fourth or one fifth of total demand established by survey at the beginning of each bi-annual ECSC housing scheme. Therefore tripartite regional committees are fixing priorities and the intensity of financial aid according to the particular needs in each Member State. Thus the Community loan typically intervenes for around 5% of total building cost in the larger Member States while it reaches 25% or more in the smaller countries, for housing modernization Community intervention had been as high as 40% of the total cost.

*Question by Mr Herbert*

Subject: Beef prices in Ireland

Now that Ireland is a full Member State of the EEC does the Commission foresee an increase in the market price of beef in Ireland bringing it closer to the Community average?

*Answer*

The removal, as from 1 January 1978 of the Accession Compensatory Amount charged on exports will enable Irish beef exporters to be more competitive both within the Community and in third country markets. The effect of the removal of the Accession Compensatory Amount was about 4%.

Whilst the eventual price level of Irish beef depends on the interplay of supply and demand it is reasonable to anticipate in 1978, in view of the forecast slight reduction in Community beef production a rise in Irish beef prices bringing them closer to the Community average.

*Question by Mr Cifarelli*

Subject: Difficulties at the Ispra Joint Research Establishment.

The difficulties currently affecting the Essor reactor directly threaten the jobs of 200 persons connected with Ispra and jeopardize the entire work of the Establishment since there will be no instrument for verifying the validity of the experiments on nuclear safety undertaken by the Community. What steps does the Commission intend to propose so that the commitments undertaken when it was agreed to develop jointly an important part of the research can be met and, in particular, the lack of common resolve in the nuclear sector remedied?

*Answer*

1. The Commission has so far not been informed by the Italian Government that it does not want to continue operating the Essor reactor in accordance with Article 6 § C of the Euratom Treaty.

2. According to unofficial sources, the Italian Government is considering the idea of operating the Essor complex until 1980, but not investing in the new installations which were to be commissioned in 1980/81.

3. The Essor reactor is used mainly for tests on parts of power reactors, for which the Member States have no common research programme. For this reason, the Essor research reactor has, since 1973, and at the request as well as at the cost of the Italian Government, been operated as part of the Italian programme for the development of power reactors.

4. The Member States have agreed on a research programme into the safety of power reactors, to be carried out by the Joint Research Centre in the period 1977-1980.

5. If, in the course of the multiannual programme, there should be general confirmation of the usefulness of Essor for research in the field of reactor safety (even if the plant is used only partially), the question of the continued use of the plant could be examined.

6. In the meantime, a large number of contacts have been taken up inside and outside the Community. The results of the current tests and of international contacts could be evaluated when the JRC multiannual programme comes up for revision in 1979.

*Question by Mr Kavanagh*

Subject: Preserving medieval archaeological remains at Wood Quay in Dublin

What possibilities exist under the Community's cultural policy for action to ensure the thorough archaeological study and preservation of the significant remains of medieval Dublin at Wood Quay before any re-development takes place?

*Answer*

Community action in the cultural field does not at present offer any scope for a study of Wood Quay and the preservation of the site before its redevelopment.

As he is aware, Community action in the cultural field is a recent innovation; it does not, therefore, purport to be complete.

Furthermore, most of this action consists in the application of the EEC Treaty to the cultural field; that is, of measures connected with the free exchange of cultural assets, freedom of movement and freedom of establishment for persons working in the cultural field, and the harmonization of taxation and of laws covering authors' rights and similar questions.

It is true that Community action in the cultural field also involves a contribution by the Community towards the preservation of its architectural heritage. However, at present it is not planned to grant aid otherwise than for the purpose of:

- (i) promoting the specialized training and specialization of restorers;
- (ii) promoting the use of nuclear conservation techniques.

The Community thus allocates grants to architects, engineers, town planners and craftsmen, enabling them to attend courses on restoration at various Institutes, and aid to the Nuclear Studies Centre in Grenoble in order that this new technique, which has shown its worth, may become more widely known in all our countries.

## SITTING OF FRIDAY, 20 JANUARY 1978

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#### IN THE CHAIR : MR COLOMBO

*President*

*(The sitting is opened at 9 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 Christian-Democratic Group a request for the appointment of Mr L'Estrange to the Committee on Agriculture.

Are there any objections ?

The appointment is ratified.



### 3. Documents received

**President.** — I have received from the Council a request for an opinion on the proposal from the Commission to the Council for a directive amending Council Directive 68/414/EEC of 20 December 1968 imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products (Doc. 504/77). This has been referred to the Committee on Energy and Research.

### 4. Procedural motion

**President.** — I call Mr Dalyell to speak on a point of order.

**Mr Dalyell.** — Mr President, as I said to you at three o'clock yesterday, some of us would hope that you would find it possible to make some kind of official statement, a considered statement, very soon on the issue of what can only be described as the proposed Leaning Tower of Pisa here in Luxembourg. We feel that it ought to be brought, if possible, before the Committee on Budgets and that, even though you gave a very informative reply yesterday at three o'clock, a considered statement is really desirable, because it is quite unfair to force you to make an immediate answer as I did. Therefore, possibly before Monday's meeting of the Committee on Budgets, you might see it in your way to issue some kind of official statement on your attitude as President of Parliament on this matter. What is at stake here is much more than a building, it is really the whole question of whether the seat of Parliament is to be pre-empted by a decision to spend a lot of money, and that is a very deep issue for all of us.

**President.** — Mr Dalyell, the Bureau will shortly be studying the complex of problems regarding the Parliament's places of work at Strasbourg, Luxembourg and Brussels.

The Quaestors have in fact asked to consider both present needs and the needs of the new directly-elected Parliament regarding the various places of work. As I stated yesterday, in the preparation of the future Parliament's working conditions we are keeping to the Decision adopted by the Member States' governments in 1965 and to its subsequent interpretations.

The Quaestors' report will be submitted for discussion to the Bureau, and will certainly also be communicated to the Committee on Budgets. Naturally, after the Bureau has adopted its conclusions, I shall not fail to communicate these to you.

I call Mr Lange.

**Mr Lange.** — (D) Mr President, I would like to put a supplementary question. We have seen that no deci-

sion is being taken in the matter of the seat of Parliament, whether positive or negative. That was the general opinion in the House. Today, however, a Luxembourg newspaper carries a report to the effect that the Luxembourg government is not embarking on any financial adventure but that this project is, firstly, financed through groups of banks and, secondly, secured by contracts with Parliament. This is the vital question, Mr President. I do not know whether you can give us any information on this at the present time. If you cannot, then I would urge you to look into this matter.

**President.** — Nothing as yet has been settled.

**Mr Lange.** — (F) And the contracts...?

**President.** — Mr Lange, so far no contract has been drawn up. As I have already said, the Bureau will deal with this problem at its next sitting — not this question specifically, but the organization of our places of work, taken as a whole.

### 5. Procedure without report

**President.** — On Monday, I announced the Commission proposal to which it was proposed to apply the *procedure without report* pursuant to Rule 27A of the Rules of Procedure. Since no Member has asked leave to speak and since no amendments have been tabled to it, I declare this proposal approved by the European Parliament.

### 6. Research programme on paper recycling (debate)

**President.** — The next item is the report (Doc. 464/77) by Mr Fuchs, on behalf of the Committee of Energy and Research, on

the proposal from the Commission to the Council for a multi-annual programme of research and development in the European Communities on paper and board recycling (1978-80; indirect action).

I call Mr Fuchs.

**Mr Fuchs, rapporteur.** — (D) Mr President, ladies and gentlemen, after full discussion in three meetings, the Committee on Energy and Research unanimously approved the report and motion for a resolution on the proposal from the Commission for a multiannual programme on paper and board recycling. The committee is also pleased to note that the committees asked for their opinions — namely, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Budgets — have expressed their agreement and approval.

Very briefly I would like to set out the reasons for this favourable attitude. This indirect research programme amounting to a total of 2.9 million u.a. is intended to

## Fuchs

coordinate, support (up to a level of 50 %) and promote national research projects in the years 1978-80. The object is to improve production technology and the quality of recycled paper. The result will be a whole series of exceptionally fortunate effects. The rate of use of waste paper, for example, can be increased from 32 % (its present level) to 58 %, which will have some very positive implications, first and foremost and appreciable saving in raw materials: every tonne of paper recycled is equivalent to saving 2-3 cubic metres of timber. At the same time it has been demonstrated that water consumption is very substantially reduced. In other words, here is a potential saving in resources that are steadily shrinking at the present time.

Secondly, I am glad to say that a very considerable saving in energy will be possible. Recycled paper needs only one quarter of the energy that has to be used to make paper from wood, which means a saving of 75 %. The Committee on Energy and Research obviously lays particular stress on this fact. Opportunities for efficient energy conservation in the industry are rare, because the industry is already operating under the constraint of economy; but if savings are possible by a change of production technique, then every avenue should be explored that may help to achieve this goal.

Thirdly, this programme is in full accord with environmental protection policy, as clearly stated by the Committee on the Environment, Public Health and Consumer Protection in its opinion. Ladies and gentlemen, forest conservation is of vital importance in maintaining the world as a healthy place to live in. This point was brought out only yesterday in Question Time in the House. A further advantage is the fact that it will reduce the waste problem and environmental pollution. All these things are positive arguments for approving the programme.

We were very pleased to look into and — more than that — accept the suggestions of the Committee on the Environment, Public Health and Consumer Protection. Thus, the motion for a resolution makes a special point, in paragraph 6, of the problem of de-inking waste paper that is to be recycled. Paragraph 7, again at the suggestion of the Committee on the Environment, Public Health and Consumer Protection, calls on the Council finally to adopt the directives encouraging forestry measures and reducing water pollution.

Fourthly, the programme — if successful — will also make an appreciable contribution towards improving the balance-of-payments of the Member States. At the moment, over 50 % of paper products have to be imported and well over 3 million u.a. a year — and the figure is still going up — paid out. If this research and development programme is successful, then the balance-of-payments situation may well be improved by some 750 million u.a. This, too deserved stressing.

Among other things, it also means safeguarding existing jobs and creating additional ones and providing better and more secure supplies to users.

Hence the Committee on Energy and Research takes a favourable view of the whole programme and for the following reasons in particular. We were pleased to find that the four individual projects, which I do not need to describe to you in detail since they are set out very clearly, are lucidly formulated, that the distribution of the work among the Member States involved in this research is well-balanced and that the programme represents a purposeful coordination scheme. It is also clearly consistent with the resolution of the European Parliament of 17 May 1977 on environmental protection and Mr Fläming's report of December 1973.

On behalf of the committee, I would therefore like to express my appreciation to the Commission. At the same time, however, I must make one criticism and that is with regard to the delay in forwarding the proposal. This, unfortunately, makes it a practical impossibility to allocate the necessary resources in the 1978 budget, so that, for the moment, it is just a pro mem. item. I hope, however, that the Council will approve the programme at its next meeting and thus enable the programme to start in 1978 by means of some internal reshuffling. At the same time, we must insist that the appropriate lessons should be learnt as regards timing for future programmes. The point here is that the motion for a resolution asks for the submission of further projects designed primarily to contribute to energy conservation in the industrial sector and also taking environmental protection into particular account.

Mr President, one last comment, primarily for the members of the Committee on Budgets. In its opinion, it had some difficulty — rightly, in our view — with Article 2 of the Commission's proposal. It was afraid that this article might imply some limitation on Parliament's budgetary powers. This is why, in its opinion, it recommends the deletion of Article 2, in which the figures are given. The Committee on Energy and Research shares the apprehension of the Committee on Budgets, but finally came to the conclusion in its discussions that the deletion of this Article without anything in its place would mean that the Commission would have no real basis for implementing the programme. The Committee on Energy and Research therefore proposes, as set out in the report and after consultation with the Chairman of the Committee on Budgets and with his approval, a different solution, which is to add a second paragraph to Article 2 of the Commission's proposal ensuring that Parliament's budgetary powers remain unaffected. I would ask the Commission to fall in with this proposal and, above all, with the request from the Committee on Budgets and the committee responsible.

**Fuchs**

In conclusion, may I express the hope that this research programme in an industrial sector which is admittedly limited yet not insignificant — its importance is in fact steadily growing — will contribute to achieving the object in view. The Committee on Energy and Research will be calling for reports when the time comes and will carefully scrutinize the results.

On behalf of the Committee on Energy and Research, I therefore ask this House to approve the motion for a resolution in this report on a proposal for a research programme for the improvement of paper and board recycling.

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

**Mr Flämig.** — *(D)* Mr President, ladies and gentlemen, I would first like to thank Mr Fuchs for his report.

The Socialist Group wishes to split up its speaking-time among three speakers. I shall be very brief and limit myself to one or two introductory comments.

As Socialists, of course, we are in favour of the ideas of environmental protection, energy conservation, the protection of our forests and the principle that there should be less waste.

At first sight this research programme appears very surprising, because many of us used to collect waste paper when we were children to earn ourselves a little pocket money and those of us who did could well be astonished that in 1978 a multiannual research programme should be necessary to find out what to do with waste paper. Our environmentalists have been thinking about the problem, and sometimes they write letters stamped with the words: This letter is written on recycled waste paper. This we find most gratifying.

But here is a surprising fact. Just try nowadays to get rid of your waste paper, in the Federal Republic of Germany for example. We Members of Parliament, as everyone here will confirm, collect tons of waste paper and if you want to dispose of it the scrap dealers will tell you: take it back and burn it, because collecting, sorting and processing waste paper costs more than producing paper from fresh timber. When you hear something like that you can hardly believe your ears, particularly since, as we know, the prices of timber and raw materials for paper-making have soared to astronomic heights in recent years and are one of the reasons advanced for putting up newspaper prices for example. All I can say is that I hope someone has the answer to this riddle.

Probably it will turn out that it is not just a question of the technical problems of how to de-ink waste paper and to separate papers of widely differing manufacture and composition in order to recover paper that

has some utility. We shall probably find that research will have to extend to the organizational problem of providing an economic mechanism for collecting and reprocessing waste paper whilst keeping its price competitive with that of new paper.

Mr President, I shall make these few comments suffice, since we have two other speakers. Once again, I would confirm that the Socialist Group fully agrees with this proposal.

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

**Mr Jensen.** — *(DK)* Mr President, the European Progressive Democrats unreservedly endorse this report, as we will always support research projects where reasonable results can be expected from the investment.

These research programmes clearly state their objectives, the possible routes to achieving them, and future requirements in respects of the re-use of paper and board.

The four main research topics are also of real interest to our parties. We are attracted by the beneficial effect on the Community's external trade balance. We note the promised saving of energy, which also has an environmental aspect, as the research project would reduce the depletion of forestry resources, conservation of which is a basic ecological requirement.

A positive feature of the proposal is the fairly even distribution of the preliminary work on the various projects between six of the nine Member States, although Denmark, Ireland and Luxembourg are not included. However, I hope that these countries too will benefit from the research scheme. I note that France's partners are playing a leading role in the de-inking of waste paper, but that the paper research centre in Grenoble is working on a new technique in offset printing which should reduce the problems of pollution. Improved processes would facilitate re-use and reduce our dependence on imported raw materials. We therefore cannot but welcome the objectives of the programme.

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — Mr President, I rise to support Mr Fuch's report and to offer our congratulations upon the manner in which he presented it to this House.

If there is one quality of the so-called developed societies which I deplore, and we should all deplore, it is their profligacy. We in Europe are profligate in the use of raw materials, energy, food and other priceless products. Indeed, there are those who believe that a humbler life-style might do much for the mind and body of the European citizen of our time.

## Normanton

Today we are debating an important proposal which, if successful, will benefit the Community, and indeed the whole world environmentally and also add useful savings to the Community's balance of payments. We are discussing the Commission's first research and development programme on the recycling of paper and board, but I hope that this will be but the precursor of many such proposals embracing a far wider range of materials, all of which are important to the Community's economy and ultimately to the consumer.

