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from 15 to 19 October 1973

Europe House, Strasbourg

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

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IN THE CHAIR: MR BERKHOUWER

(The sitting was opened at 5.10 p.m.)

President. — The sitting is open.

1. *Resumption of session*

President. — I declare resumed the session of the European Parliament adjourned on 5 October 1973.

2. *Forwarding of draft general budget for 1974—setting of time-limits for forwarding opinions and for tabling proposed modifications*

President. — I have received from the Council the draft general budget of the European Communities for the financial year 1974, drawn up by the Council of the European Communities.

This draft budget has been distributed under No 187/73 and referred to the Committee on Budgets pursuant to Rule 23(2) of the Rules of Procedure.

Pursuant to the provisions of Rule 23(3) of the Rules of Procedure and in agreement with the Committee on Budgets, I would inform committees wishing to deliver opinions on the draft

general budget that they should forward them to the committee responsible by 31 October 1973.

I would remind the House that Rule 23A(3) of the Rules of Procedure requires me to set a time-limit for the tabling of proposed modifications to the individual sections of the draft budget.

In the light of the work schedule of the Committee on Budgets and the fact that the budget debate in November is approaching, the time-limit has been set at 25 October 1973.

Rule 23A(2) of the Rules of Procedure stipulates that, to be admissible, proposed modifications must be tabled in writing, signed by at least five Representatives, and indicate the budget heading to which they refer. The condition relating to the minimum number of signatures is of course met if the proposed modification is submitted by a political group or a committee.

The EEC Treaty stipulates that the budget must be in balance; this requirement also applies at the level of each institution.

Any proposed modification involving expenditure for an institution must therefore provide:

— either for compensation by an equivalent reduction of the expenditure of that institution;

— or an equivalent increase in revenue.

President

The principle of a balanced budget shall not restrict the right of Representatives and of Parliament to take initiatives that do not respect that principle, e.g. by proposing expenditure without providing for equivalent revenue.

Having regard to the principle of a balanced budget, such initiatives will not be treated as proposed modifications to the draft budget but as amendments to the motion for a resolution and will therefore be presented in that form.

Pursuant to Rule 23A(2) of the Rules of Procedure, the substantive part of the proposed modification must indicate the section, title, chapter and article of the draft budget in respect of new expenditure and new revenue. However, if the new revenue is to be covered by an increase in Member States' contributions, it will be sufficient to mention: 'The contributions of the Member States shall be increased by (indicate figure) . . . units of account.'

In the justification of their proposed modifications the authors must indicate the budget heading concerned as well as the article.

Having regard to the importance of the different phases of the budgetary procedure, all proposed modifications submitted within the specified time-limit will be printed and distributed to all Members and shown as an annex to the report, whether the Committee on Budgets has adopted or rejected them.

Moreover, in accordance with Rule 23A(6) of the Rules of Procedure, the text put to the vote of Parliament will be the text of the draft budget as forwarded by the Council.

Accordingly, all proposed modifications will be called in plenary sitting and put to the vote if they have not been withdrawn by their authors.

Because of the requirement that the budget should be in balance, voting item by item on a proposed modification is inadmissible, in order to avoid the risk of adoption of expenditure and rejection of corresponding revenue or vice versa. For the same reason, amendments to a proposed modification are not admissible. Such amendments must be presented in the form of a proposed modification.

For technical details, Members should refer to the booklet on budgetary provisions, copies of which have been distributed to them.

3. Documents received

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

- Report by Mr Fellermaier on behalf of the Political Affairs Committee on relations between the European Community and the United States of America (Doc. 188/73);
- Report by Mr Arndt on behalf of the Committee on Economic and Monetary Affairs on the report from the Commission of the European Communities to the Council (Doc. 147/73) on the adjustment of short-term monetary support arrangements and the conditions for the progressive pooling of reserves (Doc. 189/73);
- Report by Mr Vernaschi on behalf of the Legal Affairs Committee on the amendment of Rule 36 of the Rules of Procedure of the European Parliament on the minimum number of Members necessary to form a political group;
- Report by Mr Bousch on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council (Doc. 182/73) concerning the annual report on the economic situation in the Community (Doc. 191/73);
- Report by Mr Héger on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council (Doc. 176/73) for a regulation on measures to be taken in the agricultural sector following the raising of the central rate of the Dutch florin (Doc. 192/73);
- Report by Mr Müller on behalf of the Committee on Public Health and the Environment on the proposal from the Commission of the European Communities to the Council (Doc. 113/73) for a directive on the approximation of Member States' laws on the interior fittings of motor vehicles (strength of seats and their anchorages)—(Doc. 194/73);
- Report by Mr Kollwelter on behalf of the Committee on Regional Policy and Transport on the proposal from the Commission of the European Communities to the Council (Doc. 39/71) for a decision on the introduction of a common system of payment for the use of transport infrastructures (Doc. 195/73).

4. Decision on urgent procedure

President. — I propose that Parliament deal by urgent procedure with reports not submitted within the time-limits laid down in the rules of 11 May 1967.

Are there any objections?

The adoption of urgent procedure is agreed.

5. Allocation of speaking time

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

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

Are there any objections?

That is agreed.

6. Order of business

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

At its meeting of 5 October 1973 the enlarged Bureau prepared a draft agenda, but in view of subsequent developments I propose that Parliament adopt the following order of business:

Tuesday, 16 October 1973

before 9.30 a.m.:

- meetings of political groups;

at 9.30 a.m. and 3 p.m.:

- report by Mr Jozeau-Marigné on Rules 33 and 41 of the Rules of Procedure;
- Oral Questions Nos 76/73 and 77/73, with debate, by Mr Lückner to the Council and the Commission on anti-inflation policy;
- report by Mr Bousch on the economic situation in the Community;
- report by Mr Arndt on the adjustment of monetary support;
- report by Mr Scelba on the motion for a resolution by Mr Broeksz is taken off the agenda at the request of the Political Affairs Committee, which is to deal with the same subject in the report by Mr Bertrand on political union and the report by Mr Kirk on strengthening the powers of the European Parliament;
- report by Mr Vernaschi on Rule 36 of the Rules of Procedure.

I call Mr Lange.

Mr Lange. — (D) Mr President, I should like to make two proposals about the agenda.

I should like to propose that Oral Question No 76/73 and the Bousch report be debated jointly, because the subject matter of both the question and the annual report is ordered on parallel lines, and we should constantly be having to refer back or forward from one item to the other. I should be glad to have the agreement of the House on this point, otherwise we should undoubtedly be going over the same ground with the Bousch report as in the debate on the two questions.

I should also like to suggest that we do not take the Arndt report tomorrow, since Mr Arndt will not be able to act as the rapporteur because of parliamentary duties at home, and I think it is important for us that he should introduce his own report himself. My suggestion, which also meets with the wishes of the rapporteur, is that we take the item on Thursday. I am of course aware that Mr Haferkamp cannot be present on the Thursday. But in fact the Arndt report was so fully discussed in committee with Mr Haferkamp that in practice it is now only a matter of considering any views which Mr Haferkamp may still have to put forward which differ from the proposals made by the Committee and incorporated in Mr Arndt's report. I would not exclude the possibility that Mr Haferkamp may be able to anticipate Thursday's debate and let us have his opinion on the matter tomorrow. But in any case I am totally opposed to the idea that the report could be introduced by some other Member.

I should be glad, Mr President, if you and the House can agree to my proposals.

Mr President. — I call Mr Kirk.

Mr Kirk. — Mr Lange has anticipated me because I was going to suggest we should not take Mr Arndt's report tomorrow, not only for the reason he has given, but because the report is a very important one indeed, it is not yet available and I suspect my group will have a number of amendments to table.

I should therefore be grateful if you could let us know in the event of the report coming forward to a vote—and, of course, one does not know whether or not it will—what the deadline for tabling amendments will be.

President. — Mr Kirk, could you tell me what your group would think of a debate on this important point with the Commissioner responsible absent?

Mr Kirk. — Mr President, this is a problem, but the other difficulty would be to discuss the

Kirk

matter tomorrow morning not having received the final text of the motion for a resolution. I think that would be an even greater difficulty. We shall have to listen to what Mr Haferkamp has to say and, in the light of that, decide what is the best method of proceeding.

President. — I call Mr Artzinger.

Mr Artzinger. — (*D*) Mr President, I wish to oppose Mr Lange's proposal that Oral Question No 76/73 and the Bousch report should be combined. I realize of course that the subject matter is similar; but the question we are putting will deal largely with the institutional side, and in that respect the two matters do not overlap.

I am sure we can get through the questions very quickly. It depends of course on the way the Commission replies. But I feel fairly safe in assuming that it will not take up an excessive amount of our time, and so I propose that the two matters should remain as separate items on the agenda.

President. — I call Mr Lücker.

Mr Lücker. — (*D*) Mr President, now that my colleague Mr Artzinger has spoken on the first item, I need only refer to the second, which I shall do in the form of a question. Perhaps Mr Lange will be able to answer it. He has proposed that the Arndt report should be postponed till Thursday, though the Vice-President responsible, Mr Haferkamp, will probably not be here. You have in fact raised the question yourself, namely, is this report so pressing and urgent that we ought to or must deal with it this week? I cannot believe it is. And if it is not so pressing that it need not be dealt with this week, then in that case I should almost prefer to put it aside till a later date.

President. — Would Mr Lange please answer that question?

Mr Lange. — (*D*) Mr President, I should like to make two further points, one of them addressed to my colleague Mr Artzinger. It is not in fact apparent from the two questions that we shall be dealing largely with the institutional aspect. I have been looking at them from the economic angle.

But I too should have things to say on the institutional side as well, Mr Artzinger; we put a good deal of emphasis on this aspect in the Bousch motion for a resolution. And, honourables Members, I would ask you to remember that this would be our only chance of debating

the annual report on the economic situation, and everything to do with implementation of the Council's decisions, in the presence of a Council representative, who would no longer be present, however, if we were to keep the items separate.

So I would strongly recommend, honourable Members, that we do not let this opportunity go by as easily as that, because I am interested to see—as I should think we must all be—how the President of the Council or the Council's representative responds to the various points which we shall undoubtedly wish to put to the Council in connection with the Bousch report.

Why should the Council always be informed indirectly about the course of our debates in Parliament and our expressed views and conclusions?

I should be grateful, Mr Artzinger, if despite your mention of the largely institutional aspect you would make a statement first. I ask you to agree to the holding of a joint debate.

As for my colleague Mr Lücker's question, we must finish with the matter in this part-session because otherwise we should be limping along behind the Council, which according to everything we have heard will be having at least one further discussion about the Commission's proposal, and this is a field of discussion where it would not be without interest if Parliament's views were also available. So it must be during this part-session and, if possible, according to my original recommendation.

President. — I call Mr Baas.

Mr Baas. — (*NL*) Mr President, might I ask Mr Lange a question? If I have understood him properly, he wants the report by Mr Arndt to be dealt with tomorrow, but the vote on the report to be postponed until Thursday. Apparently the European Conservative Group wishes to table amendments. Do you not think it would be useful to have Mr Haferkamp present? We must make a choice between having Mr Haferkamp or the rapporteur present during the discussion of the report.

I should like to know exactly whether the intention is to deal entirely with Mr Arndt's report on Thursday or to give Mr Haferkamp the opportunity tomorrow of formulating his views on this report.

President. — I call Mr Lange.

Mr Lange. — (*D*) Mr Baas, I thought I had expressed myself fairly clearly. But perhaps it is my fault for not having done so. I can hear

Lange

people shouting 'two fast!' I know, that is a weakness of mine. But one cannot get over it all that fast either.

The question of whether I think it important for the Vice-President to be there is a false one. I most certainly do. But I think it equally important for the rapporteur to be present to introduce his own report. We all know that this is a field to which the rapporteur has devoted particular attention, and is especially knowledgeable. I have already said that there would of course be nothing to worry about if, in connection with the other debate which we are to have on the annual economic report, since the monetary fund has perhaps an important role to play as a medium term instrument, Mr Haferkamp would be good enough to state his opinion on the proposals of the rapporteur Mr Arndt.

Now I believe—and to this extent I should like to take up what my colleague Mr Kirk has said—that the groups must still have the opportunity of dealing with this report. I tell you quite frankly, it seems to me that discussion in Parliament and between Members of Parliament, especially after what happened in the Committee on Economic and Monetary Affairs, is more important than discussion with the Commission.

So here is another reason for postponing the matter till Thursday, when the rapporteur can be present. *C'est cela.*

President. — Mr Lange, could I ask you whether you think Mr Haferkamp will agree to this?

Mr Lange. — (D) Mr President, I have never asked whether any Member of the Commission is in agreement or not with any point with which Parliament is concerned in its own right. Nor will I ever do so, Mr President. So far we have always only asked if Members of the Commission can take part or not, and have paid particular attention to the time available.

So I ask you, Mr President, to relieve me of the duty of replying.

I do not wish to reply to the question as you have framed it.

President. — I call Mr Spénale.

Mr Spénale. — (F) Mr President, I support Mr Lange's proposal for the following reasons.

First, it is not simply a question of whether the rapporteur or one Commissioner is present. A little while ago Mr Kirk, for a different reason, said that the debate should be put back until Thursday in order to give the political groups time to submit considered amendments to Mr

Arndt's text. That is the first point to be considered. Secondly, Mr Haferkamp's presence is no doubt desirable. But Mr Haferkamp can adopt a position on the Arndt report as from tomorrow. Moreover, and more important, the Commission is a corporate body, and a subject of such importance, on which it makes proposals to the Council on short-term monetary support arrangements and methods of pooling reserves, is not a new question for the Commission of the European Communities. It has discussed it and will be present in this chamber; if Mr Haferkamp is not there on Thursday, perhaps the President of the Commission will be there himself. In any case, all the Members of the Commission took part in these discussions. So we could have a valid debate on Thursday, which would be very difficult to do tomorrow.

That is why I strongly support Mr Lange's proposal.

President. — It seems, then, that we are in agreement on the proposal to take Mr Arndt's report on Thursday.

Are there any objections?

That is agreed.

It is also proposed that we take Oral Questions No 76/73 and No 77/73 by Mr Lückner together with the report by Mr Bousch.

Mr Lückner, do you agree to this?

Mr Lückner. — (D) No, Mr President. I have ascertained that my colleague Mr Artzinger is still insisting on separate debates. I have to join him in this, because the institutional side is in fact the most important aspect of our question. That is why we should like separate debates.

President. — Mr Lange's proposal is that Mr Lückner's oral questions to the Council and Commission of the European Communities on anti-inflation policy and Mr Bousch's report on the economic situation in the Community should be the subject of a joint debate.

Mr Lange. — (D) Mr President, perhaps we can come to a firm agreement that representatives of the Council will also attend the debate on the Bousch report. I should then withdraw my proposal. I have asked Mr Artzinger to declare his agreement with the suggestion because he knows from the discussion we had in the Committee on Economic and Monetary Affairs that the institutional side also comes into it.

President. — I call Mr Lückner.

Mr Lücker. — (D) Naturally I have also asked myself the same question, my dear colleague. I cannot give any guarantee, or speak for the President of the Council. But in my opinion it stands to reason that the representative of the Council will not be leaving Strasbourg in order to return here the following day, Wednesday, when our agenda includes Question Time, in which there will be questions to the Council. I would much rather assume that the Council's representative will be here for this item on the agenda, and that if he is already here he will also be interested in attending the debate.

I therefore earnestly ask my colleague Mr Lange to withdraw his proposal on this point.

President. — It is therefore agreed.

The agenda for *Wednesday, 17 October 1973* will be as follows:

until 10 a.m.:

— meetings of political groups;

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

— Question Time;

— presentation of the draft general budget of the European Communities for 1974;

— Oral Questions No 96/73 and 97/73, with debate, by Mr Amendola and others to the Council and the Commission on the *coup d'état* in Chile;

at 3 p.m.: report by the Chairman of the Foreign Ministers' Conference on political cooperation;

— report by Mr Héger on a third directive concerning *sociétés anonymes*.

After the plenary sitting, meeting of the Political Affairs Committee.

I call Sir Tufton Beamish.

Sir Tufton Beamish. — I do not know what the past practice has been when the Chairman of the Foreign Ministers' Conference has made his report to Parliament at a plenary sitting but it is certainly the view of the European Conservative Group that it would be very disappointing and unfortunate if when Mr Andersen makes his report to Parliament, which is the only occasion in the year that he attends a plenary sitting, there is no opportunity to put questions to him. I realize that later in the day he will be attending the Political Affairs Committee under the Davignon procedure, which takes place only once a year, but this is no substitute in our opinion for at any rate having

the opportunity to put questions to the Chairman of the Foreign Ministers' Conference, and I very much hope that that chance will arise.

President. — In answer to Sir Tufton Beamish's question, I shall do everything in my power to see that the report by the Chairman of the Foreign Minister's Conference is followed by a short debate of 20 minutes in all, in accordance with the provisions which are now laid down in the so-called 'pink pages' of our Rules of Procedure, and as we have done in the past when other important statements have been made.

Mr Spénale, do you wish to speak on Wednesday's agenda?

Mr Spénale. — (F) Yes, Mr President. I would like to point out that the Committee on Budgets is also to meet on Wednesday evening at the close of the sitting. It is due to discuss the text of the Council's statement on the 1974 budget.

President. — Thank you for pointing that out.

I call Mr Radoux.

Mr Radoux. — (F) Mr President, I would like to make two points with regard to what Sir Tufton Beamish has said.

Firstly, a twenty-minute debate consisting of questions put to the Minister presiding over the Conference is not very much.

Secondly, as things stand, is there not a regulation by virtue of which the Chairman of the Conference makes a statement to Parliament not followed by a debate, but which is debated in the Political Affairs Committee?

I am asking this, Mr President, because it would be a pity if, by consensus, it was arranged that certain questions could be put at a public sitting while what Parliament surely wants is an improvement of the system, i.e. not so much the ability to put questions as to have a genuine debate on foreign policy in plenary sitting and not just in the Political Affairs Committee.

President. — I call Mr Covelli.

Mr Covelli. — (I) Mr President, I am in agreement with the proposal, or rather with the observations, made by Mr Radoux.

It would be very surprising if a President of the Council were to make a report to the Parliament without there being automatically a debate on the statements made by him, all the more so when we bear in mind that this Par-

Covelli

liament takes precedence even over the Commission when it comes to a debate of this kind.

I see that Mr Vernaschi's report on behalf of the Legal Affairs Committee is on the agenda for Thursday's sitting. I had been told unofficially that this report was to be discussed at tomorrow's sitting or Wednesday's at the latest. I should like to ask the President to examine the possibility of combining the discussion on Mr Jozeau-Marigné's report on an amendment to Rule 33 of the European Parliament's Rules of Procedure with the discussion on Mr Vernaschi's report on an amendment to Rule 36 of the Rules of Procedure.

It is a good thing to clear the ground of all questions relating to the Rules of Procedure before we come to discuss political matters properly so-called. Furthermore, since it seems to me that the report on the amendment to Rule 36 of the Rules of Procedure is particularly important from the point of view of the constitution of the groups and of ensuring equal rights to all the Members of this Parliament, I think it advisable that the debate on this report should take place before our Assembly becomes engrossed in political debates.

Therefore, I am taking the liberty of asking the President to bring forward to Tuesday the discussion on Mr Vernaschi's report instead of Mr Arndt's report for which a postponement until Thursday has been requested.

President. — Mr Vernaschi's report is already on the agenda and will be debated at the end of tomorrow's sitting. It will be distributed tomorrow morning.

Covelli. — (I) That is the first I have heard of it, Mr President.

I will avail of the opportunity, however, to ask the President and his assistants to arrange with the departments concerned to have Members supplied with the texts of reports even before their arrival in Strasbourg, in order to keep our debates from becoming exercises in improvisation.

It should be noted that of the eleven reports to be discussed at this part-session, the texts of only four of them are in the hands of Members of Parliament; none of us has as yet got a text of any of the others, including the ones that are to be discussed tomorrow.

President. — I now come to Mr Radoux's proposal. Of course, as he knows, a difficulty is presented by the fact that this is not a statement by the Council, but by the Chairman of the Foreign Ministers' Conference, more or less in

accordance with the Davignon procedure. This being the case, it is provided that later on there will be a private discussion at a meeting between the Chairman and the Political Affairs Committee. This is a very delicate matter.

I do not know whether the Chairman of the Conference will agree to the procedure proposed by Sir Tufton Beamish. I shall however take the necessary steps to persuade the Chairman of the Foreign Ministers' Conference to agree to it. Perhaps the chairmen of some of the political groups could be present at this interview as responsible witnesses. I promise that I shall do everything within my power to arrange this.

I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, your last observation makes it necessary for me to expand a little on what Mr Radoux has said. We have got the Davignon procedure, which means that all political groups can send representatives as they wish to the Political Affairs Committee to take part in a full-ranging discussion on political affairs with the Chairman of the Foreign Ministers' Conference. When it comes to delicate matters of foreign policy—I am thinking of the Middle East, to name one on everyone's lips—I ask myself what purpose there can be in getting the President of the Council to give unprepared answers to unprepared questions. I personally think the groups would benefit much more if they took advantage of the path which is open to them under the Davignon procedure and prepared the ground carefully for attendance at meetings of the Political Affairs Committee and for a dialogue with the President-Office of the Council.

So far as this is concerned, Mr President, I ask you to reconsider whether you think it expedient to try to put into effect, with the support of the group chairmen, an arrangement which would not in fact lead to the results which Sir Tufton Beamish wants. When he talked just now about putting questions, he did not mean simply requests for information, but a parliamentary debate. This is just not possible under the Davignon procedure.

President. — I call Sir Tufton Beamish.

Sir Tufton Beamish. — My suggestion was very simple. A report is being made by the Chairman of the Foreign Ministers' Conference to this Parliament. I asked whether it would be possible—I very much hope it will—for questions to be put to the Chairman of the Foreign Ministers' Conference for a short time. After all, our plenary sittings take place in public and Community foreign policy is developing rapidly and

Beamish

Members of this Parliament would like an opportunity for a short time to put questions to the Chairman of the Foreign Ministers' Conference.

President. — Ladies and gentlemen, I shall discuss this matter in greater detail with the chairmen of the political groups, whom I have already invited to join me after this sitting to discuss a certain matter. We shall then discuss the question, taking into account the remarks which have been made by Sir Tufton Beamish and Mr Fellermaier.

I call Mr Covelli.

Mr Covelli. — (I) Mr President, I cannot agree with those last statements of yours. The speaker who preceded me is probably not aware that some political groups are not represented on the Political Affairs Committee. As a result, there are Members of Parliament sitting in this Assembly who have no knowledge of the discussions taking place at meetings of the Political Affairs Committee, because the groups to which they belong are not represented on it.

I may add that we are not satisfied either with the idea of arrangements between the Political Affairs Committee and the chairmen of the political groups, since the non-attached Members are not privileged to have group chairmen who could confer with the committee. Since all Members of Parliament in this Assembly have equal rights, I think that there should be a political debate with oral and written questions and all the guarantees that can come from a Foreign Ministers' Conference, so that all Members of Parliament can be fully informed on the political situation.

President. — I call Mr Lücker.

Mr Lücker. — (D) Mr President, I should like to ask the honourable Member who has just spoken to understand me when I say that we are all of us as parliamentarians concerned to develop and strengthen the prerogatives of Parliament. We all regret that there is still no arrangement for debating foreign affairs in this Parliament of the kind he would like. But we do have a procedure which is not in operation as a result of the Treaty but of a voluntary agreement entered into between Parliament and the Council of Foreign Ministers. This procedure cannot be altered unilaterally by Parliament to make it more equitable. If we want it altered, this can only be done with the agreement of the Council of Foreign Ministers. We may deplore this, but that is the position.

I do not believe that the debate at this plenary sitting, even if we were to go on for another six hours, would advance matters one single inch. The only possibility open is to discuss with the Council of Foreign Ministers to what extent and in what form the procedure followed until now might be improved from the point of view of the prerogatives of Parliament. But for this we need the agreement of the Foreign Ministers' Conference. And that was your invitation, Mr President: to talk it over one day with the President of the Council.

President. — I call Mr Behrendt.

Mr Behrendt. — (D) Mr President, some of the ideas put forward make it advisable for me to make a few further observations.

Certainly we are not all of us here as happy about the Davignon procedure as some Members of the European Parliament are trying to make us out to be. But I do not think it can be said either that it is impossible for us to discuss matters of foreign policy when we have the opportunity of putting questions to the Council. Is there really any Member of this Parliament so feeble that he will get on his feet and say he is incapable of bringing foreign policy matters into these questions? Do not let us give ourselves such a bad report!

But let us just think what happens in our national parliaments. Sir Tufton Beamish says he would like to put questions. I believe that in almost every case—perhaps it is different in the British House of Commons, with committees always sitting in public—two committees, the foreign affairs committee—in our case the political affairs committee—and the defence committee carry on their discussions in secret. We must remember that all the subjects which might come up in a debate on foreign policy would be subject to security limitations, and that there are matters which cannot be talked about in an open plenary sitting but can only be brought up in committee, because security considerations make this the only place where we can mention and ask questions about matters which there are good reasons for keeping secret. Please bear these limitations in mind when you go over to the attack, Mr President.

I am in favour of a debate after the report by the Chairman of the Foreign Ministers' Conference, but believe that we must also respect the limitation of secrecy.

President. — Does anyone else wish to speak?

President

We shall therefore discuss the statement by the Chairman of the Foreign Ministers' Conference in greater detail, taking into account what has just been said by the various speakers.

We now come to the agenda for *Thursday, 18 October 1973*:

until 10 a.m.:

— meetings of political groups;

9 a.m.:

— meeting of the enlarged Bureau;

10 a.m. and 3 p.m.:

— statement by the Commission of the European Communities on action taken on opinions delivered by the European Parliament;

— report by Mr Fellermaier on relations between the EEC and the USA;

— report by Mr Arndt on the adjustment of monetary support;

— report by Mr Delmotte on regional policy;

— report by Mr Thomsen on the Agreement between the EEC and Norway;

— Oral Question No 98/73, with debate, by Mr Jahn and others to the Commission of the European Communities on cooperation agreements with State-trading countries;

— Oral Question No 100/73, without debate, by Mr Ansart and Mrs Iotti to the Commission

of the European Communities on the entry of Spain into the Common Market;

— Oral Question No 134/73, with debate, by Mr Van der Hek to the Commission of the European Communities on generalized preferences.

We now come to the agenda for *Friday, 19 October 1973*:

until 9.30 a.m.:

— meetings of political groups;

9.30 a.m. to 12 noon:

— report by Mr Héger on agricultural measures following revaluation of the Dutch florin;

— report by Mr De Koning on the 1973-1974 price for olive oil;

— report by Mr Scott-Hopkins on time-limits for granting EAGGF aid.

Are there any objections?

That is agreed.

7. Agenda for next sitting

President. — The next sitting will be held tomorrow, Tuesday, 16 October 1973 at 9.30 a.m. and 3 p.m., with the agenda which has already been decided.

The sitting is closed.

(The sitting was closed at 6 p.m.)

SITTING OF TUESDAY, 16 OCTOBER 1973

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IN THE CHAIR: MR BERKHOUWER

(The sitting was opened at 9.30 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. — Since the session was adjourned, I have received the following documents:

- (a) from the Council of the European Communities, a request for an opinion on the proposal from the Commission of the European Communities to the Council for a regulation extending for the years 1972, 1973 and 1974 certain time-limits for granting aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund (Doc. 198/73).

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

- (b) from the committees, the following reports:
- Report by Mr Seefeld on behalf of the Committee on Regional Policy and Transport on the proposal from the Commission of the European Communities to the Council for a regulation supplementing Council Regulation (EEC) No 543/69 of 25 March 1969 on the harmonization of certain social legislation relating to road transport (Doc. 197/73);
 - Report by Mr Scott-Hopkins on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation extending for the years 1972, 1973 and 1974 certain time-limits for granting aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund (Doc. 199/73);
 - Report by Mr De Koning on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council

for a regulation fixing the target price and the intervention price for olive oil for the 1973/1974 marketing year (Doc. 200/73).

3. *Amendment of Rules 33 and 41 of the Rules of Procedure*

President. — The next item is a debate on the report drawn up by Mr Jozeau-Marigné on behalf of the Legal Affairs Committee on the amendment of Rules 33 and 41 of the Rules of Procedure of the European Parliament concerning the quorum in plenary sittings and in committee respectively (Doc. 183/73).

I call Mr Jozeau-Marigné, who has asked to present his report.

Mr Jozeau-Marigné, rapporteur. — (F) Mr President, ladies and gentlemen, we have here one of the first results of the efforts of the working party set up by your Assembly to re-examine the procedures and working methods of the European Parliament.

This working party has transmitted to our Bureau a proposal for the amendment of Rule 33 of our Rules of Procedure concerning voting and, more specifically, the quorum. In Rule 33 (2) it is specified that 'A quorum shall exist when a majority of the current Members of Parliament is present'. As those of us who have been Members of this Assembly for some years can confirm, there have been many occasions when Members, far from seeking to ensure that a high proportion of parliamentarians take part in debates and voting, have endeavoured to delay voting on grounds which have sometimes been somewhat dubious.

It is for this reason that the working party has proposed that the quorum stipulated in Rule 33 should be reduced from a majority to one-third. Mr President, I should like to stress that the Legal Affairs Committee, to which this basic idea was submitted, has approved the report which it is my privilege to present before this Assembly unanimously.

Rule 33 (4) also stipulates that 'A vote by roll-call shall be valid only if a majority of the current Members of Parliament have taken part in it'.

Since paragraph 4 is also concerned with the quorum, it was of course necessary for us to make it consistent with the amended paragraph 2. Here again, we are asking that the validity of votes by roll-call should be subject to the participation of one-third of the current members of Parliament

Jozeau-Marigné

However, the working party and the Bureau have gone further in making provision for an additional procedure for voting in plenary session based on the provisions of Rule 41 of our Rules of Procedure for voting in committees.

The working party and the bureau proposed the following provision: 'However, if so requested before the voting has begun by at least 30 representatives, present, it shall be valid only if a majority of the current Members of Parliament have taken part in it'.

Thus, there was a desire to offer the possibility of two quorums: the normal quorum requiring one-third of the Members and another, which must be requested by at least 30 Representatives, of half the membership.

Our Legal Affairs Committee has adopted this proposal in its essentials but, in the wording which it proposes to you today, it has introduced some minor modifications.

Firstly, the committee considered whether 30 was an appropriate number, since it was also perfectly reasonable to argue in favour of, for example, 25.

Following a long discussion, the committee agreed upon the figure of 30. On what grounds did it concur with the proposals of the bureau and the working party?

Our reasons lay in the fact that this provides a certain parallelism with the provisions of Rule 41 of our Rules of Procedure, which provides that in committees, one-sixth of the members request that the quorum be raised to an absolute majority of the committee numbers.

30 is roughly one-sixth of 180 members. Herein lies the parallelism.

Nevertheless, we have seen fit to stipulate that the 30 representatives must be present, in order to avoid a situation in which a request could be made by 30 Representatives without their actually being present.

The committee has made a second modification to the effect that political groups should be allowed to request the quorum of a majority of the current Members of Parliament.

Indeed, this is not the first time that this notion of the political group has been adopted; it already features in our Rules of Procedure. A number of colleagues requested that, at a level at which one is seeking to attach particular importance to the idea of the political group—after all, we are all political men—this possibility should be made available.

Mr President I have now given a rapid outline of the spirit in which the Legal Affairs Com-

mittee unanimously adopted the report which it is my privilege to present to you.

However, I have given my undertaking to the committee to clarify one further point. I must remind this House that the 30 parliamentarians—or the political group—are always free to withdraw their request. This was not included in the wording for the sake of simplicity, but it is very clearly inscribed in both the tradition and the practice of the proceedings of a parliamentary assembly.

It is clearly unnecessary to make provision for this option in the Rules of Procedure, since it is already a part of time-honoured custom.

This is the only verbal qualification which I wished to make to my written report. I should like to say that here, as in many other areas, the smooth-running of the work of this Assembly depends more on the wisdom and goodwill of its members than on the actual letter of its Rules of Procedure.

(Applause)

President. — I call Mr Brewis.

Mr Brewis. — I rise briefly to compliment Mr Jozeau-Marigné on his report. It is always a pleasure to listen to him and the lucid way in which he explains complicated subjects. He also shows a considerable measure of suppleness in adopting suggestions put forward by his colleagues in the Legal Affairs Committee. One suggestion put forward in that committee was that the political groups should be recognized as having a right to ask for a majority vote. This has been adopted.

Mr Jozeau-Marigné also explained why he had decided that it should be a political group of 30 Members. When the rules are being reviewed again it needs to be considered perhaps whether, if the political groups are to be reduced to 10 Members, 30 Members is not too large a number and it should be reduced perhaps to 20 or 25 or to a figure nearer 10 per cent of the Representatives in this Assembly.

My second point is that the amendment of one rule may have an effect on other rules. We now use in Rule 33(4) the expression 'current members', but this is different from the expression in Rule 41 and therefore legally might be thought to have a different legal interpretation. I am glad that Mr Jozeau-Marigné has taken up this point and proposed an amendment of Rule 41(2) which brings it into line with Rule 33. It is true that piecemeal amendment of rules may inadvertently cause ambiguity in other rules. As this Parliament evolves and gains

Brewis

more power, frequent amendment of rules may become desirable. Last session we discussed the amendment of another rule, and later today we shall have Mr Vernaschi's report on Rule 36. At present there is a working party on this subject. Should we not have a more permanent body to keep the rules under continuous review and, when necessary, to produce completely revised rules perhaps every three or four years?

While I applaud Mr Jozeau-Marigné's conclusion that the smooth running of the work of this Assembly depends on the wisdom and good will of its Members, I do not think that this obviates a need for clear rules of procedure which should be adhered to, so that matters are not just left to the good sense of Members.

President. — I call Mr Broeks on behalf of the Socialist Group.

Mr Broeks. — (NL) Mr President, I am very sorry to have to tell you that it was not until this morning that my group was in a position to discuss this *per se* not insubstantial amendment to the Rules. I shall, therefore, have to ask for your permission to submit a short amendment orally. The circumstances being what they are, we were not able to do this earlier. I hope that we may crave your indulgence in the matter.

Generally speaking, I can associate myself—on practical considerations—with the proposal that has been made by Mr Jozeau-Marigné. Unfortunately I did not hear him speak to his proposition. It is of course normal in itself for a Parliament to determine its quorum. I assume that in most parliaments the quorum will be that what it once was under Article 33, that is to say half of the current members, plus one. But in view of the working methods of this Parliament I believe I may say that it would be a wise step, on practical considerations, to reduce the quorum. It occurs only seldom, in view of the double function that the large majority of the Members of this Parliament have, that half of the Members can be present. They are in fact frequently kept busy in their own countries on important matters being dealt with in their own parliaments.

In these circumstances it would often appear difficult to demand that a quorum of half of the number of Members plus one should be present when a roll-call vote is taken. Those who have filled their Parliamentary seats for some time will have known the situation where the vote could not be taken because half of the Members were not there and, what is more, at the following sitting, when the vote had to be taken, there was some anxious questioning as to whe-

ther half of the number of Members could be present. In these circumstances we feel, therefore, that it would be in every way justified to reduce the quorum from a half plus one to a third plus one.

This introduces another matter, namely the addition to paragraph 4. Here Parliament is really concerned with a kind of second quorum. If 30 Members or a group so request, this quorum is suddenly returned from one-third back to the half. We can then once more end up with the same difficulties that we have been struggling with up till now, due to which it was precisely desirable for this quorum to be reduced from a half to a third.

We discussed this at great length in the Legal Affairs Committee. It is true that I voted for, but at the same time said that I wanted to reserve the right to think a bit more on the matter and to come back to it. Fortunately the committee agreed to this.

The upshot of discussion in our group was that we have no objection to accepting this second quorum if 30 Members so ask. 30 Members of Parliament 'present' have therefore to ask this. What our group found a problem—and this is perhaps rather odd after the discussions in the Legal Affairs Committee—was the fact that a group, too, could request this. Now I may assume that in course of time a group is reduced to 10 Members. I am now anticipating Mr Vernaschi's motion but I do think this entirely possible. This is to say, therefore, that 10 Members could ask for this. A roll-call vote can in fact already be requested by 10 Members in every case, but then with the quorum that is now to be fixed, as this is already laid down in Article 35 (3).

Then there is yet another question. What does this proposal mean by a group? Does this mean that the whole group must be present? Does this minimum of 10 Members have to be present or do all 50 Members of a group? Or is it possible for one man to get up and say that on behalf of his group he is asking for this increase in the quorum to half? This is the point that exercised our group today. We think it undesirable for this to happen, because we all know that 1, 2 or 3 Members present of a group could say: 'On behalf of my group we propose that you proceed pursuant to Article 33 (4) of the (new) Rules and ask for this roll-call vote, for which purpose a quorum of a half plus one must be present'.

Mr President, on looking into it further, we would therefore wish to delete the words 'a group or'. This means that the right of a group to ask for this will lapse and that this right

Broeks

will only remain to be exercised by 30 Members present of Parliament.

I am sorry that we could not submit this amendment in writing, as ought to be done. I should like to present my apologies for this, and also to Mr Jozeau-Marigné, who has not been able to take a look at this amendment, but I know him well enough to know that he—intelligent man that he is—can adjudge this proposal as it is.

It is a simple proposal in any event.