Lest anyone should think that such work is negative, in the sense that such a programme reduces the Community's dependence on developing countries for these materials, let us just bear in mind for a moment the need for these developing nations, which do not have the purchasing power nor the advanced technology of the European Community, to have access to similar materials for the development of their own indigenous economies. They will ultimately acquire, either through royalties or special arrangements of one kind or another or through technical or financial aid, the methods which the Community's industry is developing, and has developed, to make the best use of the materials available to them.

Earlier this session, Mr President, we debated the Community's support for an action programme in aeronautical research. Such support is necessary because of the enormous continuous support which the United States and Japan are giving and have been giving to their domestic industries. There are other areas of research which, in the normal operation of a firm with a sense of its responsibility for anticipating short and medium-term developments, would find in-house financing from the cash-flow of the business. However, I see it as a damning indictment of the effect of state interventionism in its worst and most virulent form, of socialism applied as an economic dogma, in more than one Member State of the European Community — obviously I have Denmark and the United Kingdom strongly and painfully in mind — that those firms are unable to generate a cash-flow sufficient to enable future commercial needs to be met from their own resources. It is from these sources that industry has achieved what it has done up to now, and if access to those sources is denied, industry, the Community and the peoples of Europe will be the poorer in the long run.

My own discussions with the paper-and-board-processing industries confirm this fact only too clearly. It is also true right across the whole spectrum of the industrial sector. Indeed, the only effect of socialism in the ideological economic sense is to threaten business and to treat it as something to be milked for taxation purposes. And the result has been to reduce lamentably and ironically the employment security of today's workers in Europe and to create an uncertain

future for the firms in which and with which they work. The effect of total socialist ideology on industrial research and development finds its extreme in the Soviet Union and the state-controlled economies of Comecon, where State enterprises have obtained and continue to seek know-how from the Community and from the United States particularly. Of course, there is full employment in a Communist economy, because people are probably only working at well below 50 % of efficiency. In the Community, then, a failure to sow the technological seed today may well indeed cause or accentuate the tendency towards bankruptcy, bad business and unemployment in the medium term, though in the short term the effect is only measured by a gradual and only slightly perceptible loss of markets. In a real sense, therefore, socialism as an economic policy is the enemy of high and efficient productive employment.

We are debating today the Commission's proposal for a research and development programme to enable the Community's paper manufacturers to make much better use of paper and pulp. There is already considerable utilization of waste paper in the Community, and this must be recognized. As an example, utilization of waste paper in the United Kingdom currently saves our balance of payments 800 million units of account each year. The value of the Community's imports of pulp and paper in 1976 is reported to have been 3 300 million u.a. We are therefore debating the Community's commercial wisdom in committing 2.9 million u.a. to a programme of research and development, the objectives of which are the stimulation of waste-paper use in the Community's paper-and-board industry and the pooling of different research institutions' facilities for the optimum distribution of research activities. Firms will have to find a further 2.4 million u.a. from their own internally generated resources, if they are given the opportunity to do so, or from external sources.

Now at the present time 30 — 40 % of the Community's paper is based on recycled products. It is claimed that if the proposed programme is successful, up to 58 % of the Community's paper will originate from waste. This, as has already been said in this short debate, is something which is to be commended and supported: 58 % is a substantial proportion and a substantial target. Even if only half the target waste content of paper is achieved, the Community and its taxpayers would be obtaining a very good rate of return by any standard one may set for investment policy. That is a very good return on a mere 2.9 million u.a.

A cautionary word, though, is, I think, appropriate. When the Commission eventually delivers a report on this programme, the cost and the origin of any special compounds for the treatment of paper, particularly those used in the de-inking process, must be detailed.

## Normanton

Furthermore, any new processes which are developed as a result of this programme must be energy-effective as well as cost-effective. In other words, diminishing imports of paper and pulp should not result in increased energy use, which would only cancel out the balance-of-payments saving. It is very much to be hoped, therefore, that the rate of power consumption in present pulp processing of recycled fibres, i.e., 250 kw/h per tonne, will be maintained. The power consumption for the production of wood pulp of 1 000 kw/h per tonne is, of course, in itself an inducement to produce more paper from recycled fibres.

My honourable friend and colleague, Lord Bethell, in his excellent and incisive opinion on behalf of the Committee on the Environment, Public Health and Consumer Protection, draws our attention to the fact that 15 medium-sized trees are saved for every tonne of recycled paper taken from waste. A go-ahead by the Council for this programme has therefore the implicit benefit that somewhere a large number of trees may well be saved. And in the medium to longer term it may even be possible to grow hardwood rather than softwood trees, with all that that would mean. This, of course, is a point to which Commissioner Gundelach, when questioned yesterday, gave a very clear and well-received reply.

There is the further benefit that the more paper is gathered for recycling and is capable of being recycled, the greater the potential for improving the natural environmental conditions, a point made by Mr Flämig some moments ago.

Mr President, I see this as an example of involvement by firms and the Community in a programme with important economic and ecological benefits to themselves, their employees and indeed all of us in the Community. Members of this House and officials in the various Community institutions will find, I believe, that the closer they are to firms in the matter of consultation and dialogue, the more they will realize that firms, large, medium and small, are the vehicles through which policies, hopes and aspirations will find a much more successful and happier fulfilment. This programme is the product of such dialogue and consultation, and my call therefore is to firms in all sectors of the European economy to recognize the importance of such consultation, to recognize the desirability of maintaining such dialogue with Members of this House, as well as with the Commission and its staff, because only by doing this will they be better able to provide the environment and the economy we all want for the future of our families.

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

**Mr Veronesi.** — (I) Mr President, ladies and gentlemen, the paper we are considering is part of a

trilogy, so to speak, proposed by the Commission last summer regarding research initiatives in various sectors of basic importance, namely raw materials, uranium and paper recycling. The research programme we are considering is the last in this trilogy to be submitted to us and the present debate shows that it is just as important as its predecessors.

I shall not add much to the discussion, because Mr Fuchs' report, which we discussed at length in the Committee on Energy and Research, explains the importance of the measure and the initiative taken by the Commission. The proposal is worked out in masterly fashion at the technical level and puts its finger on the essential features of the basic questions, proposing an operational framework that looks extremely promising.

I would just like to put forward a few brief remarks supplementing the many important and interesting comments that have been made. The problem has reached international dimensions and importance, so much so that an international conference on paper problems, sponsored by the FAO, was held in Tunis on 20 September 1977.

Another illustration of the importance of this question is the significance of paper in the Italian balance of payments in 1976. In that year, Italy imported paper worth 464 billion — the third largest item in our country's trade balance. It is therefore a large-scale problem what is being tackled in the best possible way with the object of reducing costs and, above all, making big savings. However, these savings will not be made unless, alongside this research activity and the reorganization of the industry, there is a large-scale campaign to educate public opinion. The attitude of those who regard paper as having no value and fit to be thrown away with the rubbish without thinking about all the work that goes into producing it and all the stages from raw material to finished product is too dangerous.

I understand and support Mr Normanton's comment to the effect that the Commission should be asked to maintain contact with the firms in the industry, but we should not forget the interests of the broad mass of workers. On 14 December 1977, an international day of action was held by the workers in the paper sector because of the difficulties in the sector and also the somewhat hasty attitude taken by firms which have embarked or are embarking upon restructuring measures and looking for new production processes to save wood pulp and encourage the use of kaolin for making paper. In that day of industrial action, the workers asked to be allowed to participate in the various restructuring phases because mass layoffs seemed to be threatened. This is why the Commission, in this respect as well, could take useful action as a mediator and help to maintain equilibrium in the sector.

**Veronesi**

The last comment I would like to make is that, in my view the first research subject may possibly be the key to all the rest. Research into the possibilities of multiple recycling is an extremely difficult matter, because it involves investigating the behaviour of fibres throughout the successive stages of recycling. It will be very interesting to hear the results of this operation, because I have the feeling that on it depends the success of this initiative in the paper sector. Having made these few points, we promise our support for the Commission's proposal.

**President.** — I call Lord Murray.

**Lord Murray of Gravesend.** — Mr President, before I welcome the project from the Commission I would like to say that half-way through Mr Normanton's speech I closed my eyes: 'I thought I was at a Conservative Party conference at Brighton or Blackpool or listening to Mr Normanton's first general-election speech of this year or next year, and what part or perhaps even the whole of what he was saying had to do with Mr Fuchs's report is difficult to understand. I think that Mr Normanton was just letting us know that the time is coming for party political broadcasts.

I would like to welcome the Commission's proposals and also to congratulate Mr Fuchs on his report, because as somebody who has worked in the newspaper industry, I think it is to be welcomed. I think what ought to be said, and what Mr Normanton ought to have emphasized a little more, is that this project is a result of very fine cooperation between the Community, industry and the Member State governments, all of whom are taking part in this very worthwhile project. Speaking parochially, as somebody who lives in Kent, I particularly welcome it because some of the large newspaper manufacturers, like Bowaters, have plant in that area and they have suffered, as most newspaper manufacturers, particularly in Britain, have suffered over the past few years, from the very keen competition from Scandinavia and the difficulties of EFTA, and anything that can increase the use of waste in the production of newsprint, ensure that more jobs might come about, and reduce our 50 % dependence upon imports of paper for newsprint is to be welcomed. And, of course, as Mr Fuchs pointed out, using more waste is an advantage in ecological terms and to me is something that we should be working more and more upon. We tend to think how much can we save on the balance of payments and what are the immediate advantages, but this project, I believe, has more far-reaching benefits with regard to forestry and energy, and on those grounds, is to be more than welcomed.

In the Community, in the Western world, we are the greatest and most avid newspaper readers. I suppose that applies to politicians most of all. As Mr Flämig pointed out, we do have a real problem in the collec-

tion of old newspapers and, like him, I have had difficulties in Gravesend in getting rid of large amounts, not of the Community's or the Parliament's documents but just simply of newspaper. Having tried every possible method, I seem to have hit on the final one, and that is that my railway station collects them on behalf of their local charity. But it is a little more serious than that: because of the vast production of newspapers, we need to consider, perhaps in one of our further research projects, not how we can recycle but how we can organize the vast amounts of waste that occur every day in every sort of field, and if we are to use research projects like this then we need to consider organizational projects at the same time. And it may be that Member State governments also need to consider various possibilities, such as tax incentives, as mentioned in the report, for encouraging the collection of waste.

I think we should all welcome this report as a great step forward, a great advance, and let us hope that this is the first of many such projects which will be proposed by the Community.

**President.** — I call Mr Dalyell.

**Mr Dalyell.** — Mr President, in connection with page 8 of Mr Fuchs's report, I just want to put a question to the Commission. As, I suspect, with many other Members of Parliament in our different countries, river pollution was the bane of my life ten years ago, because all the anglers in the constituency used come and complain bitterly to me that what had been good fishing was no longer good fishing and good sport because of the pollution from two papermills in the area. I have to report that in fact the position is now much better, but is by no means perfect, and it is for this reason that I ask this question of the Commission. To what extent do they think that this vital question of research into the treatment of effluent should be a Community responsibility or is better left to the nation states? This is a question that is being very widely asked, and there is a great deal to be done. Mr Fuchs's report gives high priority to this. Indeed, I would ask the same question in relation to de-inking, and that comes from certain of the manufacturers themselves.

So, with these two questions on research into the treatment of effluent and de-inking, I resume my place.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, I can be brief because Mr Fuchs's excellent report and his lucid presentation this morning have exactly defined the nature of the Commission's proposal, and the support it is being given in Parliament relieves me of the need to make a detailed case for our proposals.

**Davignon**

I would, however, like to say that it is a programme that seems to me to have been worked out in what might be called model fashion, because it has been prepared in cooperation with the industry and because it is precise, concrete and timely, which is important in research programmes since it means that results can be expected immediately and progress, therefore, made in the right direction. It also fits into the general framework of the Commission's policy with regard to other measures on waste and we hope to be presenting further proposals this year of an administrative, fiscal and economic nature.

I would like to tell Mr Jensen that, though not all the Member States were involved in preparing the programme, its implementation does not exclude any of them and there is nothing to suggest that research will not be done in the countries he has named. This, therefore, is a point that needs clearing up.

As regards the last question put to me, I would remind you that, two or two-and-a-half years ago, the Commission had already proposed a directive concerning the way in which this problem should be dealt with and that this matter is the subject of difficult discussions with the Council — not, unfortunately, the only one. It was again referred to at the last meeting of the Environment Council. In as vital a question as this one, we feel that it would be wrong not to have identical treatment in the various Community countries, but as regards knowing exactly how this could be put into effect, it is clear that, at this level, national responsibilities prevail. What we are doing, however, is to ensure that a problem that everyone agrees is very serious is treated everywhere in the same way on environmental grounds, for reasons of competition and on grounds of industrial development, and this seems to us to be the right approach.

Lastly, I would like to reply to the rapporteur's request regarding this problem of Article 2 and Parliament's budgetary powers. We have too great a respect for Parliament's authority and budgetary powers to allow the slightest ambiguity to prevail in this respect, but we have always thought that figures are necessary because, after all, some indication has to be given in order to know the scale on which we are working — it is, in fact, essential if Parliament is to be given full information; the legal decision to grant a specific appropriation has also to be handled in the framework of the budgetary procedure, where Parliament's powers are clear and specific. In substance, therefore, I think that my answer is clear: there is no ambiguity, we are in agreement.

As regards the wording of the proposal, we have some reservations, because, curiously enough, our legal experts think that it gives the Council, in a way, the task of defining what is laid down in the Treaty with

regard to the powers of Parliament and that here there is some confusion. However, we intend to find a wording that will cover strictly what I have said. We have, incidentally, already come up against problems of this kind and solved them — in the framework of other research programmes, for example. In substance, therefore, we have no difficulty in going along with Parliament's request.

That, Mr President, is what I wished to say on behalf of the Commission. I am gratified at the general agreement that has been expressed and I would stress that, far from being insignificant, this question — on the contrary — is highly important for research, for the industry itself and for the balance-of-payments situation. For us, as Members have said, this is an encouragement to go further in this direction.

**President.** — I call Mr Dalyell.

**Mr Dalyell.** — Mr President, my whole track record shows that I don't make easy attacks on the Council, but the Commissioner's reply reveals part of a pattern. Because, as Mr Normanton pointed out, this is what we were told by the Commissioner, Mr Gundelach, yesterday in his speech on forestry: that, in fact, negotiations with the Council were not at all satisfactory. Now as I say, I am against easy attacks on the Council, but nevertheless some of us have the suspicion that in this matter, as in forestry, the Council's shortcomings are related to inertia and apathy rather than either ill-will or overwhelming financial considerations. Therefore, it would be useful if the Commission could lay out to the appropriate committees of the Parliament precisely what the difficulties are, and then some of us would go to the Council and confront them with this. As I say, I suspect it is inertia and apathy, rather than ill-will and, therefore, some kind of confrontation in a civilized manner would be useful.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — We would gladly do that, and my colleague, Mr Natali, will be attending the meeting of the appropriate committee of the Parliament on Wednesday and will be happy to oblige.

**President.** — The debate is closed.

### 7. State aid in the EFTA countries

**President.** — The next item is the oral question, with debate (Doc. 448/77), by Mr Kofoed, Mr Durieux, Mr Houdet, Mr Berkhouwer and Mr De Clercq, on behalf of the Liberal and Democratic Group, to the Commission:

Subject: State aid measures in the EFTA countries

## President

There has recently been a sharp increase in the number of state aid measures in EFTA countries, this resulting in the distortion of the terms of competition between companies in the EEC and those in the EFTA countries. This is incompatible with the Community's agreements on free trade with the EFTA countries and conflicts with the basic conditions of a free-trade agreement. In Sweden alone, state aid is expected to amount to as much as SKR 25 000 million per annum.

In view of these facts, the Commission is asked to answer the following questions :

1. Will the Commission take action over the large amount of state aid granted by EFTA countries, which is distorting competition and threatening Community firms (such as those manufacturing textiles and chipboard), the economy and employment, and will the Commission also take steps to ensure closer observance in future of the provisions on state aid contained in the agreements between the EEC and EFTA ?
2. If the Commission intends to try to find a general solution to the problem, what means would it consider applicable if state aids in EFTA countries continue to produce distortions of competition ?

I call Mr Kofoed.

**Mr Kofoed.** — (DK) Mr President, there was a specific reason for my tabling this question on behalf of the Liberal Group and that was the import of chipboard from an EFTA country, to be precise, Sweden, a country having a trade agreement with the Communities.

This chipboard is being sold in the Community, in Denmark, Germany and Britain, about 20 % cheaper than goods produced in the Community itself.

So far as I can tell from the information at my disposal, these exports from Sweden would be impossible without state subsidies ; as an illustration, the Swedish chipboard industry has about 30 % surplus production capacity. This in itself points to that country's problems in selling its products, as production does not correspond to demand.

If we consider a few more figures, it appears that in the last half of 1977 Sweden increased her sales to Denmark, for example, by 80 %. If we look at the corresponding period of 1976, Swedish and Danish sales were running level. An increase in sales of this order could not occur unless there was state capital at the bottom of it.

If we now consider the structure and development of the chipboard industry in Sweden, it appears that a lot of state money is being used to keep these capital-intensive undertakings alive, and that over the last few years production has been supported by state subsidies for stockpiling and transport etc.

I mention these matters here to illustrate the fundamental nature of this case. I think we are all aware that the economic decline we have suffered, and our

stagnant growth rate have brought problems in the shape of unemployment in the Community. We all agree that this is a bad thing. We also agree that we should endeavour to counter this unfavourable economic trend. But although the will is there, the results have not been stupendous. Nothing outstanding has been achieved yet.

But one thing must be said of the Community, and here I think the Commission deserves the credit. By contrast with what happened in the 1930s, the Community countries have avoided import restriction, which has prevented state-subsidised competition. We have not resorted to exporting unemployment from one country to another. I think we owe thanks to the Commission for this success.

But the longer it takes for economic growth to get under way, the more difficult it naturally becomes to stick to these excellent principles. It would therefore be highly regrettable if, during our dealings with other countries under trade agreements, we find that they are not playing according to the rules.

I think that in this case Sweden has flouted the rules of the game, by dumping in order to break into the European market.

I understand very well that Swedish policy has run into problems. They misjudged the trade cycle, they have surplus capacity, they are carrying excessive stocks, and they are afraid of unemployment ; that is why they are trying everything to export their surplus. But it is not good neighbourliness to export their unemployment at the same time, for this means that the European chipboard industry must lay off men and close factories. This is a poor contribution to co-operation between neighbours.

I therefore consider that this is a really vital matter. We have indeed abolished customs restrictions, but it was not the intention that they should be replaced by other means of protection. I therefore call upon the Commission to take this matter very seriously and to make full use of the remedies at their disposal. The obvious first step would be to warn Sweden that she is not observing the rules laid down in her trade agreement with the Community, and that she has a couple of months to put the matter right ; failing which the Commission would take action by imposing a countervailing duty.

The Commission cannot retain respect for its rules if it is not prepared to use the powers they contain. I therefore hope to receive a positive answer that the Commission is prepared, after thorough consideration, to give Sweden a warning on these lines. If this does not produce a result, a countervailing duty should be imposed in order to produce fair competition. This is essential if there is to be free trade between free nations.



## IN THE CHAIR: MR MEINTZ

*Vice-President*

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, this question is both important and difficult. It is important because, as Mr Kofoed has rightly said, so far we have successfully avoided taking protectionist measures within the Community and against third countries because we make sure that the rules are obeyed which safeguard us without changing our policy, and this, I feel, is a vital point. It is also difficult because, when industry comes up against the structural and cyclical crises of the kind that we are going through, a purely *laissez-faire* policy does not get to the root of things.

This having been said, we have to reconcile the two. I would like to say clearly that, at a time when, inside the Community, we are linking our support measures with structural industrial policy (and we spoke about this again yesterday when Parliament approved the directive on assistance in the shipbuilding sector), it is clear that we must always make sure that the assistance we give does not have the effect of maintaining the *status quo* but contributes towards the structural changes that will make such assistance unnecessary. This is a point that we shall be checking with the most careful attention under the agreements we have with the EFTA countries, in which provision is made for consultations on the subject. I have no need to remind you that Article 23 in these agreements imposes on us — both the Community and the other parties to the agreements in the EFTA — the obligation to take no step that would lead to distortions. In more concrete terms, on the occasion of the December meeting of the joint commission, we conveyed to Sweden — this being the example that has been referred to — our concern about the possible effects of its aid measures in order that they should not lead to such distortions. And we are going to set up a procedure with the Member States and with industry whereby each of the specific cases that arise may be scrutinized so as to be absolutely clear about the situation in the framework of the consultation policy for which provision is made in the agreements. In other words, we shall follow the same procedure with the EFTA countries as we do inside the Community when cases of aid seem likely to lead to distortions. Should the explanations given to us in this dialogue procedure prove unsatisfactory and if it were not possible to come to an arrangement, we would definitely apply the provisions of the Treaties.

**President.** — I call Lord Brimelow to speak on behalf of the Socialist Group.

**Lord Brimelow.** — Mr President, I should like to express appreciation of the circumspection of

Commissioner Davignon's reply. This question of State aids, or, for that matter, Community aids, is a minefield in which those who are not circumspect are going to end up as casualties.

When a delegation from this Parliament last had talks with the Congress of the United States, Mr Prescott, a member of the delegation from this Parliament, was pressed very hard by the United States representatives about the aids given by the member countries of the Community. And according to the press, Commissioner Davignon himself has been pressed very hard by the United States on Community aid to the iron-and-steel industries. We have an obligation to protect our own workforce against distorted competition, but we also have an obligation to help our own workforce in our export industries. It seems to me that the process of consultation, of seeking clarification, with a view to avoiding inadmissible distortions, is right, and that the formula put forward by Commissioner Davignon could scarcely be improved, given the fact that we have not got one single principle, we have several principles in play. We are walking a tightrope and we have to walk it delicately. I compliment the Commission on what they are doing, and I hope they will persevere in their efforts.

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

**Mr Martinelli.** — (I) I too must acknowledge that the reply given by the Commission, in the form of Commissioner Davignon's statement, to the question put by Mr Kofoed and other Members, shows a sensitivity and prudence that is to be commended. It must be admitted that up to now the free trade agreements that govern relations between the Community and the EFTA countries have, by and large, worked satisfactorily, with a few rare exceptions, these last few years and I feel that it must be the concern of everyone to ensure that the atmosphere should not deteriorate but, if possible, improve.

If we look at the measures taken by the Swedish Government — the question makes specific reference to them — they would not, *prima facie*, seem to go in any way against the policy followed by the Community. A large part of the roughly 27 billion Swedish Kroner is earmarked for providing, over five years, loans and grants for restructuring industrial sectors in unfavourable economic conditions in order to ensure the maintenance of employment. As Lord Brimelow said a moment ago, this is the kind of policy that is also followed by some countries in the Community, with the necessary modifications to suit the conditions and circumstances peculiar to each sector and each country. This having been said, however, and remembering that the main sectors benefiting from these aids are those which, to some extent, are not in the best of situations, economically speaking, in the Community,

**Martinelli**

we have to look more closely into the measures taken by the Swedish Government and about this I would say that it is one thing to propose helping firms in difficulties to put their production onto an economic basis by renewing investment — a policy, I repeat, that is also followed in some Community countries — and another to resort to surreptitious production subsidies through government grants based on the number of employees or, as pointed out by Mr Kofoed, aids for stockpiling. These are forms of assistance that are, in fact, tantamount to an artificial reduction of costs. The step between economic restructuring in industry using new principles of organization and modern technologies, and the artificial maintenance of obsolete types of production is not always a long one; sometimes it is very short.

From what has appeared in the press, the Community has already found it necessary to take action about a measure relating to the paper sector. In this role of vigilant watchdog, the Commission could also take action, as is foreshadowed in a way in Commissioner Davignon's statement, in other sectors in order to defend its commercial principles, which is its duty, and not just to thwart the policy of the Swedish Government. But it is necessary for Parliament to demonstrate to the Commission its approval and solidarity so that it may keep careful watch on this policy and not allow it to degenerate to the level of improper subsidies.

The day before yesterday, Mr Andersen, the President-in-Office of the Council, reminded us that within the appropriate limits of form and content, the Community will make efforts to promote cooperation with the EFTA countries — I am quoting him — in the most positive way possible, resisting any temptation to protect particularly hard-hit industries by national measures. It was certainly no coincidence that he should have made this statement, which applies both inside and outside the Community.

This is why I would take this opportunity to ask Mr Davignon and the Commission whether they have any information about the dialogue between the Community and EFTA that Mr Kreisky, the then President-in-Office of EFTA, requested in May last year and to which Mr Owen, President of the Council of Ministers of the Community, gave what I shall go no farther than to call a very guarded reply. Unlike the process referred to by President Andersen, we shall need a strong spirit of cooperation and much patience. However this may be, I am sure that the activity of the Commission and its watchfulness will not fail us.

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

**Mr Nyborg.** — (DK) Mr President, this question was on the agenda for the December part-session, and as it relates to a highly important subject, the European

Progressive Democrats also tabled a motion for a resolution on national aid measures in the EFTA countries. However, our motion was referred to the appropriate committee under Rule 25, and I therefore regard Mr Kofoeds' question as the initial discussion in a debate to be continued in the committees, and which will be subsequently resumed in Parliament.

I therefore awaited the Commissioner's reply today in some suspense, as, in reply to an oral question I tabled during the part-session last December, Mr Simonet, the President of the Council at the time, said that in his view the Commission's task was to act swiftly where Community rules were infringed, if Norway and Sweden, for example, broke the agreements between EFTA and the Community on measures to prevent distortions of competition. Of course this applies to shipbuilding, chipboard manufacture and a wide range of other industries. I feel that the reply Mr Davignon has given us today is very reassuring, as it demonstrates the Commission's awareness of events, its watchfulness and its readiness to act quickly when the time is ripe — and there is evidence that that time will come quite soon.

It is well known that protectionism is spreading throughout the world at the moment, but one normally associated it with imports duties and other direct restrictions on imported goods. However, State aid is an equally effective form of protectionism, and it interferes with the international division of labour.

If we take two EFTA countries as examples, in 1977 the Norwegian Government paid out about NKR. 4 000 million as State aid to Norwegian industry. The Swedish Government approved not far short of SKR. 20 000 million in subsidies, loans and guarantees.

By way of comparison, this is approximately four times as much as total new investment in Danish industry in 1976.

Much of Norwegian State aid goes to the shipbuilding industry, and it seems to be an attempt to circumvent the normal international financial rules. Ships for delivery to developing countries are granted especially favourable financial terms and regarded as development aid. Norwegian yards are therefore obtaining a lot of orders from developing countries as a result of this state aid.

In Sweden things have gone so far that any company getting into difficulties can be almost certain of obtaining State aid. The Swedish Government also gives general subsidies, by paying up to SKR per worker per hour to companies training workers instead of laying them off.

These different factors frequently produce distortions of competition in trade between EFTA and the Community. Under the free trade agreements which

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came into force in 1973, the last customs barriers between the Community and EFTA on most industrial goods were removed on 1 July 1977. Although this does not cover all trade between the EEC and EFTA, the progressive abolition of duty has already had a favourable effect on trade between them.

The crisis in certain industries in the Community has affected relations with the EFTA countries. For example, Italy has been forced to regulate imports of textiles from Austria and Sweden.

The EEC was also forced to introduce duties with effect from 4 November on certain types of paper and board originating in Austria, Finland and Sweden, a course of action which the Community normally would not take and normally would be most reluctant to take.

Unfortunately time is running out, but at all events I should like to ask the Commission on behalf of my Group to act as swiftly as possible here, and I am convinced that we shall not be dragged into protectionist attitudes running counter to the objectives which the Europe of the Nine has always held and has always stood for.

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — Mr President, the European Conservative Group welcomes the fact that Mr Kofoed has introduced this extremely important and pressing matter before the House. It is an excellent example of the kind of problems we are going to meet more and more if no appropriate and effective policy is adopted and no action is taken to deal with the growing menace of State aids. They are a menace both in and among the Member States, and in the other Western European countries. The question also shows that it will not be enough merely to adopt a policy for the Community alone in this respect, but that the EFTA countries must also be bound to some similar discipline. After all, we are both geographically and commercially almost intertwined with the EFTA States.

Sweden, in 1972, decided not to seek membership of the European community in alignment with the other three applicant nations. We all in this House I am sure, regret this, but we do at least respect some of the reasons which underlay the decision they took. However, this must not lead to a situation where the EEC countries are bound by the rules of fair competition while Sweden, with whom we are so deeply involved, is outside the same disciplines. Such a situation would inevitably lead to the destruction of the free-trade area and our relationships with those countries, something which is in no way to the advantage of the Community and least of all in the interests of Sweden.

May I therefore request the Commission not only to pursue this particular case, as indeed Commissioner Davignon has already committed himself to doing,

but to conduct closer negotiations with Sweden and the other EFTA States in parallel with the progress made on the internal Community policy on State aid to industry. It is only by doing this that we shall really produce the right answer to this acute and growing problem.

May I also add a personal reflection and hope that with the increasing commercial and other relations between the Community and Sweden, one might in the long term find that these countries would consider it to be to their national advantage — and it would certainly be to our collective advantage were it to happen — to apply to join the European Community as full members?

Finally, we do, as a group, welcome very strongly the general response, and the spirit in which that response has been given, to this question by Commissioner Davignon. We willingly pledge ourselves as a group to give him every possible support to grasp and grapple with this burning and ever-menacing threat to our Community economy and our Community industries.

**President.** — The debate is closed.

*8. EEC-Japan trade relations*

**President.** — The next item is a joint debate on — the oral question, with debate (Doc. 475/77), by Mr Baas, on behalf of the Liberal and Democratic Group, to the Commission:

Subject: Trade relations between the EEC and Japan

During the negotiations with a Japanese trade delegation which ended on 2 December 1977, did the Commission stress — as requested by the European Parliament in its resolution contained in the report by Mr Baas on economic and trade relations between the European Community and Japan<sup>1</sup> — 'the need for the Japanese Government to make substantial concessions giving the industries of the European Community access to the Japanese domestic market comparable to that enjoyed by Japan to the Community market, and to ensure that the Japanese authorities put an end to the non-tariff barriers to imports from the Community'?

Did the Commission make it clear to the Japanese delegation that 'in certain sectors, voluntary limitation of Japanese exports to the Community is temporarily required'?

Is the Commission now in a position, as requested in paragraph 3 of the resolution, 'to report to Parliament on the methods whereby the Japanese exporters and financial houses penetrate various markets in the Community with a view to domination of those markets, thereby infringing the rules of fair competition'?

What did the negotiations actually achieve?

— the oral question, with debate (Doc. 502/77), by Mr Schmidt, Mr Dalyell, Mr Kavanagh, Mr Andersen, Mr Prescott, Mr Lezzi, Mr Radoux, Lord Castle and Lord Brimelow, to the Commission:

<sup>1</sup> OJ No C 83 of 4 April 1977, p. 24.

**President**

Subject: Recent talks between the Commission and the Japanese Government

What have been the positive results of the recent talks between President Jenkins and other members of the Commission, and members of the Japanese Government?

I call Mr Kofoed to present the first question.

**Mr Kofoed.** — (DK) Mr President, this question refers to trade relations between the EEC and Japan. As his meeting with the Commission on 16 December in Brussels, the Japanese Minister for Economic Coordination, Mr Ushiba, expressed the desire for improved trade relations between Japan and the EEC. These conversations will be resumed on 28 January, and it is hoped that they will produce tangible results.

The main reason for raising this question is the feeling that trade between Japan and the EEC is out of balance. I think that what strikes one most is the sight of one Japanese commodity after another being imported and then taking a large share of the EEC market. There is nothing wrong with this in principle, as it means that European consumers can obtain good products at reasonable prices, and from this viewpoint it is a good thing. But the European citizen and consumer finds it difficult to understand why it is so difficult to sell European goods in Japan, and it therefore seems rather unfair that European car manufacturers for example, have no real chance of breaking into the Japanese market.