Mr President, I hope that you will, nevertheless, agree to put our amendment, which has not been submitted in writing, to the vote. Our group therefore agrees to a quorum of one-third, as proposed in paragraph 2. This quorum continues to be maintained in the first sentence of paragraph 4. In the second sentence the words 'a group or' are therefore deleted.

President. — I propose that Parliament should consider the amendment which has been submitted orally.

Are there any objections?

That is agreed.

What is the rapporteur's position.

Mr Jozeau-Marigné, rapporteur. — (F) Mr President, I am always delighted to listen to contributions from Mr Broeks. In the Legal Affairs Committee—and I say this in the presence of our chairman—our little skirmishes and discussions are always marked by the greatest courtesy and usually end in agreement.

Mr Broeks will, I am sure, be pleased to hear that I agree to his amendment without hesitation. Why? Although it is not our custom to reveal what is said in committee, on this point, I feel at liberty to tell the Assembly that the wording which I proposed in committee was identical to that for which Mr Broeks is calling today. Far be it from me to suggest that his group is now backing my original proposal, but I should nevertheless point out that it was on the proposal of one of the members of his group that I inserted this provision. On that occasion, I felt it my duty to meet the Socialist Group half-way by agreeing to their proposal.

Today, the Socialist Group is going back to my original idea. How could I refuse? On the contrary, I agree and thank them.

In answer to the question asked, I would add, in the presence of Mr Schuijt, that the committee accepted the principle of the political group in name requesting the higher quorum. In other words, irrespective of whether there were 10,

15 or 18 members present, the appropriate member of the political group could get up and submit the request on behalf of his group.

I should like to say that my colleague on the committee from the Socialist Group and I had not seen any difficulty in this, since there is already a precedent regarding the scope for intervention of political groups. I refer to Chapter XI, Rule 47A (2) of our Rules of Procedure dealing with Question Time, by the terms of which 'A political group or at least 5 Representatives may request before the end of the hour reserved for questions...'. The notion of intervention by a political group is therefore already established in our procedures.

Be this as it may, Mr President, since Mr Schuijt is making a gesture of approval, I feel that I am able to say on behalf of the committee that I accept the amendment moved by Mr Broeks on behalf of the Socialist Group, and therefore read the text proposed for paragraph 4, in full agreement with Mr Broeks: However, if so requested before the voting has begun by at least 30 representatives present, it shall be valid only if a majority of the current Members of Parliament have taken part in it.

In this way, there cannot remain the slightest difficulty or discord between us.

President. — Does anyone else wish to speak?

The general debate is closed.

We shall now consider the amendment moved by Mr Broeks on behalf of the Socialist Group to paragraph 1 of the motion for a resolution, to the effect that the words 'a political group or' be deleted from the second sentence of Rule 33(4) of the Rules of Procedure.

I put the amendment to the vote.

The amendment is adopted.

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

The resolution so amended is adopted.¹

4. *Oral Questions No 76/73 and No 77/73, with debate: anti-inflation policy*

President. — The next item is Oral Question No 76/73 and Oral Question No 77/73, with debate, by Mr Lückner on behalf of the Christian-Democratic Group to the Council and Commission of the European Communities.

Oral Question No 76/73 is worded as follows:

¹ OJ No C95, 10. 11. 1973.

President

'Subject: Anti-inflation policy

I. The worldwide aspect

- (1) What medium-term forecast on worldwide economic development does the Council take as a basis, especially with regard to
 - (a) the excess money supply,
 - (b) the fact that primary economic products are becoming scarcer and therefore dearer, as well as the problem of replacing them,
 - (c) the other factors underlying inflationary trends?
- (2) By means of what policies does the Council think it can protect the Community from the influence of these inflationary factors (e.g. trade and monetary policy), so that the stability which has been declared to be a matter of top priority will, in fact, be clearly seen to be a primary concern of the Community?

II. The European aspect

- (3) The disparity between production targets and the actual situation has been concealed rather than revealed by all Council and Commission documents so far made available.

Is the Council prepared to give details of how far, for example, the guidelines set out in the Council Decision of 5 December 1972 on anti-inflationary measures have been followed and how far the measures announced therein have been implemented by the Member States?

- (4) What sanctions does the Council intend to impose on Member States who do not comply with Community provisions in spite of the efforts being made to harmonize monetary, economic and financial policies?
- (5) Why did the Council—contrary to its resolution of 5 December 1972—fail to make practical provisions in its resolution of 28 June 1973 on the measures to be taken by Member States to reduce inflation, or to furnish guidelines, as far as possible expressed in figures?

III. Institutional aspect

- (6) Does not the disturbing trend (high and increasing rate of inflation, growing

acceptance of inflation and reluctance to save) constitute for the Council sufficient ground for now carrying out decisive shifts of competence in the field of monetary, economic, financial and incomes policies to the Community, considering that all Member States' governments stress that anti-inflation measures can no longer, or only to a limited extent, be introduced at national level because of the integrating effect of the Common Market, and that mere concertation of policies clearly holds out little promise.'

Oral Question No 77/73 is worded as follows:

'Subject: Anti-inflation policy

I. The worldwide aspect

- (1) What medium-term forecast on worldwide economic development does the Commission take as a basis, especially with regard to
 - (a) the excess money supply,
 - (b) the fact that primary economic products are becoming scarcer and therefore dearer, as well as the problem of replacing them,
 - (c) the other factors underlying inflationary trends?
- (2) By means of what policies does the Commission think it can protect the Community from the influence of these inflationary factors (e.g. trade and monetary policy), so that the stability which has been declared to be a matter of top priority will, in fact, be clearly seen to be a primary concern of the Community?

II. The European aspect

- (3) The disparity between production targets and the actual situation has been concealed rather than revealed by all Council and Commission documents so far made available.

Is the Commission prepared to give details of how far, for example, the guidelines set out in the Council Decision of 5 December 1972 on anti-inflationary measures have been followed and how far the measures announced therein have been implemented by the Member States?

President

- (4) What sanctions does the Commission intend to impose on Member States who do not comply with Community provisions in spite of the efforts being made to harmonize monetary, economic and financial policies?

III. Institutional aspect

- (5) What has led the Commission to make the assumption, in Document (73) 57 on the allocation of powers, that the existing machinery and distribution of responsibilities, while, inadequate for the first stage of economic and monetary union, was perfectly adequate and required no changes for the second stage?
- (6) Does not the disturbing trend (high and increasing rate of inflation, growing acceptance of inflation and reluctance to save) constitute for the Commission sufficient ground for now carrying out decisive shifts of competence in the field of monetary, economic, financial and incomes policies to the Community, considering that all Member States' governments stress that anti-inflation measures can no longer, or only to a limited extent, be introduced at national level because of the integrating effect of the Common Market, and that mere concertation of policies clearly holds out little promise?

I would remind the House that pursuant to Rule 47(3) of the Rules of Procedure the questioner is allowed twenty minutes to speak to the questions, and that after the institutions concerned have answered Members may speak for not more than ten minutes and only once. Finally, the questioner may, at his request, briefly comment on the answers given.

I call Mr Artzinger, who is deputizing for Mr Lücker.

Mr Artzinger. — (D) Mr President, Mr President of the Council, Mr Vice-President of the Commission, I have been appointed spokesman on these questions by the Christian-Democratic Group and it is my task briefly to introduce the questions. This is the more necessary since they were submitted as long ago as the beginning of July. Since then many things have changed. I should therefore like to bring the explanatory statements up to date. You will find the questions on the agenda in front of you.

I turn first to the questions under Part I, the international, worldwide aspect. The economic influences from the surrounding world on the

European Community have today become stronger than they were a few years ago. For the first time for twenty years we are seeing the economies of all western nations including Japan moving almost synchronously. But when these countries move upwards or downwards almost in step they become more strongly dependent on one another and balancing mechanisms such as exports cease to exist. This is the justification for our question as to the forecast by the Council and the Commission of the economic trend in the future.

In the annual report on the economic situation in the Community, which we have recently received, the Commission gives a very optimistic forecast at least for 1974.

They see no dangers for us even in international economic developments. But there are also more gloomy forecasts. I recall the statements of the Austrian Federal Chancellor, Bruno Kreisky, and the Mitsubishi Bank, who are reminded by the tightness on the money markets of the period around 1930.

Now we are certainly better protected today against a deflationary collapse of the economy than we were then. But I put the question: could the western world not move into an inflationary collapse? Today it is overstraining our imagination to picture this; but nevertheless the question should at least be put. For the main problem of the western world today and of Japan too—and it did not start this year—is inflation. This is stated not only in the various papers by the Commission but also by the International Monetary Fund and the OECD for example.

The OECD explained in its last report that in the countries belonging to the organization prices of consumer goods had risen on average from 4.2 per cent in 1972 to 8.5 per cent in the first six months of 1973, a rise of over 100 per cent. The report sees as the main cause the persistent and excessive expansion of demand in most Member States. Point (a) on our questions refers to this.

Another thing that worries us is the movement of raw material prices. The Reutter Index, which has been in existence since 1932 and reflects the movement in the prices of 17 important raw materials, has almost doubled in the last year, taken from August to August, from 515 points to 1 126 points. The repercussions on the level of prices are quite obvious. Now there is a popular explanation for this which says that the 'limits of growth'—famous title!—are becoming apparent here. Most experts laugh at this interpretation. They explain the escalating price rises by economic overheating, by the worldwide decline

Artzinger

in the value of money, by hoarding and speculative purchases, and they expect a trough in raw material prices sometime in the future. I do not think, therefore, that it ought to worry the Council and Commission particularly that these prices are still going up at the moment. Besides, this movement is varied; but substitution for expensive raw materials is a matter which I nevertheless ask Commission and Council to consider.

The question under (c): what is meant by the 'other factors' underlying inflationary trends? In the first place inflation has in our opinion long been a discernible tendency, a phenomenon taking place outside the ups and downs of the economic cycle. Consequently we ought, even in the combating of inflation, to free ourselves somewhat from Keynes and not see the rise in price levels as primarily a short-term and cumulative problem.

One may be allowed to ask whether a contributory factor to inflation recently has not been the struggle for a share in the distribution of the national product between the major social groups. There are some economists, like Leontief for example, who stress this problem of distribution very strongly and think it will be the key problem of the last third of this century. In the economic deliberations of the Commission distribution has played a relatively modest role up to now. We ask you to consider whether this ought not to alter.

But let us leave these possibly controversial interpretations of inflation on one side! There should be agreement that inflation is in an essential way connected with the nature of money and the creation of money, so that without a permanent and global control of the apparatus for the creation of money and credit no solution to inflation can be found. Such control is today no longer possible with the help of the central banks alone. At most the central banks control among themselves the classical money market of the national banks; they do not however control those money markets in which the individuals and institutions other than banks operate.

The Euromarket too has been practically uncontrolled up to now. These money markets make possible substantial additional liquidity flows through *trade* after *capital* movements have been controlled. A watertight separation between capital and trade movements is impossible. Should not the set of instruments for managing the economy be supplemented by permitting the central banks to operate successfully on the Euromarket? With Questions 1 (a) to (c) we have thus clarified the background notified by us.

Question 2 goes to the heart of the matter. How do the Council and Commission think they will be able to protect the countries of the European Communities from the worldwide inflationary trend? In order to bring the growth of the money supply under control again the best solution would undoubtedly lie in a fundamental reform of the international monetary system. A monetary fund removed from political influences which could curb and rectify the expansionary activities of the national central banks and credit institutions through an autonomous reserve policy would be the best guarantee that the floods of credit could be confined within the channel prescribed by the goal of stability.

But we cannot expect this in the near future. If—as we fear—a speedy solution is not possible, we see only one other possibility: as the international transfer of inflationary processes proceeds to a large extent through the direct connection of prices on the markets, controls on capital flows have little influence here. They do however give national monetary policies a certain room for manoeuvre. Only when the restrictive monetary policy in the Member States achieves an economic breakthrough, that is to say a lack of domestic demand, will the international connection of prices be weakened or possibly even broken. Is this the way the Council and Commission wish to go?

I must say that our questions under (3) were formulated before Commission document 1030 of 20 June this year on economic policy in 1973 was made available. This document, in its Appendix II, gives a detailed answer to the question as to the measures which the Members have taken in application of the Council Resolution of 5 December 1972.

At the beginning of July our question was thoroughly justified. In its report 570d of 19 April this year on progress during the first stage of the economic and monetary union the Commission itself declared verbatim:

'The programme for combating inflation, although it has brought about a certain harmonizing of attitudes, has, despite a convergence of opinion in general, found but little expression in the form of effective actions.'

Now we know of a goodly catalogue of measures by individual states but we see in them merely a collection of national policies, not a Community policy. Our Question 3 is perceptibly aimed at discovering whether there is such a Community momentum. We cannot see it. We admit that the Council Resolution of 28 June this year is in many respects more precise than its predecessors. Whether it will be more closely follo-

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wed remains to be seen. Naturally each Member State uses all its opportunities to combat inflation, but concertation does not go beyond this thematic unity. This also applies to the, unanimously adopted Council Resolution of 28 June which largely followed the Commission's proposal. Again this unanimity was only possible because the obligations arising from the resolution were insufficiently binding and permitted so much flexibility in implementation. For this reason Question 4 as to possible sanctions simply does not arise in practice. The Council merely makes declarations of intent which anyhow cannot be protected by sanctions. And in addition they are so wide that infringements do not occur. But it is for just these reasons that the resolutions are ineffective in securing a common policy.

Question 5 (a) to the Council does not arise because we have since received information that such guidelines do in fact exist but that they still remain concealed from the profane glance of the public.

The state of economic policy just described had already been clearly set out in the plenary sitting of this House on 4 and 5 July in the discussion on the memorandum on the progress of the first stage. We return to this because the consequences of this practice both for the fight against inflation and for the further creation of the economic and monetary union could prove to be devastating.

The Council of Ministers—one must thus interpret its attitude as held for years and as expressed in its latest decisions—proceeds from the following maxims: each Member State uses all its powers to make its own attempt at stability. The country that is prepared to make special efforts finds itself going it alone. It uses the available room for manoeuvre in taking autonomous measures and hopes for the imperfection of the markets. It trusts that the others will perhaps follow. However, before allowing its own partial success to collapse under forced harmonization imposed by the Common Market, it tries to consolidate its success by revaluing its currency. This last consequence of going it alone was recently seen in the revaluation of the Dutch florin on 17 September this year.

It will be objected that the snake prevents countries going it alone in this way. No! Since the Summit Conference communiqué of October last year spoke of fixed but adjustable parities even for the internal relationships within the European Community, no Member State can be prevented from altering its rates of exchange if it would otherwise have to live with a substantial external imbalance. No country could

be expected to bear for long the sometimes very high social costs of permanent current account surpluses with the consequence that inflation is exported after revaluation, as has been the case after 20 June this year with the last revaluation of the *Deutsche Mark*.

Such a development—individual parity changes—would however mean the end of any attempt to achieve economic and monetary union beyond the present state of the snake. It is the way of '*sauve qui peut*'. The only thing leading to economic and monetary union will be the solidarity of the Member States, which should *begin* with a strict coordination of economic policies but need not end there. It is not primarily a question—to make the point absolutely clear!—of harmonizing the rates of growth, employment and inflation. In major areas, such as the USA for example, very varied regional differences in development exist side by side. It is more a question of *really treating* the countries of the European Community as a common economic area. And that includes institutions which also make use of their Community powers.

May I quote from the report on the economic situation in the Community which we have recently received, that is, from a Commission document. There it says:

'In view of the heavy economic interdependence of the Member States, a lasting success in the fight against inflation will only be attained if all Member States pursue this aim at the same time and with the necessary energy. This presupposes a great *degré* of convergence and an adequate solidarity within the Community in order that the difficulties connected therewith may be reduced to a minimum for each country.'

Well roared, lion! We fully agree with the Commission. But the Commission will find, if it continues in the same way as before, that its major proposals for more solidarity, for example by the pooling of the currency reserves in a first portion or by suitable financing of a regional fund, are watered down beyond recognition. The Commission, is right to speak of a necessary financial equalization. The economically stronger country must realize and take into account that it must make sacrifices for its weaker partner. But Europe can only demand such sacrifices if it is more than an organization for the transfer of money from one national economy to another. As long as this Europe still needs to seek for its identity it cannot legitimately demand sacrifices. The road to more solidarity and more stability lies through a Europe that at least makes a beginning with the reform of its institutions.

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This leads to the third part of the package of questions, the institutional aspect. The European Parliament, in its Resolution of 5 July this year on Document 570 on progress in the first stage, expressed its opinion on the further development of institutions which is necessary at the present time. In this resolution the necessary powers to enable the Commission to implement the programme agreed at the summit conference were demanded and for Parliament itself a genuine legislative and control function was required without delay. We, as the European Parliament, can no longer accept any further shrinking of the 'will to ever closer union' as the preamble to the EEC Treaty calls it.

The Council has asked its Permanent Representatives—we are defining Question 6—to take stock of the position by the next official meeting at the end of this month in order to make up its mind about the commencement of the second stage of economic and monetary union. It must be conscious of its great responsibility in this decision. What is involved is not only a date fixed by the Heads of State or Government in Paris. Far more important are the expectations of our peoples, whom we must not disappoint. I have no doubt that a solution will be found. But we ask the Council whether it is prepared not only to make resolutions but, under Article 103 of the EEC Treaty or on the basis of Article 1 of the Council Decision of 22 March 1971, to *take decisions* on the measures appropriate to the situation and also for example to pass the directives necessary for the implementation of a more effective anti-inflation policy. If, even now, when all circumstances are urging us towards a closer growing together of the Member States, it should not be prepared to do so, it would show that it conceived of itself not as an organ of the Community—as it nevertheless is—but as a conference of Ministers, which is not provided for in the Treaty.

The Commission will reply to us in answer to Question 5 (b) that the instruments provided by the Treaty appear adequate at least *when they are used*. This has continually been the tenor of the Commission's most recent documents. But does not the Commission itself, by its tolerance of the present situation, share the blame for it? Why then did it submit a draft *resolution* to the Council on 28 June and not a draft *decision*, with directives for each Member State? The Commission will probably answer us, in Bert Brecht's words: 'the circumstances aren't like that!' But they must become like that! The Commission is not defenceless. Article 155 gives it a duty to ensure the application of the Treaty. In the most extreme case it

could take action against the Council under Article 173 of the EEC Treaty for infringement of the Treaty. The Commission is thus, quite apart from political steps, not at all without weapons; it only has to use them. Any explosion would seem to us better than the veering and stagnating we have seen up to now.

Therefore the European Parliament, too, must consider whether it ought not in certain circumstances to institute proceedings in the Court of Justice under Article 175 of the Treaty for inactivity, proceedings which may be taken against Council and Commission. But we have not *quite* come that far yet. First we expect the Commission finally to follow its good intentions by showing the political will to make rigorous use of the available coordination mechanisms—I stress, the *available* coordination mechanisms. (Applause)

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, ladies and gentlemen, Mr Artzinger in this explanatory statement to Questions No 76/73 and No 77/73 has just mentioned the whole range of economic and monetary matters and the progress that is necessary in such economic and monetary matters in the widest sense. I agree with him that these questions are of particular importance and that they have a quite special significance above all else in the discussions and decisions of the next weeks and months. Some of the questions, not only concerning the narrower field of economic and monetary policy but also the uninterrupted advance of our Community in general, will be dealt with in a different context according to the agenda for today's sitting of this Parliament, in connection with the annual economic report or with the pooling of reserves. Both in the course of today's business and also—I am sure—in the debates in this House in the coming months we will keep returning to the wealth of important problems which Mr Artzinger has mentioned. I therefore beg your understanding when I confine myself at this time to the answer I must give to the text, which was communicated to us in writing, of Questions No 76/73 and No 77/73 addressed to the Commission, but particularly No 77/73. We will carry on the debate today both on this point and on the other points I have just mentioned.

Now to the answer to the text which was submitted to us in writing. First the complex of questions about forecasts is raised. Here I should like to say first of all in general: the development of the world economy has been considered for the first time in the context of

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the medium-term forecasts in the third programme for medium-term economic policy and in the report 'Prospects up to 1975' produced by the committee of experts on medium-term economic prospects, in the form of hypotheses as to the prospects for growth and for the development of world trade and of the international trend of prices. The concern, expressed particularly in the report 'Prospects up to 1975' that the relatively moderate hypothesis on the movement of the international trend of prices which is the basis of the third programme and which was at that time 3 per cent, would be substantially exceeded, was to a great extent confirmed later. This concern related above all to two very important points:

first, to do with the currency field: namely whether the exchange-rate relationship then existing between Europe and America could be maintained;

and secondly, in the general economic and political sphere: whether the Community in the condition it was then would be in a position to put up a determined defence of its goal of stability.

Subsequently the Commission internally and in cooperation with the authorities in the individual states has updated the global medium-term guidelines annually. In this connection the medium-term world economic prospects are examined each year.

At the present time a more detailed revision of the medium-term projections for the period 1973-78 is in progress. Within this framework some of the basic tendencies of worldwide economic development are being studied, especially with relation to the various possibilities for the re-establishment of a new international economic equilibrium after the parity changes.

The shorter-term view of developments is based primarily on the economic budget which is prepared each year by the offices of the Commission in conjunction with the competent national authorities. In the economic budget account is taken of international economic developments in the short-term forecasts for the Member States.

In answer to Question I, (1) from the Christian-Democratic Group and the three points raised there I have the following to say:

(a) The increase in total demand and the possibilities of increasing supply could stand in a more balanced relationship to each other in 1974 than they did in 1973. A slowing down in the powerful growth of consumer demand from private households is hardly to be expected, however. In the medium-term the chances for a

better matching of nominal demand with the development of real supply largely depend on whether the growth in the money supply, which for its part is closely bound up with excessive international liquidity, is brought under control.

In this connection it is important to maintain and to improve international cooperation in monetary matters; the alterations in exchange-rates which have occurred throughout the world, the Community exchange-rate system involving six European currencies, the exchange controls and administrative measures to ward off speculative movements of capital and the prospects now appearing of reform of the international monetary system could constitute progress in this field. It would be premature however to count unreservedly on a more balanced medium-term development.

Two dangers, tending in opposite directions, are apparent today and ought to be examined more closely.

First: the disappearance of the braking effect on the international spread of inflation which was formerly exerted by those islands of stability, the United States, the Federal Republic of Germany and Switzerland. Their absence may have the effect that the international trend of prices is unable to return to the 1952-1968 rates of inflation of between 2.6 and 3.6%. Thus there could be a risk of higher inflation rates persisting.

The second point: medium-term adjustment processes, set in motion by the widespread and in some cases substantial parity changes, are not accurately known.

A result of a combination of unfavourable cyclical factors, for example a recession in the United States, persistent inflation in Europe, a recession in some European countries—to set a theoretical scenario—could, in the medium-term, bring about a reversal of the balance of payments equilibria between Europe and America.

On question (b): In the short-term it looks as though raw material stock-building could slow down and bring about a certain relaxation in world prices. Such a relaxation could be assisted by the disappearance of certain chance factors: for instance, stabilization of the dollar would remove the speculative motives which produced a flight into certain commodities.

Some world-scale shortages however, particularly in food products, and the energy problem are of a structural kind and will doubtless continue in the medium-term. In this sphere the development and use of substitute products can only be achieved progressively.

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Particularly to be feared among other inflationary factors are modes of behaviour which result from our becoming conditioned to inflation, such as the expectation of large increases in nominal income; in addition the decreasing effect of the limits imposed by the balance of payments on the struggle between wages and profits for the distribution of wealth—this as a result of excessive international liquidity and the possibility of devaluations; the difficulties of diagnosing the situation on the labour market, insufficient differentiation between cyclical and structural unemployment and hence the continuing attempt to combat structural unemployment by maintaining an expansionist policy, which contributes to the continuance of inflation without having the desired effect on structural unemployment.

Among the other inflationary factors we should also mention the political difficulty of securing the necessary sacrifices, particularly as regards public income and expenditure.

In answer to question 2: in order to protect the Community against inflationary factors, which at present have their origin both inside and outside the Community, action must be taken at both levels, that of trade and that of monetary affairs, at the same time. To this end the two resolutions on anti-inflationary measures must first be energetically applied.

As far as the internal measures are concerned, it is mainly a question of substantially reducing the increase in the money supply and damping down the increase in growth rates in public expenditure. Further it will be necessary to reduce the financial balances of the public authorities or to achieve surpluses in public authorities' budgets, to maintain or promote a higher level of savings by means of interest-rate and tax measures and beyond this to guide a considerable portion of new corporate investment into those areas of the Community where the level of economic development is lowest.

As far as the external measures are concerned, the rates of exchange of the six Community currencies participating in the system will have to be retained within the fluctuation margin of 2.25% agreed by the Council. In addition every effort must be made to create the conditions which will enable all currencies of the Community to join the Community currency system. Furthermore the joint action to ward off unwanted inflows of capital from outside must be continued. If necessary the regulations introduced in implementation of the Council's Directive of 21 March 1972 for the regulation of international financial movements and the neutralization of their undesirable effects on internal liquidity will have to be tightened up.

Again, within the framework of the measures to be taken in the second stage of the economic and monetary union the control of disruptive short-term capital movements must be completed and harmonized and this in such a way that it is more effective yet at the same time hinders the free movement of capital within the Community as little as possible.

Finally the following point must be mentioned: in views of the psychological aspect of the present inflationary phenomena and the political difficulties in combating inflation, it appears necessary to take explanatory action to make the negative aspects of the present price rises clear to industry in the Member States. The fight against inflation requires greater solidarity between the Member States and the different economic and social groups. As the majority of price adjustments are upwards rather than downwards, isolated actions, particularly in the monetary field, have proved to have little effect.

The adoption of a directive for the promotion of stability, growth and full employment could in addition represent a significant step towards the improvement of the harmonization of economic policies. The Commission will shortly be submitting to the Council a proposal with this aim.

Concerning the group of questions under the heading 'the European aspect', I should like to point out in reply to question 3 that Members will find in Appendix II of the Commission's communication to the Council of 20 June this year a list of the measures taken by Member States in accordance with the Resolution of 5 December 1972. This list is currently being brought up to date and you will receive it shortly. The list appended to this communication of 20 June contains a comprehensive introduction with a summary of the actions initiated by the authorities of the individual countries and the Community. It gives one the impression that numerous measures have been taken embracing all aspects of economic life. They could sometimes perhaps have been more energetically or strongly coordinated. These measures have not succeeded in slowing down the upward trend of prices, indeed the rate actually accelerated in the first six months of 1973. The acceleration in the rate of increase in prices and the sharpening of inflationary tensions today are largely due to the excessively lively expansion of demand. In most countries, therefore, more energetic action must be taken to limit the growth in both consumption and investment spending.

The measures on competition, which apply to agreements between undertakings and the con-

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duct of undertakings with a dominant market position, can only indirectly contribute to the fight against inflation and their effects are chiefly felt in the medium term. The Council is currently examining a proposal from the Commission for a directive on the control of mergers of undertakings. Here the main danger is that the increasing concentration of many markets could damage the efficacy of the anti-inflation measures.

Concerning measures taken within the framework of the competition policies of individual Member States, which fall within the competence of those countries, it can be noted that several Member States have strengthened their methods of investigation and control in relation to restrictive trade practices.

On the question of sanctions I should like to say the following: the problem of sanctions, in the context of the coordination of economic policies, is a difficult one for legal reasons. Even on a national level the realization of short or medium-term economic guidelines or goals is beset with uncertainties. On the one hand there is uncertainty on a technical level in connection with the methods of estimating, with the diagnosis, with the framing of the relevant measures and with their effect, that is with the timing and regulation of the measures. On the other hand the political level is dominated by uncertainty as to whether all the measures which are technically necessary in order to achieve the desired aims can be passed by the date in question, having regard to national parliamentary procedure and the prevailing political currents of opinion and priorities. For these reasons the relationship between actual development and the economic goals or guidelines must be regarded as the result of a process which in general does not permit the application of legal and automatic sanctions. Sanctions in this field must therefore be basically of a political kind.

As regards Community coordination of economic policies the problem is far more complicated. In some cases, for example in the context of short and medium-term currency support, the Community has instruments at its disposal which enable it to influence the economic policy of a Member State. In the present institutional situation, however, the political responsibility of the Community's decision-making body is fragmented into the various political responsibilities of the individual Member States.

On a more practical level the Community dialogue in the Council and especially in Parliament could be said to fulfil the function of a 'Community sanction' to a certain extent: a government whose policies openly diverged from the jointly agreed guidelines could find

itself in a difficult position *vis-à-vis* these institutions.

In Parliament a fruitful, critical discussion can develop at the earliest opportunity; this is assisted by the fact that political groupings can take place according to political persuasions rather than along national lines. Here the divergence of an individual country's policies from a Community guideline can be measured against the requirements of the Community's interests.

The Commission did not in its communication to the Council express the opinion that the present set of instruments and the existing allocation of responsibility would suffice for the second stage although they had proved inadequate for the first stage of economic and monetary union.

In fact it was stated in the communication on the first stage: 'the following summarized conclusions can be drawn from the first stage of economic and monetary union: the measures decided on for the first stage must, beyond formal observance, be consolidated and strictly implemented, particularly as regards the harmonization of economic policy.'

Precedence must be given to the structural and regional problems in order to assist a convergent economic development by the Member States and hence the completion of economic and monetary union'. And then it was said:

'In certain important sectors the stage of mere coordination of economic policy must be left behind and genuine responsibilities at Community level must be taken over and exercised.'

As far as the instruments are concerned, the number of economic instruments available to the Community is sure to be increased on transition from the first to the second stage. Many examples of this can be given. In the field of coordination of budgetary policies each Member State is to have certain budgetary instruments at its disposal which it can make use of in the short term. For the application of these instruments available to individual states the introduction of a Community procedure is proposed.

With reference to monetary policy it is suggested that the powers of the European fund for monetary cooperation should be considerably extended by giving it the opportunity to grant credit in short-term currency support and funding it with part of the national foreign exchange reserves.

In the field of regional policy the Commission has suggested that a fund should be set up

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which should have more than 2,000 million units of account at its disposal for the next three years. In social policy the Commission is recommending a guaranteed income during vocational retraining and an unemployment benefit fund at Community level.

All these examples clearly show that between the first and second stages a large number of new instruments will have to be created.

In the allocation of authority a distinction must be drawn between nominal authority and actual responsibility. In its document 570 the Commission interprets nominal authority as the potential powers conferred on the Communities by treaty. It is a fact that within such nominal authority no workable transfer of responsibility has taken place. The Commission therefore considers it right that, before new powers are created by alterations to the Treaty, Community responsibilities within the present legal and institutional structures should be substantially extended. The proposals for the second stage aim in just this direction. The question of parity changes will serve as an example. Even now a consultation must take place before there is any alteration of exchange rates, by virtue of the Declaration of 8 May 1964 by the representatives of the Member States. After our latest experiences this obligation could and should be reshaped to provide that before any parity change, even if it were not a change in the official sense, the prior opinion of the Council should be obtained. In connection with decisions and experiences of this kind the Commission announced recently that it would make an appropriate proposal to the Council. This will happen shortly. One could assume that such an act would fall within the Council's competence by virtue of Articles 105 and 145. But in any case the Council would be empowered by Article 235 to decide on such a procedure.

The Commission has clearly indicated that its proposals concerning the institutions and the transfer of powers are still of a limited character. It expressly reserved the right to return to these questions in more detail, especially when new steps should prove necessary for the realization of economic and monetary union.

I should like here to return to my introductory remarks which I made before formally answering the questions. We shall have the opportunity during the coming weeks and months to discuss these and other important questions in great detail in order to prepare the further development of this union, to maintain it and to drive it energetically forward.

(Applause)

IN THE CHAIR: MR DALSAGER

Vice-President

President. — I thank the Vice-President of the Commission.

I call Mr Hækkerup, who is attending a sitting of Parliament for the first time in his capacity as President-in-Office of the Council of the European Communities, and I gladly take this opportunity of welcoming the Minister to the European Parliament.

Mr Hækkerup, President-in-Office of the Council of the European Communities. — (DK) I would like to thank the Vice-President of the Parliamentary Assembly for his pleasant welcome and say that although it is true that this is the first time I have had an opportunity of attending this Assembly I have previously had opportunities of being in this building and have often been in this chamber, so I already feel quite at home.

I would then like to say that in his answer to the question tabled, the Vice-President of the Commission, Mr Haferkamp, gave an analysis of inflation trends and the reasons behind them. I can fully concur in the name of the Council with this analysis.

As far as the truly economic aspects of the problem are concerned, both on international and Community level, the Council is in agreement with the Commission in its views.

With regard to point 4 of the question I admit that in the matter of harmonizing the economic policies of Member States it is necessary to ensure that the national policy is in agreement with the decisions taken by the Community, but it seems to me difficult, considering the stage at which the implementation of European economic and monetary union is now, to talk about sanctions in the solution of this problem. The harmonization of the economic policy of the Member States aims at present at establishing the common principles which the Member States will have to adapt to their respective national positions in order to take into account the special characteristic features of each country's economy.

It is clear that the development of harmonization between the Member States in this field and the implementation of economic and monetary union call for a thorough investigation of this problem in which all the institutions of the Community should be concerned.

With regard to the content of the two resolutions adopted by the Council concerning anti-

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inflationary measures, the Council agreed in its resolution of 5 December 1972 to establish the limit for price increases in 1973 to 4% in relation to 1972. In reality it has not been possible to maintain this limit and we cannot hope to maintain it.

In consideration of the scope and increased rate of price increases in 1973 it is necessary above all to prevent these rising trends. This is the goal which the Council has set itself in its second resolution which was adopted on 28 June of this year.

On the other hand, it no longer seems reasonable to establish a new limit for price rises in 1974. This, by the way, is also the standpoint expressed by members of Parliament's Committee on Economic and Monetary Affairs at the meeting of 3 and 4 March of this year in Brussels.

Furthermore, it would be incorrect to think that the resolution adopted by the Council at its meeting of 28 June 1973 does not contain provisions for concrete measures to be taken. I will mention a few examples here:

The first point of the Council's Resolution reads as follows: 'All Member States should follow an economic policy which aims at restraining price increases'

And later in the same point 1:

'They will promote and elaborate measures to restrict growth in the total demand'.

And the conclusion of this point 1:

'They will ensure, in particular, that their policy is sufficiently selective to allow the available resources to be directed towards investment in industry.' If we take a look at point 2 in the same resolution, for instance, we read that by the end of 1973 'an appreciable reduction in the rate of expansion of money supply should be achieved.' So here, too, a clear goal has been set.

Later in the same point we find:

'The Member States will do their best to maintain or encourage a high level of saving, in particular by taking appropriate measures in connection with interest rates and taxation.'

Then if we turn to point 4 of the resolution, it says:

'A limitation should be set on the expected rise in the growth of expenditure provided for in the budgetary estimates of all the Member States for 1974. In general they should be lower than the growth rate foreseen for 1973 at the present moment.' A little later in the same point 4 we read:

'Inasmuch as it should prove impossible to restrict the rise in expenditure to the necessary extent, an increase in taxation will have to be considered. In some Member States this might be implemented by refraining from reducing progressive income tax.'

As the quotations I have mentioned will show, the Council's resolution of 28 June indicates specific measures which the Council recommends the Member States to adopt.

As far as the institutional problems are concerned, you will understand that at the present stage the Council is not yet able to give an exhaustive answer. These problems must now be examined within the framework of the development of economic and monetary union on the one hand and of the work to be carried out in the formation of the European union on the other hand. As my colleague Mr Nørgaard already mentioned after your debate at the last part session, the Council will also examine with great attention the decision you reached at the last meeting.

I can, however, state that it is the Council's intention at several of its meetings before the year is over, to discuss the problems connected with the transition to the second stage of economic and monetary union, including the institutional problems which have already been referred to in the communication from the Commission of which you are already aware. The Council will keep in close touch with Parliament on this matter.

In conclusion I would like to inform you that at the end of October, in accordance with point 8 of its Resolution of 14 September 1973, the Council will begin its examination of the results of the programme it has adopted in connection with the fight against inflation.

President. — Thank you, Mr Hækkerup.

5. *Procedural motion: Order of business*

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

Mr Lange. — (D) Mr President, colleagues, ladies and gentlemen, I am in a somewhat difficult position, as the President has called me to speak on behalf of the Socialist Group, but I should first like to say something as chairman of the Committee on Economic and Monetary Affairs.

Yesterday I submitted the proposal that we should have a joint debate on the two questions and the report by my colleague Mr Bousch,

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since there appeared to be common ground in all the economic matters raised in the two questions and in the Bousch report, and in institutional matters too. The introduction which my colleague Mr Artzinger gave us this morning confirms me in my opinion, and so I should be grateful, honourable Members, if the House would consider once again the decision it came to yesterday, and would now allow my colleague Mr Bousch to introduce his report, so that we can debate all the interconnected questions as a whole. My colleague Mr Artzinger has after all left the way open with his introduction of this morning, since he has changed his mind about what he was affirming yesterday. You said very plainly yesterday, Mr Artzinger, that you wanted to place the emphasis on institutional questions. But today you put factual questions of economics before the institutional, which you then tagged on, so to speak. Or that was my impression.

I must also say, as chairman of the Committee on Economic and Monetary Affairs, not for the first time, that with all the excellent cooperation which we have experienced so far in the Committee on Economic and Monetary Affairs, and which I hope we shall continue to have, it will be necessary for us, in one of the conclusions we have to come to in this connection, to agree on how certain matters should be handled in the future. If my Christian-Democratic colleagues wanted the Bousch report in its economic aspect to be taken after their questions, it would have been fairer on their part to say so in the Committee on Economic and Monetary Affairs. I must admit that I am also to blame, as it is a question that never occurred to me, although I knew that it was an item on the agenda. I think we should come to a perfectly amicable and realistic decision about this.