This also applies to foodstuffs, where the Japanese market is open to imports from the Community only at certain periods. It looks as though, when the Japanese foodstuffs market is in equilibrium, duties are imposed to keep out imports from the European Communities.

Obviously, this state of affairs makes it impossible to conduct trade relations to the satisfaction of both sides. The Liberal Group therefore feels that there should be a debate in depth on the subject.

We appreciate that Japan may find it difficult to abandon the tariff protection of her markets, in the form of administrative and other barriers. But the European consumer must find it astonishing that his market is completely open to Japanese products while the Japanese market is, relatively speaking, closed.

We therefore suggest that the Commission and the Council intensify the dialogue between the Japanese and European authorities, but we also feel that a dialogue should be initiated between the Japanese Parliament and the European Parliament, so that a better understanding can be reached between Japanese and European politicians for the benefit of consumers on both sides.

The Commission is also requested to draw up a report on trade between the EEC and Japan in recent years

and to give an account of the negotiations between Japan and the EEC so that we can judge whether any progress has been made.

We asked for this debate in order to initiate a dialogue and to debate the matter in depth, in order to improve relations between Japan and the EEC which, in our opinion, are unsatisfactory.

**President.** — I call Mr Dalyell to present the second question.

**Mr Dalyell.** — Mr President, I speak on behalf of the Socialist Group. I have to begin with an apology for bad manners to the Commissioner, because, together with my group, I am due to take a plane home to a delicate vote in the House of Commons and I hope that he will acquit me of discourtesy if I am not here for his reply.

If the Socialist Group had wished to choose, as they might have done, the most circumspect spokesman on this subject, they would have chosen Lord Brimelow, because of course it is true that here we are dealing with a minefield; but, for better or for worse, I was chosen. I would like to ask some fairly blunt questions; but first of all I say to the Commissioner that of course we realize that these problems are to be seen in a much wider connection. What we are faced with is the industrialization, to be welcomed, not only of Japan but of other countries in East Asia, and it ill behoves a Socialist or any other group in any way to criticize our friends in East Asia for their industrial progress.

That is, of course, at one level to be welcomed, but it does create problems for us. Last year investigations were held into socket sets resulting in a price undertaking and steel sections resulting in an anti-dumping duty; there was also an EEC investigation into ball-bearings resulting in a price undertaking. At the present time, EEC investigations are in progress on manual single-station hole-punching machines, unalloyed raw titanium for non-aerospace uses, and mounted piezoelectric quartz crystals. I would ask how these negotiations are getting on, because our advice is that all these three questions are of considerable importance to European industry. Now, on 15 December, the Japanese announced proposals for tariff cuts from 1 April, in advance of, but for credit in, the MTN. Over 300 products will be covered, including Scotch whisky, gin and tea, as well as the abolition of the duty on motor vehicles. Nearly 11 % of EEC exports are affected, but the overall effect of Japans' trade surplus is likely to be modest. Estimates of the trade surplus are around 18 000 million dollars for this year, producing a surplus on current account of something like 11 000 million dollars.

These cuts seem like tinkering in view of the size of the problem we face. Indeed, it was this problem that prompted *The Guardian* on 10 January 1978 to say

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that the imbalance of trade within the OECD bloc and particularly between the United States and Japan is 'now the major threat to world economic recovery'. This was their view.

I return to the cuts. Thanks to the reduction in the duty on Scotch whisky, the UK may gain something like two million dollars this year and as much as the rest of the EEC put together. The UK has expressed disappointment that no cuts in the confectionery tariffs were proposed and, along with other members of the Community, we have been urging the Japanese directly, through the Commission, to reduce confectionery tariffs. I gather from colleagues from Holland and from Italy that they too are concerned by this question of confectionery cuts, and I therefore ask whether we can expect any advance in this particular field.

Finally, I draw attention to a piece by Michael Meacher, Parliamentary Under-Secretary of State for Trade, 'Japan: An Opportunity as well as a Threat,' in *The Times*; and I have to ask the general question, what progress the muscle of the Community as a whole can make in trying to persuade the Japanese that it really is totally unsatisfactory to alter so many regulations concerning our exports and their imports, because it is the alteration of these regulations, often for no very apparent reason beforehand, that makes it so difficult for European exporters to penetrate the Japanese market.

I can therefore only hope that the discussions now under way will reach some kind of satisfactory conclusion. I speak to express the strong feeling of the Socialist Group that, if these discussions and the talks with Mr Ushiba don't yield in the next two or three months some rather positive outcome, then it will be unhealthy for trade within the Western world. I report the very strong feeling right across the Socialist Group, which, as the Commissioner knows, includes representatives from every one of the Nine countries.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, there is no doubt that the problem of the relations between the Community and Japan gives cause for serious concern and consequently is being carefully and continuously studied by the Commission, the Council and Parliament. The Commission is therefore more than ready to take part in a more general discussion in Parliament on all aspects of the relations between the Community and Japan. It would also fit into a certain logical process, because the European Council has instructed the Commission, and its President in particular, to have discussions with Japan and to report to the next European Council meeting on any improvements achieved. On the substance — that is to say, on the discussion that took place with that country at high level in early December and later with Mr Ushiba when he stopped

in Brussels on his return from Washington at the request of the Commission, I would like to say a few words but more detailed information, of course, will be given to the appropriate committee as requested.

Firstly, we have made the policy declaration that the problem of the Japanese balance-of-payments surplus was not a problem between the United States and Japan; and so, when we heard that there were to be discussions between Japan and the United States, we pointed out that our deficit was even greater, that the problem was general and not just limited to the Japanese-American situation, and that the Community ought to be included in the talks.

I wanted to tell Parliament this today, because this policy statement seems to me to be highly important. It is wrong to say, as the Japanese authorities have said, that relations with the Community come next in importance immediately after relations with the United States and then to fail to behave in a way consistent with that assertion. This is my first policy comment.

My second is that it is our intention to follow unwaveringly a non-protectionist policy within the Community, which is in our interests because we are big exporters. This kind of logic can be understood everywhere, even in countries where industry is in difficulties and where there is a danger of jobs being lost. If we adopted a protectionist policy by excluding importers from our markets, we might perhaps be able to count on a few benefits on our own markets, but we should lose far more through reprisal measures. Macro-economic policy is the only way for us to get out of these difficulties: one-off measures are not enough. It is therefore vital that reprisal measures should not be taken against us — on the contrary, we need to have access to new markets.

This is foolproof reasoning, but I am not quite sure whether it is as effective and convincing in the case of Japan as in others — those, for example, which we discussed in the previous item on the agenda. The fact is that, because of Japan's continuing trade surplus and the mounting difficulties that our exporters meet in Japan because of the numerous measures that have been referred to, we are on infinitely less sure ground. This is why the Commission feels that it is essential — and this will be the basis of our discussion with Mr Ushiba in Brussels on Saturday next — that some general and specific improvements be made. During the conversations we held with Mr Ushiba in Brussels in December, we drew his attention to the fact that there was a tariff advantage in favour of three-engined aircraft. By a curious coincidence, the Community makes no aircraft with three engines. We build four-engined aircraft and we would like to sell them, particularly the Airbus. Another curious coincidence is that our American friends do make three-engined planes and these planes are wanted on the Japanese market. Here is a wealth of coincidences, and we

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think it is important that they be pointed out and rectified. I could quote several examples. We have instituted procedures, we have a high-level committee, we have organized contacts between leaders in industry and we have an assessment committee responsible for identifying specific and concrete problems. We understand the overall Japanese programme for economic growth, which is designed to improve and alter the present situation. All this we understand, but we can accept it only to the extent that we see a specific and material change in the situation. This is our responsibility towards our Member States in the field of external relations and trade. We are determined to shoulder that responsibility energetically, but we shall not embark upon a reckless policy. We need to have a precise and coherent policy that will bring about a tangible improvement in the situation, both at the level of the general economy and at the level of a number of specific measures. That is the Commission's policy.

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

**Mr Martinelli.** — (*I*) I am very pleased to have heard the firm statements by Mr Davignon on this difficult subject of trade relations between the Community and Japan. Not only did I observe, in these statements, the firm will of the Commission to arrive in the end — as the Commissioner said a moment ago — at decisions that will bring about a substantial easing and improvement in our relations, but I was also able to perceive — if you will allow me this personal assessment — his profound experience in this field.

In our case it is true to say that we have now reached the limits to which we can keep our markets open without condition and unaccompanied, as the Havana Charter requested, by a wage policy tied to productivity levels. By reaching these limits we have considerably disturbed our economic situation, which has now become critical in some sectors of the Community, and even our democratic institutions are, to some extent, becoming somewhat fragile, so that we now have to make it clear — as the will of the Parliament of the Community — that we cannot go any further.

When we read in the press a few days ago that there had been an improvement in economic relations between Japan and the United States we wondered what was the position of the Community in view of the fact that President Jenkins had agreed, after a relatively tough discussion during his visit to Tokyo about mid-October, if I am not mistaken, that a joint monitoring group should be instituted to consider problems. I wondered — and I was certainly not the only one — what was the result of the work of this group if in mid-January we read that the negotiations with the United States were achieving a clarification

and improvement in economic relations whereas in the field of economic relations with the Community rumours were rife and were certainly not favourable.

It is true that the trade deficit between the United States and Japan had reached 8 billion dollars by the end of the year, but it is also true that the deficit between the Community and Japan, although smaller, had neared the 5-billion-dollar mark. And it must also be borne in mind that, although it is true that exports from the Community to Japan doubled in value in six years, it is also true that imports into the Community from Japan quadrupled in five years and that they include high-priced consumer goods and not vital raw materials. This is why, on behalf of the Group of Christian Democrats, I associate myself with the initiative taken by Mr Baas, today represented by Mr Kofoed, and his group in asking that something definite be done. We know that we cannot embark on a policy of restrictions on the freedom of trade, because this might set off a series of reprisals and the ultimate result of those reprisals would be to reduce the value of our own trade one way and another and this might also have repercussions on trade with some other areas. We therefore know that it is not possible to initiate a policy of this kind; but we have to say to the Commission, by way of support for its policy, that we can no longer accept a policy of procrastination, which is the policy that Japan has largely followed in the last few months.

I hope that we shall succeed in making Japan understand that, though it is true that the Community cannot solve these problems on its own, neither can Japan. We have to come to terms with each other if we are to go on, and it is in this sense that, in thanking the Commission for what it has done, I hope that it will be able to boost its negotiations with Japan in a more concrete fashion.

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

**Mr Nyborg.** — (*DK*) Mr President, I am glad that Mr Baas' question has given us the opportunity to debate this matter. We have discussed the problems of trade with Japan before, so far, unfortunately, without outstanding success.

Parliament discussed the matter as long ago as December 1976, and then in March 1977. Relations with Japan must be described as strained and many of our vital industries in the Community are suffering as a result. I refer here to the iron and steel industry, shipbuilding, the electronics, ball-bearing and motor vehicle industries, the sale of complete factories, etc. The Japanese effort to right her balance of payments has succeeded beyond measure. It could be described as an economic miracle, but is due mainly to the mobilization of the Japanese economy to sell more and to keep imports down, while she has pursued a policy of retrenchment and autarchy.

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The numerous meetings which have taken place between representatives of Japan and the EEC have not produced satisfactory results for the Community. It must be said here that the United States has not been afraid to react to their unfavourable trade balance with Japan, and this brings certain dangerous factors into play, for which reason I feel that it would be advisable to reach a trilateral arrangement between the Community, Japan and the USA.

The establishment of a procedure for consultation between these three parties would be a step in the right direction. In respect of trade with countries outside this grouping, and here I am thinking in particular of the State-trading countries, it might be advantageous to avoid unnecessary competition on credit terms, interest rates, etc., and export credits to domestic undertakings for transactions with Comecon countries.

It also might be an idea, as I have proposed in the past, to agree on the exclusion of certain types of goods from exports to Comecon countries, as a large proportion of exports from Japan, the USA and the Community consist of advanced machinery and complete factories which constitute dangerous future competition for our own industries.

In its conversations with Japan, has the Commission persuaded Japan to make any real concessions to give EEC industry the same opportunities in the Japanese Market as Japan enjoys on the Community market? I should be very interested to hear the answer on this point, as, in the past, the Japanese have disclaimed any responsibility for the recession in Europe, which, after advocating free trade, now wishes to introduce restrictions to solve its internal problems. That is how the Japanese put it.

One industry where the problems are particularly acute is shipbuilding, where Japan holds a very strong position in the world market, although Japanese yards have not escaped the oil crisis, etc. unscathed. Finally, I should like to encourage the Commission to be a little firmer and more ruthless in future negotiations with Japan, as meekness does not seem likely to produce results.

**President.** — I call Mr Dalyell.

**Mr Dalyell.** — I would just ask the Commissioner to confirm that in the talks to which he referred in his previous answer, the following subjects are on the agenda :

- (1) confectionery,
- (2) manual single-station hole-punching machines,
- (3) unalloyed raw titanium for non-aerospace uses,
- (4) mounted piezoelectric quartz crystals,
- (5) Scotch whisky.

Are they on the agenda?

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) I would first of all like to reply to Mr Nyborg who asked whether we had obtained any precise results through our consultations with the Japanese. I have to say that we have not obtained any precise and concrete results in the discussions with the Japanese so far. That is why the meeting next Saturday is so important.

Mr Dalyell has asked me five specific questions. I shall reply to the best of my ability in view of the fact that the discussions concern a large number of commodities. As regards quartz for watches and hole-punching machines, these questions are not only on the agenda but — in the case of quartz — we have initiated anti-dumping proceedings. As a result, the Japanese have come to an arrangement with us — which shows the effectiveness of our policy — under which, from now on, they will align their prices on those of the Community. Anti-dumping proceedings are also under way in the case of hole-punching machines.

On the three other items — including Scotch whisky — I would answer that the question of processed food products in general is one of the main items in our list of priorities, which also includes textiles, clothing, etc.

On the subject of the special metal for aerospace fabrications I am sorry to say that my memory is not good enough to give you an immediate answer, but — as I said a few minutes ago — we hope to be providing you with precise information on all our negotiations with Japan on a continuous basis.

**President.** — I call Mr Martinelli.

**Mr Martinelli.** — (I) I too asked Mr Davignon a question: what are the results of the activities of the Joint Monitoring Group instituted as a result of President Jenkins's visit to Tokyo? I think he will be able to give me an answer.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, my apologies to Mr Martinelli. I took a note of his question but forgot to give him the answer. The answer is that we had a first meeting of this group just prior to the high-level meetings in December and a number of sectors were identified on which we would concentrate in order to see how the trade question might be improved. These sectors are: vehicles other than motor-cars; chemicals, plastics and pharmaceuticals; carpets and other woollen articles; and a whole series of non-electrical appliances. I would, however, point out that we are still at the preliminary stage and we do not yet know for sure whether this group we have set up will really be the instrument that we need to keep watch on the mounting level of our exports to Japan and enable us to identify the reasons why this market does not open up more than it does.

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That, therefore, is the point we have reached. It is part of our process of consultation and investigation. The decision to set up the group was taken in October when Mr Jenkins was in Tokyo, but in practice it came into being in December with its first list. We need two or three months to tell whether this instrument will achieve its object. We hope it will, but we want to be sure before announcing the good news.

**President.** — The debate is closed.

### 9. State of the environment (debate)

**President.** — The next item is the report (Doc. 468/77) by Mr Baas, on behalf of the Committee on the Environment, Public Health and Consumer Protection, on

the First Report by the Commission on the state of the environment.

I call Mr Kofoed.

**Mr Kofoed, deputy rapporteur.** — (DK) Mr President, I should like to make a few remarks on the essence of this report. I shall not bore this House by discussing this report in detail, as I assume that members have read it, and furthermore it was adopted unanimously.

I wish to put some fundamental points on the environment in general and on problems of environmental policy.

I feel that if we consider European environmental policy as a whole, we must agree that it is a major topic in general discussion. Many people are interested in environmental questions, and there are ministries of the environment in the different countries producing measures for the protection of the environment.

But if we look at the difficulties, there is one factor which must be considered in the present economic situation. If these measures to protect the environment can produce distortion of competition, and thus possibly result in unemployment, it is very important that they should be adopted at European level, so that the same rules apply to industries and undertakings throughout Europe. If this is not done, such measures may be considered as discriminatory in nature.

In this connection, the Commission has done excellent work to bring about standardization or uniform rules for environmental protection. But if we now consider the outcome of these rules, the report clearly shows that Council action to put these rules into practice is long overdue.

As I have said before, we must ensure that these environmental measures achieve their objectives, that is to say to improve the environment and allow a better quality of life, in general and at the workplace. But there is one factor I should like to point out to the Commission which may jeopardize favourable atti-

tudes towards environmental protection. I have the impression that, in certain countries, detailed lists of do's and don'ts adopted by the Commission in the form of directives and regulations reduce the attractiveness of environmental measures. I am thinking here of the many rules involving specific lists. A small group of substances is taken, and some are permitted, while others are banned. If each commodity group and each type of product is to be analysed and all the permissible alternatives specified, I am afraid that the result will be bureaucratic rules going into such detail that they are in practice unenforceable. The outcome would then be antagonism towards the environmental protection measures which really are necessary.

I should like to raise another problem. In the present economic situation, the Commission should also keep an eye open for countries adopting environmental protection measures which actually amount to barriers to trade. For if we have abolished customs duties, it will not be long before the human brain comes up with other barriers to produce the same effect. They must be watched out for, as they can crop up within environmental legislation. But I feel that the conclusions of the report are excellent, and I recommend its adoption, as I hope that it will help to sustain the serious and positive debate on environmental protection.

**President.** — I call Mr Willi Müller to speak on behalf of the Socialist Group.

**Mr Willi Müller.** — (D) I cannot refrain — and this has practically become a rule with discussions on environmental problems in this Parliament — from making one preliminary remark on my own behalf and also, I think, on behalf of this Parliament. I feel — and this view is certainly shared by the broadest cross-section of the population in Europe and by yourself as well, Mr President — that the problems of improving the quality of life are an essential issue. This is already clear just from the fact that so-called 'green parties' are continually being formed with the object of filling certain gaps.

I also feel that the practice in this House of always relegating environmental protection questions and situation reports on what the Commission and the Community has so far done in the field of environmental policy to a marginal status in our discussions is, in the long run, not tenable. This is not the first time I have said so, and if I repeat that I am speaking not only on my own behalf but surely also on behalf of this Parliament, it is in the hope that the Bureau will perhaps give some consideration at least to how these things could be more properly treated than they have been in the past.

The basic fact is that we invariably deal with these subjects on a Friday, and if I look up at the visitors' benches and then around the Chamber I know that



## Müller

the people who have come to hear our discussions today are extremely disappointed that there is practically no-one here for such important questions. We Members of Parliament know why so few of us are present, but we should at least give these topics the place they deserve — namely, the middle of the parliamentary week.

I am sorry to have put this so harshly, but there is no alternative, Mr President, when, time and time again, we find that environmental policy is dealt with on a Friday and despatched in the very last minutes, which sometimes — I readily admit — leads to exaggerations because there is so little time.

For that matter, I would myself like to be really brief. I am speaking on behalf of the Socialist Group and state explicitly that we welcome this report by Mr Baas. We are grateful for the fact that the situation report on the work of the Community on the environment has not become a congratulatory address but contains some perfectly justified criticisms. In our group, we regard this report as a stimulus, a spur and an invitation to get this environment policy, that has come to a standstill in the Community, moving again. We shall set ourselves to this task with vigour, and I am sure that the other groups, if they take stock of things in this area (and this is the subject of our discussion today), will go about things in the same way as the Socialist Group has done.

This conclusion is the result of considering the situation soberly and unemotionally. It is clear from Mr Baas's report, which, after all, is based on discussions in the responsible committee that these ambitious declarations of intent and programme proposals for a common environmental policy have largely come tumbling down.

The first environment programme, which also met with the undivided approval of the Council, failed to be implemented. That is another sober and cold conclusion. To be specific, there was no second Community environment programme, only a carrying forward of the first programme, which is what we are talking about today, the idea being that this would enable the suggestions and proposals in the first programme to be put into effect. The report deals with these matters both in the motion for a resolution and also, in great detail, in the explanatory statement. I would specifically draw the attention of the House to page 12 of the German version, where Mr Baas has drawn up a catalogue of failures, listing everything that was originally planned in the first environment programme but is still lingering with the Council.

Mr President, a catalogue of successes, which is not given in the report but which we ought to be able to refer to as well, in answer to the question what has really been done, would show very clearly that developments are pitiful. It would show up how many things the Council has neglected. Let me make this clear

with a few figures. According to my investigations — it is very difficult for us as national representatives to conduct such investigations at all and to arrive at any results — 43 directives on environmental policy have so far been submitted to the Council; of these, 12 have been adopted and 31 have not as yet been dealt with. So here we have a multitude of cases of procrastination by the Council. It means that less than 30 % of the directives submitted have been passed and 70 % are still outstanding, including some — and this, I feel, is particularly noteworthy — from 1973 and 1974 that are yellowing and collecting dust, and still waiting to be dealt with.

This in itself is bad enough, but what makes things even worse is the largely unknown effect of this inertia on the part of the Council. It consists in the fact that when a directive is approved by the Council, extraordinarily long time-limits are allowed so that — just to take a random example — in the case of the directive on reducing the lead content in petrol, the requirements we approved in Parliament might quite possibly not be incorporated in national legislation until 10, 11 or 12 years after the submission of the directive to the Council.

This, I feel, will be difficult to understand for the public and really for this Parliament too.

A further point is that I do not think it unlikely that a whole series of the directives approved by the Council have still not been incorporated into national legislations; and this, of course, raises the question how the Council, in that case, thinks that the programmes which it has suggested and agreed to will be implemented. This, I feel, will continue to require clarification in this Parliament, and for this we shall have to look critically into things. Some time ago a technical journal in the Federal Republic published an article by a well-known expert under the title 'The European Community's Environment Policy: A Pipe Dream' I would make it quite clear that it was not followed by a question mark but by an exclamation mark. I did not want to believe it because — in all modesty — we had done our duty in this House, cooperated with the Commission and passed the matter to the Council. But if you go into things, then this is the result you find, as I have tried to explain with the help of the figures I quoted.

As a Member of Parliament I am accustomed — as we all are to some extent — to follow parliamentary practice, and that includes having to put things more politely than one really has a mind to. It is my opinion that this policy of the Council's this policy of the pending tray in the field of improving the quality of life and environmental conditions in Europe must come to an end. The Council is the aggregate of the governments of the Member States. The Council has always had and used opportunities and possibilities for influencing directives through its experts and perma-

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ment representatives. To that extent the directives submitted by the Commission are already compromises which we, in Parliament, try to improve. But sometime or other the Council must show its hand and I consider it scandalous — and I intentionally stress the word — that not once the Council has been willing and in a position to accept for itself the nine months' time-limit to which it has agreed as the period within which it has to take a decision on directives. Most of the proposals submitted to the Council have just not been dealt with within the time-limit the Council itself approved.

This brings me to my closing remarks. Mr President, there are naturally objective difficulties, as Mr Kofoed has already explained, which have obstructed the Community's proposed programmes in the field of environmental protection. No one would deny this, even in this House. The economic crisis, the employment situation, growth, energy supplies, to name just a few, have been hurdles along the way that it was impossible for us to anticipate at the outset. If this is so — and we recognize this — then the Council should not just hold on to this façade of a policy; the time has come to say what is possible — in the foreseeable future — and what is not. Here — I say this on behalf of my group as well — we would like greater honesty and greater courage from the Council of this Community so that it says what can be done and what cannot, instead of doing nothing except letting things lie and collect dust. And here, of course, the point made by Mr Kofoed is also relevant. At all events, I too came to that conclusion today. We can all learn and are certainly no more foolish for facing up to things. The question really is whether for the harmonization of competition problems — for the Community's entire environmental protection policy is not, after all, covered by the Rome Treaties — it is right that everything should be applicable equally and to the same extent in all countries.

Here, I have had increasing misgivings and they continue to increase. For example, there are river systems, cold river systems, fast river systems and others which flow slowly and are already heated in one country. Then one begins to wonder, like us in the Federal Republic, for example: how are we with our constitutional situation to find a regulation that will be applied in exactly the same way in Bavaria, where it is perhaps not suitable, as in North Rhine-Westphalia, where it is suitable? This applies in each country and I believe that here we need to think again.

Mr President, this naturally necessitates — and I say this frankly — a certain complicity, a bad word in itself but I feel that in view of the situation some complicity between the Commission and Parliament is necessary in order to set things in motion again at

last, to move forwards and to show that we are not running things in half-hearted fashion.

This, Mr President, was a critical speech. I said that this situation might lead to distortions. I am no Latin scholar, but I do remember a Latin tag which goes: I do not know whether things will improve if there is a change, but there has to be a change if things are to improve. This I would like to see applied to the whole set of problems that we are discussing today.

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

**Mr Jahn.** — (*D*) Mr President, ladies and gentlemen, the Christian-Democratic Group largely agrees with the report drawn by Mr Baas, and congratulates him on it. He has given us a general review of the state of environmental protection activities and the implementation of the Commission's action programme in the last three years.

I should like to make a preliminary remark, which generally follows the line taken by Mr Müller, although I have not discussed the matter with him. We regret the fact that debates on environmental protection policy always take place on a Friday and frequently as the last item on the agenda. In the nine years I have had the honour to deal with this subject in this Parliament, I can recall only a very few part-sessions in which protection policy was placed higher on the agenda than it has been this time. We feel that environmental policy, being a supranational, supracontinental, international policy, has achieved a level of importance like few other policies, such as the external, security or economic policies. People are interested in this subject, and millions in Europe are deeply involved. What is at stake is human health and survival, the maintenance of the ecological structure, nature, man and matter as mutually dependent factors. We would ask the Bureau to ensure that all policies receive equal treatment in this House, and we hope that environmental policy and related matters will be discussed on other days at future part-sessions.

We also regret that the Commission is only now keeping the promise it made on 22 November 1973, even if its report is incomplete. We hope, however, that the Commission will in future be able to submit an annual report containing a review of the Community's environmental policy, and its prospects, and thus give a far more detailed description of the situation in the various Member States.

We Christian-Democrats support the Commission's efforts to combat water pollution by laying down maximum admissible concentrations for pollutants and setting standards for discharges, particularly with regard to the production of drinking-water. We know that this is no easy task. We welcome the efforts being made to keep usable ground-water clean, and look

**Jahn**

forward to receiving practical proposals in this field. And we place particular emphasis on the need for a more active policy to limit the use of substances dangerous to man and the flora and fauna, and the emission of such substances.

We feel that efforts must be made to push ahead with the measures to restrict the use of chemical pesticides and to promote biological or integrated farming methods. We consider it essential for the Commission to urge the Council to adopt all the directives forwarded to it in the very near future, as Mr Müller said just now.

I should briefly like to take up a number of points that we have unfortunately not found in the report. The first report does not, we regret to say, contain a chapter on raw materials, although their economical use plays an important part in the Community's environmental policy. Perhaps the Commission could explain to the House why it has to date refrained from describing the policy in this field.

Secondly, no clear information is given on the United Nations Environment Programme. It would be interesting to hear what coordination, if any, there has been in the implementation of the UNEP and the European Community's action programme for the protection of the environment, what coordination is planned and what coordination is possible.

Thirdly, cooperation with third countries in protecting the environment ought to have been dealt with in a separate chapter, especially as in committee we have always advocated closer cooperation between the Commission and third countries, and will continue to do so, because a sound environmental policy cannot stop at the frontiers of our nine countries. We should like to point out that the Commission will be covering an optimum territorial area when it takes the environmental protection measures planned.

The Member States must also have the necessary technical structures to allow them to produce interdisciplinary solutions to environmental problems; but in many cases there is a lack of administrative bodies capable of collecting information and passing it on. An example of such technical structures are the French river-basin agencies. Since 1964, France has had six such agencies, each having its own area of jurisdiction and the necessary experts to work out interdisciplinary solutions.

These and other measures are required to give the necessary stimulus to the action programme which entered into force in 1973, was drawn up jointly by the Commission and ourselves, was unanimously approved by this House and approved in principle by the Council.

We make an urgent appeal — and here I can only endorse what Mr Müller has said — to the Council at long last to adopt the 31 directives still outstanding, which were approved by the European Parliament and the Commission long ago, so that the regrettable delays in environmental protection policy can at last be made good. The Commission, for its part, should, as the rapporteur has clearly stated, place the emphasis in its next annual report on a homogeneous assessment, broken down by countries, of the implementation of Community environmental protection measures and thus provide a clear record of what has been achieved so far.

Mr President, I should like to make a number of proposals to improve the wording of the motion for a resolution. Two of them concern the German text alone, but paragraph 21 should read:

Requests the Commission to take action both to limit the use of *chemical pesticides* ...

rather than simply 'pesticides'. The other amendment I should like to see made concerns paragraph 23, which should read:

Asks the Commission to examine whether it would be appropriate to suggest immediate action with the aim of introducing without delay afforestation measures and measures to manage water resources which are urgently needed, particularly in the *Mediterranean regions of Italy and France* ...

These minor changes, we feel, will make our motion for a resolution linguistically acceptable as well.

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

**Mr Veronesi.** — (I) Mr President, time is pressing for me, too, and in the interests of brevity I shall not bother with the draft speech which I had prepared. Besides, the excellent speeches made by my colleagues and members of the Committee on the Environment, Public Health and Consumer Protection have made it easier for me to shorten my own contribution.

This report has been redrafted several times by the rapporteur following detailed and extensive discussions in the committee responsible, with the result that, having been adopted unanimously, it essentially represents the opinion of all the groups. I would stress that this first series of intentions, proposals and requests to both the Commission and the Council reveal the depth of our concern on this problem. I support the view that we cannot, as standard procedure, relegate the discussion of these subjects to the last day of the part-session, as this necessarily means stifling all debate. I endorse Mr Müller's request that, for once, sufficient time should be allocated for a more searching debate.

## Veronesi

Our group is in complete agreement with all the comments made by earlier speeches and by Mr Kofoed on behalf of the rapporteur, and supports the broad lines of the policy which has been unanimously advocated in this House.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, in the light of the report which has been presented and the various speeches on it, it would be ungracious of the Commission not to thank Parliament for constantly supporting our efforts to develop an environment policy, which is essential in view of the real changes in our social structures, and necessary in order to prove that, through the European Community, we can decide on arrangements and regulations which, if adopted only at national level, would in many cases create additional technical barriers to trade. Action must, therefore, be at Community level.

The second report which the Commission is preparing on the environment will be forwarded to Parliament as soon as possible — actually in September — and will take a detailed look at the various subjects of concern to Parliament and connected with the request by Mr Müller.

As regards the fundamental question of the slow progress of work, I believe that consideration ought to be given to the suggestion I made just now with a view to working out a joint strategy, as our objectives are the same: Mr Natali should be asked to consider this issue with the competent committee in order to decide how to get out of the present impasse in certain discussions with the Council on directives and important texts.

**President.** — The debate is closed.

10. *Decision on the physical properties of foodstuffs (debate)*

**President.** — The next item is the report (Doc. 463/77) by Mrs Cassanmagnago-Cerretti, on behalf of the Committee on the Environment, Public Health and Consumer Protection, on

the proposal from the concerted-action project of the European Economic Community in the field of physical properties of foodstuffs.

I call Mr Hans-Werner Müller.

**Mr Hans-Werner Müller, deputy rapporteur.** — (D) Mr President, I offer the excuses of the rapporteur, Mrs Cassanmagnago Cerretti, for her absence, which is due to the fact that she is at present attending the World Congress of Women in Strasbourg.