Mr President, I ask once again if it is still not possible to have a joint debate on these two items and give Mr Bousch the opportunity of taking the next point on the agenda, so that we can debate the economic and the institutional aspects at the same time.

I will stop at this point, Mr President. If the House should decide against me, I shall have to go on to say a few words as spokesman for the Socialist Group.

President. — I call Mr Artzinger.

Mr Artzinger. — (D) Mr President, allow me to say first, before I reply to my colleague Mr Lange's speech, how grateful I am to the spokesman for the Council and the spokesman for the Commission. It is true that the requests I expres-

sed, as the requests of my political group, have not been answered very convincingly; we should have liked to have a more concrete response, but all the same they have given us some reason to hope that our requests on institutional matters will be studied and may perhaps be met in the near future when we reach the second stage of economic and monetary union.

I should now like to answer my colleague Mr Lange. I have in the meantime been told that the Bureau, in a case of precedent involving questions by Mr Scott-Hopkins, refused absolutely to allow replies to questions put to the Council and the Commission to be linked with the discussion of a report. There is in fact much to be said for keeping the two separate. However, to anticipate the issue, I should not be opposed today to a joint debate on the two items.

If I have understood correctly the gentle rebuke which you have directed at us, the Christian-Democratic Group, because of our getting in the way of the Bousch report, let me say just this. We wanted to bring up our questions at the last part-session of Parliament, and the item was only put back because the Council could not manage it. So it was an unfortunate coincidence, which was not due to any malice on our part. I must make that quite clear. And even if we had talked about it at the last meeting of the Committee on Economic and Monetary Affairs I should not have been able to tell you anything about the way this part-session in Strasbourg would develop. It would have been perfectly possible that the Bousch report would be dealt with today, for instance, and our questions on the Thursday. It is not the fault of the Christian Democrats that the Bureau should have crammed them in together on the one Tuesday afternoon, and certainly not mine either. I must ask you to understand that, Mr Lange.

Then you have also reproached me somewhat for having played up the institutional aspect a little yesterday, and underplayed the other aspect. Obviously, when I am responsible for bringing up questions on behalf of the Christian-Democratic Group, I must clearly deal with the economic side. But the political emphasis certainly lay on the institutional aspects, whereas—so I assume—with the Bousch report we shall be treating things differently. We shall naturally get on to the institutional aspect as well, but nevertheless, as the annual report revolves round the economic implications for the Community, there is no getting away from the fact that in our discussion of the report we shall be very largely talking about economic matters.

Artzinger

All the same—to conclude, Mr President—I should personally have nothing against it if further discussion should at the same time take in the Bousch report. I do not know who has to decide.

President. — I call Mr Burgbacher.

Mr Burgbacher. — (D) Mr President, Mr Lange, I am sorry that I have to oppose your suggestion for a joint deliberation. The least one can ask is that the speakers who have put themselves down for the item on inflation should be allowed to speak first, otherwise it means that those who want to take part in the activities of this Parliament can no longer plan ahead. They put themselves down for something and then find something quite different on the list. There is no proper parliamentary procedure in that, that is not the way to organize things. I oppose it. I agree to a joint debate if all the speakers on the list have been called first. But not otherwise.

President. — I call Mr Guldberg.

Mr Guldberg. — (DK) It seems to me that the question raised by Mr Lange was thoroughly discussed yesterday, and a decision was reached here in Parliament as to how this debate should be conducted today. It does not seem to me that by reopening this debate one can prevent other Members of this Parliament from taking part in the debate at the present time on Mr Lückers proposal.

I must insist that Parliament's decision be respected.

President. — Does anyone else wish to speak?

I call Mr Lange.

Mr Lange. — (D) Mr President, I do not intend to deprive anybody of the chance of speaking. All I have said is that there should be a joint debate. The list of those who are down to speak so far is just the same as it was. I must make it clear once again that otherwise Parliament will virtually have to go through the same debate twice. That was what I thought yesterday and that is what I still feel today, after the presentation and the replies which we have had from the Vice-president of the Commission and President-in-Office of the Council. I will not say any more. I want to go about things in a sensible way, I am not out to curtail anyone's rights.

Mr President, allow the House to decide, or make a decision yourself, and then we can proceed accordingly.

President. — I put to the vote the proposal to debate Mr Bousch's report jointly with the Oral Questions.

That is agreed.

6. *Joint debate on Oral Questions No 76/73 and No 77/73 and the report on the economic situation in the Community*

President. — The next item is a joint debate on the following:

— Oral Questions No 76/73 and No 77/73 by Mr Lückers to the Council and Commission of the European Communities, and

— report drawn up by Mr Bousch on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council concerning the annual report on the economic situation in the Community (Doc. 191/73).

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

Mr Bousch, rapporteur. — (F) Mr President, my dear colleagues, I very much regret being in the position of obliging Parliament to take a vote in order to deal simultaneously with two questions, although they are on the same subject.

I do not propose to express opinions on matters of substance here—this I shall do at the next meeting of the Committee on Economic and Monetary Affairs—but shall restrict myself to presenting a few observations on the annual report on the economic situation in the Community and the consequences to be drawn from it in terms of recommendations to be made by the Commission and the European Parliament to the national parliaments in connection with the presentation of their respective budgets.

My dear colleagues, the integration of our economies have continued during recent years despite a certain number of difficulties. This has given rise to interaction between the economies of the Member States and it is now increasingly necessary to harmonize the development of our economies, this being an essential prerequisite of the establishment of the economic and monetary union, and to achieve a suitable degree of coordination between the economic policies of our nine countries.

Article 4 of the Council Decision of 22 March 1971 provides that the Commission must submit to the Council an annual report on the economic situation in the Community for the purposes of laying down guidelines to be followed by each

Bousch

Member State in its economic policy for the year to come.

This annual report must be adopted by the Council following a debate, and the governments must bring it to the attention of their national parliaments so that it may be taken into account during the debate on the budget and when national decisions concerning the economic policy to be pursued during the year to come are taken.

Today, the short-term economic situation in the countries of the Community and also in the industrialized countries outside the Community displays a marked trend towards expansion.

The development of economic activity in these countries has determined a high degree of utilization of technical capacities and, in certain cases, is leading to a serious lengthening of delivery periods.

Although reductions in the level of unemployment have been recorded in all the countries of the Community, it would nevertheless appear that the level of unemployment in most of these countries is remaining above the minimum levels previously obtaining during periods of economic expansions.

This situation reflects shortcomings in the available personnel, either from a geographical point of view or in terms of occupational skills, and also to some extent a psychological attitude peculiar to employers, who are reluctant to recruit additional personnel in their undertakings in the belief that it would be difficult to reduce their work forces in the event of a downturn in the economic cycle.

The inflationary trend which has persisted throughout the early part of 1973 and which, according to certain indices, will continue through to the end of the year and well into 1974, remains one of the most important problems which we have to solve. This has been demonstrated by the debate which began this very morning in this Assembly, even if it is probable that a better balance between supply and demand will be achieved during the coming year.

It has not been possible to hold down inflation during the current year within the limits laid down by the Commission. This could be foreseen as soon as the rates proposed by the Commission were known.

In order to prevent this hampering and delaying the establishment of the economic and monetary union and the social and political consequences of this, it is necessary—as I believe we are all convinced—to combat inflation with increased vigour.

The authorities and the two sides of industry must join together in tackling this problem energetically.

In my view, consideration must also be given to the possibility of mobilizing public opinion in order to gain its acceptance of the necessary measures, but it must also be made clear that the burden of such measures must be shared according to the resources of each individual.

In this area of the fight against inflation, it is necessary to launch a Community programme of action based on the annual economic report which has been presented to us simultaneously in all the Member States, and this programme must be backed by the requisite publicity. The reason for this is that, quite apart from the technical clauses, it is necessary to overcome the fatalistic attitude to inflation.

Regarding policy on prices, although this cannot in itself eliminate the causes of inflation, direct, effective action should now be taken on price structures themselves.

Wherever necessary, action should be taken in this area by the appropriate authorities.

Only a few months ago, there was still justification for reluctance regarding the application of measures for the surveillance of prices and incomes. Today, even to the most liberal, such an attitude is no longer tenable. The situation calls for action and a degree of surveillance of prices and incomes must be established in our respective countries. The use of the instruments of fiscal policy must be approached with caution. It is essential that taxation changes be made in accordance with certain criteria, and this on the basis of personal income, so that they have no direct effect on prices.

There is a risk that the persistence of inflationary trends could nullify all the benefits of the economic expansion which we have seen during the last few months. The most serious dangers lie in the long-term economic, social and political effects. The erosion of purchasing power—the inevitable consequence of inflation—will make it increasingly difficult for economic and monetary mechanisms to function. In this connection, it may be said that part of the economic expansion arising out of the current situation is being achieved to the detriment of the fixed assets of undertakings, particularly those which are relatively capital-intensive which have to cope with rapid depreciation of assets.

A further danger of persistent inflation lies in the fact that savers become increasingly disenchanted with the value of money.

This could result in a reduction in the level of savings, which would inevitably affect the rate of capital investment.

Bousch

In the area of the fight against inflation, a useful initiative could be the launching of campaigns in each of our countries to inform our peoples about the facts on inflation; by making them aware of the disadvantages of the effects of the prices-incomes spiral, they should be shown the futility of certain wage claims in certain circumstances. These claims, although they may be legitimate, in fact only give very little advantage to certain beneficiaries. On the other hand, by raising price levels, they involve serious disadvantages to the general economy.

The development of serious labour shortages, to which reference has already been made this morning, in the most developed regions of the Community should be countered by the adoption of concrete measures in favour of the less developed regions.

To this end, the Commission recommends measures designed to encourage investment in the regions where there is available labour and transport infrastructures which are sufficiently developed to meet the requirements of newly arrived industry. Such action must clearly be accompanied by a policy designed to place some form of brake on new investment in other regions where there is already evidence of serious overstretching of the labour market.

Where the volume of cash in circulation is rising too rapidly, it is necessary to take action on a selective basis. We can subscribe to the view expressed by the Commission to the effect that, under such circumstances, everything must be done to harness credit, and with the present outlook, not only credit but also the volume of cash in circulation.

Nevertheless, it is desirable—and this is a point which was discussed at length by our committee—not only that credit should be restricted in a general way, but also that there should be flexibility in the application of measures to achieve this end in order to avoid undesirable repercussions on certain small and medium-size undertakings.

Regarding rates of interest, it would appear probable that they will remain at a high level. We consider that this situation calls for particular vigilance and coordination, particularly at Community level.

Having made these general observations, I should now like to present the substance of the motion for a resolution which is put before the House as an expression of its desire to take note of the situation and propose measures which, in our view, should be implemented as a means of remedying this situation and, at all events, to ensure that the Member States take it into account when laying down their policies for the coming months.

Firstly, after long discussions, our committee decided to reiterate its warning about the persistent and rapid increase in prices and the grave consequences to which this has given rise, not only in the socio-economic sphere, but also on the social system.

It also noted that the Council's conjunctural policy recommendations had not always, or had only partially, been followed last year and that not all the Member States attached the same importance to the economic policy objectives, thereby jeopardizing the main objectives of our Community, namely the attainment of economic and monetary union.

In the institutional sphere, we have called upon the Council to adopt a decision, pursuant to Article 235 of the Treaty, strengthening the decision-making and executive powers of the Community institutions.

We have called upon the Commission to submit a proposed regulation on stability, economic growth, high employment and balanced external trade relations, with a view to harmonizing policies and instruments in the Community.

On the whole, we have endorsed the assessment of the economic situation presented by the Commission and the proposals contained in its annual report.

We have, nevertheless, asked that certain additional proposals be made and that certain points be made more specific. In particular, we have expressed the view that a budgetary and monetary policy and a strict policy on credit are, generally speaking, essential, but also that inflation can only be combated effectively if the authorities assume their share of responsibility for trends in prices and incomes.

We have asked for more information about incomes to be provided. In my country, this has been being done since the beginning of the year, and does not seem to have created any very serious disadvantages. The supervision of prices proposed in the Council's Resolution of 28 June 1973 would now seem to be an essential complement to the budgetary, monetary and credit policy measures. In view of the reluctance of the authorities and two sides of industry to take resolute action against inflation, we have considered it necessary to mobilize public opinion in favour of the application of energetic measures designed to ensure that the burden of the fight against inflation is shared equitably and to launch a publicity campaign, if possible simultaneously in all the countries of the Community, for a Community programme of action against inflation in order to overcome the fatalistic attitude to inflation.

Bousch

Your committee is naturally of the opinion that an early return to order in international monetary affairs is a factor of decisive importance to price stability. Your committee has also studied the opinion of the Committee on Budgets which was communicated to us in its entirety. We can only endorse this committee's proposals, whose main objective is to achieve greater harmonization in the presentation of budgets in the interests of comparability.

Finally, the Committee on Budgets stressed that the rate of growth of public expenditure should, in general not exceed that of the gross national product.

The Commission has expressed the hope that national parliaments should consider their own national budgets in terms not only of national interests but also, and above all, in terms of the interests of the Community as a whole. This opinion has been accepted and supported by the Committee on Economic and Monetary Affairs, and we would ask you, Mr President, to forward this resolution and the minutes of the debate on it, not only to the Council, but also to the national parliaments and governments of the Member States.

In the light of these observations, the Committee on Economic and Monetary Affairs has instructed me to invite Parliament to adopt this motion for a resolution and, with it, the opinion presented by Mr Spénale on behalf of the Committee on Budgets, of which he is chairman.

(Applause)

President. — I call Mr Notenboom, rapporteur of the opinion of the Committee on Budgets.

Mr Notenboom. — *(NL)* Mr President, I should first of all like to thank Mr Bousch on behalf of the Committee on Budgets for his clear and succinct motion for a resolution and for his oral report.

The Committee on Budgets of this Parliament acts in an advisory capacity. It has to restrict itself to the particulars of the annual report and to the guidelines for Member States relating to the budgetary policy of the Member States. As regards the general approval by Mr Bousch of the annual report that has been submitted by the Commission of the European Community, I have to say that the Committee on Budgets associates itself therewith. On behalf of the Committee on Budgets I should like to comment on 7 points that the Committee proposes to include in the motion for a resolution. These may be found on the last page of Mr Bousch's report. The intention is—this is already stated in the report by the Committee on Economic and Mo-

netary Affairs—to incorporate these points by the Committee on Budgets into the resolution that is to be sent to the various institutions.

The first point covers a general appeal that we wish to make to the Member States, particularly, too, to the parliaments of the Member States, to keep budgetary policy more mutually attuned than in the past and to accept coordination by the European institutions, the Commission, the Council and Parliament. When Member States declare the high degree of inflation, and the unacceptable level of the loss in money value that exists in our country to be due partly to causes lying outside the scope of national control, this is so. When Member States point to ultranational causes influencing the economic situation in their countries and being partly to blame for the very high degree of inflation, these Member States must, in my opinion, also do some listening and comply with the recommendations that proceed from the desire to coordinate policy, so that a joint effort can be made to reduce the very serious level of inflation. If the causes are ultranational, then supranational remedies must be sought, at least part of the way.

The Committee on Budgets hopes and urges that the European guidelines shall be used more and more by Member States as a test for national budgetary aims. Of course there are still great difficulties in this area. While the European Parliament is stating its opinion at this moment, in certain Member States a verdict has already been pronounced and a parliamentary decision taken on the budgetary proposals of the governments. In my country in particular this was done last week. In this respect we are therefore too late. Nevertheless, the proposal regarding the annual report to the Council by the Commission has been discussed in the various parliaments so that a test-piece for national policy does exist.

The intention is of course that Member States should comply with all recommendations by the Council. The guidelines are not a kind of lucky dip out of which a particular government can pick a recommendation that happens to suit its book. In so doing it would then turn a blind eye to the fact that it was not complying with a number of other recommendations. In matters of economic policy it is already difficult enough to deal while observing a number of aims at once. But it is not a matter of saying: I comply with the European guidelines, because I am complying with the desire to conduct an incomes policy. The fact is thereby obscured that there is a short-fall in investment that exceeds the recommendation, or that the rise in expenditure is greater than recommended by the EEC. Nor does the converse work. It is therefore a matter

Notenboom

of accepting the whole body of recommendations to the letter.

I should like to address myself over the heads of the Members of Parliament here present to the parliaments of the national governments. The first paragraph of the Committee on Budgets contains the request to the Council and Commission in their recommendations to the various Member States, as far as possible to use the terminology that is usual in the Member States concerned. The intention is after all that national parliaments should gradually test out their budgetary proposals by the EEC guidelines.

It cannot be expected of members of national parliaments that they should become familiar with the slowly developing EEC terminology in the budgetary field. We are not yet this far. If the annual report is therefore to make itself felt in the national parliaments—and that is the intention—the national terminology will also have to be used, at least in the chapters addressed to the various national states. When all kinds of terms are used mixed up with each other no one will know where they are. Then national control, at least from the Community point of view, will inevitably fail.

I know that we are here asking something very difficult of the Commission. A Community terminology has in fact been developed over the last few years. Attempts are being made to speak a Community language. This is greatly welcomed by the Committee on Budgets. I fully acknowledge that this is necessary. I welcome the fact that expenditure and income have been broken down in such a way that they are comprehensible to the experts in each of the various countries. The guidelines for the individual Member States, however, which in fact have to be lodged with the parliaments concerned for inspection of the budgetary proposals, should therefore, in our opinion, also include those terms that are known in the various Member States and are used there.

The third paragraph refers to making national budgets mutually comparable. It is not a matter of making national budgets identical. The members of the national parliaments must, however, be able to make a comparison with relatively little trouble, so as to be able to form a better opinion on the budgets of other Member States. The break-down of the national budgets must be comparable.

We all know that 10 years of work have already been put into this. This object, for the Commission's technicians and experts, has practically been achieved, but as a Member of Parliament I also plead the cause of harmonization of the method whereby the budgets in the various

Member States are presented. It is in fact not sufficient for specialists to have material available that clarifies one thing or another for them; Members of Parliament, too, must have such comparative material available.

I now come to the fourth paragraph. The present annual report is the third to have been prepared by the procedure indicated in the Council Decision of 22 March 1971 concerning the strengthening of coordination of Member States' economic policy in the short term. This is also the first annual report to relate to the enlarged Community. It was possible, so far, only to state indicative figures on budgetary policy in respect of the six original Member States of the Community. The Committee on Budgets fully understands this.

In the new Member States the budgetary year does not coincide with that in other Member States. In addition, it is still very difficult to compare the budgetary data. For this reason only qualitative data has been provided in respect of the new Member States. The Committee on Budgets hopes that the Commission will be able to take a step further. If possible, our committee would like to hear some comment on this. Ireland, so we have been informed, has already taken a first step and this problem is being looked at in the other two Member States. In paragraph 5 our committee associates itself with the Commission's recommendation regarding the rise in national expenditure. A very rough norm has been adopted, namely that the percentage increase in public expenditure may not exceed that of the gross national product. It says: 'in general'? The Committee on Budgets is aware that this cannot always be the case. In some countries more exact norms have been developed, but these cannot yet be taken up in Community terms. In countries where direct taxation forms a large share of the total tax revenue and where such tax, moreover, is strongly progressive, additional budgetary space is created yearly without the rates of tax having to be increased. This is not the case everywhere. In countries where the emphasis is on indirect taxation the opposite is often the case.

The Committee on Budgets insists that when the rise in expenditure exceeds the norm recommended by the Commission the incidence of taxation should rise. In many countries this will often have to involve direct taxation, a form of taxation that takes greater account of the taxable capacity of the individual.

The ratio of direct taxation to indirect taxation is not everywhere the same and it is therefore not possible to lay down strict standards for this, to apply in equal measure everywhere.

Notenboom

The sixth paragraph is a direct continuation of the preceding. Tax policy must in fact be an instrument of social policy. This is already the case, but it will have to remain so in all countries, with an eye being kept on incomes policy. Incomes policy will have to level off unjust differences in income in a fair and effective manner. Every reduction in income differences, at whatever level, helps towards achieving a more just incomes policy and a more just incomes ratio. A vision has to be developed with regard to a more just and effective incomes policy and that is not so simple. I should like to refer to the report by Mr Van der Gun and to this Parliament's Resolution of July 1972, in which thought is devoted—even if only in embryonic form—to an incomes policy of this kind.

Finally, in paragraph 7 an urgent appeal is once again made to the national parliaments that in dealing with their budgets they not only pay heed to national needs but similarly pay heed to the needs of the Community as a whole, taking heed therefore of the aims and coordination that we are attempting to lay down on a European scale.

I hope hereby to have done justice to the desire to comment on the 7 paragraphs that the Committee on Budgets would like to add to the motion for a resolution. I would also refer to the clause in the motion of the Committee on Economic and Monetary Affairs which is the most competent here and which in the last clause of the preamble also proposes to Parliament that it accept the Committee on Budgets' 7 paragraphs: 'subject to approval of the opinion of the Committee on Budgets added to the present report'.

In other words: the committee advises in principle that the paragraphs of the Committee on Budgets be regarded as a whole and that these be sent as a whole with the resolution to the national governments and the national parliaments.

(Applause)

President. — I call Mr Guldberg on behalf of the Liberal and Allies Group.

Mr Guldberg. — *(DK)* Mr President, I would like to thank you for the opportunity of speaking on behalf of the Liberal and Allies Group at this point, because I must admit that we in the Liberal and Allies Group have fallen in with yesterday's decision so that we were to some extent prepared for this excellent opportunity of discussing these two questions which perhaps should really be discussed separately, on practical grounds as well.

Now that I have the floor, however, I would like not only to thank Mr Lücker for having introduced this general debate which is the one in which I particularly wanted to participate, but also to thank Mr Bousch for his report and the Committee on Budgets for the opinion which Mr Notenboom has just presented.

I would like to draw attention to the fact that in the discussion of these questions about inflation we should perhaps be a little careful in imagining that the general economic standpoints from which we are to plan what we are to do about these problems are independent of the psychological situation in the individual countries. This psychological situation may very well be determined not only by the extent of the inflation, how long the country has had it and how great it is, but in the first place by the question of expectations.

Despite all the force there is, both in the questions tabled here in previous discussions in Parliament, the Council and the Commission, and in the debate now taking place on the report from the Committee on Budgets, I would nevertheless venture to claim that the problem has been underestimated. In any case I would like to act as spokesman for this standpoint.

People comfort themselves with the thought that others also have inflation and inflation is being discussed both in the national Parliaments, in our Parliament here and, as far as I can see, in the Commission and the Council of Ministers as a disagreeable economic phenomenon which must be fought by an economic policy. However, there comes a point when inflation becomes a psychological problem and when it can actually become a psychological problem of such proportions that it is not going too far to say that it can threaten the entire process of parliamentary democracy. And when this point has been reached, and it has not yet been reached by everyone, it is no use comforting oneself with other countries' inflation figures and comparing the percentage increase in prices and wages or whatever is being taken as a basis.

It may be necessary to realize that a time can come when the normally recognized economic remedies—including some of those recommended by the Committee on Budgets—do not work and may even work against the general economic considerations. As long as inflation is regarded as something temporary, though perhaps long term, and in particular if it has lasted for a long time and become worse, the point can be reached when the general population stops thinking along the usual economic lines and when the whole view of restrictions on consumption and savings or distribution between public and private consumption in reality loses

Guldberg

its justification because it is based on some mechanisms of the market economy which no longer exist, so that the general, sensible economy, based on this standpoint, becomes meaningless.

I would like to support this claim with a concrete, purely mathematical example.

The actual interest rate reached, which decides the population's choice between consumption and saving—that is how it has to be—is a function of inflation, of the nominal interest and of income tax. If one has a rising price and wages level, inflation at a rate of 6% per year, which is not a terribly high figure—I know of at least one country which has much more than that—and if one has a long-term interest rate of 12%, which is also not a terribly high figure—at least I know of once country which has considerably more—we find that if income tax amounts to 50% of a man's wages—and I know at least one country where it is usually 60-67%—the interest on loans from such a person amounts to another minus 1.13%, more or less. In the same situation, institutions and funds which do not pay income tax will have an interest rate of + 5.6% while, for instance, companies which pay tax at a rate of 35-40% will have interest of about + 1.13%.

Now, in this society the fair economic action prescribed by conditions in the society would have it that funds which do not pay tax should lend money for private consumption to people who pay income tax at 50% and above. These two can together receive a rate of 6.73% the sum of the two.

Now it is clear that as long as people regard this situation as something temporary, it will continue because people do not really believe it is going to go on and that is very strange. But if over a long period one has gradually become convinced that it is getting worse and worse, people will begin to make their arrangements accordingly; then we have the situation which I wanted to describe here and then the country's economy operates in such a way—at least I know of one country where it does—that the best investment is for funds and institutions to lend money to private individuals. The next best is to invest in and lend for consumption; the poorest arrangement is that people, ordinary tax payers, save up in order to invest in production, so that the basic principle becomes such that it is a question of making as much money as possible as quickly as possible.

What also happens is that the general view in the market economy, which is based on the idea that when prices rise this limits consumption,

is invalidated. On the other hand, what will happen in many spheres is that a price increase releases a fresh wave of buying in anticipation of the next price increase. I also know of countries where this is actually being practised in reality.

It is of course always the case that people feel safer when they have property than when they have money, but if they discover that they can earn money by lending money and have to pay to be allowed to lend it, a time comes when they feel that they are being made fools of and then the whole basis of economic policy changes, that policy which is defended in this parliament and by the governments of all the countries where people speak of a strict financial policy or a strict monetary policy and restrictions on consumption, for instance by increasing the tax pressure which was one of the factors I mentioned.

So it turns out that the provisions which the Committee on Budgets also regards as general, in the psychological conditions I have described here, come to mean that, on the contrary, the intensification of the finance policy is transferred directly to prices and wages and contributes to the aggravation of the very situation which we are trying to combat. But then people also adjust themselves to these kind of conditions, for instance—which has also been seen in some places—by going over more and more to a more or less legal form of barter, dealing in goods and services and thereby reducing the financial resources available. Division of labour is to some extent removed. It becomes advantageous to have amateurs doing the work instead of the professionals who do it for the normal fee. This means undermining the financial resources supplied by the labour force as well as the resources lying in rationalization and increased productivity, because it turns out to be advantageous, tax-wise, to conduct an intrinsically unprofitable natural economy which is intended first and foremost to avoid paying taxes. Therefore those who remain within the tax system can in this way suffer worse and worse. In my view this is a development which is damaging to any liberal market economy and it is therefore also necessary for the Liberals to point out this side of the case which is leading the community—as we see in practice and as we also see in some of the things mentioned in the reports and opinions here—into a great net of restrictions and encroachments on the economic freedom of the individual. Finally it may also easily lead to conditions where the very economic freedom which is one of the essential conditions of political freedom, is eaten up by inflation and its political consequences.

Guldberg

I think it is right for us to tackle this problem and I am glad, both that Mr Lückner has tabled these questions and given rise to this debate, and of the report by Mr Bousch on behalf of the Committee on Budgets. But I also believe it is necessary to add that it would be very easy to reach a point when something more effective is needed in psychological terms. We may perhaps find that our collaboration here has a psychological effect, but more is needed in order to overcome this problem than simply the economic institutions of a traditional economy.

I can reveal, so that you can see how this develops, that the figures I mentioned as examples were the Danish figures for 1972. I can also—so that you can estimate the justness of the claim that we have passed the psychological limit I mentioned, which I did not want to talk about now, nor would it be right in a debate here in Parliament—tell you as a purely factual statement that these figures, which were 6% inflation, 12% interest rate and 50% income tax as the norm for the individual, are today responsible for the fact that we have an anticipated wage and price increase in the Danish budget of between 35% and 40% for the next two years, that one year later we have an interest rate of 14% and we can expect an income tax rate, which cannot be calculated straight off, but in view of the progressive write-up in the figures I would be surprised if that 50% did not now come to more like 55%.

I mention this not so much in order to cause a debate on the conditions in my own country as to show that if we do not get a grip on this problem in time, in my view we shall reach a point where the psychological factors will cause the population, after hearing time after time and year after year all about what we are doing to clear up the problem, and after having observed time after time that nothing comes of it, to react in a way which will be really dangerous and in this way the development will reinforce itself.

Therefore I think it quite extraordinarily important that we should take this matter very seriously and, as I said at the beginning, I would not have had any objection to raise against our having a debate about inflation in itself and about Mr Bousch's report in itself, because I think the side I wanted to bring up here is of tremendous importance.

In the introduction the word 'disappoint' was mentioned. It was Mr Artzinger who spoke this word. I would like to say that this too is an extraordinarily perilous problem. Now we have taken up this matter here in Parliament and we are putting some questions to the Council of Ministers which in my opinion has not done

very much. We have some answers from the Commission, who I personally believe to be of the same opinion as Parliament, mainly that something must be done on these matters. So there is a general feeling that we want to do something. The most dangerous thing which can happen with regard to the psychological understanding of these things would be to start this debate without quickly making sure that it leads to something which affects not only the economic conditions but also the psychological appreciation among the populations of our countries, that there is a limit, that it is not going to stay and that even an individual who is earning negative interest might do well to secure something for himself for the future.

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

Sir Brandon Rhys Williams. — I am glad to have the opportunity to speak on behalf of the Conservative Group to congratulate the Christian Democrats on having tabled a question at this time which has given rise to this serious debate. I should particularly like to congratulate my colleague in the Committee on Economic and Monetary Affairs, Mr Artzinger, on his extremely thoughtful introduction of the subject. I also congratulate my other colleague, Mr Bousch, on the points he made in introducing his own report, and also Mr Notenboom, whose introduction of subsidiary resolutions on behalf of the Committee on Budgets has brought forward some further points which we should consider and which I think for the most part we fully endorse.

I am sure that there is not anyone in Europe today who does not recognize the dangers of the inflationary situation, which, as Mr Bousch said, could have grave repercussions on our social system. It is a particular responsibility of governments to ensure that powerful elements do not profit at the expense of minorities, particularly poor families and the old, who are not able to defend themselves from the changes in the value of money which are now taking place.

We are, indeed, in the middle of a social revolution. The standard of living of the élite is now being demanded by the many. We are no longer content, as we have been for centuries past in Europe, to allow two totally different standards of living in our society. What was formerly considered to be a standard of living appropriate only for a limited number is now required by all of society, and rightly so. We are not content to see poverty in the midst of plenty, either at home or overseas.

Rhys Williams

We must not forget that the fact that our conscience tells us that we must do more for the developing countries outside the Community is a further burden which is helping to stoke up inflation by adding to the demand on our already over-strained economies.

We do not know why this revolution is happening now. No doubt it is partly due to democratic forces and the effect of universal suffrage. Possibly it has something to do with the spread of knowledge through television. Undoubtedly it has something to do with the post-war emergence of Japan as one of the communities with the highest standards of living in the world. We can all remember thinking that the Japanese were people who were content just to live on a handful of rice a day, but now that is entirely a thing of the past.

Should we now in the situation in which we find ourselves in the Community apply the conventional medicines for inflation? Should we revert to deflationary restrictions? Should we bring about an induced recession? One hears these suggestions being canvassed. I am bound to say they fill me with the greatest anxiety. I cannot help asking myself, was the conventional medicine which helped to perpetuate the trade cycle ever right and would it be right now? If inflation is too much money chasing too few goods, should we take any action which will tend to diminish the supply of goods? This leads me to the question Mr Artzinger put: are we approaching the limits of growth? Of course, with the increasing concern about the environment and the obvious effect of demand on limited resources where primary commodities and foodstuffs are concerned, we certainly have to consider whether we are asking the impossible of the world's economy in trying to bring about this world social revolution as fast as we are, particularly at a time when the population is increasing at the rate of 200 000 people every day.

I heard Mr Haferkamp say that vigorous effort was needed to reduce expenditure on investment in the Community. I cannot accept that as it stands. I think I must have misheard him.

Perhaps it would be right to restrict expenditure on investment in certain areas of the Community, but it must be wrong to restrict investment for the Community overall. Where demand exceeds supply, we must do nothing to reduce the overall availability of services and goods. I feel that above everything we must avoid means of combating inflation which destroy confidence in the steady evolution of the market, which reduce employment, which inhibit the propensity to invest or which hold back the improvement of productivity. We must avoid

the temptation to act now with severity either on the capital account by restricting credit or on the current account by swinging increases in taxation. We tried these remedies in Britain in the last 20 years. I am certain that this stop-go policy contributed a great deal to the present difficulties in the British economy. We must avoid them on a Community scale. We should develop our policies in an orderly and predictable way. This, it seems to me, is the first rule.

Secondly, we must seek to break through these limits of growth. I believe this is possible. The value added by human effort in the economic process can be increased enormously without exceeding the supply of raw materials by devoting human skill and ingenuity to the improvement of the quality of life by, for instance, the improvement of the services that we offer to each other, by making more durable goods, by better distribution of goods.

Mr Notenboom in paragraph 6 of his addendum to Mr Bousch's report makes the most important point, that we need to use budgetary policy and taxation policy for the implementation of fairer distribution of incomes. That certainly is true. We must learn to avoid waste in our economic processes. We must educate demand towards the enjoyment of the resources that are available, including leisure, because I think that in the long run job satisfaction can become more important than still higher pay. Thirdly, where appropriate, governments must be ready to act directly to limit movement of prices either by temporary controls or possibly by the use of subsidies in order to break the inflation psychology which debilitates the entire economic system. Mr Bousch referred to this question of inflation psychology. I think it is a question for the authorities and that they must share responsibility, as he says in his resolutions, for prices and income trends. The British Government has taken more comprehensive powers in this sphere than any, I think, in the Community. But the use of controls, we recognize, can be a temporary measure only. Eventually monetary stability must depend on achieving a balance between supply and demand.

Fourthly, then, I think we are right in the European Parliament to lay stress on the necessity to act together to make a common plan and particularly to insist upon the evolution of European institutions which would give effect to the programme of advance to economic and monetary union.

Colleagues will have heard me speak on many occasions about the need to establish a European Fund for Monetary Cooperation as an

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effective body with real powers and led by important and influential personalities. The European Fund for Monetary Cooperation is not just a facility for the central banks. It must itself evolve into a European central bank. This will reduce the freedom of movement of the national central banks and national governments. Governments wishing to overspend their budgets will in future have to turn to the market for the funds they want and not just to their own central bank for unlimited credit. This will be one of the side effects of establishing the central fund in that it will have an influence on the supply of money in the Community as a whole. This will have to come.

The British Government is introducing resolute policies to combat inflation. This is why the Conservative Group has to return to London tomorrow to add its votes to the Government majority. The British Government's action has stabilized domestic costs. But we are still suffering in Britain from our excessive dependence on imports. We feel that to reduce activity at home would damage our competitiveness, increase unit costs and weaken our economic recovery, without having any significant effect on import prices, which are the root of our problem.

The best contribution we feel we can make is to maintain a steady and predictable course within our means. This is what we shall do.

IN THE CHAIR: MR WOHLFART

Vice-President

President. — I call Mr Yeats on behalf of the group of European Progressive Democrats.

Mr Yeats. — I start by adding my thanks to those already expressed by other speakers to Mr Bousch for his resolution and for the clarity and common sense of his contribution.

In some respects I suppose we would all agree that the annual report now under discussion is a depressing one. The most urgent single problem—as is stressed again and again all through the Commission's report—is the ever-worsening problem of inflation. Yet nowhere in its report does the Commission express any real hope that matters will improve.

It points out that 'the upward movement in prices has gathered further momentum in the last twelve months', and it rightly describes this as an 'alarming development'. But even more alarming, surely, must be the Commission's own prophecy that in the year 1974 'the problem of inflation will remain just as serious', a prophecy with which one can only agree.

How much longer, in fact, can we continue to face these annual price increases of up to 11 per cent or even higher? At present the economic and social effects of these inflationary tendencies are being cushioned by the boom conditions obtaining in all the nine member countries. It may be that because of these very active and favourable economic conditions there is not sufficient public realization of the real dangers of inflation. There are plenty of complaints about rising prices, but there is not perhaps a sufficient understanding of the risk that these inflationary tendencies may in time come to generate their own momentum and continue to strengthen, even after the original causes of inflation have begun to disappear. Even now we have the situation that various groups in society try to increase their incomes far beyond any possible gains in productivity and to offset still further price rises that are expected in the future, and there must now be a very real danger that constant rapid price rises such as those that we are seeing may endanger the entire Community effort to maintain economic growth and to reach or preserve full employment.

Possibly the most depressing single aspect of the report is the implicit admission made all through by the Commission that the institutions of the Community are essentially powerless to deal in any substantial way with the coordination of the economic policies of the Member States. In its foreword the Commission expresses the view that, once adopted by the Council, this report will be placed by governments before their national parliaments so that it may be taken into account in budget debates. Am I being unduly cynical in suggesting that it seems unlikely that this report will have any decisive effect in changing the economic policies of Member States? Yet this is a great pity, for there is so much plain common sense to be found in the pages of this report that one would wish that there were some way in which its recommendations, most of them at any rate, could be enforced throughout the Community.

One recommendation in particular contained in the report could have especial importance in helping to solve not merely the problems of inflation but the regional imbalances that we shall be discussing later this week. The Commission points out the inflationary results brought about by excessive investment in already highly industrialized regions. In conditions where there are severe shortages of labour and of other factors of production, continued large-scale investment can only have an unnecessarily inflationary effect. At the same time, the excessive concentration of growth in certain limited areas creates great social and environmental problems.

Yeats

The Commission in its report rightly stresses that it makes economic sense for enterprises to invest in regions where there are manpower reserves. It points out that such a policy would have a number of advantages. It would make it possible to reduce unemployment, to end the difficulties created by the large-scale migration of workers, to promote a better regional balance and — besides all this — it would enable useful business investment to take place which would otherwise be held up or in some cases abandoned.

In other words, increased investment in the least developed areas, besides being socially just, makes sound economic common sense. The trouble is that, having said all this, and having added in the report that 'concrete measures' are needed to bring this about, no such 'concrete measures' are set out in the document. Nor, unfortunately, is there any real reason to expect that the coming Regional Fund will do sufficient to channel investment to the least developed areas. On the contrary, all the evidence suggests that the economic and social gap between the most highly-developed areas and the poorer regions of the Community will continue to widen during the coming years.

As an annual report on the economic situation in the Community, this is an excellent document. The problems are well and clearly stated, the solutions proposed are on the whole soundly based, yet it seems absolutely clear that there is a vital need for the adoption of the recommendation in paragraph 3 of the resolution calling for an extension and strengthening of

'the decision-making and executive powers of the Community institutions in the field of economic policy...'

This is the real test, and nothing we have heard today from Mr Haferkamp or from the representative of the Council suggests that any real effort is about to be made to deal with our economic problems on an institutional basis. Until that real effort is made, it is difficult to see any serious improvement in the inflationary position that we all so much regret.

President. — I call Mr Leonardi.

Mr Leonardi. — (I) Mr President, honourable members, these annual reports on the economic situation were instituted to facilitate the implementation of economic and monetary union. Their purpose is to promote convergence of the conjunctural policies of Member States to allow of greater monetary stability; basically, they reflect in conjunctural terms the theme underlying the third, medium term, programme: the balanced development of the Community.

As ill fortune would have it, the discrepancy between the economic progress of our countries is increasing in proportion with the number of documents produced to demonstrate the need for eliminating discrepancies. If we compare the actual trends with those embodied in the third medium term programme, which is cited in the preamble to the motion for a resolution put forward by Mr Bousch and which should, *grosso modo*, serve as a reference for medium term development, we find enormous differences, not so much in the rate of growth of the national product as in price trends, which will have an inevitable effect upon that very development.

On the subject of prices, while the medium term programme deplored the untenable inflationary trend over the preceding few years it predicted a general lowering of the rates of increase. Here again, I could quote point 8 of the medium term programme, which it would be very instructive to read.

What has occurred, however, has been quite the contrary and we could now look back with envy upon the price increases during the decade from 1960 to 1970 which were considered scandalous at the time.

As I pointed out last year, the significant aspect values predicted for the Community and the actual figures as the growing differentiation between individual countries—in other words, the non-fulfilment of the fundamental conditions for the attainment of the desired state of equilibrium in the Community.

In the past twelve months, not only has there been a greater tendency towards price increases but there has also been a far wider gap between the minimum and the maximum. Last year the difference ranged from 5.5% to 8%, while this year it is between 6% and 11%.

Last year Commissioner Barre observed that 'considering the question from the viewpoint of Community cohesion, it must be stated that the fears we harboured in 1972 of a degree of incoherence in the evolution of prices in the Community have been belied by the facts. But we cannot congratulate ourselves, unfortunately, for this cohesion has taken the form of generalized inflation in every Member State.' These were Commissioner Barre's arguments: on the one hand, he upheld the validity of progress, however that may be achieved, in attaining a degree of cohesion on the monetary field, while on the other he hoped that the future would show that monetary cohesion would also lead to greater cohesion in the economic field.

The future, however, has shown the contrary: in 1973, divergences in economic growth have also

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had a severe impact upon that minimal monetary cohesion so laboriously achieved by the Member States.

Even today it is not clear when we can expect to return to a degree of order within the Community, in this world suffering from such profound upheavals.

The fact is that divergences of a conjunctural nature are no more than the effect of radical differences in the very structures of the economy of our States, differences that have certainly not been tackled by the overall policies characterizing the efforts of this Community up to this point and that have helped to strengthen the position of the stronger compared with that of the weaker. These differences are mitigated in periods of growth but are accentuated during periods of profound change in the world order such as the present. The consequence is that the gap between Member States widens, since governments must concern themselves primarily with their own national situation. It is true that inflation is a universal phenomenon, but its effects differ radically within individual countries, between the rich and the poor, in the case of those who possess capital goods and in the case of those who have none, and externally between countries having a larger stock of capital and those who have no capital.

This is reflected in the currency exchange ratios, which certainly do not vary in parallel with the price ratios in the countries themselves.

While there are differing inflationary trends and diverging conjunctural tendencies among those countries taking part in the process of integration, there are also divergences in the balance of payment positions of those countries. If priority is placed upon the objective of integration, the process of adjustment must be achieved without recourse to changes in exchange rates. We have seen the contrary occurring in the Community this year, for the very reason that integration has not been the priority objective. Nor could it have been the primary objective, in view of the position of individual countries, which was—in part—the result of past Community policy.

As we have already pointed out several times, failure to achieve full customs union has not in any way made it easier for the Community to move towards economic and monetary union. Parliament should take the decision to examine the whole question with this in mind, as we have urged many times and as we urge you today once again, to provide a concrete basis of reference.

The Community, then, is at a turning point. For some time now the facts have proved widely different from forecasts and the traditional overall regulation policies are completely inadequate. The Commission itself, in reviewing the results of the first stage of economic and monetary union as well as the measures for the transfer to the second stage (which is due to begin next year), comments that 'in the second phase an element of true Community solidarity will be necessary, especially with regard to the problems of employment and regional development'.

The seriousness of the situation is well illustrated by the sharp divergences between governments of the various countries in the matter of the move towards the second phase of economic and monetary union. There is a visible tendency to postpone the second phase and not to implement the first phase. It was quite different with the implementation of customs union, where the countries forged ahead, since no more was needed than to activate the existing forces of private interests.

The fact is that policies requiring solidarity must be based on forces profoundly different from those motivated by profit, and they are entirely different from policies conducted in the past, for which this Community was conceived from the institutional viewpoint. The basic need of these policies is popular consensus, and in democratic systems this consensus, too, is the sole sound basis for equilibrium and stability in progress. In other words, it is the only true weapon against inflation.

What contribution has been made by the motion for a resolution towards the achievement of a consensus, the sole means by which the Community can find its way out of the blind alley in which it is now, giving some sense to our discussions here today? It would be unfair to say that the rapporteur did not feel this need, for in paragraph 5 he states that 'thought must be given to securing public support for the energetic measures needed to ensure that in the fight against inflation the burden is equitably distributed'.

Having made this just assertion, however, he immediately goes on to say that this objective should be achieved by a publicity campaign launched simultaneously throughout the Community for anti-inflationary action, based on the principles expounded in the annual economic report, to overcome the anti-inflationary psychosis.

Frankly, we have no heart for this proposal, especially when we consider the nature of the anti-inflationary plan of action suggested by the rapporteur. He refers to the Commission's an-

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nual report but completely overlooks the external external component, even though it is deplored here as the decisive factor in the increase of the volume of currency despite certain restrictive measures adopted by the authorities to neutralize the effects on external liquidity. In consequence, the Commission report states the advisability of reinforcing the measures introduced to regulate the international flow of finance and harmonizing the systems of control *vis-à-vis* non-member States. There is no trace of this in the motion for a resolution except for a general call for an 'early return to order in international monetary affairs' which—as we are aware—is far from achievement.

The same applies to the selection of anti-inflationary actions to allow for the special need in certain countries to avoid placing obstacles in the way of further investment and improvement of economic structures.

It is true that the motion calls for a draft regulation to promote stability, economic growth, a high level of employment and balanced external trade.

I have always concerned myself with planning even in countries where this is more or less highly centralized, and I must confess that I am awaiting this draft regulation with some impatience.

In short, apart from a call for the controlling of prices by the authorities—a control that is of course necessary, but which does not eliminate the cause of inflation—the motion for a resolution urges that greater power be invested in the Community institutions and that a restrictive policy be adopted on credit and public spending. In essence, this is a deflationary policy accompanied by the concentration of powers at Community level.

This is not our opinion. We are well aware of the very grave evils and perils of inflation, not only in the economic field and above all for the less affluent sectors of society, but also for our democratic institutions. Our position is clear and is demonstrated in concrete terms by what we are doing in our countries.

We do not believe that Community integration, and consequently Community institutions, should be viewed and used as instruments to make it possible for old policies of restabilization to be adopted in individual States at the expense of the people as a whole.

The Community must not be used as a channel for conservative policies that can no longer be implemented by individual countries, through the centralization of power above the level of national States. We still have vivid memories of

the use that conservative forces in our own country made in 1964 of the recommendations advanced by Commissioner Marjolin on a vigorous monetary squeeze, at a time when the economic situation was on the decline and signs of recession were multiplying.

If the Community has some meaning, it can only be in a progressive sense, in that it paves the way for common policies based fundamentally upon not so much the intensive but rather the qualitatively different use of resources to satisfy needs that are to an extent divorced from the economic motivations guiding decisions in the private sector, and even in the field of decisions and facilities available in the more limited national environment. In consequence, no development is possible without reform, even on Community level.

This calls for choices which will promote private interests and the preferences of individual countries by new forms of public intervention and by institutions capable of expressing popular consensus as to the use made of resources, which will differ as the distribution of those resources differs. We are therefore against any battle against inflation viewed as the principal enemy, based upon greater powers for non-democratic institutions such as those of the Community today and upon restrictive measures which, despite all our good intentions, will in the end be indiscriminate and will hurt the weaker among us.

If it takes this road, the Community itself may be travelling towards its dissolution, due to the clash of ever more divergent interests of individual states and its attempt to achieve greater authority, which it cannot attain without greater consensus.

President. — I call Mr Burgbacher.

Mr Burgbacher. — (D) Mr President, ladies and gentlemen, when I put myself down to speak, there was still to be a separate debate on the inflation paper and the Bousch report. So I shall speak on the inflation paper, or rather on one particular aspect of it.

The rapporteur and several other speakers, including Mr Bousch, all agreed on one thing, that demand inflation was a major cause of inflation, and it has been said that a more equitable balance ought to be struck between supply and demand.

The question I ask is this, whether, at this stage of the problem we are on the right path. In some States in the Community severe credit restrictions are operated by the central banks, and the merchant banks, which are institutions

Burgbacher

to help exports, are also inflexible and reluctant over granting credit, and even then the interest rates are high. As a result, and it cannot in fact be otherwise—as was recognized in an aside by the previous speaker—it is the weakest who are hit by these measures: the small firms, the white collar establishments, and new businesses. The big monopolies and the multinational enterprises help each other among themselves, and credit restrictions have no effect on them. And besides that it has no effect on increasing output, in fact there is even a risk that output will become less.

On the other there is the principle insisted on by trade unions in a prices and income policy, understandable in human terms, whereby increases in salary must follow a rise in the current inflation rate as well as percentage increases in the gross national product. But when this happens, as is usually the case, it means there is no chance of any slackening in consumer demand on the part of 85 to 90% of wage-earners. No reduction in demand can ever be achieved this way, on the contrary demand will constantly increase, if one also bears in mind that it is more a question of over-employment than of full employment, and its consequent effects.

A stabilization policy could only succeed in bringing about a steady level of incomes, which is what is being pursued, if a part of the income total earned by the mass of the population were to be taken out of the consumption process by means of so-called investment payments to employees to be held by them and so act as a source of investment funds and hence a means of increasing supply.

I felt I had to bring this aspect to the House's attention, though I know perfectly well I am holding a red-hot potato, because in the end all of us here are duty-bound to come out with unwelcome truths when we have to.

President. — I call Lady Elles.

Lady Elles. — I thank Mr Lücker and the Christian-Democratic Group for raising this vital question which is besetting all the Member States of the Community. I also thank Senator Bousch, not only for his report, but for his very valuable statement on the report.

Whatever high-level policies the Commission and Member States elaborate and implement to counter inflationary tendencies, we must remember that the ultimate effects on the prices of goods and services are felt individually by 250 million people, and these include old-age pensioners who are living entirely, possibly, on

social security benefits, as well as employees and employers, young couples, students, and small children who have pocket money, who have to deal with continual rises in prices and who may broadly come under the umbrella title of 'consumer'.

I will not say anything about world monetary problems, which are admittedly very closely interrelated with our own economic and financial dilemmas. I want to refer to some specific policies which are being pursued by the Community at present, remembering what the objectives of the Economic Community are—namely, to raise the standard of living of individuals and at the same time to maintain a full employment policy and achieve price stability. It seems to be the correlation of these three objectives which so far has escaped us.

The Community's competition policy is vitally affecting the question of prices within the Community. As I understand it from reading the Treaty, its objective is to eliminate resale price maintenance, to remove restrictive practices, which include exclusive dealing agreements, sole agency agreements, quantitative restrictions and so forth, and to avoid the creation of monopoly situations.

It was therefore somewhat disturbing to read in the Commission's recent Second Report on Competition Policy, pages 43 *et seq.*, the introduction of Regulation 2779/72 of 21 December, which has granted block exemptions to certain production specialization agreements. The policy and intent behind this regulation is apparently to cut production costs. Let us remember that cutting production costs does not necessarily cut retail prices. On the contrary, monopoly situations are created and these result in the end, very frequently, in inefficient production and the maintenance of high prices.

I greatly hope that this regulation will not be applied throughout the Community as a policy which is in direct contradistinction to Articles 85 and 86 of the Treaty of Rome as they are being implemented and have been implemented up to now and with the findings of the European Court of Justice — another very important institution of the Community which we tend to forget — which has made decisions on cases which have come before it over the years.

I also draw attention to Part IV of the document which concerns consumer protection. There are one or two rather worrying points which we should consider. First, it says that the Commission intends to establish a programme of consumer protection early in 1973. This document was printed in April 1973, but we had it later and there is no reference so far to any

Lady Elles

consumer policy. Secondly, the figures given on page 166 are somewhat nebulous because we are not told whether they are in terms of real income or whether they are relative.

What is even more disturbing is the tendency not to maintain the competition policy as envisaged in the Treaty of Rome. The policy of the Commission now seems to be to facilitate a narrowing of price discrepancies for similar products between Member States and thus benefit the consumer. It has never been proved, however, that the removal of price discrepancies benefits the consumer. It is rather the reverse. The encouragement of price discrepancies and the removal of resale price maintenance may in the end contribute to holding back inflation and keeping down the level of prices.

Probably the biggest contributory factor in prices in recent years in the Community was the removal of the tariff barrier as between Member States. I ask the Commission to consider looking much more closely now into the removal of non-tariff barriers on goods flowing between Member States. This would undoubtedly be to the benefit of the Community. I realize that this problem has been made even more complicated by the fluctuation in exchange rates. The removal of these non-tariff barriers would contribute to a more balanced level and stability of prices.

As for the environment, the Community is pursuing a policy in which the pollutant shall pay, which again will increase prices to the consumer in the long run. I therefore urge, as indeed was stated in the environmental policy of the Commission, that much greater attention should be paid to the original source of nuisance and pollution rather than merely emphasizing that the pollutant must pay and take his measures. We must conduct much more research to encourage the removal of the original cause of pollution.

The common agricultural policy is very relevant, and it has been a much maligned policy. Some of us have contributed to attacking this policy, but perhaps it will do us all some good to remember that prices now of the main commodities within the Community are lower than the average world price, be it for wheat, beef or maize.

The only item which I believe is now at the same level or higher is butter. In my own country, the price of butter now in 1973 is at least one-third lower than it was in 1971. Perhaps we should express some gratitude to the Commission for having pursued this policy with some effect, at any rate as regards the increase in agricultural commodities.

I wish also to mention the measures Member States are taking individually. We must make a plea for the removal of doctrinaire beliefs and the taking of practical steps and measures which will counter inflation. We have now reached the somewhat absurd situation, if one can call it absurd, that governments who do not believe in doctrinaire principles are pursuing stringent wage and price policies in order to counter inflation and, I may say, with some success, while some of the parties in governments who have always believed in economic doctrinaire sanctions and strict control of markets have so far failed to grasp this nettle and are suffering from higher inflation than other Member States. It should therefore be urged that those Member States who are not taking severe price control and wage control measures should be encouraged to do so. The very fact of closer interests in economics and finance between the Member States demands closer integration and coordination of policies.

In all these policies let us not forget, as was, indeed, mentioned by Mr Haferkamp, that one of the objects is stability of prices. This affects the economic development of countries outside the Community as well as the 250 million people within the Community with whose future we are concerned, that is, the consumers within the nine Member States of our Community.

President. — I call Mr Hækkerup.

Mr Hækkerup, *President in Office of the Council of the European Communities.* — (DK) Mr President, I would like to begin by asking your indulgence for my speaking at this point but unfortunately I am obliged to travel back to Copenhagen this afternoon. I had hoped that we could have concluded the debate on the inflation problem this morning but it was not to be.

I would like to say that I have listened with great interest to the contributions made by speakers on the annual report on the economic situation in the Communities. This is a report which, when it has been commented upon by the Parliamentary Assembly, will be sent to the Council and it is obvious therefore that I cannot comment on the annual report at this time. But I will be glad to pass on the views which have been expressed during the debate today at the debate by the Council of Ministers on the annual report.

I would then like to stress that the few comments I am about to make can only be made on my personal account. It has naturally not been possible to confer with other Members of the Council on the comments which have been made today. But I would like to make three comments myself.

Hækkerup

The first is that the view has been expressed that we are underestimating inflation and the risk and danger implied by continued inflationary developments. I do not think this is right. If you read the Council's Resolution of 28 June it is quite clear there that the Council of Ministers understand the risks involved in continued inflationary development and it goes without saying that since this inflationary development, at least in a number of Member States, has been greater in subsequent months, an understanding of these risks has certainly not diminished.

I would then like to say that the second viewpoint that has been put forward is that more importance should be attached to the psychological problems associated with inflation. This was expressed in the comments made by the Commission about the necessity of trying to unite the Member States and the different authoritative organizations and bodies concerned in the individual countries in a campaign to show the population clearly what the risks of inflation entail.

But it seems to me that over and above this the question was discussed of, shall we say, the psychological environment of inflation from another standpoint as well, which was supported by the Liberal and Allies Group, namely that by growing used to inflationary developments and taking them into account the individual citizen and groups of citizens began to alter their own assessments, which would affect the chances of effective economic operation.

I do not disagree that there is much that is right in this view, nor do I disagree that with reference to the other side of the psychological problems surrounding inflation, namely making the population aware of the risk, there is much that is right. I would also like to say that I understand people do not feel particularly satisfied with the answer I was able to give on behalf of the Council to these questions. That does not surprise me. I would have been surprised if Parliament had stood up and cheered.

This is connected with the nature of the problem. Everyone knows—it may therefore seem superfluous to repeat it—that the development of inflation in some ways behaves the same in all the Member States, but nevertheless, against different backgrounds it is necessary to make use of different remedies in the fight against inflationary development.

I have noticed that the Liberal and Allies Group has studied my country's conditions with special interest and I naturally thank them for the honour. However, after the comments the Liberal and Allies Group made on this question, I am not wholly convinced that it would be advisable,

even from the Liberal and Allies Group's point of view, that I should enter into such a debate at this moment of time. So I will leave it alone.

But it is obvious that there are national differences in the situation and it may therefore be difficult to draw many concrete conclusions with regard to the means to be applied jointly for all nine Member States. There are certain things which we might be able to agree on and which it would be useful for everyone to apply. But by virtue of the different situations of the Member States there are other means which can more usefully be used in one country than another. This makes the problems even more complex.

However, what in my view is ultimately the most important thing is if we—and by this I mean all those who are politically responsible for their populations, whether as governments or parliaments—have the political courage to implement those measures which we know to be right. It is ultimately a question which must primarily be solved on a national basis but taking into account the constantly growing dependence of the European Communities in this sphere.

In my opinion it is no good adopting declarations and recommendations, however fine, if the individual countries—and also the European Communities as a whole—have not the courage to be prepared to implement even those measures which may be unpopular at first but which in the long term, the medium term or even in the short term contribute to restraining inflationary developments.

On the basis of the recognition that inflationary developments are the most threatening danger to our economy at present, I believe it is necessary for us to decide on more effective action than before.

President. — Thank you, Mr Hækkerup, for your statement, of which the House takes note.

We share your regret that you have to return immediately to Copenhagen.

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 BEHRENDT

Vice-President

President. — The sitting is resumed.

7. *Tabling of a motion for a resolution and reference to committee*

President. — I have received from Mr Durieux on behalf of the Liberal and Allies Group a motion for a resolution on the amendment of Rule 21 of the Rules of Procedure of the European Parliament.

This motion has been printed and distributed under No 196/73 and, if there are no objections, will be referred to the Legal Affairs Committee as the committee responsible.

Are there any objections?

That is agreed.

8. *Joint debate on Oral Questions No 76/73 and No 77/73 and the report on the economic situation in the Community (cont.)*

President. — The next item is the resumption of the joint debate on Oral Questions No 76/73 and No 77/73 and on the report drawn up by Mr Bousch on behalf of the Committee on Economic and Monetary Affairs (Doc. 191/73).

I call Mr Normanton.

Mr Normanton. — I should like to add my own thanks and congratulations to Mr Artzinger and also to Mr Lücker in that his name is attached to the question which forms the basis of the debate. I am sure that the House is deeply indebted to them for giving all of us an opportunity to discuss this vitally important issue of inflation.

I suggest that there are few subjects facing politicians about which there are more views and diagnoses than inflation, and even fewer solutions in practical terms. But, after all, in my view it has been a glaring example of the fear millions of people of Europe feel about the consequences which flow from a continuation of inflationary pressures.

I have no intention, I confess, of adding to the presentation more diverse and diffuse diagnoses of the causes of inflation or the solutions to them, but I want to make three particular points within the framework of the debate. Two of these are economic and one of them is political, and I suggest that at the end of the day I shall be saying that the political aspect of this problem is far more serious than I think some of our members fully appreciate.

First, the two economic points relate to raw materials. We are all aware, whether we are in industrial community. I refer to oil. I appreciate

basic raw materials have been rising in price in recent years and more particularly within the last 12 months. These price rises would normally have been welcomed, I suggest, by some sectors of the world which were the beneficiaries of these rises in the prices for their raw materials, and deplored by other sectors. But what concerns and worries me is the way that, perhaps for the first time, rises in prices of raw materials have not been restricted exclusively to certain sectors of the world which historically have been the raw material producers, because the raw materials which have risen in price have, regrettably, tended to come far more from the consuming areas, the industrial societies, of the world than in previous periods of economic history. I am referring to the way in which butter, wheat and products of that kind have risen in price on a world basis regardless of sources of origin; the actual prices have certainly risen enormously and dangerously in areas which historically have been and are industrial, such as the European Economic Community, Japan and the United States, and in these conditions I think it is purely academic whether we discuss inflation as the product of wage or price push. The net result is regardless of the sources of the inflationary pressures; the consequences undoubtedly are very much the same.

I suggest that much of our talking and thinking in this debate so far has been concentrated on price rises and raw material price rises. We should, of course, have been thinking about these some considerable period ago, anticipating them, but with the benefit of hindsight we can all be highly successful operators in the stock market or in the political field.

I urge this Parliament and the Community as a whole to take a lesson from the way in which prices of raw materials have risen and to note with absolute certainty the wisdom of the old adage 'what goes up must come down'. In relative terms I have no doubt that just as prices of raw materials have risen astronomically, so, in the fullness of time, we shall face once more the familiar twists and turns of the trade cycle, in the process of which we shall see price-falls—not absolute but relative falls. I urge the Commission to take this matter very much into its calculations and forward thinking in terms of how we must deal with the world's economic problems, and indeed the problems of the Community in particular, when such a fall comes, as I believe it will.

The second point relates to a raw material which is so basic and fundamental to the very existence, if not to the prosperity, of an industry or in politics, of the way in which

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that the Committee on Energy intends to deal with this matter urgently and comprehensively and I understand that, subject to the approval of the Bureau, the subject of oil will occupy a crucially important place on the agenda of our November sitting.

We were this morning talking about liquidity in other terms, namely in terms of monetary policy. I personally do not have any great fears about the availability of the liquidity of oil as a commodity, but I believe that we would be unwise to underplay the excessive liquidity in monetary terms which arises from the ever-expanding phenomenal rise in the revenue accruing to oil-producing countries. If revenues were capable of being absorbed and translated progressively and effectively into the purchase and consumption of goods, we would need to have few or no fears, but in certain parts of the world—and I cite Saudi Arabia as the classical example—there is not only a surplus of cash in monetary terms but a total incapacity to absorb this in physical terms. Here lies the great threat to the whole Western world, whether it be in money terms or in other material terms. I am convinced that generally raw material prices throughout the world will inevitably continue to rise and fall and to fluctuate. Unfortunately the fluctuations have been rapid. But what is absolutely certain is that the price of oil will not fall. This is something which we should bear in mind constantly when we discuss economic policies in the European Community.

My third point relates to the political consequences of price rises in terms of inflation. In the last year prices in the United Kingdom for the consumer have risen roughly by about 10 per cent. This has been an unprecedented rise in the experience of the British public. The year 1973 has been marked by price rises and, if I may alert the Community to this factor, by Britain's entry into the Economic Community. The direct consequences of entry on our price rises have been infinitesimal, purely notional, but in the minds of the British people our entry into the Community is associated with price rises to the housewife.

I alert this Assembly to the political dangers which might develop and be promoted and which ultimately could be to the detriment of all that we as members of the Community stand for and believe in, and I suggest that they could even be a threat to the existence of the Community as a political and economic concept. Unless we—that is, all Member States, not just one individual State alone—can grasp the nature of the problem of inflation and find a solution to the problems which are created

and bring inflation under control, I would not rule out the possibility that one consequence which might flow from this is the disintegration and the collapse of the European Community. I do not say that Britain or her people would be the cause of it or that people in Britain would be the sole sufferers and sole activators of such a move—heaven forbid! My colleagues in this Chamber will do all that lies in their power to ensure that that does not happen. But unless we, as a Community, can grasp these problems, find the solutions to them and implement them on a Community basis as Community policies, the threat to our very existence exists and will remain.

The simple answer is through the expansion, the enlargement and the formulation of Community policies in economic policy, monetary union and energy policy.

Time is not on anyone's side. I venture to suggest that unless we can, within the next twelve months at most, translate pious hopes into a reality, the price that would have to be paid for failure to deal effectively with this could be far too high to be accepted.

President. — I call Mr Lemoine.

Mr Lemoine. — (*F*) Mr President, Mr Lücker's questions and Mr Bousch's report on inflation and the economic situation raise a topical question of importance. It concerns the economic and monetary problems of each of our countries and is of the greatest significance to our peoples, particularly to the workers.

Must we believe, as some would have it, that inflation is an inexorable mechanism, a lesser evil, and that it is necessary to economic growth?

It is not as simple as that. Today, we are compelled to realize that inflation is a matter of central concern to governments and peoples alike and that the monetary crisis is the centrepiece of the crisis of State monopolistic capitalism.

It is equally true that, from the social and economic point of view, the whole problem of inflation can now be seen as the consequence of a certain policy, of which it has also been a means towards an end. Has not inflation become the means by which certain States choose to balance their budgets and increase their revenue from taxes?

Recently, there has been a further increase in the rate of inflation, with consumer price indices rising at a rate corresponding to 9% per annum; there is not a single capitalist country where they are rising at less than 6%, and there are several where the rate is above 10%.

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These increases hit very hard at the popular masses, they erode incomes other than capitalist incomes, they strengthen the position of capitalist interest and lead to increased unemployment, insecurity of employment and a lowering of living conditions, particularly for people on fixed incomes, older workers and retired persons.

Despite scientific and technological progress, experience today shows how the quality of life is constantly being undermined by capitalist exploitation whose intensity, at this stage of State monopolistic capitalism, is growing relentlessly.

So it is that, at a time when there are those who suggest that all or part of the responsibility for inflation should be placed on the shoulders of the workers, that incomes should be frozen without there being any freeze on capitalist profits, we are entitled to reply: the workers are not in any way responsible, they are the first to suffer from inflation, and there should be no question of making them pay the penalty.

In fact, in today's conditions, inflation is being originated and developed by the manner in which profits are being made from monopolistic capital. These conditions are accounted for by the decisions taken over recent years.

On specious grounds of industrial necessity and international competitiveness, governments have granted excessive privileges to the sectors dominated by the monopolistic groups and the difference between the progress of investment and that of the national product has been increasing constantly.

The supply of money in circulation has been growing much more rapidly than production. Today, we can define the characteristic features of the present crisis as follows:

— trends towards acceleration of the rate of inflation and price increases, disruption of monetary relations and abrupt speculative movements of capital,

— the hardening of capitalist competition on the international market, the development of trade antagonism and the beginnings of a genuine trade war,

— a new trend towards higher unemployment in all countries, a slowing-down of the growth of production, and an end of what was called until not very long ago the post-war economic 'miracles',

— major and, in relation to the immense new requirements, extremely serious shortcomings in the progress of expenditure for community needs, such as education, research, health, town planning and transport, to mention but a few.

The fact is that inflation is the modern means by which the big monopolies increase their exploitation. Its underlying causes are the wastage and over-accumulation of capital, the monopolistic position of the banks, the expansion of credits sustained by public funds. Other causes are the enormous prices of monopoly public contracts, arms contracts in particular, the agricultural policy of eliminating small and medium-size farming, the sterilization of national natural resources.

Inflation, the poisoned fruit of the over-accumulation of capital, is the common disease, one might say the leukaemia, of the capitalist economy.

People talk of fixed parities, but at the same time we are confronted with a constant stream of devaluation, fluctuation margins, floating currencies, all of which underpins the strategy of the big American monopolies and their multinational companies for the development of their foreign trade, the exporting of their capital, and their unemployment.

But this disease is not an inexorable disease: it is not without interest to stress in this Assembly, in a word, that the socialist countries have not been affected by this; their prices are stable and they have no inflation problem.

In our position in the European Community, it is first and foremost by serving our people that we will be able to defeat inflation. In order to escape international inflation, we must break with the multinational companies, put an end to their speculative activities, nationalize the key sectors of the economy and the banking institutions, as is proposed in the programme of the parties of the left in France and as was also suggested by the last Labour Party conference in Great Britain and, on a recent occasion, by the L.O. trade union organization in Sweden, we must master the development of international relations in order to achieve economy of resources and means.

The fight against inflation cannot be won by a stampede towards supranationality; on the contrary, the solution lies in the re-establishment of national sovereignty in each of our countries, in meeting claims to raise the standard of living, improve working conditions and, more generally, the quality of life, in modifying the structures of our economies to ensure that they develop more fully and harmoniously, in combating speculation effectively, in protecting national independence in peaceful coexistence and international cooperation.

These are some of the views which the Communist group wished to express in this discus-

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sion on a problem of whose seriousness it is fully aware.

President. — I call Mr Federspiel.

Mr Federspiel. — I shall not prolong the debate, in which we are discussing whether inflation is the result of a law of nature or is simply the consequence of bad management. Mr Normanton rightly said that there are two sides to this question—an economic side and a political side. I shall deal only with the political side.

We in the Assembly fully understand the difficulties of the Commission, of the Council of Ministers and of the governments in dealing with this question, whether it is a result of bad management or a law of nature which has to be fought. The reason is that we are at this strange transitory stage where we have a Community which consists, to some extent, of an integrated organization but mostly of an inter-governmental form of cooperation, involving at the same time the inter-play between the Commission, the Council of Ministers and individual governments.

A number of different measures will have to be taken in different countries if we are effectively to beat inflation. We in the Assembly should urge the Commission, the Council and our individual governments to concentrate on one aspect and to try to solve that at least. One of the reasons for the curse which is besetting all our countries is the almost unlimited supply of money which was a necessary thing after we left the gold standard, which I do not regret. As it is, today one can pull out credit—new money—from a top hat as a conjuror picks out rabbits, more or less uncontrolled.

The first and decisive measure to be taken must be to control the money supply. I can see no way of doing that until we have achieved at least a very great step forward towards monetary union—if nothing more, then at least the pooling of reserves which would result and the possibility of curbing the creation of inflation.

I fully appreciate the many forms of good advice given to the Commission and to the Ministers. But what is to be done? If water is running wild, one tries to turn the tap off. The only way to turn off that tap is by limiting the source of credit. That creates all sorts of problems—employment, and so on. That we must deal with in our stride. My urgent appeal is that at this stage, when inflation is threatening our very institutions, we should concentrate on tackling the problem at its source by attacking credit policy and the undue creation of money.

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

Mr Lange. — (D) Mr President, ladies and gentlemen, the problem before us has as its subject the fight against inflation. That is the tenor of the Commission's annual economic report, on which the Committee on Economic and Monetary Affairs expressed its views in its report and its motion for a resolution. The same applies to the Committee on Budgets in its opinion on the Commission's annual economic report. This subject also forms the basis of the two questions which our colleagues from the Christian-Democratic Group have submitted today.

The question now facing us is not so much whether we should examine how the inflationary development first arose. That is a matter we have often discussed in this Assembly. But the crucial question in this connection is still the rise in the cost of living, which is a general affliction. Basically it arose from the fact—and here I must remind you again of at least one of the causes—that we have far too excessive a demand. The question thus arises for all those in responsible positions in the Community and the Member States, but also for all those who have responsibilities inasmuch as they are engaged in economic activities, how this excess of demand can be overcome by a corresponding strengthening of supply. This could be achieved, for instance, by making more production capacity available for home consumption. It is also possible to reduce excessive demand by increasing imports. All those responsible, however, must certainly make it their policy to move away from the situation of the seller's market and to achieve a buyer's market; this naturally implies, at least in my opinion, that the allegedly iron law of market economy that prices are regulated by supply and demand must also be viewed from the general political and economic as well as the general social aspects.

In no circumstances, therefore, can we permit certain elements to exploit the market in socially irresponsible ways.

In my opinion all those responsible—the Commission, the Council, the governments, enterprises and trade unions—have the task of working towards this end. This naturally entails a large amount of political activity which cannot be accomplished all at once and to which Vice-President Haferkamp drew attention this morning in his answer to the two questions of the Christian-Democratic Group. If, therefore, we are to do this, then it is firstly a matter of adopting political and psychological measures. We all know that in a democratic country—and this applies to all Member States of the Community and thus even indirectly to the Community itself, although certain democratic ele-

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ments are still lacking in the Community—the government naturally cannot have any influence on the way in which the millions and millions of purchasing decisions of consumers—not only those of industrial production and service industries but also those of the final consumer—are reached. In other words, it must be made clear to all consumers that to some extent they themselves can take certain opportunities of reducing the inflationary pressure or on the other hand of strengthening it. And this is in line with what I just stressed, that conversely all those with economic responsibilities—and here I leave out of account the various shares of the public authorities in economic enterprises in the individual member States—can help to bring about a development leading from a seller's to a buyer's market.

In this connection, therefore, I need not repeat myself. I would just add one comment: In its description of the situation and its causes—i.e. in its analysis of the development—the Commission drew special attention to the excess of purchasing power which has flowed in from outside. As regards this excess, however, during the past few weeks and months and even the last one and a half to two years certain measures have been taken which are naturally having differing effects on the individual Member States, because the instruments available in the Member States are fundamentally different and thus, even if the goal should be aimed at uniformly, they cannot have any uniform effect. In other words, we must strengthen the will to unify the instruments with which such a policy is to be pursued. This has been well and truly done by the Committee on Economic and Monetary Affairs in its motion for a resolution which Mr Bousch has submitted, and this meets with the Socialist Groups' unreserved approval. Mr Bousch indicated yet again, in paragraph 3, that if necessary the Community organs must be granted stronger and more extensive decision-making but also executive powers, and this beyond the possibilities which the Treaty already offers at present. And here I venture to make an observation: Such a decision to strengthen the Community's powers is a political question or a political answer to a political question.

I feel that we should not, as has been repeatedly done on the national level, make the mistake of trying to replace policy by Court judgments, even if it is such an effective Court as the European Court of Justice. It is true that the European Court of Justice has to take decisions in a series of individual questions concerning the interpretation of the provisions of the Treaty; this is unquestionable. But we should try to decide such eminent political questions

as have been submitted for debate today, also through the question of the Christian-Democratic Group—Mr Artzinger has made some comments on this point—not with the help of the Court of Justice but rather, if I may express myself emotionally in this way, by the wrestling of the three other organs to reach a political agreement. I hold this to be the better way, and would add what we have already said, that recently and not only in 1973 the Council has in fact no longer acted as a Community organ. In saying this I certainly do not wish to cast doubt on the feelings and convictions of the individual members of the Council about European integration. But the effect was as follows: the Council has no longer understood itself to be a Community organ but an inter-governmental one which has been strengthened in its way of conducting itself by the Committee of Permanent Representatives. All the solutions which the Council has so far reached in any field whatever have been reached by the smallest common denominator—that is, the common denominator of national interests. We regard this as being unfavourable, disadvantageous and harmful to European integration. You can use even stronger expressions if you like. We must therefore change this situation and grant the Commission, in accordance with the Treaty, all the powers which the Council has appropriated to itself in the course of time as executive powers in clear contravention of the Treaty or in clear evasion of the Treaty's provisions. Thus we are at present in a phase of development in which we cannot avoid referring to the institutional side of problems which are in themselves essentially political.