Just one brief remark to introduce this rather technical report. On 19 December 1977, the Committee

on the Environment, Public Health and Consumer Protection approved this report unanimously, and the Committee on Budgets, asked for its opinion, has for its part also delivered a favourable opinion. I can therefore recommend the House to adopt this report.

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

**Mr Veronesi.** — (I) Mr President, although we approve of the Commission proposal, we wish to repeat the observations which we made in committee. We feel that the two phases of the programme, that concerning the physical properties of foodstuffs and that concerning their organoleptic properties and nutritional value, should go forward simultaneously.

The procedure followed by the Commission has not met with great approval amongst scientists — at least Italian scientists — and it would seem that it is mainly geared towards giving priority to technical and industrial issues rather than biological and nutritional questions. It has been specifically asked in the press whether technology will not be given priority over the quality of food, thereby echoing the same concern explicitly voiced by us during discussions in committee.

For this reason, we ask for guarantees to ensure that all the results obtained through the improvement of products in chemical and physical terms — more rapid production, lower production costs — will not be at the expense of quality of foodstuffs; otherwise, the advantage derived will be nil and instead we shall have damaged consumers' interests.

We therefore urge the Commission, if it has not done so already, to launch the other part of the programme without delay and, above all, to ensure that the fundamental principles of consumer protection are complied with throughout its implementation.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, although this is a technical question, it is an important one: the measures we have adopted will help us to obtain a clearer picture of the technologies involved and the organic characteristics of these finished products. Furthermore, coordinating this work will make it more accessible to everyone.

As regards the specific concern of Mr Veronesi, I would tell him that this is merely one aspect of the overall issue, and that during the second phase — on which subject we resolved a number of technical difficulties yesterday — we shall deal with the points raised by Mr Veronesi within a suitably wide framework.

**President.** — The debate is closed.

11. *Agenda*

**President.** — The next item is the joint debate on the two reports by Mr Aigner. Since Mr Aigner has been delayed, I propose to the House that, if the rapporteur agrees, we proceed immediately to consider the Bruce report until Mr Aigner arrives.

I call Lord Reay.

**Lors Reay.** — I wonder if it is your intention, Mr President, to move on to the discussion of Mr Aigner's motion as soon as Mr Aigner appears, or to proceed to the end of the discussion on Lord Bruce's item? I ask this simply because I was most anxious myself to speak on the Aigner motion, but have an aeroplane to catch. I have certainly been anticipating that Mr Aigner's report would be taken in the order in which the items are listed on this paper. I would not wish there to be any more delay than necessary, and if it was agreeable to Lord Bruce, I would hope that it might be possible to interrupt the discussion on his matter, if we are now to introduce it, in order to enable us to take the Aigner motion.

**President.** — Lord Reay, since no speakers are listed on the Bruce report, we shall be able to make rapid progress. Are there any objections to this proposal? That is agreed.

12. *Transfer of appropriations within the 1977 budget (debate)*

**President.** — The next item is therefore the report (Doc. 495/77) by Lord Bruce of Donington, on behalf of the Committee on Budgets, on

the proposal to transfer, within Section III (Commission) of the general budget for 1977, appropriations amounting to 8 million u.a. from Chapter 100, 'Provisional appropriations', to Item 3710, 'Basic research in the aerospace sector'.

I call Lord Bruce.

**Lord Bruce of Donington** — Mr President, I am most happy to endeavour to accommodate myself to the wishes of Lord Reay in this matter. As you know, I have two items on the agenda this morning. I propose to deal with the one on transfers of appropriations now. If, by the end of my short discourse on that subject, Mr Aigner were then available, I would be most happy if the proceedings could then be interrupted to accommodate Lord Reay, after which I would then proceed with the next item on the Agenda, which, as you will see, Mr President, fortuitously again refers to myself, and which I must emphasize is of some importance to Parliament. So that would be very agreeable to me altogether.

Mr President, I am very happy to introduce to Parliament my report (Doc. 495/77) on a proposal submitted by the Commission (COM (77) 678/final) to transfer appropriations of 8m u.a. from Chapter 100 to Chapter 37, 'Expenditure in the industrial and transport sectors', Article 371, 'Operations in the aerospace sector'.

Before I do so, perhaps you will permit me to say that the unique absence of my colleagues from the British delegation, who are habitually here, as you know, with a 90-100 % attendance every Friday, is due this time to circumstances entirely beyond their control. They have to return to the United Kingdom Parliament in order to deal with an emergency motion, which will commend itself to this House, in connection with direct elections to the European Parliament; so I hope they may be excused on this occasion.

Reverting to the proposal of the Commission, it will be recalled that last Tuesday Mr Carpentier introduced his report on the state of aeronautical research and the proposals of the Commission in connection therewith. In the course of the debate I myself spoke, although I did not deal with the budgetary aspects of the matter. Parliament by its vote on that occasion expressed its considerable disquiet over the attitude taken by the Council towards the whole question of aeronautical research as proposed by the Commission. My remarks this morning on behalf of the Committee on Budgets merely deal with the financial implications of what I described at that time in my own speech as the inertia of the Council.

In the preliminary draft budget for 1977, the Commission proposed payment appropriations of some 8m u.a. and commitments of 20m u.a. in connection with a proposal concerned with aeronautical research which, as I have said before, was placed before Parliament in very detailed and constructive form by the Commission. The Council had, somewhat characteristically, decided to delete the item from its draft budget, whereupon Parliament itself, in the course of the proceedings on the 1977 budget, voted to restore it. Once again, in accordance with either its own disinterest or its own inertia, the Council decided to delete it. But, Mr President, Parliament did at any rate think it had the last word in this matter, and in the course of the budget adopted by Parliament in December 1976 it did in fact restore 8m u.a. under this title and this budget was finally adopted by Parliament. Needless to say, Parliament intervened on numerous occasions towards the end of this year, complaining that although the item had been incorporated in Parliament's adopted budget, the appropriations had so far not been spent owing to the inability of the Council to agree upon its expenditure. And there the matter apparently rested.

In the 1978 budget, the Commission presented proposals to Parliament for a further 90m u.a. under exactly the same article and title, with 31m u.a. in commit-

### Lord Bruce of Donington

ments. Once again, the Council, with its usual perspicacity, inertia or inability to arrive at agreement, contented itself with a token entry. Parliament thereupon reconsidered the matter in October 1977 and put in its own budget some 11 070 000 u.a. in payment appropriations and some 28 720 000 u.a. in commitments. Once again the Council, which either had not disturbed itself from its slumbers or had resigned itself to a resentful state of coma, decided that it would make a token entry, whereupon Parliament finally submitted an amendment to the budget which, on the assumption that the 8m u.a. from the previous year would be made available by Council during the year 1978, modestly restrained itself, and in fact put 1m u.a. under Chapter 100 and 15m u.a. in commitments. There the position now rests. The Commission, very rightly in Parliament's view, is seeking to ensure that it shall not be restrained from using the 8m u.a. originally voted to it by Parliament and frozen under Chapter 100. Therefore, the Commission proposal that the amount of 8m u.a. should now be unfrozen and made available for expenditure is one that is entirely endorsed by the Committee on Budgets.

I have heard — and, of course, there are channels of informal communication within parliamentary institutions, which we in the United Kingdom refer to as 'the grapevine' — that Council is still resisting the use of this 8m u.a., notwithstanding any action that may be taken by Parliament today in support of the Commission's proposals. I sincerely hope this will not be so. I do not wish to reiterate the observations I made in the course of the general debate last Tuesday, but I think Parliament will tend, in spite of my somewhat unconventional methods of expression from time to time, to endorse my view that the hold-up of expenditure under this head amounts to a public scandal, and the quicker Council puts itself behind the Commission's resolve in this matter, the better it will be for all concerned.

I do not wish to make any kind of threat to the Council, but I would remind it that under the Treaty of 22 July, Parliament now does have some right to modify compulsory expenditure. If, therefore, the Council continues to be obstructive to the wishes of the Commission on non-compulsory expenditure — and I speak with the full authorization of the Committee on Budgets — then in future we may look very considerably askance at compulsory expenditure in the Community, and, if they prove themselves awkward in connection with non-compulsory expenditure, we may prove ourselves to be extremely awkward in connection with the compulsory expenditure of the Community.

**President.** — As agreed, we shall now interrupt the debate on the Bruce report.

### 13. Communications on food aid (debate)

**President.** — The next item is a joint debate on two reports by Mr Aigner, on behalf of the Committee on Development and Cooperation, on

the Communication from the Commission to the Council on the supply of food aid in the form of skimmed-milk powder and butter-oil to India for the second phase of 'Operation Flood' (Doc. 461/77),

and

the Communications from the Commission to the Council concerning the 1978 programmes for food aid in cereals, skimmed-milk powder and butter-oil and nutritional and developmental perspectives for dairy products in the Third World (Doc. 492/77).

I call Mr Aigner.

**Mr Aigner, rapporteur.** — (D) Mr President, ladies and gentlemen, it is right, I feel, that we should be discussing these two reports together, because the first report on the supply of skimmed-milk powder and butteroil for 'Operation Flood II' will form part of the Community's overall food-aid policy in the coming year.

Mr President, we started with the following situation: the Indian Government initiated the 'Operation Flood I' project as long ago as 1970 to promote agriculture, and I believe that everyone who has come into contact with this project will agree that it has been successfully completed. The programme, in which the Community was involved within the framework of the World Food Programme, had the following objectives: firstly, to improve milk supplies in the highly populated cities of Bombay, Calcutta, Delhi and Madras; secondly, to improve the living conditions of about 1 million families engaged in milk production in rural areas, whose income — and this is an interesting figure — has risen by 50 to 100%; and thirdly, to introduce an efficient milk-processing system. Particular reference should be made here to the fact that a domestic company, the *Indian Dairy Corporation*, is in charge, receives the 'Flood II' funds and uses them on its own responsibility, although in line with the objectives of the European plan.

This form of food aid has made an important contribution to the creation of efficient structures and the setting up of appropriate rural organizations. In view of the successful implementation of this first programme, the Indian Government would now like to make a start on the second phase. The project is intended to run for seven years, but the Community will be participating with food aid for only six years.

Implementation of the programme will require a total of 186 000 tonnes of milk powder and 114 000 tonnes of butter-oil, corresponding to an annual average for

## Aigner

the six years of 31 000 tonnes of milk powder and 19 000 tonnes of butter-oil.

With 'Flood II' alone, the following objectives are to be achieved: firstly, the improvement by 1985 of the living conditions of 10 million families engaged in milk production; secondly, the creation of a distribution network to cover 142 cities with a total population of 150 million people; and thirdly, the creation of the infrastructure needed for the dairy industry.

These figures themselves show, I feel that this is a more than ambitious programme, and I look forward with considerable interest to the time when Parliament examines the reports on progress and results — and I hope we shall be receiving a report every year — so that we can see what success this programme has had.

The overall cost of the project amounts to about \$550 million. Income from the sale of products, \$270 million, would be enough to cover half of the total cost of the action. The remainder would have to be met by a World Bank loan of \$200 million and by the sum of \$80 million available from the first phase of 'Operation Flood'. If all these funds, particularly the World Bank loan, can be mobilized, the project as a whole can be financed. I would repeat, therefore, that a condition for the implementation of 'Flood II' is that the World Bank approves the Indian Government's application for a loan and implements its decision to this effect.

The planned project is an example of the possibilities open to food-aid policy. I would therefore ask the House to agree to our proposal, because with this programme the Community will not only be helping to overcome the critical food situation in India, but also contributing directly to rural development in the recipient country. This form of aid is more effective than food aid pure and simple, because it has long-term development objectives. 'Flood II' has several simultaneous objectives — namely, the improvement of living conditions and an increase in productive capacity and productivity in rural areas, the creation of new jobs and, of course, the alleviation of hunger. The project is consequently an interesting experiment and might be used as a model for similar development projects in other developing countries.

I should now like to give a brief introduction to the second report. This concerns the 1978 programme for food aid in cereals, skimmed-milk powder and butter-oil, and the use of dairy products for nutritional and developmental purposes in the Third World. I should like to say once again that even today the food situation in many developing countries is extremely critical. Generous food aid is therefore not only a political, but also a moral and human duty for the Community, which was created on the basis not only of general political principles, but also of high moral values, which underly its very existence and its policies.

While fully acknowledging the EEC's efforts in the field of food aid to date, I feel that the Community — and this view is also shared by the committees concerned — might increase its efforts, because it has gained considerable experience — good and bad — in this field since 1968, and also because the Community itself is an important producer of food. The aid the Community grants will, however, be fully effective only if the basic principles governing that aid are laid down as part of a long-term development policy and strategy. We all know that food aid is simply vital at the moment for very large areas of the world. But we also know that food aid must not become a permanent institution. It should have a bridging function and, of course, be used when disasters occur. Food aid does, after all, have its negative side, which we should not ignore, in that, as we have seen, it leads to a reduction in the efforts made by recipient countries themselves, undesirable changes in eating-habits, which raise yet further problems, and possible disturbances of markets and production in the countries concerned. The prospect of food aid has unfortunately resulted in the development of agriculture being badly neglected in many developing countries, including some where famine is a major problem. Most peasants in the developing countries still farm to meet their own requirements. They do not produce for a market, which because of the lack of demand does not yet exist.

Nor does there appear to be very much sense from the economic point of view in producing food in the long term where the highest wages are paid rather than where there is an adequate, cheap labour force and where large numbers of people go hungry. Development policy must therefore give priority to developing the agricultural sector, because it will be of decisive importance for employment and thus growth in the years ahead. In many regions, 70 to 90 % of the population still work on the land and in agriculture. There can therefore be no question but that agriculture must be slowly but surely transformed from production for one's own requirements to production for a market. However willing the farmer may be to produce, there is no point in his doing so if he does not have a market where his efforts and the equipment he has used are paid for. Thought should therefore be given to the possibility — and I have included this point in the motion for a resolution — of whether those developing countries which present information shows to have made the greatest possible effort to promote agriculture, should not receive increased aid, if this is necessary and possible, an example of this being the Indian programme. I realize that a political requirement of this kind may in practice have very dire consequences, but it might provide an additional incentive to developing countries to increase their own efforts, and the ultimate goal of development aid and development aid policy must be to have the regions concerned make a greater effort themselves and take the initiative. I feel that we should not refrain from providing these incentives

**Aigner**

As regards food aid for 1978, I am very pleased to see that the Commission has for the first time covered all three programmes, those for cereals, butter-oil and skimmed-milk powder, in a single document. I do not think I need go into the figures in detail, since they are given in the report. But I should like to point out that the developing countries' requirements of all products has increased substantially and that the deliveries the Community intends to make simply cannot meet these requirements.

Mr President, if you will allow, I should like to spend a few minutes on the supply of skimmed-milk powder. Requests — and I am only talking about requests — received by the Community under this project already amount to 223 000 tonnes, and according to the Commission and the committees concerned, requests for 400 000 tonnes could be accepted. Our committee therefore feels that the 150 000 tonnes decided by the Council should be increased to 200 000 tonnes, especially as the skimmed-milk powder mountain now exceeds one million tonnes.

We cannot, of course, completely exclude the possibility that so substantial an outflow of surpluses will lead some politicians who specialize in agriculture to think that there is really no urgent need to use every means possible to restore the balance between production and demand, because we need these surpluses for our food policy.

I myself do not believe that when stocks amount to a million, agricultural policy can be affected by 50 000 tonnes more or less. On the other hand, Mr Davignon, it is, of course, quite clear that if the Community did not have this quantity in stock, food aid of this magnitude would not be possible. One is conditional on the other. As a principle, the lack of balance in the Community's agricultural policy must not, of course, be coupled with food policy. Each aspect must be seen in isolation and the problems solved separately. In this connection, I should like to ask the Council in particular when the 40 million u.a. are to be released for the 45 000 tonnes still outstanding for 1977. The decision of principle has, after all, been taken.

As food aid is as much a question of quality as of quantity, the supply of food with a high protein content is important, because protein deficiency has become the most serious nutritional problem. Consequently, our committee attaches particular importance to the fact that the Commission expressly refers, in a separate communication to the Council, to the use of dairy products for nutritional and developmental purposes in the Third World.

Chronic malnutrition in the development countries is more than serious. Although estimates can never produce scientifically accurate findings, all the experts agree that protein deficiency, the lack of proper nourishment, costs about 10 million lives a year, for which

we bear some responsibility. Half the children in the underdeveloped countries today suffer from protein deficiency. I should like to give an interesting figure on this subject. While the average consumption of dairy products in the industrial countries amounts to 300 kg per year per inhabitant, it is only 50 kg per year in the developing countries, and in some regions far lower; moreover this is only an average figure, which is not achieved in very many regions, particularly the poorest regions of Africa.

Although the shortage of food is no longer as serious as it used to be, unbalanced nutrition and, above all, protein deficiency have, on the whole, made things worse. It is undoubtedly true to say that there is no one foodstuff capable of meeting all of man's nutritional requirements, but milk comes closest to doing so, especially if it is enriched with vitamins, as we have suggested in the committees.

The use of milk powder and the critics of this foodstuff should not forget it has so many additional advantages that even if we did not have any surpluses in the Community, we should in future press for a food programme based on milk powder, because the protein content is, at almost 36-38 %, very high while the price is relatively low. In fact, milk is the only comparatively cheap source of protein. In addition, it is easy to transport, can be used for many different purposes and is relatively easy to store, unlike other foodstuffs.

We call on the Commission once again to ensure that especially when milk powder is being converted into milk, everything is done to exclude possible hazards to health. That is why the Community should supply not only skimmed-milk powder, but also simple technical facilities so as to prevent unhygienic mixing and poor mixing ratios, which have unfortunately occurred in some cases. The ignorance of the local population has resulted in a number of mistakes being made.

I would point out that a number of countries in the Community have put this request to the Commission. A small group within the ACP countries also discussed the matter recently. We therefore fully endorse the Commission's proposal that aid should be concentrated on the poorest countries, and preference given to development projects. In my opinion, however, project aid is only possible if the considerable fluctuations in aid which have not been uncommon in the last few years are eliminated. The Community — and I am now addressing the Council in particular — should give multi-annual assurances to ensure the continuity of aid.

I should just like to raise three points of particular concern to our committee. Firstly, the Commission should tell us once and for all how much it costs to store a tonne of skimmed-milk powder and to add it to cattle fodder afterwards. It is, after all, quite interesting to compare costs. If, for example, I have to pay



**Aigner**

70 % of the total cost of the food to store it for several years, in addition to the original price, then this programme must, of course, be seen in a completely different light than if the full price is considered as an isolated cost factor.

I should also like to ask the Commission on behalf of my committee — and we might also say this in Parliament's Control Subcommittee — to make it clearer what services bear responsibility in what functions. May I say on behalf of the whole House that we should not tolerate a situation in which the Council and its Committees take the place of the executive — that is, the Commission — in implementing the food aid programme. The Council's claim that it would take the Commission's place has in the last few years resulted in a number of cases where the implementation of our programme has been delayed by six or even nine months, and the Council has even gone so far as to believe that it can tell the Commission exactly what programmes should be carried out and what form they should take. If the Council goes on doing this in the future, it should repair to the capitals of our countries and bring about an amendment to the Treaty so that the executive is no longer the Commission but the Council. But as long as the constitutional structure is such that the executive is responsible to Parliament for the implementation of the budget, it must also be responsible for the implementation of such programmes.

I should therefore like to see detailed discussions with the Commission taking place in the appropriate committees. We shall then take the necessary, practical decisions and, if necessary, they will be directed against the Council. I should like to make one last request.

Mr Davignon, of course there are negative sides to the implementation of food aid. We have discussed them in the Control Subcommittee. My request is that you should describe this programme as clearly as possible, that you should not allow the Commission's responsibility to be pushed into the background, either by the Council or by your partners in the Third World. Where food aid is concerned, you have a direct responsibility to Parliament, and you can do your duty only if you are in full charge of the instruments, that is if you supervise these programmes, even where we have granted our partners some say in the matter.

Mr President, I find it regrettable that we have to discuss this programme at the end of a part-session and after midday. We are after all dealing with a total figure of 489 million EUA, a sum which would hit the headlines as being the subject of considerable discussion in a national parliament. Here everything is done at a late hour in the anonymity of our egocentricity. Nevertheless it is a good programme, and on behalf of the committees involved, I wish the Commission good luck in the implementation of these magnificent aid activities in favour of the Third World.

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

**Lord Reay.** — I would like to apologize to all taking part in the debate, and particularly to the Commissioner, that I shall not be staying to the end of the debate for the reason you know. Indeed, that is the reason why this Chamber is so empty at present. Like many others, I wish to maximize the chance of being able to get back to my own country today.

However, I did particularly wish to say something in this debate, because I think that the 'Operation Flood' scheme is most promising, when it comes to the aid that the Community can give to developing countries. As Mr Aigner said, the first phase has been extremely successful by all accounts, and I think it is very remarkable that no fewer than one million families engaged in milk production have had their incomes increased by something between 50 and 100 %.

I think it is also a positive element of this scheme that the World Bank should be involved. Perhaps when the Commissioner comes to sum up, he will be able to tell us of the degree to which the World Bank has now committed itself to involvement in the second phase of this scheme. Perhaps he could also say whether the involvement of the World Bank goes some way to meet the objections Mr Aigner has with regard to the financial control of schemes of this kind. Maybe the Commissioner is not in a position himself to give this information, but this is something that could be given at a later stage to the Committee on Development and Cooperation. It does seem to me that the involvement of the World Bank may improve the chances of these schemes being adequately monitored from a financial point of view.

With regard to the new phase, its ambitions are quite considerable. Apparently the aim is to improve the living conditions of some 10 million families engaged in dairy production. These figures are staggering. The food aid in milk products will cover no fewer than 142 major cities with a total population of 150 million people. However, of all the advantages of this scheme, I think the principal one is that, whereas in the beginning Community products will be used, by the end of it India will have been enabled to build up its own capacity to provide for its needs in the future and that in the final year the Community will not actually be supplying the food aid required. India will have developed its own production sufficiently to continue operating by itself the system which we shall have helped to establish.

Perhaps I may also make the observation that this scheme does show the need, at least in certain instances, for multi-annual commitments in food products, since India plainly does need such a commitment and the knowledge that the Community is

### Lord Reay

going to be able to supply for six years the commodities required. I think, therefore, that Mr Lange was quite right when he said in the opinion he drew up on behalf of the Committee on Budgets that there should have been a commitment authorization entered in the budget, a proposal which was made by the Parliament, but which the Council rejected.

If I could turn now for a moment to the food-aid programme for 1978 as a whole, I and my group would broadly support the Commission proposals, although I do have some reservations about Mr Aigner's motion for a resolution. He knows this, because we had a brief discussion about it in committee earlier this week. With regard to the fifth paragraph of the resolution, where we call for an increase of aid in skimmed-milk powder to 200 000 tonnes, I think it is a mistake for us at this time — within one month of having accepted 150 000 tonnes in the budget — to go ahead straightaway and ask for this to be increased this year to 200 000 tonnes. Mr Albertini, in the opinion he has drawn up on behalf of the Committee on Agriculture, points out that this request must appear totally unrealistic, and I do not think that it is right for Parliament to make unrealistic requests of this kind. I would also point out to Mr Aigner that in paragraph 14 of his report on 'Operation Flood' he does actually refer to a total of 150 000, so there is a conflict between what we are requesting in the two different reports we are now considering. In the long term it may be right to build this up, but I think our Parliament has a duty to be careful and responsible in the manner in which it makes additional requests for Community funds.

I do not agree either with paragraph 4 of the motion for a resolution, which says that Community food aid should be increased independent of any surplus arising from the agricultural policy. I think that aid is plainly dependent, and will remain dependent to some degree on surpluses built up within the Community. It seems to me sensible and proper, both in private and international life, to give away products if you have more of them than you need, provided there is somebody else who does have a need for them. I think that here we attempt to create a sort of moral separation between having surpluses on the one hand and giving aid on the other, and to me that is an example of a perverse and unnecessary kind of thinking.

Finally, I do not understand paragraph 8 of the motion for a resolution. It seems to me to combine several different ideas and I do not follow its logic. Perhaps there is no need to go further into this. My objections are not so strong that I would wish to oppose the resolution. Mr Aigner may regret that I have had some criticisms to make about it, but he will not complain that I did not make them in committee. He knows as well as I do that in committee we simply

did not have the opportunity to discuss this matter at the length which it requires.

Despite the reservations I have mentioned, I would not wish to stand in the way of this resolution. We in the Conservative Group support the continuation of the Community's food programme and the minimum increase in cereals which the Commission proposed in order to meet the world food-aid target of 10 million tonnes. It is a great cause, to which Mr Aigner is bringing his own natural dash and enthusiasm, and I hope that he has the satisfaction of seeing that the objectives he supports are achieved.

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

**Mr Dondelinger.** — (*F*) Mr President, I would first of all like to thank Mr Aigner for his excellent report on food aid in cereals, skimmed-milk powder and butter-oil for the current year. However, I should also like to protest, on behalf of my group, against the conditions under which the Committee on Development and Cooperation has had to examine the Commission's communications. Most of our members had to read and discuss them at the same time as Mr Aigner's report. Time was extremely short, apparently, but I am sure that the Commission could have sent us these communications a little earlier.

Nevertheless, my group approves the report drawn up by Mr Aigner who, as usual, has presented us with a very comprehensive and detailed document.

This year the programmes for food aid have two main features. Firstly, this aid will be destined for the least favoured countries and secondly, special development projects will be given preferential treatment in the distribution of skimmed-milk powder. I particularly welcome that last stipulation. The proposed programme includes among its priorities the promotion of agricultural production in the developing countries. I should like here to cite the following passage from Mr Aigner's report :

The dairy sector can exercise an important influence on rural structures (creation of jobs, further development of agriculture and possible improvement of the revenues of unprofitable agricultural holdings). Milk production could be built up in many areas of Africa, Asia and Latin America, and costs would compare favourably with those in the industrialized countries. The programme for the coordinated development of the dairy sector (Flood I) carried out on the responsibility of the FAO in India has been particularly successful. Parliament has therefore lent its support to the Commission's Flood II programme and called on the Council to make the quantities and funds necessary for this operation available.

Clearly, we must ensure that this aid is not subjected to sharp fluctuations from one year to another, as has unfortunately been the case in recent years. For this reason, the Socialist Group feels that the Council

**Dondelinger**

should fix the volume of food aid for a period of several consecutive years.

In conclusion, I would draw your attention to the statistics annexed to Mr Aigner's report showing the discrepancy between requirements and proposed aid. One or two examples will suffice. Guinea has requested 110 000 tonnes of wheat and will receive 4 000 tonnes, barely 4 %. Tanzania has requested 192 000 tonnes and has been offered 5 000, less than 2.5 %. Requests by Ghana amount to 220 000 tonnes and proposals to 13 500 tonnes, barely 6 %.

These figures show the considerable discrepancy between requirements and proposed aid. I felt this ought to be pointed out in this debate.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, I should first of all like to thank Mr Aigner on behalf of the Commission, not only for the report he has presented today, but also for his long-standing personal interest in this problem and for playing a leading rôle in deciding with us what should be the main features of this policy. I wish to give him the credit which is his due and express the respect in which the Commission holds his work.

As his report is particularly precise, I do not think that Parliament would thank me if I merely repeated now what Mr Aigner had said himself. I shall therefore limit myself to saying that we consider satisfactory the method adopted for the presentation of the 1978 food-aid programme, as we have submitted our various projects at the same time and, moreover, six months earlier than last year. I shall therefore comment on two points.

On the first one, which is political and was specifically referred to by Mr Aigner in his conclusion, I would tell him that the Commission's position is the same as his own. We have made specific proposals concerning administration aimed at simplifying and clarifying the decision-making processes, and at enabling the Commission to exercise the responsibilities for administration bestowed on it by the Treaties. There are no doubts or differences of opinion clouding this issue. Only by respecting these three principles can we recreate the essential basis for restoring the situation in this sector. In a way, by going further than the Commission, Mr Aigner shows once again how Parliament supports our action in this field.

Secondly, Mr Aigner has asked me to give figures for the cost of the various operations concerning skimmed-milk powder, with a view to clarifying the situation referred to in the report and in our documents. I will therefore give him the figures one by one. First of all, the storage costs for skimmed-milk powder amount to 100 EUA per tonne per year. That is the first factor. The marketing price on the internal market when this same product is used for animal feeding-stuffs currently stands at 780 EUA per tonne. Thirdly, owing to internal saturation within the Community

— the figures were given earlier — the average storage period for this product when used for animal feeding-stuffs is approximately two-and-a-half years. The total cost then becomes 780 EUA per tonne (the marketing price) plus 250 EUA (storage over two-and-a-half years), or 1 030 EUA. Estimates may vary slightly over the storage costs and the length of the storage period, but that seems to me the average figure, one which we can take as a working hypothesis.

Refunds paid following disposal of this product externally amount to 675 EUA per tonne. However, this figure is valid in terms of statistical theory rather than in real trade terms, as the prevailing state of saturation means that there are no purchasers. It ought to be known, but it is of no relevance or significance to operations.

As regards food aid, therefore, we must establish the cost of the product and add that to the refund figure. The cost of the product is 272 EUA per tonne and average transport costs 121 EUA; 675 plus 272 plus 121 equals 1 068 EUA per tonne for food aid, which may be compared with the working hypothesis of 1 030 EUA for disposal on the internal market.

These figures and their juxtaposition show that, taking into account all its political and social implications, the operation is fully justified; its costs barely exceed that of internal disposal, so that it is not a serious problem for the common agricultural policy.

I have noted Mr Aigner's wish to see the figure increased to 200 000 tonnes. You know the Commission's position here; such questions should be considered in due course, but it would be difficult for us to examine them today. Having had great difficulty in concluding an agreement with the Council on the 150 000 tonnes of food aid in the form of skimmed milk, there can be no question of our tampering into that agreement at present, although it is clear that requirements exceed the 150 000 tonnes which we have obtained.

I shall reply to Lord Reay, even though it is always a little difficult to reply to someone who is not there. On his specific question concerning the involvement of the World Bank, although we do not believe that the latter will take an official decision before April or May, as it must comply with its own procedure for sanctioning projects, I would point out that a *de facto* agreement on this operation already exists between the World Bank, India and ourselves. The World Bank and ourselves will therefore work together on tasks in the countries concerned. The proposal as regards financing is valid, and will enable us to leave the realm of possibility for the real world.

Those, Mr President, are the points I wished to make at this stage. I know you are fully aware that the food-aid programme is a key factor in Community policy *vis-à-vis* the developing countries. But as representative of the Commission I felt that it ought to be stressed all the same.

**President.** — The debate is closed.

14. *Transfer of appropriations within the 1977 budget (contd)*

**President.** — We resume the debate on the Bruce report (Doc. 495/77).

I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, Lord Bruce has explained with great clarity the situation in which we find ourselves, and has given a precise description of the Commission's position and the struggle in which we are engaged. We believe that our rights are clear, and that the backing given us by Parliament and the agreement concluded on the establishment of the budget, implying the retention and transfer of these 8 m EUA, put us in an extremely strong position. We shall see in the coming months — for it will take some time to complete the administrative procedures — whether the Council sees things in the same light. In the event of our finding ourselves in a different situation, I think that the Commission and Parliament, in the light of their respective powers, will have to discuss this question — which will have become political — firstly in the Committee on Budgets and then in plenary sitting; because in our opinion this would be tantamount to an abuse of power which we should be unable to sanction.