Ladies and gentlemen, we could naturally—and as the Socialist Group we had also thought about this before—recite once again everything that has been said in previous decisions in the most widely varying fields of policy, economic policy, social policy. We have forborne to do so. I would nevertheless emphasize that the point I have already mentioned, the development from a seller's to a buyer's market, certainly raises a question which can be answered by a stronger competition policy within the Community, and this policy, to answer Lady Elles, must also be one which favours the final consumer. We would therefore greatly welcome it if the Community's preventive control over mergers could be developed as quickly as possible as a further contribution to a stronger competition policy.

We would also welcome it if we could avail ourselves with all speed of the instrument which can make for further integration in Europe, namely the European Company. For this European Company cannot cause any disruption if

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we apply first and foremost the competition provisions of the Treaty and in addition carry out preventive merger controls. Whether in the form suggested by the Commission or in a different form is a question on which we still have to agree. I presume, though I do not wish to anticipate Mr Artzinger as rapporteur of the Committee on Economic and Monetary Affairs, that this point will play an appropriate part in the further discussions.

The same applies to the points which we shall be debating on Thursday and those which are contained in Mr Arndt's report. To sum it all up once again: the Socialist Group agrees with the motion submitted by the Committee on Economic and Monetary Affairs and the Committee on Budgets' addition. It forms a united whole which as such should also be communicated to the competent authorities, as is proposed in the last paragraph of the motion by the Committee on Economic and Monetary Affairs.

The group agrees with it on condition—and this is addressed to the Commission—that it circulates as quickly as possible all the necessary proposals arising from our deliberations here and which are intended to some extent to provide a supplementary interpretation of the motion for a resolution.

This applies also to paragraph 3 in which we said that the Council is called upon to adopt a decision in accordance with Article 235. It goes without saying that the Commission should submit to the Council an appropriate proposal for a decision.

Equally pressing is the submission of a regulation for the promotion of stability, growth, a high level of employment and balanced external trade, because only in this way, as I have already tried to explain, must the similarity of aims be linked with the similarity of instruments. For otherwise, as experience has shown, we shall arrive at differing results by the use of differing instruments.

We have said deliberately: a regulation, and as Socialists we should like to stress this as strongly as possible, because we wish to give and must give the Community priority over the Member States in this political field if the realization of the economic and monetary union and beyond this the aim of a European Union is to be achieved by 1980, which is the target date.

We therefore give our full support to what is said in this motion for a resolution and also to the Commission for the realization of the purposes it itself defined. We agree, and hope the Commission will make appropriate proposals in the shortest possible time. If possible we may

then debate these proposals this year still, in order to achieve in practice the entry into the second stage of the realization of the economic and monetary union of the European Economic Community, notwithstanding any comments which may be made by various governments about various aspects of the question.

(Applause)

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, ladies and gentlemen, I should like to thank very warmly the rapporteur, the committees, and all who have taken part in this debate. What has been expressed in this discussion, and what the motion for a resolution envisages, are regarded by us as a vital support for what has been characterized here as a task for 'common effort'.

I should like first to make some observations concerning the motion for a resolution and certain questions concerned with it that have been brought up in the debate. This morning Mr Notenboom pointed to that part of the resolution which was prepared and proposed by the Committee on Budgets. It touches on certain technical and procedural aspects behind which lie factors which are certainly very important for future progress and our future work of coordination, and are also not without their political background. We agree entirely with the points he mentioned: it is necessary above all that we make progress towards parallel financial years in order to create comparable dates and thus to have a comparable basis for our assessment and conclusions. We had a similar problem when the Community of Six was formed. We were able to achieve harmonization of the budgetary year in 1963, and I think that we are on the way to doing the same for the three new Member States. This will involve considerable technical and also political problems. I have the impression that with all three governments the will exists here to advance step by step towards coordination.

So far as other points are concerned, I can only be thankful that they have been expressed so clearly in the motion for a resolution, and presented to us still more palpably in the rapporteur's remarks, in respect also of terminology. We really need here an instrument that can be applied to a Community economic policy and to the coordination of economic policies. And for this the indications given us here are very valuable.

The Commission can also agree with and accept the other parts of the motion for a resolution

Haferkamp

from the Committee on Economic and Monetary Affairs.

With regard to the remarks made by the chairman of the committee concerning paragraph 3 of the resolution, that is, on the application of Article 235 as the legal basis for certain tasks, I agree with him. I can also give my full agreement, in principle, to his remarks and the motion for a resolution, as far as the legal character of a regulation or directive to encourage stability, growth and full employment is concerned.

In the total context of discussions in the coming weeks and months, however, we shall have to examine the tempo at which we can advance towards this objective. For we are clear—and I shall come back to this later—that we are on the verge of a discussion which in the coming weeks and months will deal at its heart with economic and monetary union but also with numerous other aspects of the progress of the Community. I believe these other questions, too, should be examined within this total context.

There have been a number of references to the importance of competition policy. Lady Elles especially has made certain references to, and critical observations on, the Commission's report of April 1973. I proceed on the assumption that it would certainly be useful to hold a special debate in this House on questions of competition policy, with all its aspects. At this point, however, I should like to go only so far as to say that it is not the Commission's intention, in any circumstances, to neglect the active application and pursuit of the Community competition policy. Finally the Commission has in recent years taken decisions of considerable range, in the framework of the possibilities open to it. I am thinking of the penalties we have imposed in connection with the dyes cartel, the quinine cartel, and in the sectors of cement and sugar. Lastly I should like to point to the interpretation of the provision on competition given by the Commission in connection with Continental Can, where it has received very vital support for its principles from the decision of the Court of Justice. It would therefore be completely wide of the mark to assume that the Commission might abandon, wholly or in part, the line it has consistently followed in recent years.

Without seeking to anticipate the special discussion I can set your minds completely at rest on this point.

Now, I shall turn to those aspects of the main problem that have concerned us today. I should like to say something briefly about certain observations that have been made. There have

been repeated references in our debate to excess liquidity, to events taking place outside the Community, in the framework of the world economy, which react upon the development of inflation within the Community and also unfortunately offset the effectiveness of internal Community measures at some points. Thus Sir Brandon Rhys Williams has said there is too much money chasing too few goods. He is quite right. This is the sign of excess liquidity. I shall add something to this, in the monetary context. We must reduce the increase in the money supply within the Community. If we have to register increases in the money supply of individual national economies of 20 and 25 per cent, that is not a factor counteracting the margin of excess liquidity but a factor that only makes our task more difficult. We must limit the rise in nominal income and expenditure. We are dealing with modes of behaviour conditioned by inflationary speculation—e.g. speculative stock-building—which for their part drive up prices, like the flight into objects of value, transactions in immovables, and the like.

We must attack the problem of 'too much money chasing too few goods' to cite Sir Brandon again—from this point.

I have mentioned liquidity in connection with the international problem. Let me add two figures: the currency reserves of the central banks increased from 1970 to the middle of March 1973—expressed in Special Drawing Rights, therefore at the dollar value of 1 July 1971—from 78 thousand million to over 150 thousand million. That is a rise of 100 per cent in 2 1/2 years. By comparison, the average annual rise in international liquidity from 1960 to 1969, for a period of 9 years, amounted to only two billions. That is a volume that prevails on a world scale, and this naturally, as I have just said, sets limits to our own efforts and to the effectiveness of the classical measures known to us.

This then is a phenomenon that we must quite certainly not merely keep in view in connection with the reform of the international monetary system, but must seriously fight against. I must however point out that we shall have to live with this phenomenon for some time to come.

In this connection I should like to take up a remark or question of Mr Artzinger's. How can the Community in any way detach itself from this international trend in prices? This will not be a matter in which one can say, in a resolution or a series of decisions, that from tomorrow on we are an island. There are no more islands in this world, neither in this sphere nor in others, as the present time is making clear.

Haferkamp

Certainly I believe that with our decision for block floating we have taken a very important step. With block floating we have introduced our own intervention system, and with it a relative safeguard against a renewed influx of international liquidity. This no longer penetrates as much as in the time before block floating. We have created here an effective contribution to the recapture of the Community's autonomy in credit policy. I will not say that it has already been achieved, but it is a very important aspect of developments in recent months, since our decision of 11 March. We can see too, that the effects of revaluation of Member currencies within the snake in relation to third currencies will be able to act as a brake, in both short and medium term, upon an extreme rise in prices. The immediate result is the possibility of cheaper imports. I am not saying that this has already been attained, but thanks to this technique and because of our action as a Community a new tendency can be recorded. We have, too, a better possibility of Community guidance of the internal expansion of the money supply and of coordinating our money and credit policies. Only within this exchange rate system will it be possible to achieve an independent and improved policy concerning increase in the money supply and coordination of money and credit policy. Without big, formal decisions on harmonization we have, for example, achieved with regard to money supply and credit policy, in the Member States, considerably more towards a 'unitary procedure in the same direction' than we have been able to reach in years of debate. The fact is that since the beginning of this year all the central banks of the Member States have taken a whole row of measures in the same direction and in the same space of time, in the field of dearer credit, reducing the money supply, and other measures of credit policy such as minimum reserves etc.

I should like here to say another word about this phrase 'in the same direction and in the same space of time'. For a long time the position in the Community has been that people were going in various directions, that some saw their absolute or primary goal in growth and less in stability, and others probably also in growth, but very much more, and in all circumstances, in a policy of stability. Since October last year, since the Summit Conference, we have had first and foremost the unanimous political commitment to allot to stability a special weight, and to look on the common fight against inflation as a primary task. Even if today we have to admit, for internal but also still more for extraneous reasons, these efforts have not yet brought the success we should have liked, it can still be fairly allowed that in the year that

lies behind us the striving for a policy aimed in a single direction has made progress and the tendencies towards divergence have not been as much in evidence as we have often complained of in the past.

I am not saying that everything has already been achieved. We had a debate here in January about the famous 4 per cent and other figures. I tried then to make it plain to you that I regard it as very important that we alter the trend in this matter, and flatten out the curve of growth rates.

In our manner of acting and in the 'policy in the same direction', I have the impression that here too there has occurred in recent months a change of trend in the right direction. One should not be content with that. That is not my intention. But one must seek, from, this point, to press matters constantly and energetically forward. This will be one of the tasks of the coming period.

I have said it already in reference to our discussion in January. I will not assert that at last we have this change of direction within our grasp but the fact is that the rates of growth in certain Member States have diminished not inconsiderably in recent months. In any case it can be established that in no country have we had an increase in growth rate, such as we complained of so greatly a year ago, and even at the beginning of this year. I am far from relapsing into exaggerated optimism, but I should like to say, remembering the debate we had in January, that we have advanced some way in the right direction. I stress again, we should not be content with this, since it is only a beginning that ought to be pursued further and extended with energy.

Allow me, in connection with questions that cannot be solved by ourselves alone and in part even lie outside our power of influence, to refer to the idea expressed by Mr Normanton in relation to raw materials prices. According to Reutter's index for September this year, we have an increase over 1972 of almost 100 per cent. Whatever view one takes of the various indices and their aggregation, whether the figure is 50, 70 or 100 per cent, these are simply vast rates, which we have to reckon with in our internal development. Here I must point out that the indices I have just mentioned do not even include oil. This fact, however, should not give us occasion to say that we have no internal possibilities. We do have them, and I have tried to lay them before you. We must continue to exploit them vigorously.

I should finally like to take up another saying let fall in the debate. Mr Lange pointed out

Haferkamp

that we have special need for the efforts of all. I too should like to say that we need solidarity in several senses. We need the solidarity of the Member States, so that they remain on the common road, in the same direction. We need too the solidarity of economic and social groups. For the Member States, and for these groups, it is necessary that no one should imagine that he can slip away from the total development, by individual measures, isolating himself from the Community effort. There are always short-term advantages that one can grasp at in this way, but as a general rule they are very soon wiped out. We must attain action in solidarity at all levels and in all fields in the Community. It is important precisely in the coming months not to lose sight of the fact that the Community must be in a position not only to set goals, which is still relatively simple, and to draw up and adopt political declarations and resolutions, which is not too complicated either. The Community must also make changes of direction that possibly are also quantified, even if the problems are considerably greater and it will be much more difficult to ensure that everyone stands by them, and that the Community guidelines and the Community policy, laid down by Community institutions, are supported and maintained domestically as decisions of the national governments and also the national parliaments. Here solidarity must be expressed in carrying through what people have proclaimed as being their political will.

We shall also have to see to it that the common rules are adhered to more satisfactorily than hitherto, and their adherence supervised. Mr Lange, referring to paragraph 3 of the resolution, has mentioned certain of the possibilities of overall deployment, step by step, in the right direction. Certainly the slogans of sovereignty, handing over of sovereignty, basis in the treaties and the possibilities of expanding this basis, will result in long-drawn out, formal juridical debates and hair-splitting. I think, however, we must expect an expression of the political will that is bound to count for more than formal juridical hair-splitting, which one can always take advantage of afterwards, if one wishes. One can always delay matters with legal argumentation.

We shall thus have, in the coming period, to summon up some imagination, so that despite all the formal juridical difficulties, we shall promote development in the right direction. I hope that within the period envisaged in the Resolution of 22 March 1971, we shall have consideration of the economic report in the Council. At the same time there will also be discussed the Commission's proposal for pooling of reserves and short-term support.

We shall have a debate on the Commission's report on the first stage of economic and monetary union and on the further development of this union. It will be a very important debate. And I believe after that we shall have to be in a position—and this must be the object of the present sitting—to take the really concrete decisions in November and December, which will keep this process in motion as a permanent progression of our economic and monetary union and of our whole Community. Of course the Commission will make concrete proposals to the Council of Ministers in all fields involved here, in addition to the proposals that they have already forwarded during the first half of the year, in accordance with the timetable. We shall therefore have to settle a series of things in the coming months. So far as the economic report is concerned, I should like to point out that this report, according to the Council Decision of March 1971, must be transmitted to national parliaments so that it can be taken into account in their Budget debates.

I believe that after the results of today's debate we can assume that not only the report, in the form decided by the Council, but also what has been said here in the debate will be taken into account in the debates in the national parliaments. No one, I believe, would be happier than those who have taken part in this debate here today if they could see that Community policy was treated with the same intensity in the national parliaments.

Ladies and gentlemen, I have taken a position on a series of points from this debate. I ask for understanding that I have not been able, at this moment, to comment on a mass of very valuable suggestions. I also ask for your understanding if I mention briefly another point, which is important in this connection, but will be dealt with in this Parliament only the day after tomorrow, i.e. the reserve fund. I allow myself to do this because, although I am trying to discharge obligations I assumed in view of the original timetable for Thursday, I am not certain whether I shall succeed. I should be glad if I could come back to it at greater length the day after tomorrow. But I should like to say now that I am grateful to the committee and the rapporteur for what is suggested here. The only point that divides us a little is that regarding the fund's own capital. In my view the fund, precisely because it is to be a symbol, should be strong. But that is not the decisive point. What is decisive is that we take the first step in good time. And I have permitted myself to say this also because such a decision, at the right time and with the proper intensity expresses the fact that we mean seriously what we are constantly proclaiming.

President. — I call Mr Guldberg.

Mr Guldberg. — (DK) Mr President, I am assuming that this debate will conclude with a vote on Mr Bousch's report. I take the floor at this point because I would like to explain my own attitude with special reference to this vote. I am assuming that this is the right moment to do so.

I would like to say that I, as I said at the beginning, am tremendously grateful to Mr Lücker and the Christian-Democratic Group for giving the opportunity of a general debate on the whole inflation problem. I rather regret that this debate is to end with a vote on Mr Bousch's report, which in my opinion could very well stand alone, and if this were not the conclusion of a debate on what is to be done about inflation, I would not have had any objection to supporting it. But at a time when we have undertaken a great campaign here to decide what we are going to do about inflation I think that a vote on the report, which in my view is in many ways right and correct, appears to state the viewpoint which this Parliament believes we should adopt in relation to inflation. I would on all counts dissociate myself from such an interpretation. So it is not the report that I disagree with but the circumstances which have arisen in connection with it.

When one reads the report from this point of view one sees that a long list of well-known economic measures is proposed, things which have been tried out in various countries at various times, and from which it is difficult for me to see that they have been used with success anywhere at any time—or not in the form of society which we have at present. If this is right, it means that by agreeing to it—if it is to be regarded as the sole basis of our attitude to inflation—we give everyone ample opportunity to continue to ride their different hobby-horses—so they can apply anything from agricultural prices through trade unions to multinational companies, oil sheiks and anything else which can be included and so it can go on and go into the debate.

From a liberal standpoint it is in any case strange to hear from Mr Lange as the representative of the Socialist Group and in fact all the way through the Assembly, the general view that it is competition and the liberal market economy which must bring about some real improvements in this field, but at the same time to observe that our concrete proposals, if we only keep to Mr Bousch's report, are all proposals for increased direction, are all proposals for further interventions in order to

counter the defective operation of those which have already been undertaken.

How can this whole idea that it is important to let this sort of market economy, to let buyers' and sellers' markets play a role, be consistent with the fact that we have no other proposals than to interfere even more vigorously where the type of interference we have already tried has not worked?

As an independent comment on Mr Bousch's report I would like to say that it must be right for us to unite our efforts, that it is right, as Mr Haferkamp said, that we must continue to work towards a common economic policy and that it is right that many of these things belong in a common economic policy. But it seems to me that as an answer to what we are to speculate about and continue to work on to solve the problems of inflation, it is only one side of the question. We are really leaving out of consideration the liberal economic views and we cannot close our eyes to the fact that any measure which increases the public participation, for instance by means of stringent financial policies is at the same time a reduction in the effects of the liberal market economy and consequently a reduction of the competitive impetus which at the same time we wish to establish as one of the important weapons in the fight against inflation.

President. — I call Mr Bousch.

Mr Bousch, rapporteur. — (F) Mr President, I am delighted to find that, despite the many interesting observations to which we have listened attentively, no one in this Assembly has actually opposed the motion for a resolution presented by the Committee on Economic and Monetary Affairs or the opinion of the Committee on Budgets, which we have endorsed.

I was equally pleased to note that Mr Haferkamp had found that there was now joint action between the various institutions of the Community and the various States, and that instead of disjointed individual action, an effort was being made to work towards the same ends, with consideration being given to the interests of the Community.

Mr Haferkamp, we can derive satisfaction from all these observations. However, there is one point on which you have not replied. This is one of our suggestions in the report, which refers, not to the action to be taken against inflation, but to the psychological aspects of this action. We believe that, apart from the technical means to be used to defeat inflation, the

Bousch

psychological aspects and the need to prepare people's minds for the necessity of combating inflation must also be taken into account.

This leads me to say to Mr Guldberg—who, I hope, will nevertheless vote in favour of the motion for a resolution—that we have not sought to take a liberal line here, but have appreciated the fact that, for the last few months, we have been confronted with a problem of such gravity that it is today essential to take a number of measures which, a few months ago, would not have been accepted by several of our colleagues in the Committee on Economic and Monetary Affairs.

The situation compels us to take such measures; as well as economic dangers there are also political and social dangers, in the face of which, the measures which we have recommended—and which seem to have met with a large measure of approval in this Assembly—should be adopted by our Parliament, so that the Commission will be able to use them when presenting what we would prefer to be a proposal for a regulation to the Council. Mr President Haferkamp, you mentioned 'A regulation or directive'. I have been asked to propose a regulation. In committee, we considered both solutions and ultimately decided in favour of the proposal of a draft regulation. We hope that you will take our wish into consideration and adopt this solution in your approach to the Council.

In the light of these observations, I believe, Mr President, that our Assembly will be able to adopt the proposed resolution which is now before it.

(Applause)

President. — Does anyone else wish to speak?

The general debate is closed.

I have no motion for a resolution on the debate on Oral Question No 77/73 to the Commission. We shall therefore now consider the motion for a resolution contained in Mr Bousch's report.

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

9. Amendment of Rule 36 of the Rules of Procedure

President. — The next item is a debate on the report drawn up by Mr Vernaschi on behalf of the Legal Affairs Committee on the amend-

ment of Rule 36 (5) of the Rules of Procedure of the European Parliament on the minimum number of Members necessary to form a political group (Doc. 190/73).

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

Mr Vernaschi, rapporteur. — (1) Mr President, honourable Members, on behalf of the Legal Affairs Committee, I have the honour to present the report on an amendment to Rule 36 of the Rules of Procedure of the European Parliament which lays down procedures for the formation of political groups. Rule 36 (5) states that at present fourteen Members of this Assembly are required to form a political group. The Legal Affairs Committee proposes that an addition be made to this rule, stating that a group may nonetheless consist of ten members where these represent at least two Member States.

I should like to emphasize that the Italian version, from which translations have been made into the other languages, is worded so as to say 'where these represent at least two Member States'. This expression gives rise to no problem in Italian, but in other languages the word 'represent' may lead to doubts as to whether this involves the legal concept of representation of a State. I would suggest, therefore, that the following wording be adopted in the final version of the document: 'where these come from at least two Member States'.

Following its meeting of 13 September, the Bureau of this Parliament invited the Legal Affairs Committee to propose this amendment but in a wider sense. In other words, it asked that an exception be made in the case of a group consisting of only ten members if they come from three Member States.

The reasons underlying the amendment I now propose to this Assembly on behalf of the Legal Affairs Committee are both political and administrative in character. They are political, since emphasis should be placed upon the concept that the requirement for the members of a group to belong to more than one Member State (in other words, the requirement for multinationality within a single group as well as within Parliament) provides a means of shaping, within our groups, that European awareness so necessary to countries within the Community.

From the political point of view, however, another aspect is also worthy of emphasis: the path to European unity, a goal to which we all aspire, will be made smoother if all the political and social forces active within our several States feel that they are fully represented in this Par-

¹ OJ No C95, 10. 11. 1973.

Vernaschi

liament and work with us to formulate specific decisions regarding political unity in Europe.

To turn to another aspect of an administrative nature, I think it fair, and it seems fair and just to the Legal Affairs Committee, that a group with a smaller number of members who come from at least two States should enjoy the same administrative treatment as is received by other groups. There was a discussion in the Legal Affairs Committee which failed to lead to a unanimous conclusion as to the motion I have submitted, although a majority voted in favour. On the one hand, it was sustained by some that no change should be made to the minimum number of 14 members, in view of the entry of other States; while on the other, it was suggested that the minimum number for all groups be reduced to ten, although this suggestion gave rise to some concern as to the possibility of further subdivision of Parliamentary groups into sub-groups, perhaps on a national basis, as this would be contrary to the spirit guiding this proposal.

On these grounds, which have been accepted by the Legal Affairs Committee as a whole, I should like to ask my honourable colleagues to vote on the proposed amendment submitted on behalf of the Legal Affairs Committee.

(Applause)

President. — I call Mr Corterier on behalf of the Socialist Group.

Mr Corterier. — *(D)* Mr President, ladies and gentlemen, there is actually a certain contradiction in the fact that we, after Parliament has been enlarged by the entry of new Member States, now wish to decide to ease the condition for the creation of new groups. Nevertheless, the Socialist Group fundamentally takes the view that we should support all tendencies towards enabling as many political shades of opinion as possible to create groups in this Assembly. We are also willing to ease the condition for this to some extent.

On the other hand, the proposal made by the Legal Affairs Committee that 10 representatives from only *two* Member States should be able to create a group goes too far for us. We prefer the suggestion which the enlarged Bureau originally made, that 10 Deputies from *three* Member States may create a group. We have therefore submitted a corresponding amendment to the proposal of the Legal Affairs Committee.

The considerations underlying our attitude are more or less as follows: As members of the European Parliament we do not primarily represent our own countries, but the various

political tendencies which exist within the European Community. For this reason we have joined together into plurinational groups in the European Parliament. If there were only national groups and no plurinational ones in this Parliament, a genuine European policy would certainly be hardly possible in this Assembly. For this reason the principle of the plurinational composition of the groups is of special importance to us and we cannot abandon this principle.

We consider that this principle is not adequately safeguarded in the Legal Affairs Committee's proposal. Naturally it is disputable where the line must be drawn. But I believe that it has been fixed too low in the Legal Affairs Committee's proposal. If this proposal were accepted, it would be possible for instance for nine representatives from one country to create a group with only one deputy from another country of the Community. I believe that such a group could hardly be called a truly plurinational group. This is the most important consideration which has caused us to submit this amendment.

But there is another consideration which I should like to explain briefly to you. Even if, as I said, we agree to ease somewhat the condition for the creation of a group, we do not wish to do so as extensively as is suggested in the Legal Affairs Committee's proposal. We do not want to make it too easy to create a group in this Assembly. For this Parliament's ability to work depends greatly on the groups. To take only one simple example: no parliamentary committee may sit at the same time as a group is meeting. We consider that too many groups will not facilitate the work of this Parliament but might on the contrary considerably hinder it.

It is for this reason that we have submitted our amendment which, as I have already said, supports the original proposal of the enlarged Bureau.

(Applause)

President. — I note that Mr Corterier has simultaneously moved Amendment No 1.

Does anyone else wish to speak?

The general debate is closed.

We shall now consider the motion for a resolution.

On the preamble I have no amendments or speakers listed.

I put the preamble to the vote.

The preamble is adopted.

President

On paragraph 1 I have Amendment No 1 tabled by Mr Vals on behalf of the Socialist Group and worded as follows:

Paragraph 1

Rule 36(5) should read as follows:

'5. A group shall consist of not less than fourteen members. However, a group may consist of not less than ten members where these come from at least three Member States.'

This amendment has already been moved by Mr Corterier.

What is the rapporteur's position?

Mr Vernaschi, rapporteur. — (I) Mr President, I have asked for the floor once again to say, on my own behalf and on behalf of the chairman of the Legal Affairs Committee with whom I have personally discussed this matter, that I am in favour of this amendment. It does no more than to take up the proposal I made to the Legal Affairs Committee, which I modified to reach a compromise between the proposal put forward by the representative of my own group and the representative of the group to which Mr Vals belongs, asking that the number of Member States be limited to two. Nevertheless, now that we have returned to the original proposal, I ask that Mr Vals' amendment be approved.

I should like to add one more brief comment: following this vote, in practice another Parliamentary group will be created so that the number of non-attached Members will be even further reduced. I have just made a quick calculation and I have worked out that there will be only eight non-attached Members. I think it fair, therefore, that I should recommend to the Bureau that the eight non-attached Members should receive the same treatment as those non-attached Members who today, by our vote, can form a political group.

This recommendation is based on the grounds that I have described. I would repeat, therefore, that I am in agreement with the amendment submitted by Mr Vals.

President. — This is a matter which should first be discussed by the political groups in the enlarged Bureau and then debated once more in plenary sitting.

Does anyone else wish to speak?

I call Mr Giraud.

Mr Giraud. — (F) Mr President, I speak in a purely personal capacity and have no intention of opposing the amendment, but wish to say that the raising of the number of groups

is not in itself a desirable thing, in that an unfortunate habit, which fortunately has no parallel elsewhere, is growing in this Assembly, and one now finds that every group always seeks to speak on every subject, however minor.

As a result, the more groups there are, the more speeches are made. I hope, therefore, that when we have as many groups as in our national parliaments, we shall all adopt the habit of speaking only when we have something to say.

President. — I put Amendment No 1 to the vote.

The amendment is adopted.

I put paragraph 1 so amended to the vote.

Paragraph 1 is adopted.

On paragraph 2 I have no amendments or speakers listed.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

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

The resolution so amended is adopted.¹

10. Change in agenda

President. — The last item on the agenda for Thursday's sitting was to have been Oral Question No 134/73, with debate, by Mr Van der Hek, Mr Broeks, Mr Laban, Mr Patijn and Mr Wieldraaijer to the Commission of the European Communities, on the extension of the system of generalized preferences to East European countries.

The authors have informed me, however, that they wish to withdraw their question.

I call Mr Houdet.

Mr Houdet. — (F) Mr President, I should like to request a change in the agenda for the sitting of Friday, 19 October which, in particular, calls for an examination of the report by Mr Scott-Hopkins on certain deadlines for the granting of EAGGF aid. The reason for this is that our rapporteur, Mr Scott-Hopkins, is completely unable to be here on Friday and I personally, in my capacity as chairman of the Committee on Agriculture, shall be unable to attend the debate.

¹ OJ No C95, 10. 11. 1973.

Houdet

I should therefore like to ask Parliament to postpone this matter until the November part-session.

President. — I put to the vote the proposal to debate Mr Scott-Hopkins's report at the November part-session.

Are there any objections?

The report is struck from the agenda.

11. *Agenda for next sitting*

President. — The next sitting will be held tomorrow, Wednesday, 17 October 1973, at 10 a.m. and 3 p.m., with the following agenda:

10 a.m. and 3 p.m.:

- Question Time
- Statement by the President-in-Office of the Council on relations between the Council and Parliament

— Presentation of the draft general budget of the Communities for 1974

— Oral Questions No 96/73 and No 97/73, with debate, put by Mr Amendola and others to the Council and the Commission, on the *coup d'état* in Chile

3 p.m.:

— Report by the Chairman of the Foreign Ministers' Conference on political cooperation

— Report by Mr Héger on a directive concerning *sociétés anonymes*.

Contrary to yesterday's announcement, it should be possible to complete tomorrow's business during the course of the afternoon. On the other hand, it is very probable that Thursday, 18 October, the sitting will last into the night.

The sitting is closed.

(The sitting was closed at 4.35 p.m.)

SITTING OF WEDNESDAY, 17 OCTOBER 1973

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IN THE CHAIR: MR BERKHOUWER

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. Document received

President. — I have received a report drawn up by Mr Martens on behalf of the Committee on Public Health and the Environment on the proposal from the Commission of the European Communities to the Council for a directive on a ninth amendment to the Directive on the approximation of the laws of the Member States concerning the preservatives authorized for use in foodstuffs intended for human consumption (Doc. 201/73).

3. Question Time

President. — The next item is Question Time.

At the request of the authors, and pursuant to the Rules of Procedure, Oral Questions No 119/73 by Mr Noè and No 135/73 by Lord O'Hagan will be answered at a later date.

I call Oral Question No 118/73 by Mr Taverne to the Council of the European Communities.

Subject: Section 15 of the communiqué of the Paris Summit Conference.

Does the Council consider that section 15 of the communiqué of the Paris Summit Conference¹ authorizes it to resume consideration of the project for instituting elections to the European Parliament by universal suffrage, or, on the contrary, does it interpret this section as giving it a mandate to do nothing?

I call Mr Nørgaard to answer the question.

Mr Nørgaard, President-in-Office of the Council of the European Communities. — (DK) Mr President, Paragraph 15 of the Summit Conference Declaration expressly authorizes the Council and Commission to implement practical measures designed to strengthen the European Parliament's powers of control and to improve contacts between the institutions. This should be done irrespective of the date on which the European Parliament, pursuant to Article 138 of the Treaty of Rome, is elected by universal suffrage. This brief is currently being acted upon.

It is the Council's belief that the question of election to the European Parliament by universal suffrage in accordance with the text I have just quoted should continue to be dealt with independently of the implementation of

paragraph 15 of the Declaration by Heads of State or Government.

President. — I call Mr Taverne to put a short supplementary question.

Mr Taverne. — Is not the Council forced to admit that it has completely failed in the past to fulfil its obligations under Article 138 (3) of the Treaty because it has failed to come to any decision during a period of well over 10 years on the proposals made by Parliament for direct elections?

Now that the Political Affairs Committee has appointed a rapporteur and is re-examining the question of direct elections, what assurance can the Council offer that it will on this occasion comply with its legal obligations under the Treaty and act within a reasonable time on proposals made by Parliament?

President. — I call Mr Nørgaard.

Mr Nørgaard. — (DK) As the questioner will see, the declaration made at the Summit Conference stated explicitly that we should accord priority to improving relations between the Council and Parliament even if such efforts should not prove successful and independently of the procedure laid down in Article 138, but this of course does not mean that there is no wish to deal with new proposals from Parliament concerning the implementation of Article 138. If such proposals or opinions are forthcoming, the Council will naturally take them up.

President. — I call Mr Jahn.

Mr Jahn. — (D) Mr President, what requirements in the Council's opinion must be met for a directly elected Parliament to be able to act effectively *vis-à-vis* the national parliaments?

President. — I call Mr Nørgaard.

Mr Nørgaard. — (DK) I do not think it will be possible for me, as the President-in-Office of the Council, to give an exhaustive answer to the question raised here since it involves a number of problems that have been examined and discussed in the Council. So far no solution has been found to these many problems, one of which can be a special problem in my country, namely devising a method that ensures there is the same representation of political opinions at a direct election as there is in the parliament at home.

¹ 'Desiring to strengthen the powers of control of the European Parliamentary Assembly, independently of the date on which it will be elected by universal suffrage under Article 138 of the Treaty of Rome, and to make their contribution towards improving its working conditions, the Heads of State or Government, (confirm) the decision of 22 April 1970 of the Council of the Communities...'

Nørgaard

This is one of the difficult problems and one of the problems which at any rate is occupying my country's parliamentarians in so far as observing the provisions of Article 138 is concerned. There are many other problems, but this in one of them.

President. — I call Mr Dewulf.

Mr Dewulf. — (NL) Mr President, a special working party was set up at the time in the Council to study the direct election of Members of the European Parliament. How often has this working party met and what does the Council propose to do to intensify the activities of this working party so that a result can finally be reached?

President. — I call Mr Nørgaard.

Mr Nørgaard. — (DK) I have asked the experts how many meetings we have had but they do not know the number. The working party has met several times, but we do not know the exact number of meetings.

President. — I call Mr Patijn.

Mr Patijn. — (NL) I should like to ask the President of the Council whether the Council is prepared to make known to Parliament the results obtained so far by the working party, giving an explanation of the different standpoints and the difficulties encountered by various Members in connection with the five main topics of discussion. This would facilitate considerably our work here.

President. — I call Mr Nørgaard.

Mr Nørgaard. — (DK) I think it is difficult for the President of the Council to give a promise to present the various members' points of view while no common position has been adopted. But this subject was certainly one which could be debated by Parliament in such a way that the Council's President could take part in the debate—and I intend reverting to the possibility of applying this procedure in my report on relations between Parliament and the Council.

So I am not saying that it would be impossible to have different points of view presented here in Parliament, but I cannot, as the Council's President present those different points of view today.

President. — I thank the President-in-Office of the Council of the European Communities.

I call Oral Question No 120/73 by Mr Armengaud to the Commission of the European Communities.

Subject: EEC/AASM Association

The proceedings of the Brussels conference of 25-26 July last between the Community and the associated and associable States under Protocol 22 left the impression that the principles on which the EEC/AASM Association is founded are disintegrating.

Does the Commission intend to adhere to its memorandum of 4 April 1973 as a basis of negotiations, or has it already decided to exclude all reference to the present Yaoundé Convention?

I call Sir Christopher Soames to answer the question.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — Mr Cheysson has asked me to convey his apologies to the House for not being present to answer the question by Mr Armengaud, but, as the House knows, he has to be in Brussels today for the opening of the negotiations with the associated and associable countries.

The Commission does not in any way share Mr Armengaud's impression of the July conference as representing a disintegration, as he says, of the principles of the Yaoundé Convention. As was only to be expected at the opening of the negotiations for a new and geographically much enlarged association, a number of divergent opinions were expressed on that occasion, but the contributions of the Community spokesmen can have left no doubt as to the importance which the Community attaches to preserving and building on the achievements of the Yaoundé Convention. In the discussions designed to define the Community's negotiating position, the Commission has been and continues to be guided by the views set out in its memorandum of 4 April, of which this House has been apprised.

President. — I call Mr Armengaud to put a short supplementary question.

Mr Armengaud. — (F) Mr President, I have no supplementary question. I wish to state that I have noted Sir Christopher Soames's reply that the second Yaoundé Convention will be upheld and extended to the associable States.

President. — I call Mr Dewulf.

Mr Dewulf. — (NL) Mr President, I should like to ask Sir Christopher Soames the following question. The Community has excluded itself *de facto* from the renewed International Sugar

Dewulf

Agreement. What repercussions will this have for negotiations with Commonwealth countries among others?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — This is a totally separate question to that which is on the Order Paper, which specifically refers to whether or not the Commission is upholding the Yaoundé Convention. There are other questions on the Order Paper about sugar.

President. — I call Sir Douglas Dodds-Parker.

Sir Douglas Dodds-Parker. — Is the Commissioner aware that at the recent Commonwealth Parliamentary Association Conference in London the strong impression was given that the Protocol 22 countries were pleased with the opening of the negotiations with the Commission?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — Yes, sir, that is the impression we had. The formal opening in July was a happy one. We must now hope that the associables and associates and the Community institutions will together press forward and arrive at a satisfactory conclusion to what are most important negotiations in terms of the relations of the Community with these particular countries with which we all share common aims.

President. — I call Oral Question No 93/73 by Mr Durieux to the Commission of the European Communities.

Subject: Opening of public contracts

- Having regard to the fact that since the end of the transitional period practices reserving public contracts to national undertakings have been prohibited,
- In view of the wording of section 7 of the final communiqué of the Paris 'Summit', which recommends the progressive and effective opening of public contracts.

Can the Commission indicate what steps it intends taking to oblige Member States to open their public contracts effectively and put an end to the practice of indirect support for advanced technology industry?

I call Mr Spinelli to answer the question.

Mr Spinelli, Member of the Commission of the European Communities. — (1) Mr President, with the end of the transitional period the practices reserving public contracts to national undertakings have become formally prohibited.

The actual situation, however, is tougher than might appear and, moreover, not to be remedied simply by legal prohibitions. Besides, with the accession of new Member States to the Community we have been obliged to make a new start in this area. Because of this, the Summit Conference, on a proposal from the Commission, recognized the need for a progressive and effective opening up of public contracts, since in fact public sector contracts are on average less open than the private market and in some cases are almost totally exclusive.