**President.** — The debate is closed.

15. *The Communities' own resources*

**President.** — The next item is the oral question, with debate (Doc. 503/77), by Lord Bruce of Donington, Mr Amadei, Mr Lange, Mr Notenboom, Mr Berkhouwer, Mr Yeats, Mr Shaw and Mr Mascagni to the Commission on the replacement of financial contributions from the Member States by the Communities' own resources:

1. How many Member States have at present taken the necessary administrative measures to implement the decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources, and, in particular, the 6th directive harmonizing the basis of assessment for Value Added Tax, and will the Commission provide the dates by which it believes that these measures will have been taken in the remaining Member States?
2. Does the Commission realize that failure by the Member States to adopt the necessary measures would cause a rectifying budget to be introduced for 1978, on which Parliament, as part of the budgetary authority, would have the last word?

I call Lord Bruce.

**Lord Bruce of Donington.** — Mr President, it is often the case in the European Parliament that the importance of the item under discussion varies in inverse proportion to its place on the agenda. So, at

the end of what must have been a very exhausting sitting this week, judged by the absence of so many delegates from various Member States, we come to an item which, in the years that have passed, has been assumed to be an article of cardinal importance — ever since, in fact, 21 April 1970, when it was proposed to make a decision that the Community, instead of being dependent upon the individual contributions of Member States, passed under their own volition, doubtless after due negotiation and argument between them, both at Council level and outside, should receive its resources automatically by law of all the Member States and that these resources should occasion no further intervention by governments nor anxiety and discussions at Coreper or Council level but thereafter should be regarded as the inalienable right of the Community institutions themselves. This step, Mr President, has been particularly sought after by the Commission with the very strong backing of Parliament, which has for a long time subscribed to the view that the Commission, in particular, should be entitled to feel secure in the receipt of its own resources, levied in a particular manner in accordance with the laws passed by the Member States and transmitted in a properly organized procedure legalized within each Member State.

This, briefly, is the background to the proposal, endorsed by Parliament, of entitling the Community to its own resources. So seriously was this matter regarded in the Budgets Committee last year that there were at least rumblings from important sections of the Budgets Committee that, unless the Council did pass the necessary regulations and everything else in order to implement this, there was to be serious talk of taking the Council to the European Court of Justice. Such has been the importance accorded to this subject both by the Commission and by Parliament. And so we find, in the Sixth Council Directive of 17 May 1977 — I refer to the *Official Journal* L 145 Vol. 20 of 13 June 1977, pages 1 *et seq.* — A passage referring to the Member States as follows:

They shall adopt the necessary laws, regulations and administrative provisions so that the systems, as modified, enter into force at the earliest opportunity and by 1 January 1978 at the latest.

Mr President, I am somewhat naïve in these matters, as Parliament will appreciate, but I always understood that a directive issued in this way was automatically binding on the Member States. So, naturally, one was somewhat curious to find out how it had been carried out, and this, of course, is the subject of my question to the Commission to which Mr Davignon kindly consented to answer today. I find that only two Member States, the United Kingdom and Belgium, have, in fact, complied with this directive. Quite frankly, Mr President, I am a little surprised that there should be this massive default by seven other Member States, whose representatives in Parliament here repeat-

**Lord Bruce of Dongington**

edly urged upon the Budgets Committee and Parliament the utmost necessity of making this 'own resource' system available as from 1 January.

The position is further complicated by the fact that if at least three Member States had in fact carried out the provision, that is to say, one other Member State in addition to the United Kingdom and Belgium, it would have been possible for the new value-added tax system to be applied to the three assenting countries. But unfortunately, owing to the provisions of Article 4 (2) of the Decision of 21 April 1970, this has not taken place, and consequently, so far as I understand the position — and doubtless the Commission will either correct me or confirm what I say — the system of the Community's own resources cannot now apply in the year 1978. Despite all the effort that has been made, and there has been very detailed attention paid to this in the Budgets Committee and in Parliament, we are, in the year 1978, in precisely the same position as before with regard to the levying of contributions from Member States.

Mr. President, this is all I have to say on behalf and with the responsibility of the Committee on Budgets. I now have something to say as a representative of the United Kingdom Parliament, and for these remarks the Budgets Committee can accept no responsibility.

In my experience, it has become common over the past year that, when the United Kingdom appears to be in disagreement with certain of its colleagues on matters of principle, other Member States see fit to be extremely critical of the United Kingdom and its representatives. Mr President, I make no complaint about that. We all speak as representatives of our Member States with devotion to the European Economic Community, and there has to be a full and frank exchange of views between us.

I will therefore only say this. It does not lie in the mouths of those that break the directives of the European Economic Community to be unduly critical of the United Kingdom, and in order to clear further matters up, may I also say that I speak here as a delegate from a state — the United Kingdom — which, together with the Federal Republic of Germany, is the only net contributor to Community funds. This is not wholly known in the Community and it is not wholly realized in the United Kingdom, but it should be said. Mr President, my remarks are not delivered in any spirit of criticism of my colleagues from other Member States, with whom I remain in terms of the utmost amity, but merely for once to make the United Kingdom's position on this matter clear to delegates and to express the hope that in future, when there is insistence upon legislation being carried out by the Community by a certain date, those Member States whose representatives are insistent upon the enactment of this legislations should thereafter take steps to ensure that their own governments do comply.

**President.** — I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, on the point which Lord Bruce has just raised, I must unfortunately confirm that his interpretation of the situation is correct. In other words, as only two States have been able to adopt administrative rules to implement the directive, the VAT system cannot be brought into force for the 1978 budget, with the practical consequences that the budget must be recalculated on the earlier basis of contributions. This is a deplorable situation, as it means that a lack of political commitment as regards the adoption by the national parliaments of existing texts has frustrated a measure which had been planned many years in advance, even though everyone knew the proposed date of its introduction. There is one exasperating aspect of the European Community and the unification of Europe: even if it is normal that, from time to time, we encounter difficulties which we do not know how to overcome, it is absurd that, when we succeed in something, the good work should be undone by our own decisions. This is thoroughly exasperating, and I consider the word well-chosen, for it implies that we can react only with anger and are powerless to apply any remedy.

This is the situation in which we have been placed by the failure to take administrative measures. If this had been done by three States — not an inordinate number — we still might have been able to apply the system of VAT and the Communities' own resources. If the application of the system had depended on measures being taken by all nine States, that would have been a rather stiff target. But to fall below the requirement of only three States — only one third of the Community — is hardly a source of pride for the Member States or of satisfaction for the Community as a whole.

That would be my reply. Like Lord Bruce, whose view I share, I regret that luck sometimes has it that questions which merit a political response from the general public are neglected owing to their place on the agenda. This is not a criticism but a statement of fact. It is certain that this item and the previous one merit more careful treatment and a wider response than is made possible by the administrative procedures governing the organization of our debates.

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

**Mr Veronesi.** — (I) Mr President, there are several disturbing factors in this discussion — above all, the atmosphere in this Chamber, which is thoroughly demoralizing, and the reason why some Members of Parliament attach little importance to such a vital question. Admittedly, the placing of this question on the agenda for today's sitting has had a negative effect

**Veronesi**

on the progress of the debate and its significance. In these circumstances, all those statements so often heard here lose their meaning — such as those on independence, the importance of debate and Parliament's rôle with regard to Community issues, which are today shown up as little more than empty words. For this reason, Parliament should engage in a little self-criticism.

Another disturbing factor is the behaviour of the governments. This situation is quite incredible. What point will there be now in speaking of the need for forward planning or accusing the Commission or the Council of dragging their feet? We often level such criticism at the Commission and the Council to goad them into action, but in this case the fault lies with the governments.

I strongly condemn the reaction of the Italian Government on this issue (and intend to follow this up in my own Parliament), and I unhesitatingly qualify it as irresponsible. I fully agree with the rather bitter comments made by Mr Davignon and his justifiable description of the situation as exasperating. It is incredible to think that after substantial progress had been achieved by dint of such unremitting and painstaking effort, everything should have been in vain. I feel that Members from all the countries which have not fulfilled their undertaking should show their disapproval and put pressure on their governments, as this whole business is bound to slow up Community action over the next few years, above all in 1978.

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

**Mr Aigner.** — (D) Mr President, I do not want to prolong the debate. I merely wish to say, on behalf of my group, how very concerned we are at this development. The whole of our budgetary policy, our institutional development, suffers as a result. We have even resorted to making the adoption of the budget conditional on the introduction of full financial autonomy. Now our Communist friend tells us it is not the Council's fault. Of course the Council is partly to blame, because the Council is composed of members of the national governments, and the national governments have been reluctant to discuss this matter; but Parliament is also to blame, and I can only regret that the influence of European parliamentarians in their national parliaments is simply becoming increasingly weaker as a result of estrangement and, above all, the lack of information.

I am very glad that Lord Bruce has stated the position of his country here in such strong terms. I am also glad that Britain has for once been active rather than inactive. My congratulations in this respect. I must also confirm what he said about Britain's contribution, but

with one reservation! Britain has only been a net contributor since the last time the contributions were increased; before that, it was one of the net recipients. The thing here is that the countries that go to the Community's doctor should also pay him a decent fee, provided that they are restored to health. So that is our joint task. At any rate, I should like to say once again on behalf of my group, that we should do everything in our power — Lord Bruce, we two will discuss at the next meeting of the Committee on Budgets how we can get a joint action going simultaneously in all the national parliaments that have not completed the ratification procedure and adopted these administrative provisions — to eliminate the obstacles, if possible by concerted action. Otherwise, if financial autonomy is not introduced by next year at the latest, there will be no more financing of the Community.

**President.** — The debate is closed.

16. *Votes*

**President.** — The next item is the vote on those motions for resolutions on which the debate is closed.

We begin with the Vitale report (Doc. 375/77): *Regulation on producer-groups*.

Before considering the motion for a resolution, we must first deal with the amendments to the proposal for a regulation.

On Article 3 (2), I have Amendment No 1, tabled by Mr Lange on behalf of the Committee on Budgets and rewording this paragraph as follows:

2. The Council, acting by a qualified majority on a proposal from the Commission, *and after consulting the European Parliament*, may decide to amend the Annex;

What is the rapporteur's view?

**Mr Vitale, rapporteur.** — (I) I am in favour.

**President.** — I put Amendment No 1 to the vote. Amendment No 1 is adopted.

On Article 5 (5), I have Amendment No 7, tabled by Mr Kavanagh and replacing this paragraph with the following text:

5. Agricultural producers' associations which were founded before the regulation was issued may be recognized as producer groupings and associations if they comply with requirements laid down in this regulation.

What is the rapporteur's view?

**Mr Vitale, rapporteur.** — (I) I am in favour.

**President.** — I put Amendment No 7 to the vote. Amendment No 7 is adopted.

**President**

On Article 10 (1), I have Amendment No 2, tabled by Mr Lange on behalf of the Committee on Budgets and rewording this paragraph as follows :

1. unchanged

(a) unchanged

(b) unchanged

The aid provided for in paragraph 1 *shall be paid in full at the latest within 5 years*;

What is the rapporteur's view ?

**Mr Vitale, rapporteur.** — (I) I am in favour.

**President.** — I put Amendment No 2 to the vote. Amendment No 2 is adopted.

On Article 10 (2), I have Amendment No 3, tabled by Mr Lange on behalf of the Committee on Budgets and rewording this paragraph as follows :

2. Larger amounts may be fixed by the Council for certain regions and for certain products for a specific period, acting by a qualified majority on a proposal from the Commission, *and after Parliament has given its opinion*;

What is the rapporteur's view ?

**Mr Vitale, rapporteur.** — (I) I am in favour.

**President.** — I put Amendment No 3 to the vote. Amendment No 3 is adopted.

On Article 11 (a) (new), I have Amendment No 6, tabled by Mr Herbert on behalf of the Group of European Progressive Democrats and deleting this article.

What is the rapporteur's view ?

**Mr Vitale, rapporteur.** — (I) I am against.

**President.** — I put Amendment No 6 to the vote. Amendment No 6 is rejected.

On Article 15 (1), I have Amendment No 4, tabled by Mr Lange on behalf of the Committee on Budgets and rewording this paragraph as follows :

1. Applications for reimbursement shall relate to expenditure incurred by the Member States during the calendar year. *These applications, together with full supporting documents and proof of utilization, shall be made available to the Commission before 1 July of the following year*;

What is the rapporteur's view ?

**Mr Vitale, rapporteur.** — (I) I am against.

**President.** — I put Amendment No 4 to the vote. Amendment No 4 is adopted.

We proceed to the motion for a resolution. 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 5, tabled by Mr Herbert on behalf of the Group of European Progressive Democrats and deleting this paragraph.

What is the rapporteur's view ?

**Mr Vitale, rapporteur.** — (I) I am against.

**President.** — I put Amendment No 5 to the vote. Amendment No 5 is rejected.

I put paragraphs 8 to 11 to the vote.

Paragraphs 8 to 11 are adopted.

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

The resolution is adopted<sup>1</sup>.

We proceed to the Hoffmann report (Doc. 453/77): *Regulation on exchange-rates for the agricultural structures policy.*

I put the preamble to the vote.

The preamble is adopted.

After the preamble, I have Amendment No 1, tabled by Mr Notenboom on behalf of the Committee on Budgets and replacing the sole paragraph by the following 5 new paragraphs :

1. Considers that the application to the agricultural structures policy of the fluctuating representative rates of the agricultural prices policy runs counter to the original aim of the system ;
2. Emphasizes that the annual fixing of representative rates for the agricultural structures policy would benefit weak currencies in a manner which is questionable from the point of view of finance policy and therefore feels that the additional expenditure arising from such fixing should be met by the Member States concerned rather than the Community budget ;
3. Calls for the European unit of account to be applied to the EAGGF, Guidance Section, as this could lessen the effects of currency fluctuations on structures policy ;
4. Stresses that the possibility of fixing the daily fluctuating EUA should be considered *only* after the latter has been introduced ;
5. Rejects, therefore, the proposal for a regulation.

I call Mr Davignon.

**Mr Davignon, Member of the Commission.** — (F) Mr President, I wish to inform the House that, for reasons which have already been explained to the Committee on Budgets, the Commission wishes to maintain its original proposal.

**President.** — Since the rapporteur is not present, I consult Mr Aigner.

**Mr Aigner.** — (D) Mr President, I can only speak for Mr Notenboom, rapporteur of the Committee on Budgets, and express a favourable opinion.

<sup>1</sup> OJ C 36 of 13. 2. 1978

**President.** — I put Amendment No 1 to the vote. Amendment No 1 is adopted.

I put the motion for a resolution, as amended, to the vote. The resolution, as amended, is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Fuchs report (Doc. 464/77): *Research programme on paper recycling.*

The resolution is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Baas report (Doc. 468/77): *State of the environment.*

The resolution is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Cassanmagnago-Cerretti report (Doc. 463/77): *Decision on the physical properties of foodstuffs.*

The resolution is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Aigner report (Doc. 461/77): *Communication on the second phase of 'Operation Flood'.*

The resolution is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Aigner report (Doc. 492/77): *1978 food-aid programmes.*

The resolution is adopted.<sup>1</sup>

I put to the vote the motion for a resolution contained in the Bruce report (Doc. 495/77): *Transfer of appropriations within the 1977 budget.*

The resolution is adopted.<sup>1</sup>

<sup>1</sup> OJ C 36 of 13. 2. 1978.

I share the standpoint of those Members who regret that, because of a heavily-loaded agenda, we should have to put to the vote motions for resolutions, many of them of considerable importance, at a time when the House is so sparsely attended.

#### 17. Dates of the next part-session

**President.** — There are no more items on the agenda. I thank the representatives of the Council and the Commission for their contributions to our debates.

The enlarged Bureau proposes that our next sittings be held at Strasbourg during the week from 13 to 17 February 1978.

Are there any objections?

That is decided.

#### 18. Approval of the minutes

**President.** — Rule 17 (2) of the Rules of Procedure requires me to lay before Parliament, for its approval, the minutes of proceedings of this sitting, which were written during the debates.

Are there any comments?

The minutes of proceedings are approved.

#### 19. Adjournment of the session

**President.** — I declare the session of the European Parliament adjourned.

The sitting is closed.

(The sitting was closed at 1.10 p.m.)