I would say there are four basic reasons for this impenetrability and the Commission proposes to deal with them in four different ways. In the first place, the system of regulations must be completed. Although some directives have already been adopted, there still remain sectors which are excluded from the formal opening up of public contracts and are still reserved to national undertakings.

The new system has to be completed, and this indeed is part of the Commission's programme.

A second set of difficulties is due not so much to legal obstacles, as to the fact that there exist entrenched habits, that there is a closer understanding between national public industries and agencies. The remedy the Commission wants to apply here is to bring such situations to light, by instituting inquiries on the reasons for, and the extent of, the exclusiveness of public contracts, and to submit to this Parliament periodical reports so that more may be known on this subject.

A third reason for the persistent exclusiveness of public contracts is that this is often used as a means of supporting advanced technology industries which have not yet become competitive. A vicious circle thus arises, because these industries are thereby deprived of the opportunity of becoming competitive, if only because they are confined to working to certain national contracts. It is clear that the situation could be remedied by, on the one hand, achieving coordination, standardization and uniform legislation on contract fulfilment, and on the other, by working out sectoral policies for these advanced technology industries which would enable them to attain a degree of competitiveness in a reasonable time.

The last point which seems to cause public contracts to be partially exclusive is that these contracts are an instrument of States' conjunctural policy. Obviously this factor could be reduced as the economic and monetary union developed and conjunctural policy became progressively more a Community policy, with consequent homogenization of these national instruments.

Spinelli

This summary of the measures and prospects shows the advisability of a gradual opening up of public contracts so that it may be effective and real.

President. — I call Mr Durieux to put a short supplementary question.

Mr Durieux. — (*F*) Could the Commission let the House know what percentage of public works is consigned to firms based in a different Community country from that in which the work is carried out?

President. — I call Mr Spinelli.

Mr Spinelli. — (*I*) Mr President, I cannot easily answer this immediately. I shall see to it that an answer is forwarded to you as soon as the appropriate Commission departments have collected the necessary data.

President. — I call Mr Baas.

Mr Baas. — (*NL*) May I ask Mr Spinelli whether these economic considerations do not in fact conflict with the principle of opening our frontiers?

President. — I call Mr Spinelli.

Mr Spinelli. — (*I*) Obviously, national conjunctural policies are to some extent in contradiction with the opening up of frontiers; this is why one of the Community's great tasks is to achieve economic and monetary union, because we cannot confine ourselves to a customs union.

President. — I call Mr Jahn.

Mr Jahn. — (*D*) Mr President, Mr Spinelli was really referring to the closing of the public works contract market. But we would like an answer to our question, and I would therefore ask: can the Commission indicate which Member States have already opened up the public works contract market, and which have partially opened up this market or have taken a first step towards this end?

President. — I call Mr Spinelli.

Mr Spinelli. — (*I*) Mr President, the answer in general terms is that no State has completely opened up its public contracts, not even to the extent laid down by regulations currently in force.

The position varies from country to country and from case to case; it is difficult therefore to make an estimate. An accurate picture could be formed, and this is what we propose to do with these inquiries on the actual situation and the reports we shall be submitting to Parliament.

President. — I call Mr Leonardi.

Mr Leonardi. — (*I*) I should like to know to what extent, in Mr Spinelli's view, the restrictions on public contracts are due to the fact that these contracts are concerned with military production.

President. — I call Mr Spinelli.

Mr Spinelli. — (*I*) Clearly, the fact that a part of public contracts is concerned with military production is not unconnected with the restrictive nature of the contracts.

This aspect is beyond the Community's present terms of reference and we can do no more than note that there are restrictions due to reasons of defence policy. The problem is a real one, nevertheless, and I believe that the Member States should strive not only for an economic and monetary union but also for a wider European union embracing all the aspects of relations between the various countries of the Community.

President. — I call Oral Question No 127/73 by Mr Broeks to the Commission of the European Communities.

Subject: Publication in the *Official Journal of the European Communities* of announcements of public works contracts

What measures have already been taken or are planned by the Commission against the Member State or States which, in violation of Council (EEC) Directives No 71/305 of 26 July 1971¹ and No 72/277 of 26 July 1972², have not yet begun—or have not yet begun regularly—publishing announcements of public works contracts in the *Official Journal of the European Communities*?

I call Mr Gundelach to answer the question.

Mr Gundelach, Member of the Commission of the European Communities. — (*DK*) Mr President, Mr Broeks's question is bound up with the answer just given by my colleague, Mr Spinelli.

The Council Directive of 26 July 1971 concerning the coordination of procedures for the award of public works contracts deals, as Mr Broeks knows better than anyone else from his work here in Parliament, not only with the question

¹ OJ No L185, 16. 8. 1971, p. 5.

² OJ No L176, 3. 8. 1972, p. 12.

Gundelach

of the publication of invitations to tender but with many other problems concerning the opening up of the public works market for the entire Community.

It is, however, evident that the publication in due time and in a suitable manner of invitations to tender is a prerequisite for achieving the objective of this directive—namely, on certain conditions and with certain exceptions, which unfortunately are quite broad, to open up the public works market.

The question is whether it can be said at this time that the provisions of the directive on the publication in due time and in a suitable manner of invitations to tender are being observed in satisfactory measure.

I have to state that it is still too early to pass a conclusive judgement on this matter. As is known, the directive was adopted and formally entered into force on 1 July 1971. The original Member States were given, as usual, one year to create the necessary administrative and legal foundations for implementing the directive. For the new Member States the time limit was set in the summer of this year. Owing to the great legal administrative and psychological problems involved, one year proved too little for the original Member States, and also with a view to the position of the new Member States it was a practical necessity to extend the running in period by about 6 months.

We can now observe, however, that the number of invitations to tender appearing in the *Official Journal of the European Communities* is growing rapidly in respect of almost all Member States, including now the new Member States as well. There is, then, justification for stating at the present time—without passing any final judgement on whether the directive is being satisfactorily followed on this point—that things are moving in the right direction and with a not inconsiderable speed. There are certain shortcomings, and these relate either to practical matters such as the submission of tenders, their translation and printing, or certain legal problems in individual Member States. The Commission intends through discussions and recommendations to try and overcome these difficulties as quickly as possible, and we do have an instrument at our disposal for this purpose, namely the consultative committee, which was set up by this directive and which in fact convened yesterday and the day before.

I cannot report to you at the moment on the result of that meeting, but the main conclusion was that progress was being made even though certain practical legal problems were continually being encountered. The meeting has provided us with material that will make it possible for

the Commission to take action on the more relevant points to promote the full implementation of the directive.

I should like to say in conclusion that, if recommendations and discussions and debates—and by all means public debates in this assembly, for it is a question that requires more than legal measures, it needs to be debated for so many psychological problems are involved—if, then, these do not produce the desired result, the Commission is prepared to have recourse to the legal procedure provided for in Article 169 in cases where, after all discussions and all recommendations, it proves that the directive is not being observed in a satisfactory manner.

President. — I call Mr Broeksz to put a short supplementary question.

Mr Broeksz. — (NL) Mr President, since I am under the impression that one of the original Member States, namely Italy, has not yet published anything in this connection, I should like to know when the Commission proposes to carry out its promise to the European Parliament to keep the latter informed of developments as regards the application of the directive, on the basis of the result of debates conducted in the consultative committee for public works contracts. This promise was made to us by Mr Ortolí in his letter concerning the manner in which the Commission has acted upon wishes expressed by this Parliament.

President. — I call Mr Gundelach.

Mr Gundelach. — (DK) Mr President, as I stated in my answer, there are shortcomings where compliance with the provisions of the directive is concerned and in the case mentioned by the questioner the trouble is due to basic legal questions which we are trying to solve by negotiation. But, as I said, if success is not achieved within a very reasonable time the Commission will in the very near future have recourse to the legal procedures provided for in Article 169. The Commission will not fail to keep Parliament informed about any such action, nor will it fail to give Parliament full details—which has not been done yet for the reasons I have given—about the extent to which the provisions of the directive concerning publication have been complied with.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, before I put my question, allow me to make one remark on the Rules of Procedure. While having every

Fellermaier

sympathy for the long answers given by Members of the Commission to our questions, which may of course be necessary, I do find that this Question Time leads to a shift in the balance between the Commission and Parliament in that Commission Members have the opportunity to answer questions and supplementary questions without any restriction, while the Members of this House are limited in the way in which they ask their questions by a very strict formula. In view of the course that this Question Time has taken, I trust that you will sympathize with these remarks on the Rules of Procedure, Mr President.

And now to my question: Mr Gundelach, you have said invitations to tender in the Member States are happily on the increase. This House would, however, be interested to hear from you whether contracts are actually signed as a result of these invitations. Would you be prepared to report on 1 January 1974 how many contracts have been placed in the Member States in 1973 at a truly supernatural level following the submission of tender?

President. — I call Mr Gundelach.

Mr Gundelach. — (DK) Mr President, as I have already replied the Commission will be both willing to present and interested in presenting Parliament at the beginning of 1974 with the material it possesses both on the extent to which tenders have been made public and the extent to which contracts have been given to companies in other countries.

I have emphasized that there have been understandable legal and practical problems that make it difficult to put the directive into full application, but with that reservation—which is not a reservation regarding the extent of the information but a reservation regarding the completeness of the material—we are ready to present the material to Parliament at the time mentioned by the questioner.

President. — I call Mr Baas.

Mr Baas. — (NL) Mr President, is it necessary to lay down assessment criteria in respect of the granting of contracts?

President. — I call Mr Gundelach.

Mr Gundelach. — (DK) Mr President, as I wish to comply with the request not to make long speeches here, I think I should prefer to give the questioner a memo on this matter since I should have to go through the whole directive in order to give a complete answer. I therefore

prefer to place the necessary material on this question at Parliament's disposal. Otherwise I should at the very shortest have to use ten minutes to answer this question.

President. — I call Oral Question No 94/73 by Mr Radoux to the Commission of the European Communities.

Subject: Transition to the second stage of economic and monetary union

With reference to the communiqué issued after the Summit Conference in October 1972, the Commission is asked whether it believes the deadline of 1 January for transition to the second stage of economic and monetary union can be met. If not, what are the reasons for the delay?

I call Mr Haferkamp to answer the question.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, in the declaration issued at the Paris Summit Conference at the end of October 1972 the Heads of State or Government agreed that—and I quote—

'the necessary decisions should be taken in the course of 1973 so as to allow the transition to the second stage of the Economic and Monetary Union on 1 January 1974 and with a view to its completion not later than 31 December 1980.'

The declaration thus includes two dates. Firstly, there is to be full economic and monetary union by 31 December 1980 at the latest. Secondly, to allow this union to be achieved, the transition to the second stage of economic and monetary union is to be made on 1 January 1974. In the Commission's view, these dates can be observed.

But what does 'transition to the second stage' really mean? Does it mean that suddenly on 1 January 1974 everything that goes to make up this second stage is to go into force? With so complicated and important a process as the further development of economic and monetary union this is just as impossible as at the time of the creation of the Common Market. Then, too, not all the decisions came into force on the first day. Numerous proposals from the Commission, numerous decisions by the Council of Ministers have been and are being taken as the Common Market develops. And now we are also faced with a continuous process which extends through the whole sequence of stages before economic and monetary union becomes a reality. And a few dates are important in this process. They give us an opportunity to subject what has been achieved to a critical examination from which conclusions can be drawn for future action.

Haferkamp

This means today that firstly, we must draw definite conclusions from experience gained in the first stage. That means the decisions taken in the last few years in respect of the realization of economic and monetary union must be implemented more effectively.

Secondly, we must open the way for further development. This means that before the end of the year commitments for the next stage must be entered into, as regards both the content of the policy and the relevant procedures. Both must take on an increasingly Community form. Dates should be set for the realization of specific measures.

However, a number of individual decisions which can be implemented as early as 1 January 1974 will have to be taken. These decisions will have to be taken during the meetings of the Council Ministers which will begin at the end of October and continue until mid-December. On the basis of reports and proposals it has already submitted and with account taken of the discussions within the Council and in this House, the Commission will make all the proposals required to ensure that decisions are taken in good time.

President. — I call Mr Radoux to put a short supplementary question.

Mr Radoux. — (*F*) Mr President, it is possible to maintain, of course, that the Summit communiqué, while not legally binding on the other institutions, is nonetheless politically binding.

I thank Mr Haferkamp for his reply, but I now wish to ask whether the Commission takes an optimistic and realistic view, in other words, since economic and monetary union is the most important policy of the Community, is the Commission going to make the necessary provision in the next Community budget?

President. — I call Mr Haferkamp.

Mr Haferkamp. — (*D*) Mr President, in our activities we must be optimists and realists at the same time. I believe that what I have just told you has to be done by the end of the year is the expression of a realistic appraisal.

Where the budget is concerned, I feel that provision has been made for everything that is predictable in next year's activities. Moreover, the Commission has stated that it must reserve the right to announce additional appropriations, if and when political decisions are taken, for all sectors of new policies involving expenditure or other consequences of a budgetary nature.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — As it is generally accepted that the Commission's recommendation for a progressive pooling of reserves has virtually no chance of being adopted, has the Commission prepared a series of alternative proposals to inaugurate the second phase? If so, when will they be brought before Parliament?

President. — I call Mr Haferkamp.

Mr Haferkamp. — (*D*) Mr President, the Commission of course carefully follows the course of discussions, particularly those by Council officials, just as it derives value from the discussions it has with Parliament's committees and this House on its proposals. This will be the basis we shall take when we consider it right and the time ripe for any new proposals to be made. We are in the process of carrying out this analysis; but I would think it wrong to produce alternative and compromise proposals before the political discussion of the principal proposals we have made takes place.

President. — I call Mr Leonardi.

Mr Leonardi. — (*I*) Mr President, in view of the fact that transition to the second stage represents a qualitative leap, with all the inevitable attendant difficulties, does not the Commission agree that it would be useful to revise its documentation on the first stage and on the possibilities of progressing to the second stage (I refer to Document No 570) so as to include in it data on the Community's real position and thus obviate this document's purely procedural nature?

President. — I call Mr Haferkamp.

Mr Haferkamp. — (*D*) We are not dealing simply with this report on the first stage and the transition to the second stage. I should like to point out that other documents and Commission proposals are closely related to this subject even though they are not included in the same paper. Yesterday, for example, we discussed the economic report; tomorrow we will be debating the report on the pooling of reserves and improvement of short-term aid. These are proposals of substance which will affect the second stage, the content of the policy and procedures. Once again, it is evident that we are dealing with a continuous process; the important thing is that we keep it moving.

President. — I call Mr Blumenfeld.

Mr Blumenfeld. — (D) In the light of the unsatisfactory outcome of the attempt to coordinate the economic policies of the Member States during the first stage, does the Commission not feel that irrespective of the transition to the second stage, there must be a fundamental improvement in Community machinery so that it can be insured that the Community, also in the Commission's view, becomes a Community of stability and growth, and what proposals does the Commission intend to make?

President. — I call Mr Haferkamp.

Mr Haferkamp. — (D) The Commission shares this view. In my first reply I said that it is very important that a number of definite individual decisions be taken before the end of this year and that they come into force on 1 January 1974. This includes the strengthening of Community machinery for coordination in economic and monetary policy. The Commission will be submitting its proposals during November.

President. — I call Mr Jahn.

Mr Jahn. — (D) Mr President, Mr Haferkamp has stated that in some sections of the first stage progress towards economic and monetary union was too slow. I should like to ask him what the problems were since we will have to take particular account of them in the second stage.

President. — I call Mr Haferkamp.

Mr Haferkamp. — (D) Mr President, part of my answer can only be a repetition of what has already been said in the report and what we have said about the report during the debate in this House, because I will otherwise not be able to observe the time limit. Among the sectors in which we have made the least progress is, for example, the liberalization of the movement of capital in the Community. At the time, I stated in this House that we had suffered a setback in this field; however, I also drew your attention to the fact that in my opinion this was the result of the international monetary situation.

This is also related to the question which we have just discussed: is the coordination machinery adequate? I do not think it is enough for us to confer and to hear the opinions of the individual Member States. We must also

achieve binding agreements, guidelines and directives in the coordination of conjunctural policy, to give another example.

President. — I call Oral Question No 110/73 by Sir Douglas Dodds-Parker to the Commission of the European Communities:

Subject: *Aide-memoire* from the Indian Government concerning Joint Declaration of Intent annexed to the Treaty of Accession

The Commission is asked on what date it will take action on the *aide-memoire* presented by the Indian Government of 29 January 1973 requesting an immediate commencement of the joint examination envisaged in the Joint Declaration of Intent annexed to the Treaty of Accession between the European Community and the United Kingdom in which the European Community declared that it was ready, from the date of accession of the United Kingdom, to examine with the countries named in the Declaration such problems as may arise in the field of trade with a view to seeking appropriate solutions.

and Oral Question No 111/73 by Sir Tufton Beamish to the Commission of the European Communities:

Subject: Joint Declaration of Intent annexed to the Treaty of Accession

The Commission is asked if it will make a statement on the action so far taken under the Joint Declaration of Intent annexed to the Treaty of Accession between the European Community and the United Kingdom and if it is confident that appropriate solutions in respect of the trade relations between the European Community and the countries named in the Declaration as well as with Bangladesh will be found before 31 December 1973 which will ensure that those countries are not placed at a disadvantage as compared with their situation before 1 January 1973.

I call Sir Christopher Soames to answer the questions.

Sir Christopher Soames. — Mr President, with your permission, I propose to answer Questions No 110/73 by Sir Douglas Dodds-Parker and No 111/73 by Sir Tufton Beamish together. They both relate to the implementation of the Declaration of Intent, which was annexed to the Treaty of Accession on the development of trade relations with Asian Commonwealth countries.

Consideration of how to implement this Declaration was begun in the Commission from the date of the accession of the new Member States. There have since been a number of contacts between experts of the Commission and of the countries concerned in order to clarify the various issues at stake. In particular, I would mention contacts with India and with the ASEAN Organization which groups together Malaysia, Singapore, the Philippines, Indonesia

Soames

and Thailand. I was able to have useful talks on this subject with Ministers from all these countries when I visited India and South-East Asia last month.

A number of countries concerned, including India, have submitted memoranda to the Commission setting out their views on the Declaration of Intent, and these have proved of great use to us in our preparatory work. The Commission will shortly be sending to the Council a communication setting out the action which we believe needs to be taken before the end of the year as a first step towards implementing the Declaration of Intent, and in particular its objective of extending and strengthening trade relations with Asian Commonwealth countries.

As indicated in the Declaration of Intent itself, an important element in our examination and in the proposals we shall make is the system of generalized preferences. The Commission has already sent forward to the Council certain proposals for the generalized preference scheme in 1974 relating to products in the agricultural and processed foodstuffs field, and this proposal has been transmitted to this House. The Commission will shortly be sending forward further proposals on the generalized preference scheme for 1974 covering industrial products, and these, like the earlier ones on agricultural products, will be closely linked to fulfilling the Declaration of Intent.

In addition, the proposals which the Commission sent to the Council in July with respect to sugar cover the question of exports of sugar from India, which is dealt with in the second part of the Declaration of Intent. Our hope is that if the Council can reach agreement on the proposals we put forward, these will provide solutions to the immediate problems arising in the trade field owing to the United Kingdom's accession.

President. — I call Sir Douglas Dodds-Parker to put a short supplementary question.

Sir Douglas Dodds-Parker. — Does the Commissioner agree that increased imports of semi-manufactured goods from India could ease the problem of underproduction which is appearing in some parts of the Community and help reduce the need for 11 million further migrant workers which the United Nations say will be needed by 1980?

Sir Christopher Soames. — Yes, Sir Douglas is right to ensure that these are matters which all of us must very much bear in mind in the manner in which we implement the Declaration of Intent from the point of view of both the

interests of the country concerned and the interests of the Community.

President. — I call Sir Tufton Beamish to put a short supplementary question.

Sir Tufton Beamish. — In thanking Sir Christopher for that encouraging and very full reply to the two questions, may I ask whether he is nonetheless aware of the widely held—I believe mistaken—view that the Community is not sufficiently outward-looking and is too little concerned with narrowing the gap between richer and poorer nations?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — I am glad that Sir Tufton has raised the point about the image of the Community. The Community has a good record in this regard. We were among the first to bring into force a generalized preference scheme. Where associated and associable countries are concerned, we are in the process of negotiating now. It is inherent in this—it is built into it—that there will be some preference given by the Community to countries which are associated; but in no way does the Commission feel that the Community regards that as the be all and end all of our attitudes towards the developing world. Association is merely one aspect of it—and important aspect, one brought about by virtue of the responsibilities which many Member States have carried with them into the Community, moral responsibilities as well as political. But through the generalized preference scheme and the Declaration of Intent it is up to the Community to ensure that our image in the world is not one of disregarding our responsibilities towards the developing countries. If one considers what the Community is trying to do in this respect and compares it with what a number of other major industrial countries are doing, the Community's image so far is a good one, and it is up to us to keep it thus.

President. — I call Mr Dewulf.

Mr Dewulf. — (NL) Mr President, in his reply Sir Christopher referred a moment ago to proposals made with respect to agricultural products, including sugar. I should like to ask once again whether it is correct that the Community has *de facto*, if not *de jure* excluded itself from the new International Sugar Agreement, and if so, what could the consequences of such an act be for relations between the Community and Commonwealth countries in Asia and Africa?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — It would be going too far to say that the Community has excluded itself from any international sugar agreement which might be arrived at in future. The Commission was disappointed that the Community did not participate in the recent Geneva talks on a further international sugar agreement. We believe that the paper we put to the Council of Ministers will have given the Community a fair base on which to make its contribution to an extremely important matter affecting so many developing countries and a matter that is also extremely important for the Community. But, alas, it was not possible within the Council of Ministers to reach agreement and therefore it was not possible for the Community to put forward any positive views in the negotiations on a new international sugar agreement. We had somebody there, but he was not allowed to speak.

The Commission believes that the exclusion of Europe from these important talks was not good for Europe and was not good for the world approach in trying to arrive at an international sugar agreement. Having said that, I must emphasize that it was not for that reason only that agreement was not reached at the conference on an international sugar agreement. There were other reasons which prevented a conclusion from being reached. It remains the Commission's hope that when the matter is taken up again in an international forum the Community will then be able to use its influence to bring the next conference to a satisfactory conclusion. This, as I say, is the Commission's hope, but a decision has yet to be taken in the Council of Ministers on the basis of any position to be taken by the Community.

President. — I call Mr Van der Hek.

Mr Van der Hek. — (NL) Mr President, must I deduce from the Commission's remarks that Commonwealth countries will have access to these markets within the framework of the traditional system of generalized preferences, and that they cannot expect any special concessions in this field over and above the provisions of this system?

President. — I call Mr Christopher Soames.

Sir Christopher Soames. — It was specifically mentioned during the negotiations on the enlargement of the Community that the Community would do its best to ensure that trade would be developed between the Community

and certain countries in South-East Asia and other parts of Asia, countries which up to that time depended to a large degree on trade with the United Kingdom. No firm commitment was made on how this should be done or to what extent it should be done, but the words are there to be seen in the Declaration of Intent.

It is up to the Community to see that the undertaking between the Six and the acceding countries entered into during the enlargement negotiations is adhered to. The present talks are proceeding with this end in view, and the Commission will be putting forward its proposals. I think it can be said that the whole Community feels that it is up to the Community members to live up to the undertakings which were entered into.

President. — I call Mr Taverne.

Mr Taverne. — The Commissioner has mentioned the general scheme for preferences as a sign that the Community is outward looking. Does he not agree that this scheme will achieve its objects only if it is urgently reformed both by looking again at the base year in respect of which the ceilings are fixed and by extending the scope of products covered?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — May I ask the honourable Member to repeat the second part of his question?

Mr Taverne. — Does not the Commissioner agree that the general scheme for preferences will achieve its objects only if it is urgently reformed both by looking again at the base year in respect of which the ceilings are fixed and by extending the scope of the products covered?

Sir Christopher Soames. — Yes, I agree on both counts. Some adaptation of the base year on which the calculation is made will be included in the Commission's proposals shortly coming forward. The products covered will be a matter of great importance in the multilateral trade negotiations which we hope will be opening early next year, in that it is to the generalized preference scheme—the extension of the product coverage laterally, as it were, and also the extension of the ceilings on the products included in the generalized preference scheme—that we in the Community will be looking to make up any disadvantages which the developing countries might have by virtue of the reduction of tariffs among industrialized countries. (The more tariffs are reduced, the less the preference for the under-developed.)

Soames

This is a common responsibility, a common burden, that all industrialized countries should share. Compared with what has been done by others hitherto, the Community has a good tale to tell. I agree with the honourable member that this in no way means that we should not be looking beyond developing the generalized preference scheme. This indeed lies behind the Commission's proposals for the 1974 scheme, both for agricultural and industrial products, and in the multilateral trade negotiations we should be looking both to improve ours and also to persuade other industrialized countries to be as generous as the Community is.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Sir Christopher, you have said that all the lack of agreement on the sugar agreement within the Council of Ministers produced for the European Commission was silent attendance at a conference table. Is it to be feared that in view of the Commission's basic attitude on other worldwide agreements aimed at safeguarding raw material markets in the interests of the developing countries, this negative example will be repeated?

President. — I call Sir Christopher Soames.

Sir Christopher Soames. — I sincerely hope that that will not be the case.

President. — The 60 minutes at our disposal for Question Time are now up. In accordance with the Rules of Procedure, questions which have not been answered will receive a written answer from the institution concerned, unless the author requires an oral answer at the next part-session.

Does anyone else wish to speak?

Question Time is closed.

4. Statement by the Council on its relations with the European Parliament

President. — The next item is a statement by the President-in-Office of the Council of the European Communities on relations between the Council and the European Parliament.

I call Mr Nørgaard.

Mr Nørgaard, President-in-Office of the Council of the European Communities. — (DK) Mr President, as you know, at the Paris Summit

Conference the Heads of State or Government instructed the Council and Commission to take as soon as possible the practical measures necessary for strengthening the European Parliament's powers of control and for improving contacts between our institutions.

The Council has given these problems its careful consideration and discussed at its meeting the day before yesterday the measures it envisages putting into effect to improve contacts with Parliament. I have arranged for Parliament's Bureau to be provided tomorrow with a text containing the measures that the Council has been able to approve, but I should like to present them to you now orally and to state the considerations underlying the Council's conclusions. The matter in question is of course practical measures regarding relations between the Council and Parliament, and in no way anticipates the Council's consideration of the Commission's proposals concerning the European Parliament's powers, especially in the budgetary field.

The practical measures contemplated by the Council relate to 4 sectors, namely:

- improvement of the procedure for answering written and oral questions from Members of the European Parliament;
- contacts with the European Parliament on questions concerning trade agreements;
- improvement of the procedure for consulting the European Parliament;
- the Council's participation in the European Parliament's work.

As regards the first point, the Council has, as you know, always reserved the right to answer the oral questions asked by Members of Parliament. However, the Council has now decided to answer in future all written and oral questions, in so far of course as they fall within its competence.

As regards the written questions, under Parliament's Rules of Procedure the Council has two months within which to answer them. The Council regrets that it has not always been able in the past to observe this time limit but it has decided to do everything to expedite the procedure for answering questions and to ensure that answers are given well before the two month time limit expires.

As regards questions put during Question Time, the Council is willing to participate in a debate based on an answer given by the Council. Such a debate can be governed by the same rules as apply to the Commission, and the Council's

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participation will not, of course, exceed the limits of its competence.

Finally, the Council would once again stress the importance it attaches to the procedure of oral questions with debate which has to date made it possible to engage in extremely interesting exchanges of views and thereby an intensive and well prepared discussion of problems of common interest to our two institutions is made possible.

As regards contacts with the European Parliament on matters concerning trade agreements, we have, as you know, employed up to now for these agreements a procedure whereby the Council confidentially and unofficially communicates the main contents of such agreements to the committees responsible. I realize that Parliament did not find this procedure entirely satisfactory; in its resolution of 13 February 1973, for instance it asked to be allowed to participate more actively in the conclusion of such agreements.

To meet this request from the European Parliament, the Council considers it possible that, besides maintaining the information procedure I have just mentioned, other possibilities deserve consideration. The Council believes among other things that, before negotiations start on a trade agreement with a third country and in the light of the Council's information to the parliamentary committee responsible, it should in suitable cases be possible to hold a debate on the matter during a plenary session of the European Parliament.

In addition to this the President of the Council or his deputy in accordance with the present procedure, confidentially and unofficially informs the committees responsible about the main substance of the agreement when negotiations have produced results but before the agreement is actually signed.

Finally, the Council informs Parliament of the wording of such agreements after they have been signed but before they have entered into force.

Parliament will thus be in possession of all details necessary for discussing these agreements if it so requires.

I come now to the procedure for consulting the European Parliament. We believe here that it ought to be possible for Parliament to be consulted as rapidly as possible on all proposals from the Commission for which consultation is obligatory and on all proposals on which the Council decides to consult the Parliament by reason of their importance and in keeping with the practice that has developed in recent times.

The internal procedure we have established will make it possible to request Parliament's opinion as quickly as can be arranged, usually no later than a week after the Council's receipt of the Commission's proposals.

The Council has moreover expressed its intention not to deal with, save in special cases, any proposals from the Commission submitted to Parliament for its opinion before it has received that opinion, provided that opinions are given within a reasonable time, which can in given cases be decided by common consent. I should further like to recall that the Council has already taken internal measures regarding its consideration of Parliament's opinions.

In the light of the experience it has gained, the Council has decided to improve this procedure further.

The Council has also considered it desirable to see that Parliament is kept better informed about further developments in matters on which it has given an opinion. With this in mind, the President of the Council is prepared in addition to the procedure already applied, to have regular meetings at least 4 times a year with the President of the European Parliament in order to examine among other things to what degree the Council has paid regard to Parliament's opinions.

I am coming now to the last point, Mr President, namely the Council's participation in Parliament's work. As you know, we have already come a long way in this sphere since the Council is now endeavouring to be represented at practically all your sessions.

In the meantime we will gladly comply with a wish frequently expressed by the European Parliament, namely, that the Council should be associated still more closely with Parliament's work. The Council therefore states its willingness in principle—subject to the procedures already in force—to be represented during Parliament's important debates and in certain cases to participate in them.

We would further propose an improvement in the practice currently followed in connection with the annual report that Parliament is given by the President of the Council. This report could be given each year in February and contain both a survey of the past year's activities in general outline and information about the action the Council envisages taking during the current year.

I think it will be useful in this connection to follow the practice introduced in recent years whereby the report is given to members of the European Parliament in written form. The

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President will then be able to confine himself to a short oral presentation of his report and at the end of the debate answer any questions there may be.

Mr President, Ladies and Gentlemen. It is my hope that these measures will be favourably received by all Member of the European Parliament. I can assure you that the Council, in taking them, has been prompted by a sincere desire for continued fruitful relations with the European Parliament and to enable Parliament together with the other institutions to discuss all the problems concerning our Communities' development and future activities for the building of Europe.

(Applause)

President. — Pursuant to Rule 31 of the Rules of Procedure and the Bureau's decision of 24 May 1973, announced at the sitting of 5 June 1973, the chairman of the committee responsible has 5 minutes speaking time to comment on the statement by the President-in-Office of the Council. The remaining speakers, together with the representative of the Council, have 15 minutes' at their disposal.

I call Mr Giraudo, chairman of the Political Affairs Committee.

Mr Giraudo. — (I) Mr President, I should like to thank the President-in-office of the Council for the information which he gave us this morning. I believe that we can consider the decisions taken by the Council in these past days as satisfactory, not only because they deal exhaustively with the whole complex of Council-Parliament relations, but also because with the four decisions of which the President of the Council has informed us a definite step forward has been made.

I should like to stress particularly the second point, that dealing with Parliament's participation in Council decisions on trade agreements. The President of the Council has spoken of the Luns procedure which so far has guided relations between Parliament and Council. He must know how unsatisfactory this procedure has proved because it meant that Parliament learnt of such agreements when it was too late to say or do anything which might affect their nature and scope.

I feel that the three new elements indicated by the President of the Council are important and meet Parliament's requests put forward in the resolution of last February. At that time I asked for something which still has not been granted, that is for a measure of Parliament's participation in the ratification procedure. In

practical terms, this is a question of a power of codecision. We hope, nevertheless, that this matter can be included in the general subject of codecision, a subject which is concerned not only with this point but above all with budgetary powers. I thank you, Mr President, and I thank the President of the Council for the information which he has provided.

President. — I call Mr Kirk.

Mr Kirk. — I should like to express my thanks to the President of the Council for his very full statement and the considerable advance that the Council is making in its relationship with us. We are very grateful. It will be helpful to me as rapporteur of the Political Affairs Committee in preparing the further report on the relationship between the institutions which Parliament has called for by the end of this year or the early part of next year.

I should like to probe a little further the question of trade agreements.

As I understand it, the difficulty which arose in the past was that signature and ratification were regarded as one and the same thing and it was impossible to inject a parliamentary stage because the agreement was not signed until it was concluded and, once it was signed, it was too late. Do I understand now, from what has been said by the President, that this problem has been overcome and we are to have a separate ratification procedure which will mean that, once a treaty has been signed, Parliament will be able to pass judgment on it before it is ratified? What the President said, according to the interpretation that I heard, was that this procedure will be injected between signature and conclusion. I was not clear what 'conclusion' meant, and that is the point on which I wish to press him.

President. — I call Sir Tufton Beamish.

Sir Tufton Beamish. — Mr President, I make no apology for returning to a subject I have raised every month since I first became a Member of this Parliament. I want to ask the President-in-Office to whom questions on the Community's foreign policy should be addressed.

We have a motion for a resolution tabled by the chairmen of all the political groups on the subject of the Middle East, asking the Community as such to take an initiative to bring about a cease-fire followed as soon as possible by a negotiated and guaranteed settlement, and I

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stress 'asking the Community as such' to do this.

We know that in the Helsinki Conference the Community was speaking with one voice and we were all very pleased this should be so.

I have down for the next part session a question for debating the Helsinki Conference. I should like to know whether the President of the Council of Ministers will be ready to answer this debate, or does he feel that he is not competent to do so? If he is not competent to do so, as has apparently been the case in the past, will the President of the Conference of Foreign Ministers be willing to come and listen to our debate on the Helsinki Conference and contribute to it?

It seems to me—and I fancy that practically every Member of this Parliament will agree—that we should be able to debate foreign policy questions in the presence of the responsible Minister. I think it will be widely felt that the present position is thoroughly unsatisfactory and, indeed, intolerable.

President. — I call Mr Bro.

Mr Bro. — (DK) Mr President, I too should like to thank the President of Council for his speech to us on relations between the Council and Parliament.

I think a step has been taken on the right road but I have seldom spoken here in Parliament without touching on what I believe to be Parliament's, the Council's and the Commission's greatest danger, that is to say bureaucracy. That is why I should like to say here too that I believe it to be a shortcoming in the President of the Council's proposals that the time limits set for answering questions is two months. It is too long if there is to be proper communications between the Council and Parliament.

I would therefore request that the problem be taken up and considered and that we be given prompt answers so that a dialogue can arise between the Council and Parliament on matters that would otherwise suffer by being hidden away for months. Thank you, Mr President.

President. — I call Mr Nørgaard.

Mr Nørgaard. — (DK) Mr President, I should like to state how pleased I am with the remarks that have been made about the Council's proposals. I think we have a step in this field which is recognized by Parliament and the Council as a real step forward in our future cooperation.

I shall now try to answer the questions that have been raised.

Both Mr Giraud and Mr Kirk mentioned the trade agreements item and touched on the question of how Parliament could be involved more than in the past, when the so-called Luns procedure had been applied, so that in certain cases Parliament can hold a purposeful debate on these questions before the agreements are actually concluded.

On the matter of ratification, I would state that it is indeed true that ratification is not required in the parliaments of the 9 countries, but it can happen that the party with whom we negotiate has to complete various procedures before the agreement is finally concluded. These matters can then be discussed before the final measures are taken to put the agreement into effect.

I think on this point we have left the initiative to Parliament. Parliament can itself decide whether it wants to have a public discussion of all these matters in the light of the information Parliament will now be getting. Even if this background information is confidential, there is nothing to stop Parliament having a public debate on the known facts of the agreement.

In reply to Sir Tufton Beamish's question about debates on foreign policy in the Council, I would repeat what innumerable Presidents of the Council have said in the past that a President of the Council cannot in that capacity take part in debates on questions of foreign policy since, under the Treaty of Rome, these lie outside the institution's terms of reference. But, as you know, the Foreign Ministers meet in the so-called political committee where they consult each other on matters of foreign policy and today things have been so arranged that I am here this morning as President of the Council and can only reply as such, but this afternoon my colleague Mr Andersen, who is taking part in the foreign policy discussions in the committee, will be present and Mr Andersen will speak to you this afternoon on foreign policy matters.

To Mr Bro I would say that it is true that the time limit for answering written questions is two months but, as I pointed out, the Council is now going to try to answer much more rapidly than that and indeed to expedite questions as much as possible. I agree with Mr Bro that it will promote the exchange of ideas between the Council and Parliament if answers are given more quickly to written questions than has so far been the case.

President. — I thank the President-in-Office of the Council for answering the questions put to him.

5. *Draft general budget of the Communities for 1974*

President. — The next item is the first debate on the draft general budget of the European Communities for the financial year 1974.

Before opening the debate, I would remind the House that Rule 23A(3) of the Rules of Procedure requires me to set a time-limit for the tabling of proposed modifications.

In the light of the work schedule of the Committee on Budgets, this time-limit has been set at 25 October 1973.

I would remind the House that pursuant to Rule 23A of the Rules of Procedure the time-limit for the submission of opinions to the Committee on Budgets has been set at 31 October 1973.

I call Mr Nørgaard.

Mr Nørgaard. — (DK) Mr President, a special feature of the draft budget I have the honour to present to the European Parliament is that it concerns the final year of the transitional period established in the budget provisions in the Treaty of 22 April 1970.

I should like to point out in this connection that we have now received the Commission's proposals and the European Parliament's opinion on Parliament's budgetary powers, and the Council intends to get down to examining them right away. In this context I think we must consider together the possible ways of improving practical cooperation between our two institutions in dealing with the draft budget in the coming years.

A special feature of this draft budget is that it constitutes a first attempt to introduce into the budgetary sector certain very important policy lines from the conference of the Heads of State or Government held a year ago in Paris.

Appropriations in the 1974 draft budget amount to a good 5,000 million units of account. As the draft budget looks today, then, appropriations have been cut back by a good 100 million u.a., as compared with the 1973 appropriations.

I shall now make a few observations on the expenditure estimates. This time, too, most of the items of expenditure entered on the draft budget relate to EAGGF expenditure, which alone is estimated at more than 3,800 million u.a.

Of this amount more than 3,500 million u.a. are for the guarantee section and 325 million for the development sections.

The remaining appropriations on the 1974 draft budget, namely 1,100 million u.a., can be broken down as follows:

327 million for the Social Fund,

a small 'token entry' in respect of the regional development fund,

130 million for food aid,

85 million for research and investment expenditure,

358 million for administrative expenditure and operating costs, and finally,

293 million for the repayment of expenditure in connection with the collection of own resources.

I shall now look at the revenue estimates. Own resources are estimated at almost 3,000 million u.a., which means that they cover about 60% of total revenue.

As regards the EAGGF, I would first state that the Council has agreed to the total amount of appropriations requested by the Commission for the guarantee section, i.e. more than 3,500 million u.a. This figure takes account of the reduction proposed by the Commission in its rectification to the provisional draft budget.

Given developments on the world cereals market, it has been possible to reduce the expenditure estimates for the cereals sector. This special situation regarding cereal products has effected the pigmeat, egg and poultry sectors; it has in other respects affected the compensatory amounts connected with the accession of new Member States and those connected with currency matters. Amendments have also had to be made to appropriations in a few other sectors.

Regarding appropriations to the EAGGF'S guarantee section, I should like to add that the Council has agreed to examine certain proposals to give the Commission in future as wide a scope as possible to arrive at a better assessment of the expenditure estimates for this section.

The Council has also given agreement to an entry of 325 million u.a. in the draft budget for the EAGGF'S development section. This amount is equal to the ceiling adopted by the Council on 28 December 1972.

There is an entry of 170 million u.a. on account 8003 for individual projects in 1974, with the

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note that this does not prevent the said appropriations, if such are proved necessary, from mainly supplementing the appropriations in chapters 81 - 85, if expenditure in 1974 on common activities exceeds the appropriation currently entered on the corresponding budget account.

As regards the re-inclusion of appropriations for 1972 and 1973 for development operations in priority agricultural regions, the Council has decided to put a token entry against the two items in Article 850 and to have the appropriations—i.e. 25 million u.a. for 1972 and 50 million u.a. for 1973—entered in the remarks column.

These appropriations constitute an authorization to enter into commitments; they will be put into effect as soon as the Council has decided on the Commission's proposal of 26 May 1971 on the Community financing of development operations in priority agricultural regions. In cases where appropriations are used during the financial year, corresponding modifications must be made.

I now come to the appropriations for the social fund.

I should like to emphasize from the very beginning that the fixing of these appropriations has been the subject of intensive discussion within the Council. As its President, I did not fail to draw attention to Parliament's views on this question with which your delegation acquainted us before the Council began its examination of the provisional draft budget.

Appropriations for the European Social Fund amount to more than 327 million u.a. in the draft budget under discussion, as against 282 million u.a. in 1973, and this represents an increase of more than 15%.

Of these 327 million u.a., 267 million u.a. are reserved for the new social fund, 98 million being reserved for expenditure under Article 4 of the decision of 1 February 1971 and 168 million under Article 5. I would remind you that the 1973 appropriations for the new social fund, bearing in mind the supplementary appropriations of 45 million u.a. in supplementary budget No 4, amount to 222 million u.a., so appropriations for the new social fund are 20% higher than those for 1973.

In addition to these appropriations for the 1974 financial year, the council has also authorized the Commission to enter into commitments for the two next financial years, namely 110 million u.a. for 1975 and 50 million for 1976, in order to provide for the financing of pluriannual operations.

I am well aware that some people will maintain that the increase should have been even larger and that the Council should have approved all the appropriations requested by the Commission.

I should like to come back to this important question at another stage in the procedure, but I would like here and now to point out that the Council, like Parliament, is fully aware that strong efforts must be made in the social sector so that the objectives set out in the declaration of Heads of State or Government at the Paris Summit Conference may be achieved. The Council has demonstrated this by allotting a supplementary appropriation of 45 million u.a. to the new social fund in 1973 and by accepting a rise of 20% in the appropriations for the new social fund in the next financial year.

I should like to draw your attention to the fact that, in so far as development and extension of operations already under way are not concerned, no account has yet been taken in the appropriations fixed for 1974 of the financing of the Communities' social action programme, which it is expected will be adopted before 1 January and for which specific measures and corresponding funds will be established, especially within the framework of the social fund, as was emphasized at the Paris Summit Conference. It should be observed that the Commission had not included appropriations for the social action programme in its provisional draft budget for 1974. Only when the programme has been adopted by the Council will it be possible to take the necessary measures. It is not therefore possible today to assess exactly how large a sum will be spent in the social sector during the coming year.

I should now like to talk about regional policy.

At the Paris Summit Conference the Heads of State or Government called upon the institutions of the Community to establish a Regional Development Fund before 31 December 1973.

The decisions concerning regional policy to be adopted on the basis of proposals from the Commission are currently being considered by the Council.

It could well prove premature to fix now the 1974 appropriations for the regional development fund; for such appropriations might in one way or another anticipate the important decisions to be taken in this sector. The Council has however decided that, as soon as the decisions on regional policy have been taken, it will take the necessary budgetary measures. For this reason the Council has placed a token

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entry against chapters 55 and 56. We are convinced that in this way we can fully meet the time-limit laid down by the Summit Conference.

Mr President, I should like yet again to refer to the Paris Summit Conference which laid down that the Community institutions should before 1 January 1974 adopt a community action programme in the science and technology policy sector. Pending the Council's decision, the Council has, on the Commission's proposal, entered a new Article 394 in the present draft budget, namely: 'expenditure on the action programme in the science and technology policy sector', accompanied by the mention 'token entry'.

As regards food aid, I have already stated that the appropriations amount to 130 million u.a. against 48 million in the previous financial year.

The increase in these appropriations is due to the increase in the volume of food aid and to the Community's share in supporting the cereals market as also world economic trends on that market. As a result of these trends, refunds for wheat and rice have been abolished and expenditure on the EAGGF's guarantee sections, have, as I mentioned earlier, been reduced.

I have now arrived at the expenditure on research and investment. In the draft budget the Council has entered expenditure items for over 85 million u.a., not counting nuclear and non-nuclear programmes.

In accordance with its decision of 18 June 1973, the Council agreed that the item 'technical assessments in support of the Commission's work' will be financed from the general part of the budget.

The Council also agreed to include in chapter 98 an entry of 1,700,000 u.a. in respect of the European Information Centre for data programmes and controlled thermo-nuclear fusion and plasma physics, since no programme decision on these subjects had yet been taken when the draft budget was being prepared.

Mr President, I have now at last come to the administrative expenditure and operational costs, which, as I stated at the beginning of my report, amount to 358 million u.a. Expenditure for the European Parliament, the Council and the Court of Justice do not call for any special comments. I would, however, like to examine a little more closely the estimates for the Commission's expenditure.

The Council has examined with the necessary care the Commission's expenditure on staff. It has taken into account the considerable efforts to provide the Commission, in the 1972 budget, with the necessary staff in preparation for the accession of the new Member States. These continued efforts were reflected in the 1973 budget and the supplementary budget No 1 for this year. In view of the staff the Commission has recruited on these various occasions, the Council, with this institution's approval, authorized 405 posts, of which 107 for operational and specific purposes, 288 for the translation and interpretation service and 10 for the publications office.

As regards the Commission's other administrative expenditure, I would draw your attention to the fact that as the Council has not yet taken any decision in this respect, it has been necessary to transfer a number of appropriations, as requested by this institution, to chapter 98: provisional appropriations not allocated.

Mr President, I have tried to give a survey of what I consider to be the most important features of the draft budget laid before Parliament.

The Council has sought to provide the institutions, particularly the Commission, with sufficient funds to enable them to meet their commitments next year.

The Council has also sought to obviate, if possible, the need in 1974 to adopt as many supplementary budgets as this year.

As you know, within the framework of our cooperation in the budgetary sphere, I shall in November be taking part in the debate in the Committee on Budgets and afterwards in the debate on the draft budget here in Parliament. I repeat that I look forward with pleasure to being able to do this in my capacity as President of the Council.

(Applause)

President. — I call the rapporteur for the Committee on Budgets, Mr Pounder.

Mr Pounder. — First, as the rapporteur for the Committee on Budgets for the 1974 budget I thank the President-in-Office for the very detailed statement which he has given. Also, on behalf of the three-member delegation from this Parliament which had the honour of appearing before the Council of Ministers at its meeting on 21 September, I thank the President-in-Office and his ministerial colleagues for the courtesy which they showed that deputation.

Pounder

The deputation made three points. It sought to stress the importance of the Social Fund and also the need for adequate financing for the Regional Fund so that it would become operational during 1974, and the third point concerned the Commission's requirement for 548 additional posts.

One of the very interesting and important features of the 1974 budget—I am afraid that it is not yet the case but one hopes that ultimately, before the budget is finalized, it will be—should be that for the first time we shall have a budget which is not quite as heavily oriented towards agriculture. This would arise in consequence of the Summit decisions of October 1972 in relation to the Social and Regional Funds.

Although the Council has fulfilled its obligation to give reasons where it has differed from the draft budget of the Commission, I am bound to say that this obligation, although it has been fulfilled, is rather limited and therefore not entirely satisfactory. I will give an illustration. The budget has been reduced to approximately 5,250 million units of account, and this gives a misleading impression of the financial requirements of the Community for 1974 because in this reduced figure there is the exclusion of the Regional Fund and the reduction of the Social Fund, and, frankly, a positive assessment of the budget can be given only if and when the budget includes the whole remit of Community policies.

When the preliminary draft budget of the Community was submitted, 81 per cent of the total expenditure related to agriculture. This was a reduction on previous years, but now, as a result of the regrettable changes in the Social Fund and the apparent delay in the decision on financing the Regional Fund we are back to a situation where there is this massive predominance of agricultural appropriations in the 1974 budget.

I wish to say something on the EAGGF sector. On page 21 dealing with the Guidance Section, the Council gives its explanatory statement. It states that the sum of 170 million units of account has been set against item 8003 for financing individual projects, but it states that this sum, if necessary, should go to supplement expenditure on joint actions. Therefore the situation is such that the expenditure on joint actions is financed not by general appropriations but to the detriment of appropriations for individual projects.

The Council gives no indication of its intentions as regards joint actions in the 1973 and 1974 budgets. Twenty-five million units of account and 50 million units of account respectively were

entered against Article 850 for the 'development operations in priority agricultural regions'. These appropriations have not been carried forward. The Council goes on to state that it is 'to show the appropriations... under remarks'. This seems a highly irregular procedure.

I wish next to say something on the Regional Fund. This is perhaps the most important individual item to come before the 1974 budget. It is profoundly unfortunate that the decision has been deferred from the meeting on 21 September and that we have only this notional figure included in the budget against what one hopes will be an operational figure of somewhere in the region of 500 million units of account. I submit respectfully that by deleting this 500 million units of account from the operational part of the budget the Council appears to be compromising the realization of the policy as outlined in the summer. Also, by having token entries against the Regional Fund, it is virtually impossible to give a comprehensive assessment of the 1974 budget.

For the Social Fund your rapporteur cannot express agreement with the reductions made by the Council. The Council does not really explain why it has had to make such a substantial cut in these requests, though it would seem that the Council is obliged to give its reasons for having had to diverge so substantially from the draft budget. Of course, it is perfectly true to argue, as did the President-in-Office in his introductory statement, that the appropriations represent an increase of 20 per cent as compared to the modified 1973 budget. That is not strictly fair, because nevertheless there is a 35 per cent reduction in the appropriations for which requests have been made.

Other points also come to mind. One is the weakness of the amounts set aside for appropriations for research. One regrets the reductions made by the Council to the Commission's requests for more staff, and there is a still excessive part of the total revenue of the Community coming from contributions from Member States. It must be remembered that this is the last year before we face 'own resources' funding as will become the practice in 1975. Based on the initial assessment which one is able to make of the 1974 budget, the transition from 1974 to 1975, to say the very least, will be dramatic.

To conclude, I am unhappy with the decision to defer the amount of funding to be made available for the Regional Development Fund. Speaking as an accountant, I am also extremely distressed that we are considering a budget for 1974 before it is even finalized and when it is almost certain that there will be at least four

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supplementary budgets in the course of 1974. One such budget will probably be for contracts of up to 20 million units of account. There will be another for whatever is decided as regards the Social Fund. There will be another budget—perhaps up to 500 million units of account—in respect of the Regional Fund. It is already admitted that there will be a supplementary budget of 75 million units of account for the Guidance Section of the EAGGF. All this takes no account of possible changes in the Guarantee Section of the Fund: goodness knows how much may be involved in that. It is very unsatisfactory to draw up a budget when, even at the time of drawing it up, we know there will be numerous and perhaps massive alterations in that budget. This makes efficient financing extremely difficult.

IN THE CHAIR: MR DEWULF

Vice-President

President. — Does anyone else wish to speak? The first debate on the draft budget is closed.

6. *Tabling of two motions for resolution with request that they be dealt with by urgent procedure*

President. — I have received from Mr Durieux, chairman of the Liberal and Allies Group, Mr Lückner, chairman of the Christian-Democratic Group, Mr Vals, chairman of the Socialist Group, Mr Kirk, chairman of the European Conservative Group, and Mr Bourges, chairman of the Group of European Progressive Democrats

— a motion for a resolution on the conflict in the Middle East, and

— a motion for a resolution on the military *coup d'état* in Chile.

These documents have been printed and distributed under No 193/73 and No 202/73 respectively.

Pursuant to Rule 14 of the Rules of Procedure, a request has been made for these motions for resolutions to be dealt with by urgent procedure.

Are there any objections to the request for urgent procedure?

The adoption of urgent procedure is agreed.

The two motions will be placed on this afternoon's agenda.

7. *Third directive on the coordination of safeguards in connection with mergers between sociétés anonymes*

President. — The next item was to be a debate on the report drawn up Mr Héger on behalf of the Legal Affairs Committee on the amended proposal from the Commission of the European Communities to the Council for a third directive on the coordination of safeguards which, for the protection of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in connection with mergers between *sociétés anonymes* (Doc. 154/73).

Since amendments have been tabled at the last minute, the rapporteur, anxious to keep Parliament accurately informed, wished to defer the introduction of his report until later. However, as time is still limited, I must insist that the rapporteur should at least introduce his report, on the understanding that the debate and, in any event, the vote will take place this afternoon. By accepting to do so, the rapporteur would make the House's work easier.

I call Mr Héger.

Mr Héger, rapporteur. — (F) Mr President, I naturally want to obey your and the Parliament's wishes. This change in the agenda might, however, cause some inconvenience: some of the Members who are intending to speak in the debate might have wanted to hear my introduction; and this was down for this afternoon. I would therefore apologize to colleagues who might, this afternoon, find they have not been able to follow the whole discussion.

The report which I have the honour to present on behalf of the Legal Affairs Committee is on a limited subject, namely an amended proposal by the Commission of the European Communities, on a third directive on coordination of safeguards required in connection with mergers between *sociétés anonymes*.

The Parliament has already delivered an opinion on mergers between *sociétés anonymes*. We have discussed the problem generally, we have had an opinion from the Committee on Social Affairs and Employment, and now we have a motion for a resolution from the Legal Affairs Committee.

The Commission found it necessary to modify its proposals in view of the accession of the new Member States. In addition by some minor changes the Commission has hoped to bring its proposals into line with the statute being worked out for the European Company.

Héger

A clear distinction has to be made here: the plan we are debating concerns mergers between *sociétés anonymes* within a single country. It is therefore quite a different problem from that of the European Company.

While modifying the text, the Commission has undertaken a revision of the text of the preceding directive; for reasons of style the Legal Affairs Committee has also recommended changing the French version of the title slightly.

In French, the title of the amended proposal of the third Council directive reads '*...tendant à coordonner les garanties qui sont exigées dans les Etats membres des sociétés, au sens, etc.*' This is perfectly intelligible, of course, but it would be clear to say '*les garanties qui, dans les Etats membres, sont exigées des sociétés...*'

I should add that the Commission has approved this rewording.

To return to the main issue, the Commission was anxious to respond to the discussions and especially to the views expressed by the Committee on Social Affairs and Employment with regard to Article 6 (4).

It wanted to allay fears that workers might feel in the event of a merger. Mergers can indeed, especially in the case of take-over, cause redundancies and changes prejudicial to the workers' interests.

Therefore, the Commission has proposed rewording Article 6 (4) as follows: 'If the merger is prejudicial to the employees' interests the management organs shall initiate negotiations with the employees' representatives, before the General Meeting discusses the merger, with a view to reaching agreement on the measures to be taken regarding the employees. If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary.'

This is the innovation: negotiations — breakdown in negotiations — mediation. The Committee on Social Affairs and Employment has proposed the following amendment to Article 6 (4): '4. If the merger is prejudicial to the employees' interests the management organs shall *negotiate* with the employees' representatives before the General Meeting discusses the merger.' That is to say that it has replaced the phrase 'initiate negotiations' by the word 'negotiate'. I shall return to the opinion of the Legal Affairs Committee in a minute.

Then follows another change consisting in the addition of the following sentence: 'The merger cannot take place unless negotiations on the plan for social measures have been successfully com-

pleted.' And the Committee on Social Affairs and Employment follows this with the Commission's statement: 'If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary.'

The Legal Affairs Committee, asked to examine this motion for a resolution, approved the recommendations of the Committee on Social Affairs and Employment in principle. However, it is clear to everyone that this sets a legal precedent, no comparable provision existing in any country at present.

However, it is our duty to legislate for the future and European Law must be progressive.

Thus, the Legal Affairs Committee, supporting the view of the Committee on Social Affairs and Employment maintain that there must be negotiations and mediation, and that, where no agreement is reached, the merger cannot take place.

For this reason, it proposes a new text, which is really simply an explanation. The Legal Affairs Committee suggests these words: 'If the merger is prejudicial to the employees' interests the management organs shall initiate negotiations...'

This is the first modification, for it is obvious that negotiations have to be initiated before they can proceed — '*...shall initiate negotiations with the employees' representatives, before the General Meeting discusses the merger, with a view to reaching agreement on the measures to be taken regarding the employees. If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary.*'

In giving its opinion, the Committee on Social Affairs and Employment thought it advisable to stipulate that if negotiations broke down, there would be no merger. It therefore proposed these in paragraph 4: 'The merger cannot take place unless negotiations on the plan for social measures have been successfully completed', adding afterwords 'If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary'.

We in the Legal Affairs Committee thought that the different ways to agreement must be fully explored first. First, there is negotiation between the parties, then mediation. It is only when mediation fails that the merger cannot take place.

The spirit of the text is, therefore, retained; only the order of events is slightly altered. It is only when both negotiations and mediation have failed that it will be decided that the proposed merger cannot take place.

Héger

Therefore, the Legal Affairs Committee fully concurred with the opinion of the Committee on Social Affairs and Employment, but expressed it somewhat differently.

These are the reasons behind the proposed rewording of Article 6 (4).

(Applause)

President. — I call Mr Bertrand, chairman of the Committee on Social Affairs and Employment.

Mr Bertrand. — *(NL)* Mr President, I wish to thank you as well as Mr Broeks for allowing me to have the floor first.

I believe there has been a slight misunderstanding as regards the interpretation submitted to the Legal Affairs Committee for its opinion. I refer to Article 6 (4). Having discussed the question, we feel that it would in fact be going too far if either of the parties were given the right of veto in respect of a proposed merger. The original text, however, could be construed in this way, which is why we should like to complement it. Paragraph 4 states that 'if the merger is prejudicial to the employees' interests the management organs shall initiate negotiations with the employees' representatives, before the General Meeting discusses the merger...'

The modification which we propose states that 'the merger may not take place unless negotiations between the social partners have been successfully concluded'.

To this we have added a final sentence reading as follows: 'If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary'.

Our intention in doing so was to ensure that in the event of negotiations not being successfully concluded, the public authority would be called upon to mediate between the parties in order to get them out of their impasse and make the merger possible. This was the spirit in which the Committee on Social Affairs and Employment proposed this amendment.

However, I have the impression — and I should be grateful to Mr Héger if he would comment on this—that the Legal Affairs Committee interpreted it differently. I maintains that this phrase goes a little beyond its own concept, namely: 'if no agreement is reached through mediation, the proposed merger shall not take place.' This means ruling out definitively the possibility of a merger. It was not our intention to prevent mergers from taking place. We want at all costs to avoid giving anyone the right of veto, because many mergers can be advantageous for em-

ployees. Since we are concerned only with the adverse consequences, I feel—and I am sorry that Mr Adams is not present—that the opinion of the Committee on Social Affairs and Employment was that the public authority should then be asked to mediate in order that the merger may take place, in the event of negotiations not being successfully concluded.

President. — I call the rapporteur.

Mr Héger. — *(F)* Mr President, I think the chairman of the Committee on Social Affairs and Employment is right to raise this matter; but in doing so he has touched on a very important issue which, in fact, was not mentioned in the opinion of his committee.

The opinion of the Committee on Social Affairs and Employment actually says: 'If no agreement is reached in these negotiations, each of the parties may ask the public authority to act as intermediary.'

I stress that the Committee on Social Affairs and Employment has used the phrase 'act as intermediary', and that there is a vast difference between mediation and arbitration. If the Committee on Social Affairs had spoken of arbitration, that would have given the public authority the right, on occasions, to impose a solution by an arbitral sentence.

In fact, we did not want to be more pious than the Pope and go beyond the opinion of the Committee on Social Affairs, since it provided for mediation by the public authority; so we accepted the word 'mediation'. Mediation implies, after all, intervention by the public authority to try to reach an amicable agreement. It implies meeting the parties round a table and trying to find a solution. The public authority does not pass sentence, but simply tries to thrash out a solution.

As far as the legal aspect is concerned, we were, therefore, in agreement with the spirit of the opinion of the Committee on Social Affairs and Employment.

I should add that the Legal Affairs Committee approved this motion for a resolution by 15 votes and one abstention.

President. — I call Mr Broeks on behalf of the Socialist Group.

Mr Broeks. — *(NL)* Mr President, our group is very much in favour of the amendment of this directive which involves the accession of the three new Member States to the Community. It has enabled the Commission to take into account

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the remarks made when the original directive was dealt with in Parliament. I am grateful to the Commission for doing so especially on such an important point as Article 6.

Following the admirable introduction given by our rapporteur Mr Héger, I shall be very brief. Firstly, I should like to make it clear that we are not yet entirely satisfied, not even with the new directive. We feel that decisions which can be taken by General Meetings—the General Meetings provided for in this directive—can, even if carefully implemented to the letter, nonetheless be injurious to minorities. It is above all when mergers take place that it is possible to buy up a large number of shares in the other company. The result in the General Meeting would be a majority acting absolutely legally but nevertheless capable of acting to the detriment of minorities. This time I shall not be tabling any amendments, since Parliament rejected the amendments last time. I do not feel it is a good idea to try again in the hope that a quorum may be found which now thinks differently about it.

We are equally dissatisfied with the lack of clarity obtaining as regards Article 21 and Article 2. Article 2 states that a merger will take place in a specific way. Equalization payments in cash may not exceed 10 per cent. Originally, the Legal Affairs Committee interpreted this as a prohibition of anything above 10 per cent. Article 21, however, which does not come under the title of mergers but of 'other operations, seems to indicate that these other operations are possible if the cash payment exceeds 10 per cent. In other words, up to 10 per cent the operation is termed a merger, whereas if the cash payment amounts to 11 per cent, it suddenly becomes 'another operation'. This was particularly unfortunate because it rendered ineffective Article 6 concerning the co-determination of employees. We welcome the current version, because following a proposal from Parliament the Commission said that in such a case, the employees' right of co-determination must be upheld. Although we are still dissatisfied with the lack of clarity mentioned earlier and we feel that a law should be intelligible to everyone, we are nonetheless pleased with the new version of Article 21.

Mr President, there is a further point I should like to make in this matter.

In my opinion, there should be conformity between the method of assessing assets and liabilities applied by the independent experts mentioned in Article 5 (2), who are designated or approved by a judicial or administrative authority and who are responsible for drawing up a report for the shareholders, and the method

used by the companies to draw up the financial statement and the last annual balance sheet referred to in Article 5 (4). If the method of assessment of the independent experts differs from that of the companies' experts, it becomes extremely difficult to compare the reports with one another. Consequently, we should be grateful if the Commission would abandon its own ideas in the matter and possibly stipulate that the methods of assessment used in both cases should be the same for the sake of comparison between the report drawn up by the companies themselves and that drawn up by the independent experts.

We cannot have one report talking in terms of book values and the other in terms of replacement values; this makes comparison extremely difficult.

I should also like to say something about the remarks made by the Committee on Social Affairs and Employment. I agree entirely with what Mr Héger said on this point. Mr Bertrand in fact said that neither party had a right of veto. However, a right of veto has obviously been provided for in favour of the shareholders. Article 4 (1) states that: 'mergers shall require the approval of the General Meeting of each of the merging companies.' If the General Meeting of shareholders does not give its approval, thus vetoing the merger, the latter cannot take place. So this directive does contain an element of veto. The legal Affairs Committee on the other hand made its standpoint somewhat clearer than the Committee on Social Affairs and Employment. It gives both parties, i.e. shareholders and employees, a right of veto, which I consider to be the most equitable arrangement in such a situation.

Mr President, we have tabled three amendments. I should be grateful if you would give me the opportunity to move these amendments this afternoon once the translations are ready. These amendments do not involve fundamental changes, they are intended rather to clarify some of the points already made in the directive.

President. — I urge Mr Broeksz to move the amendments now.

Mr Broeksz. — (NL) Mr President, I shall be pleased to do so, Article 5 (5) states that copies in full or in part of the documents referred to in Paragraph 3 can be obtained free of charge on request. This gives rise to the question of who decides whether a complete or a partial copy is made available. We feel that shareholders cannot be 'fobbed off' with a partial copy if they wish to have a full copy. We should therefore like to add to the existing text the

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words 'as required'. The paragraph would then read as follows:

'Every shareholder shall be entitled to obtain free of charge on request copies, in full or if required in part, of the documents referred to in Paragraph 3.'

This means that the person requesting these documents can decide himself whether he wants a full or only a partial copy. Much the same thing occurs in Article 6 (5). The wording is the same as in Article 5 (5), and here too we should like to insert the term 'as required', thus enabling the person requesting copies to decide whether he wants a full or partial report.

On Article 6 (3), we should like to table an amendment. In the past, the opinion of the employees' representatives had to be available for inspection before the merger was decided on. This meant that anyone wishing to know the employees' standpoint had ready access to it. The amendment states that: 'the General Meeting which is to decide on the merger shall be informed of that opinion.'

We feel this is a little vague. We therefore propose—and we know that this was the Commission's intention—that this be amended to read as follows: '...shall be informed of the substance of that opinion.' This makes it clear that note must be taken of the entire opinion.

On Article 18 I have tabled no amendments since my objection relates merely to the Dutch text, which reads very strangely indeed. Article 18 (1) (h) states that: the companies which were parties to the merger shall be principally liable in respect of the acquiring company's commitments referred to in (g).

This is simply wrong. The word 'principally' cannot be justified in the Dutch text. Since it does not occur in any of the other languages, I should be grateful if the Commission would insure that the word 'principally' is deleted in the Dutch version of Article 18 (1) (h). This word cannot be left, since such a liability does not exist, neither can it be created.

President. — I call Mr Brewis.

Mr Brewis. — I rise to speak on only one point on the directive, which is the general question of mediation by the public authority. I support what Mr Bertrand said on behalf of the Committee on Social Affairs and Employment. We in this Group agree that the interest of the employees is most important when it comes to a question of a merger and that employees should certainly be consulted.

Another interest is the public interest when companies merge. I am thinking of my own country, where a few years ago we had many aviation companies which had to merge to be able to compete in the world market of a certain product.

We accepted the directive in the Committee, but I wish to correct Mr Héger on one point. Some of us did not think that the complete veto on the merger in the last resort was correct. I think I can say on behalf of my Group that we would much rather that any damages caused to employees were met by the remedy of compensation and that the public authority in each Member State should be in the position of an intermediary or arbiter and award compensation than that there should be a complete veto on a merger occurring.

President. — I call Mr D'Angelosante.

Mr D'Angelosante. — (I) Mr President, I thought I understood you to say that the debate on Mr Héger's report would be deferred to the afternoon. However, I do not want to cause difficulties: if it is to take place now, I shall presently be speaking in the debate. I should like to remark now that the part of the document which has occupied most of the House's attention—because it has come up both in the Committee on Social Affairs and the Legal Affairs Committee and in the final plenary debate—consists essentially of Article 6(4) which we all consider as a positive contribution, the import of which must not be underestimated.

I should like to say that the wording of this article, which is the final point of a considerable consensus of opinion between the Committee on Social Affairs and Employment and the Legal Affairs Committee, and which would give workers direct power, is suggestive, but not substantiated by the texts before us.

Apart from this point, I feel there is very little to discuss because, Mr President, ladies and gentlemen, this third directive has already been discussed by Parliament, as the rapporteur mentioned, and is now re-submitted, in pursuance of Article 149, by the Commission which says in its introduction that it has made amendments, to take account of the changed situation arising from the enlargement of the Community from Six to Nine, and of the draft convention on international mergers under Article 220(4) of the Treaty which at this moment is said to be under discussion among Member-States.

I wish to say at once that the first reason for the changes, that is to say the need to adapt the directive to the fact of the Community's enlarge-

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ment, has produced very modest results, reducing in effect, to an adaptation of the legal terminology of the 'Six' to that of the 'Nine', that is, the introduction of terms denoting in British, Danish and Irish law facts, institutions and phenomena which until now have been of interests only to the Member States of the old Community. This is a purely technical matter.

On the other hand, this House is not in a position to evaluate any amendments which may have been made with reference to the draft international convention, because so far, despite exhaustive searching, I have not been able to get hold of this document.

Having examined with the greatest attention, point by point, the old text and the new, I cannot perceive any substantial changes. The discussion turns therefore essentially on the subject-matter of the parliamentary document, that is the motion for a resolution, and particularly that part of it which implies modifying Article 6.

I do not need many words to tell you, Mr President and Honourable Colleagues, that my political group is in full agreement with this modification. I should like at this point to explain my views on the veto. Mr Brewis has put forward in this House again the interpretation according to which workers are granted the power of veto. I have some doubts on this score. The law which we are discussing lays down a number of conditions which must be met for a merger to take place. There are conditions as to knowledge of the financial position and other factors at the moment of the merger; there is, actually, a whole series of conditions regarding lawful and regular accounting, the capital position, opportunities for shareholders (both of the bidding company and the company being taken over) to assess all these factors, and, having assessed them to say 'yes' or 'no'. Indeed, the very meaning of 'conditions' is that: if certain conditions are not met, then there exist in society bodies—in this case the shareholders' meeting—which can say 'no'. The party representing the capital is able to assess these conditions and, if it finds that they have not been met, to say 'no'. But, as pointed out by the Commission in its proposal, and by the Committee on Social Affairs and Employment in its discussion and its opinion, the reference to the workers, boiled down to nothing at all, because it just said that they could ask for mediation. As Mr Héger emphasized, it was not a question of arbitration but of something which is not in the least binding; the outcome of the mediation could be to the workers' disadvantage but they would have to abide by the decision. Now, on the other hand, it is claimed that under the Community law weight is given to the fact that not only the

conditions protecting the shareholders, the capital, the creditors and the third parties, but also those affecting the workers must be met. It does not seem to me that this can be called a power of veto. If the conditions benefiting the capital, the third parties, the creditors, do not constitute a veto, I do not see why those concerning the workers should be considered as such, especially as Article 18 provides that failure to meet the first set of conditions—but not those benefiting the workers—can render an already completed merger null and void. So, I repeat, there is no question of a veto.

We see the new elements as a very positive contribution and wish to declare that—provided, naturally, the situation does not change—we shall be in favour of this point.

Among the problems that we should like to bring to the Rapporteur's attention there is one subject which has been already amply discussed in connection with other matters. Since, in the part which we are discussing, it is stated that workers' interests should be represented not by the body of workers, nor by any delegation, but by a specific representation stipulated by Article 22(3) of the text, it may happen—when there is a case of merger between large companies, corporations or monopolies operating on an international scale—that the representation of worker's interests (if limited to the bodies stipulated in Article 22(3)) will prove insufficient and incapable of safeguarding those interests fully.

On this matter, therefore, I wish to pose the problem which was also raised in the Legal Affairs Committee of the general rules governing European companies, that is the problem of trade-union participation and, for some cases, of direct worker representation.

In other words, we want this Parliament's adoption of the amendment proposed by the Legal Affairs Committee to provide full guarantees that the law will be applied and particularly, that there will be practical arrangements for worker representation such as to enable the workers to exercise their primary right.

On these conditions, and in the absence of further amendments on this point, my group, while reserving its decision on the vote, views at this moment on the whole favourably, in my opinion, the text which has been submitted for discussion to Parliament.

President. — I call Mr Gundelach, who has asked to speak again.

Mr Gundelach, *Member of the Commission of the European Communities.* — (DK) Regardless

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of the fact that the Commission has made its fundamental point of view clear during earlier discussions in Parliament on this directive, I feel that new proposals have been put forward and certain questions posed which make it necessary for me to make a statement with a view to clarifying once again the Commission's position on certain specific points and on the main proposed amendment.

I thank the Legal Affairs Committee and the Committee on Social Affairs and Employment for the way they have dealt with the Commission's proposals and for their agreement on a number of specific points.

I should like to tell Mr Broeks that the Commission has noted his views on Articles 3 and 5 and does not envisage any great problems with the proposed amendments he has outlined orally. So I shall not be reverting to those questions later.

As regards Article 18, this is, as Mr Broeks himself pointed out, a question of correcting the Dutch text, which at present does not make sense, and we shall see to it that this is taken care of.

I have moreover noted Mr Broeks' observations on Article 21, in respect of which there is no proposed amendment, but I feel I should express my sympathy and understanding for Mr Broeks' views regarding Article 21.

The main point of this debate is, however, the proposed amendment to Article 6. When in December 1972 Parliament gave its opinion on the Commission's proposal for a third directive, Parliament recommended an amendment to Article 6.

The proposed amendment posited that a company's management should prepare a social security scheme, a social plan, in cases where the employees' interests would or could be adversely affected by a merger.

The Commission accepted the principle expressed in this proposal but wished to go further in protecting the employees' interests. The Commission therefore inserted a clause in Article 6 that, where management and workers' representatives could not reach agreement on the said social security scheme, either of the parties could take the dispute to a public conciliator. The committees accepted this further-going clause but have now gone yet another considerable step further.

As Mr Héger himself has stated in his report and in his address, this proposed amendment would give the employees—and I do not think there can be any doubt about this, whatever

may have been said this afternoon on the matter—the right to veto a merger. In my opinion such a veto right is of such a nature that it would make the conciliation in question considerably more difficult, if not meaningless.

The objective of codetermination set by the Commission would be altered on an important point to become in the end 'unilateral' determination by one of the parties. That would be ill-advised and the Commission must definitely advise against the adoption of this proposed amendment.

If the idea was to create a strengthened position in a conflict situation between the two parties, I believe the conciliator's position should have been strengthened and I am surprised that the idea was not considered or put forward, in given cases, introducing an arbitration body, which is something quite different from what is being proposed here.

I should like in this connection to point out that we are here concerned with the problem that occurs not only in that sector covered by the third directive, but also in the case of the amalgamation of individual enterprises within the sector expected to be covered by the statute for European companies and which occurs in connection with the proposed provisions for affording workers legal protection, which attempts are now being made to have enacted under the proposal for a broader European social policy.

The question must also be seen, as I have already indicated, in connection with the efforts which the Commission began making some years ago to introduce the right of codetermination for members of staff in company institutions, either in connection with the fifth directive for harmonizing company law or in connection with the statute for European companies.

Staff representatives on company boards have the task, among other things, of ensuring that the staff is able to exert influence on the management in all matters, including those concerning the safeguarding of employees' interests in the case of mergers or within the area covered by the statute for European companies, when individual units of production are amalgamated within the framework of a larger company.

The problem occurs of course also in connection with the proposed convention on trans-national mergers. On this point, I can only express my regret that a convention is spoken of and not a legal instrument, which is subject to the general decision-making process in the European Communities. Parliament has not dealt with the proposed convention for the very reason that the proposal is for a convention and not for a

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directive, which is something I personally much regret.

It will be clear from what I have said that the Commission is trying to find an overall solution on a number of social problems, including co-determination, safeguarding of social rights and labour rights in connection with a number of different transactions engaged in by enterprises—not only mergers. If one limits oneself to a single sector it simply means that the problem is shifted into other sectors.

I believe—and this is a reply to Mr Héger—that in presenting this package of various proposals taking in a very broad area of social policy in the broadest sense, the Commission has demonstrated its will not to seek solutions that are simply an average of the existing national rules, but to participate in a process of new creation in the social, labour law and company law sectors. But precisely because we are seeking to introduce a new joint creation in the labour law and company law and social policy sectors that has a European character, we shall not block development by laying down a comprehensive provision on a single point which very probably will not harmonize with the overall solution.

President. — I thank Mr Gundelach and propose that we now suspend the sitting.

Are there any objections?

I call Mr Broeks.

Mr Broeks. — (NL) Mr President, I understand that Mr Gundelach cannot be present this afternoon. If this is indeed the case, I should very much like to comment on a remark made by him.

President. — Mr Gundelach, might I ask whether you will be able to attend the debate this afternoon?

Mr Gundelach. — (DK) Mr President, I had planned to make an official visit in one of the Member States, but if Parliament wants me to be here this afternoon, I shall change my plans.

President. — Mr Broeks, will you ask Mr Gundelach your question now?

Mr Broeks. — (NL) Mr President, I am satisfied in every respect with what Mr Gundelach has said with regard to my comments on Article 21. He did say that no amendment had been tabled, but last time I did in fact table an amendment on this Article. Could I remind Mr Gundelach that this amendment was discussed on 16 Novem-

ber 1972. The text will be found on page 154 of the relevant verbatim report.

He also said that the proposal made by the Legal Affairs Committee provided for a unilateral right of veto. I should like to draw his attention to Article 4 which states expressly that any general meeting of any company envisaging a merger has the right to refuse this merger. This is indeed a right of veto, but it is not unilateral. If we feel that there should be no right of veto, then neither side should have it. If an arbitration committee were created, it would have to act even if it was the general meeting which rejected the merger.

I shall say no more. I merely wished to point out that there is no question of a unilateral right of veto. The right of veto is laid down in paragraph 1 of Article 4, for the general meeting, i.e. the shareholders. It is laid down in Article 6 for the employees. But if, instead of a right of veto, we have arbitration, it too must work for both sides. I shall make the rest of my remarks this afternoon.

President. — Do you wish to answer at once, Mr Gundelach?

Mr Gundelach. — (DK) Mr President, when I mentioned that there were no new proposed amendments to Article 21, I was referring to a statement by Mr Broeks that there were no new amendments to this Article here today. I did not rule out consideration of the earlier amendments to which reference has been made.

With regard to the central question of the right of veto and relations to Article 4, I would observe that should the right of veto for employees be contemplated in this connection, this should not be done via the back door in connection with the right of veto for the social plan in Article 6. The question how to resolve a conflict situation ought to be considered in Article 4, not via the back door in Article 6.

President. — We must finish this debate. I hope that the Commission will arrange for its Members to be present when this debate is resumed, which will be after the foreign policy debate.

Mr Schuijt has quite rightly pointed out to me that in this debate a difference of opinion between the Legal Affairs Committee and the Committee on Social Affairs and Employment has appeared as regards the interpretation of Article 6, and he suggests that this question should be referred to the political groups. The debate would therefore be continued on Thursday afternoon and not this afternoon.

What is the rapporteur's position?

Mr Héger, rapporteur. — (F) Mr President, I do not believe there is any difference of opinion. We must continue to debate the proposal in the form in which it has been submitted to Parliament.

President. — The situation is therefore clear. We shall continue this debate this afternoon, after the debate on foreign policy.

8. Change in agenda

President. — I would point out to the authors of Oral Questions No 96/73 and No 97/73, with debate, as well as to the rest of the House, that the tabling and placing on this afternoon's agenda of two motions for resolutions on the Middle East and Chile means that these two questions are withdrawn from the agenda.

I call Mr Schuijt on a point of order.

Mr Schuijt. — (NL) Mr President, since we are dealing here with an important aspect of company law, I should like to propose that we conclude our debate this afternoon and postpone the voting until tomorrow morning, to give the various groups time to discuss different points.

President. — Let us wait and see how this afternoon's debate goes before deciding whether it is really necessary for the political groups to discuss the matter again.

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 BERKHOUWER

President

President. — The sitting is resumed.

9. Political Cooperation

President. — The next item is the report by the Chairman of the Foreign Ministers' Conference on political cooperation.

I call Mr Andersen.

Mr Andersen, Chairman of the Foreign Ministers' Conference. — (DK) Mr President, today

is the third time this year that the acting Chairman of the Conference for European Foreign Policy Cooperation has had the honour to present his report to the European Parliament on the progress made towards political union.

People often talk of the slowness, the snail's pace, of the development of political cooperation but when I look back and re-read the two corresponding reports which my predecessors presented in 1971 and 1972 it seems to me on the contrary remarkable how rapidly developments are taking place in reality. Each report made to this assembly has thus been able to record considerable progress.

The first dealt with the Luxembourg Report, the fundamental document on which European foreign policy cooperation is based.

The second report dealt with the involvement of the applicant states in this cooperation and with the European Summit Conference in Paris which set landmarks for the development of the Communities in the present decade.

And today, Mr President, I therefore have the opportunity to give a further account of a considerable progress in our work: the new report on European political cooperation—a report which modestly forbids me to call after the town where it was adopted and whose formal and official name is so long and so difficult that I believe that it will not be used. It will in all probability be known and quoted simply as the 'Second Report'.

I would first like to give a short description of another matter of great importance for the building of Europe. I am thinking here of the three new Member States—including my own—which finally entered the European Communities on 1 January this year. This major event, seen superficially, was without consequence for political cooperation, since the Nine had been concerned in cooperation at all levels, at ministerial level and at other official levels and had been taking part in the work since early 1972. But it was only formal membership which removed the temporary, provisional element from participation by the new countries and established links with economic cooperation within the framework of the Paris and Rome Treaties, as appears now, Mr President, in Paragraph 12 of the Second Report. I shall return to this subject later.

From this time too the acting Chairman has attended this assembly and its Political Affairs Committee and will also be meeting, later today, representatives of parliamentary life and of public opinion from all Nine Member States.

Andersen

The Luxembourg Report, i.e. Report No 1, states, as we know, that these contacts have been established to give a democratic character to the construction of political union. This consideration appears to me to be of fundamental importance, and for that very reason I feel there are also grounds to underline that this democratic character can only be ensured if membership of the European Communities pursuant to the Rome Treaty is limited to countries with democratic views. This situation, Mr President, is in my opinion of some consequence for the desired image of this Community.

The most important progress during last year in the field of political cooperation has been, as I stated before, the elaboration and adoption of the Second Report which I assume you are familiar with. The formal obligation to produce such a report is laid down in the original Luxembourg Report. According to the original Luxembourg Report the new report shall contain an assessment of the results obtained through consultations and it shall be presented in the course of late 1972. Clearly this deadline has been exceeded but paradoxical though it may sound I believe that this is an indication of progress and not of sluggishness in cooperation. At the Summit Conference held in Paris in October 1972, at which the deadline was extended until 30 June this year, the Heads of State or Government were in fact in a position to extend the scope of the contents of this Second Report so that it also contained a description of methods which could make it possible to improve political cooperation. So whereas in 1970 one only dared to hope for a modest report on the state of affairs, it was possible in 1972 to expect with certainty a progress report in the true sense of the word. This development is reflected in the structure of the Second Report, their being, as we know, an appendix with a description of the results obtained: in my opinion, Mr President, this was worth waiting half a year extra for.

The elaboration of the report itself has been very thorough and takes consideration of Parliament's own very useful contribution, and I would like to take this opportunity of thanking Parliament for this contribution. After being prepared at government administration level, first by a group consisting of European liaison officers in the foreign ministries of the Member States, the so-called 'Group of correspondents', and then by the Political Committee—i.e. the political directors—it was approved with some minor alterations first by the foreign ministers, and subsequently, via a written procedure, by the Heads of State of Government.

In comparison with the original Luxembourg Report the Second Report is characterized by

the underlying theme of European union. But the objective of political cooperation is unaltered. The main concern is to obtain regular information, regular consultations and harmonization of the positions of the Member States, the second concern is harmonization of their attitudes and the third is joint action where this appears possible and desirable. As you can see this is a very flexible formulation, the advantage of which is that, without excluding later progress, on which states may agree, avoids setting targets which could appear unrealistically high or remote at the present time. My view, Mr President, is definitely that this pragmatic way of proceeding will prove in the long run to be the most fruitful.

As you will see the Second Report contains an obligation to consult on important topics affecting political cooperation. For this reason Part II (11), of the Report states that as far as this question is concerned each country accepts as a general rule that it will not finalize its position without having consulted its partners within the framework of political cooperation.

As you will see this commitment is only valid as a general rule. This formulation naturally takes into account the special situations in which each country may find itself.

As regards the topics to be discussed under the consultation commitment these are defined in the Second Report as the topics which might affect Europe, or Europe's interests—in our continent and outside it—and also Europe's interests in fields where a joint attitude is necessary or desirable. The specification of the topics which are contemplated here will have a positive effect by concentrating the work on problems of direct importance for the Nine and divert us from more academically inclined discussions. I hope the academics present will forgive our constant use of the adjective 'academic' when we wish to describe something which will in all probability be fruitless.

The report also confirms the increased frequency of the meetings of foreign ministers which was laid down in the Summit Conference communiqué. This intensification has proved to be a true reflection of practical needs: the ministers have already held four meetings in 1973 and we shall in all probability be holding one more. The increased number of meetings of the Political Committee is also confirmed in the report.

One stipulation of special interest and importance for this assembly concerns the doubling of the number of colloquies between the foreign ministers and members of the European Parliament's Political Affairs Committee. This, in combination with the flexible procedure which has gradually been evolved for these colloquies,

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signifies that Parliaments members can become acquainted quickly with items which are being discussed within the framework of political cooperation, can ask for extra information, and inform the ministers of their views in a completely informal and confidential dialogue.

In this connection it should be noted that the Second Report enjoins the Political Committee to draw the ministers attention to proposals on foreign policy which have been adopted by the European Parliament.

As you will know a special section of the Second Report deals with relations between the machinery for political cooperation and for economic cooperation between EEC countries. It is maintained that political cooperation in the form of discussing foreign policy problems at inter-governmental level is distinct from the Community activity based on the legal obligations which the Member States have entered into in pursuance of the Rome Treaty; it is additional to that. Both forms of cooperation aim at contributing towards the development of the process of European unification.

On the other hand the report takes into account the fact that problems may have often both a political and economic aspect which should both be taken into consideration. The report lays down for this an information and hearing procedure under which firstly it is guaranteed that the Council shall receive a submission of the joint conclusions on political cooperation which are of interest for the work of the Community and secondly it shall be made possible for the EEC institutions to be informed of the political aspects of problems which are under examination within the framework of the Community. This shall be done by way of a report compiled by the political cooperation system. Conversely a representative of the Commission, as was already the case under the original Luxembourg Report, takes part in discussions of such questions arising within the political cooperation system which affect the activities of the Community.

It is not only in the procedural field, Mr President, that there has been progress in political cooperation. Since the Dutch Foreign Minister made his report here in Parliament the Conference on Security and Cooperation in Europe has, as we all know, become a reality. Both in the very lengthy, not always particularly simple, preparatory discussions in Helsinki and in the conference itself—the second stage of which as you know has just begun in Geneva—the ability and volition of the Nine to harmonize their attitudes has provided good solid proof of the value of cooperation on foreign policy. In my opinion the Nine were responsible to a great degree for the fact that the Conference on

Security and Cooperation in Europe was arranged in a way which makes thorough discussion of all topics possible and thus increases the prospects of the one thing which is of interest: concrete results. It is therefore hardly an exaggeration to say that the Nine have made a decisive contribution to the hitherto successful progress of the Conference. One of the reasons for this, Mr President, has undoubtedly been that the Member States have sufficiently harmonized their points of views and there was never any uncertainty about where the Nine stood and what they stood for while at the same time they avoided any form of regimentation and any form of enslavement to specific formulas. This in my opinion is the best example of European harmony and European cooperation.

Political cooperation has also shown itself to be particularly useful as a framework for the very topical discussions on the relations between Europe and the USA. As far as the Community is concerned we started active discussion of this question in March of this year. Dr Kissinger's speech in April naturally endowed the subject with increased relevance. In the course of the summer the Nine Member States elaborated an introductory declaration to be made by the European Community and its Member States on the one hand and the USA on the other during a possible visit by President Nixon, and after a long series of Euro-American dialogues in New York in combination with the opening of the 28th General Assembly of the United Nations, during which I, among others, in my capacity as Chairman of the European Conference of Foreign Ministers had a dialogue with the American Secretary of State, Dr Kissinger, to find out his initial reactions to our draft declaration, this draft has now become the subject of negotiations between members of the EEC Political Committee and American officials. These negotiations are taking place in Copenhagen and the second stage is due to take place tomorrow.

Certain things about this development seem to me to be of particular significance and of particular importance.

The first lies in the fact that the Nine, in relation to the USA, have been capable of evolving a joint attitude which takes account of their desire to constitute a distinct entity and the wish to maintain the close link which binds the Nine to the USA. Subsequently the USA can be in no doubt that its European friends and allies wish to show, openly but at the same time with resolution and harmony, how they regard the future of transatlantic relations.

Secondly, the obtaining of this joint attitude by the Nine, rather than involving a strain on their

Andersen

mutual relations, has had a most positive effect in giving an impulse to the examination of what we call European identity. At this stage I would only like to say that the Nine considered that it was time to set to work defining the general ideals, principles, and objectives which the Nine acknowledge and which they want to try to observe and promote partly among themselves and partly in international politics. It goes without saying that the construction of the Community, the maintenance of the EEC as a group of democratic countries, and frankness in relations with the outside world constitute very central elements in these relations. I could go on to mention many concrete things in which European political cooperation has proved its value but I believe that I would be giving a truer picture of the situation if I restricted myself, as I have tried to do, to the main lines.

The Second Report, the new report, has still only been in force for a lesser number of weeks than the number of months during which there has been political cooperation between the Nine. It will therefore be realized that a reading of the report cannot be based on any impressive results obtained so far since it is a completely new report. But developments and the experience acquired have already shown that the Nine have the volition to make the most of the framework which has been created, and to attain the objective which it has set itself: a free and democratic European union.

(Applause)

President. — I thank the Chairman of the Foreign Ministers' Conference.

Mr Andersen has already stated that he is willing to take part in a short exchange of views with Parliament.

I have six speakers on the list. I would ask them to be as brief as possible. If none of them speaks for more than five minutes, we should finish this exchange of views in 30 to 40 minutes.

I call the chairman of the Political Affairs Committee, Mr Giraud.

Mr Giraud. — *(I)* Mr President, I wish to thank Mr Andersen for the information which he has given to the House on the progress in political cooperation between the foreign ministers of the Nine at their recent meetings and on the Nine's position with regard to negotiations with the United States.

The second Davignon report unquestionably represents an important step forward, both in respect of the amount of work done to increase and consolidate, at every level and to the widest

possible extent in the various meeting places, cooperation in foreign policy between the nine Community Governments, and of making better use of instruments and opportunities for ensuring the continuity and extension of political co-operation in various matters.

In a normal situation, Mr Andersen will agree, that is in a relatively tranquil world situation (though it is a question whether such situations still exist today), this may seem satisfactory. The attainment of joint positions by the nine Governments of the EEC on medium- and long-term problems of foreign policy—as described in the second Davignon report—is a possible, necessary and positive development; we certainly would not wish it otherwise. But in an emergency situation, in a situation of sudden and serious threat to the peace of the world (I am referring to the Middle East war), the positions of the nine Community countries are unfortunately a long way from unity. Foreign policy cooperation on a day-to-day basis—in grave days of rapid change such as we are living now—regrettably does not promise prospects of an active and meaningful understanding among the Nine. If there is agreement, it is only in terms that are too general.

This, Mr President, and the progress of the second Davignon report—which we otherwise appreciate highly—shows how much Europe has to catch up on, how much needs to be done to ensure her active presence in the world at large and in the Mediterranean area in particular.

This is why, Mr President, to the expression of our satisfaction with the advance achieved with the second Davignon report we must add the exhortation for more, and above all, faster progress.

I wonder whether, if last September in Copenhagen the nine foreign ministers had in fact established the criteria of a European identity and the conditions which can enable Europe to speak with one voice, this is not the moment to demonstrate, by means of a European initiative on the Middle East, that we are already capable of going beyond mere declarations of principle.

Passing now more specifically to the second Davignon report, I wish to stress that political co-operation, and in any event the European union that is to be created, must have an institutional and statutory structure which does not, as indeed Mr Andersen has just said, cut itself off from the 'original nucleus' of the European Communities which should remain the foundation and starting point for the unification of Europe.

Giraud

The unity of Europe should, in effect, be no other than the embodiment of the political objectives implicit in the Communities and thus the natural development and completion of these. Economic and monetary union, the common trade policy, energy policy, the agricultural policy that we already have—these are all political facts which directly impinge on international relations. Nor should we forget other elements which also fall within the scope of foreign policy. I would stress defence, or as some prefer to call it, security, a problem of extreme topicality, when we recall the Geneva and Vienna conferences.

Mr President, I shall not dwell on the other subjects discussed by the ministers at their Copenhagen meeting; shortly in the Political Affairs Committee we shall be able to take up a more extensive dialogue within the framework of the now quarterly colloquy with the President of the Foreign Ministers' Conference. I believe that this colloquy will furnish our committee with material for a report to Parliament, such as we earlier submitted after the first Davignon paper. Parliament will thus be in a position to make its own assessment of the new proposals and of the conclusions reached by the Foreign Ministers' Conference regarding political cooperation. Thank you, Mr President.
(*Applause from the centre*)

President. — I call Lord Gladwyn.

Lord Gladwyn. — I promise you, Mr President, that I will not speak for more than five minutes, but I understand from you that it will be in order for me to make a few remarks about the Middle East, if only perhaps to draw the President-in-Office of the Council of Foreign Ministers. Perhaps he will, in the light of this, make some remarks to show what the Foreign Ministers' attitudes might be.

The latest war has at least shown one thing, which is that negotiations are now obviously necessary, not merely on the basis of the military *status quo*, which seems to have largely vanished, but rather on some other basis. It is not indeed to be excluded that it might be on the general basis of the famous Resolution 242/67, which can be interpreted, as we all know, not as enjoining the Israelis to evacuate *all* the occupied territories, but only some of them, and certainly would not exclude the discussion of large demilitarized areas, for instance, controlled by neutral troops. All these things could be discussed if the sort of resolution which is to come up later could be adopted.

Obviously the Israelis cannot be obliged to negotiate on such a basis, but they might well find themselves in a situation where it will be difficult for them not to do so. On the other hand, it might well be difficult for the Arabs to negotiate on any basis short of a military victory bringing the Israelis back to the indefensible 1967 frontiers. However, we must hope that just as the Americans will use their influence on one side so the Russians will use theirs on the side of the Arabs.

One can only assume that such fundamental points are already being discussed behind the scenes between Washington and Moscow. What else is the hotline for?

But one thing is obvious, at any rate to my mind. The two superpowers are just not going to let the situation get entirely out of hand—that is to say, to deteriorate to the point at which the physical intervention of either America or Russia is necessary to save their respective clients from military defeat. Probably, therefore, what will happen is that both combatants will be provided with arms sufficient to prevent humiliation but that the intensity of the struggle will gradually diminish, and when it diminishes beyond a certain point the field will certainly be open for diplomatic initiatives of all kinds which were impossible during the last six years of undisputed Israeli military supremacy.

It may be said that this is an optimistic forecast. I should like to know what the Minister thinks about that. I believe myself that, objectively considered, it is on the whole probable.

What should Europe do, and by 'Europe' I mean, of course, the Council of Foreign Ministers of the Nine? I do not know exactly what all my Liberal colleagues would think, but if I were a Minister, I should try to get agreement in the Council on three things. First would be general acceptance of the line now adopted by the British Government and, I believe, also by the French Government, namely, an embargo on all exports of arms, with the exception, no doubt, of spare parts for arms already delivered to both sides—including, of course, aeroplanes—at least until the cease-fire is agreed. Second would be a renewed declaration on the part of all Nine States that some new basis of negotiation, not excluding Resolution 242, would be suitable for immediate negotiations for a cease-fire to be taken up. Third would be an expressed willingness, should both sides favour this, but not otherwise, to supply a force for truce observation and, so far as possible, to police any eventual settlement that may be reached. I should have thought those three

Lord Gladwyn

points might well be adopted by our Foreign Ministers.

I must say I do not see what more Europe can do than this in the way of any initiative. Like all interveners in a quarrel, as we all know from our experience, unless we have the power to impose a settlement, which obviously we have not, we can only propose terms of settlement at the risk of being denounced by both sides, in other words, of losing at the same time the goodwill of the Jews and the oil of the Arabs! Besides, it must be admitted that public opinion in our countries is divided. A majority of us, I believe, is emotionally drawn towards the State of Israel, but a minority is drawn towards their opponents. That cannot be denied. In any case, a considerable majority, if the polls are any guide in all our countries, is in favour of a policy of pretty well complete neutrality in this conflict. Perhaps there is virtual unanimity only in this, that very few—hardly any—of us would wish one side or the other to be totally defeated. Thus we can only hope—and here again I hope the Minister will give some reply—that our Ministers will take a common neutral line and stick to it, always ready to help when possible, and when asked, and even becoming involved if both sides should actually so desire and request.

The other important lesson which we can draw from the fighting is that it is now possible successfully to counter any offensive by 'conventional' weapons, more especially aeroplanes or tanks, by modern ground-to-air and ground-to-ground missiles. I imagine, therefore, that the experts must now be reflecting that there are, after all, other parts of the world in which similar defensive systems might suitably be installed, always on the assumption that it would not profit either side to have first recourse to nuclear weapons.

As to the famous *détente*, I am personally optimistic. I think it will go on. I think it will go on because it is obviously in the interests of both superpowers to preserve it. I think it will go on and will come to an end only if there is a real fight between the two superpowers over the body of a divided Europe.

President. — I call Sir Tufton Beamish on behalf of the European Conservative Group.

Sir Tufton Beamish. — On behalf of the European Conservative Group I thank Mr Andersen for his statement, which we listened to with great interest. I want to express some surprise, however, that he, no doubt unintentionally, gave the impression that the Community's external

relations are all being settled in Copenhagen by the Foreign Ministers. I did not hear more than a passing reference to the work which is being undertaken in Brussels by the Commission in developing very satisfactorily and at a considerable pace the Community's commercial policy. We take the view that one simply cannot separate the Community's commercial policy from its foreign relations, and so I express surprise that he, unintentionally I am sure, gave that impression.

I want to raise one question with Mr Andersen, and that is the highly unsatisfactory situation as regards relations between the Parliament and the Conference of Foreign Ministers of the Nine Member countries. As we all know to our cost, the President-in-Office of the Council of Ministers is not competent to answer questions on foreign affairs in Parliament, nor to take part in our debates. That is regrettable. It was embarrassing for Mr Van Elsslande that he had two hats, a situation which is slightly different now.

We cast our minds back to the Summit Conference and the communiqués which spoke of the Community's growing world responsibilities and the need to strengthen the Parliament's powers. It spoke also, as Mr Andersen reminded us, of European union, and European union surely implies a common foreign policy. As Mr Giraud reminded us, Parliament is of the opinion that a foreign policy cannot be satisfactorily developed unless full account is taken of its defence implications.

At the moment we have the Community's foreign policy developing fast. Mr Andersen spoke of the value of coordinating the views of the Nine. He referred to the Helsinki Conference on European Security and Cooperation and to the harmony achieved there. We are all pleased about that, but today we have a motion for a resolution about the Middle East which specifically asks for the Community to use its good offices, and we have another motion for a resolution about the *coup d'état* in Chile. Tomorrow we shall be debating the Fellermaier report on the relations between the Community and the United States. There will be nobody to answer any of these very important debates where questions of foreign policy are concerned. This is highly unsatisfactory.

The four meetings between the President-in-Office of the Conference of Foreign Ministers and the Political Affairs Committee under the Davignon procedure are no substitute for debates on the floor of the House, nor is one statement from the President of the Conference of Foreign Ministers followed by half an hour's debate.

Beamish

I therefore put the following point very clearly to Mr Andersen. Will he please go away from here and consider with the Conference of Foreign Ministers the need for the President of the Conference to answer questions in Parliament and to take part in debates when that is appropriate, something which has very strong support in the Parliament from the political groups. I do not ask him to say 'Yes, I can do that' today, because I know he is not mandated to do it, but I ask him not to say 'No' but to go away and discuss it with the Conference of Foreign Ministers.

I conclude with a question. What sort of Parliament is it that cannot debate the Community's foreign policy with a view to influencing it in every possible way and cannot call the responsible Ministers to account if need be?

President. — I call Mr Amendola.

Mr Amendola. — (1) Mr President, ladies and gentlemen, up to a short time ago, as far as I know, it was not intended to have any discussion in this chamber on the report presented by Mr Andersen, for which I thank him. It was said that any discussion should take place within the Political Affairs Committee, and again it was said that the problems to be discussed were so grave and so delicate that discussion in a restricted meeting was called for. Now we are having an open debate and I am very glad of it because these problems, precisely by reason of their grave and delicate nature, deserve to be discussed in this assembly as the highest and most competent place to deal with them. I fail to see why it should not be possible to have a debate here on problems related to the foreign policy of our Community Member States, their security and their very future. But this debate is taking place in a rather improvised fashion coming before a debate on two other resolutions and accompanied by a recommendation, which I accept, that each speaker's time should not exceed five minutes.

Thus, the debate is not equal to the importance of the report presented by Mr Andersen. I should like to make this point, because we always end up in the same way, taking several bites of the debate. The same topic gets dealt with several times; there was a debate on economic matters yesterday which is on again today and will be continued tomorrow. But in this way you never get to have a real profound debate on fundamental issues, permitting serious exchanges between the various political parties and an adequate response to the problems put before us.

In the few minutes at my disposal therefore, I only wish to stress that I understand how the Foreign Minister's Conference is obliged to paint for this Parliament an optimistic and reassuring picture of what is called progress in political cooperation on the basis of the directives of the Hague Conference. It may even indeed be that body's duty to do so, though I myself believe that any ruling power in politics should rather be judged by the sincerity with which it grapples with grave problems. But we cannot rest content with this official version of things, which is of necessity a positive and optimistic one, when we know that at the back of it all there is no common policy but rather as many policies as there are Member States in the Community, and that there is no single problem on which the different States do not take up different positions. I am not shocked at this; you cannot have a common foreign policy unless you have a common economic policy, and we know that in economic matters there are vast contrasts between countries with full employment, reflected in deflationary policies, and countries such as Italy which need a policy of economic development, even at the cost of failing to observe deflationary rules. There are vast differences in social structures and historical conditions which form a barrier to any unified economic policy, monetary policy or foreign policy, not to mention the unified defence policy being urged on us with such insistence by our British colleagues. It seems to me that conditions are not favourable to our even tackling this problem, because when there is no common foreign policy and no common economic policy, the basic premises are lacking to enable a serious approach to be made to the problem of a common defence policy.

I merely wish to say that the most important event of this year for Europe was the Conference on Security and Cooperation. It seems to me that the Community missed a great opportunity on that occasion by not committing itself wholeheartedly on these issues and by not going all out to derive every possible advantage from this favourable set of circumstances or, better still, from the agreement on a worldwide scale between the United States and the Soviet Union. Indeed, it almost seemed to look upon this agreement as something dangerous. But now that hostilities have broken out again in the Middle East, we can see the beneficial consequences that can follow from even a minor degree of *détente* between the two great world powers.

This was the time when we as a Community should have bent all our energies to creating the proper conditions not only for our participation in the Helsinki negotiations but also for our

Amendola

participation in those at Vienna on the reduction of armed forces, so that we could have arrived at Geneva with a common policy. This policy might have been regional, if you like, and not on a world scale, but it would have been serious and practical.

Instead of that, the Community followed this conference with an air of detachment, almost afraid that some positive results might emerge from it, almost watching for any signs of disagreement between the United States and the Soviet Union, as if the Community could gain by such a disagreement. Throw off any illusions you might have about this: the Community can prosper only in conditions of peaceful coexistence. If things go badly in the world, they will go badly in Europe also.

For all these reasons I feel that the report does not go deeply enough into the problems.

If the Community tried to discover its political identity in Copenhagen—I may name the city which the Minister in his modesty did not wish to name—this means that this identity did not already exist and that up to this time the Community had not succeeded in forging this identity in its dealings with the world around us: the United States, the Soviet Union and the developing countries. And if we are not aware of our own identity, we cannot stumble on it unexpectedly along the wayside, as it were, under the pressure exerted by the United States in the Kissinger memorandum. We must discover it in ourselves and in our independent evaluation of our relations with the rest of the world.

For all these reasons I believe that there should be a wide-ranging debate and I agree with the previous speaker that we must organize our work in such a way that we have the opportunity for a frank and open exchange of ideas on the basis of a report, and not merely in committee, so that the problems of political cooperation may be tackled in a consistent fashion.

President. — I call Mr Federspiel.

Mr Federspiel. — I thank the Minister for his report. I agree with Mr Amendola that it is a pity our procedures do not allow a full-scale debate on foreign policy. In this respect I share the regret which has been expressed by Sir Tufton Beamish that the Minister will not be present when other questions of great importance are being discussed either later today or tomorrow. Nevertheless, I would not be too impatient, because the Minister has made considerable progress. We are slowly moving out of the absurd situation when foreign policy was

discussed by a Foreign Minister holding the Davignon Report in one hand and the Rome Treaty in the other hand. This state of affairs cannot continue and I believe that the Minister has moved a long way toward avoiding that sort of situation.

I fully understand the political reasons for moving slowly and I welcome every step he has taken, particularly those mentioned in paragraph 12 of the second report. Some progress undoubtedly was also made following the Copenhagen meeting. The document purporting to be a draft agreement of a statement of intent with the United States was not impressive, although it brought out a number of obvious truths and as a working document may have been useful.

The other point I wish to make relates to the strange exercise of finding a European identity. I have never been able to understand what this means. General de Gaulle used to talk of “la personnalité européenne” and that at least made some sense. The idea is to try to find some common ground in our relations with the United States. This is a highly important matter. I do not think we realize clearly enough how much the United States Government and indeed Americans as a whole need Europe today in the situation which is brewing.

This leads me to say a few words on the Middle East, although I appreciate that this subject does not strictly come into this discussion. Many things can be said about the Middle East. We must realize that in 1947, or for that matter in 1917, we let loose forces which no European nation—and indeed no combination of European powers—will be able to control unless these questions are resolved. As a background to this question we see the United States and the Soviet Union, both of which in 1947 voted for a solution of the Palestinian problem, but not the solution which nature brought about. This matter will require a great deal of patience and, speaking personally, I warn the Ministers not to enter into this question with undue haste. The one thing that is important in the Middle East context is the question of timing. Any false timing inevitably will give the impression of partiality and a forced solution.

Even though we in this Assembly have not been able to conduct a full-scale foreign policy debate, we congratulate the Minister on the progress he has made. We therefore hope that the strange dual situation which entails his putting on his Davignon hat at one moment and at the next moment donning the hat of Robert Schumann and sitting in Brussels will not continue. This will lead to a split personality and

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inevitably to a state of schizophrenia, which is not a very good thing for a Foreign Minister to develop.

President. — I call Mr Memmel.

Mr Memmel. — (D) Mr President, I promise not to speak longer than the time to which I am entitled.

I should like to support what Lord Gladwyn has said. Today's edition of one of the three largest German daily newspapers states that in a letter to Mr Waldheim, Secretary-General of UNO, the nine Member States of the Community have again appealed for an end to hostilities in the Middle East. Good. But the report goes on to say that the European Community does not want to go beyond this appeal for the time being. I should like to ask: why not?

The report also says that the EEC Foreign Ministers reached this decision during their unofficial discussion on the Middle East at the meeting of the Council of Ministers in Luxembourg. My question to the President of the Council is: is it true that most of the EEC Foreign Ministers did not attend this Council meeting in Luxembourg? If this was the case, I must ask the President of the Council if at a time when guns are being fired and bombs dropped, not so very far from here really, and a German newspaper cautions against a repetition of 'August 1914', there is anything more important than a discussion of the Middle East, not—I agree with Mr Federspiel—overhastily but at least before dealing with other subjects? (Applause)

President. — I would remind the House that Mr Andersen is not the President of the Council, but the Chairman of the Foreign Ministers' Conference.

I call Mr Dewulf.

Mr Dewulf. - - (NL) Mr President, this morning the President of the Council made an important statement which has our approval since it succeeded in bringing closer together two Community institutions, the Council and the European Parliament, in the parliamentary dialogue which is indispensable to Europe.

I should like to comment on the statement made by the Chairman of the Foreign Ministers' Conference today concerning the Second Davignon Report. Mr Andersen made two important points. Firstly, he said that the nine Member States required a definition of the European identity. The external pressure on the nine Member States—I deliberately do not say the

Community—is such that we cannot withstand it without a definition of the European identity on which to base a suitable Community policy.

Mr Andersen spoke of this initial awareness of our European identity in the context of European union, which at the moment is still floating around in a vague sort of vacuum, but which must by 1980 assume concrete form.

Mr Andersen should not be so modest. It was in his capital that the nine Member States really became aware of the urgent need to arrive at their genuine European identity.

I should still like to know the following: what are the Community implications of your point of departure, the European identity, and what will be the Community implications of the ultimate goal, the European union? We can of course keep on talking in terms of 'European identity' and 'European union': this is perfectly possible in an intergovernmental *tête-à-tête* between nine Member States, but the real question is how do we achieve this on a Community level.

This is why I should like to ask Mr Andersen, not in his capacity of Chairman of the Foreign Ministers' Conference, but in the hope that Mr Andersen will consider the question which I put to the President of the Council: when will the Community's European Identity become a reality, and when shall we really get underway towards European union?

In the Danish Chairman's Working Programme, European union is not even considered a priority matter, a fact which we find rather disturbing. When shall our debates on the Davignon Report finally move into their proper Community perspective? (Applause)

President. — I now call the Chairman of the Foreign Ministers' Conference to reply to the remarks made after his statement.

Mr Andersen. — (DK) Thank you for the opportunity given to me to be here today to listen to the questions and views which have been raised. I am also grateful to the President for saying, in giving me the floor, that I wished to try to reply to the questions which have been posed. That was the procedure which the President and I agreed on immediately before this meeting. I believe the President will confirm that.

It may perhaps have been your impression at the beginning of the meeting that I was here to take part in a general debate on foreign policy. This is not so, not because I myself would not

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like very much to do so, but because I am speaking on behalf of nine colleagues or rather on behalf of eight colleagues and myself. One part of the criticism levelled at the procedure, which I fully understand from Parliament's point of view, could perhaps be addressed to some purpose to the various foreign ministers in the individual countries so that we in the Community can come to an agreement about a different procedure.

(Applause)

It can hardly be the intention that I should disregard the instructions given to me by my colleagues, and disregard the procedure under which I am talking, and agree to something here which I have not informed the President of and which I have not promised to the Assembly. I wish there to be absolute clarity on this point. This is what we are used to in the Danish Parliament. I hope that it will be accepted that we shall also be forthright in this sense in this Parliament and be prepared to call a spade a spade. I have not forgotten, as far as I recall Latin from my school-days, that minister means 'servant'. In my own parliament I attempt to serve parliament without regard for party interests. That is what a minister should do. The extent to which the ministers of the nine countries should serve this Parliament must be established by an agreement between the nine countries. As long as there is a procedure laid down I cannot break with it unilaterally without consulting my colleagues in the Nine. I believe that you will all understand why.

Having said that I would like now to try to answer some of the questions which have been asked. Several questioners touched on the question with which Mr Giraud opened this debate, namely the Middle East problem. There can be none of us here who are not so taken up with this problem that we have some difficulty in collecting our ideas about any other foreign policy problem. So it is only natural that the Middle East problem should have been mentioned in almost all your speeches here today. But I must also draw your attention to the fact that the nine ministers dealt with the Middle East problem in a statement issued on Saturday. I believe that all the Members of this Assembly are quite familiar with it. However, with the President's permission, I would like read this very brief statement. The text is as follows:

'The nine EEC countries, after mutual discussions, have agreed on the following statement:'

'The nine governments of the European Community, seriously concerned about the resumption of the conflict in the Middle East, appeal to the parties concerned to give their support to

the discontinuation of hostilities. This cessation of hostilities is intended to make it possible to spare the peoples affected by the war from further tragic events and should at the same time open the way to genuine negotiation in a suitable framework to make it possible to reach a solution to the conflict in accordance with all the provisions contained in the Security Council's Resolution No 242 of 22 November 1967.'

This was as much as the nine governments could agree to on Saturday evening.

Even though developments in the Middle East are rapid there is nothing which suggests to me that it could have been possible, in the time since Saturday evening, for the Nine to make further progress in this unfortunate question with the unity which is required in this case.

It goes without saying that all nine governments—and to exclude any misunderstanding not least of all the Government which is in the chair at the present time—are following every possibility, not only every verbal possibility, but also every real possibility, to exercise influence in this situation. We are following developments very very closely. Should any possibility arise for the nine countries to achieve more than we did on Saturday it is my view as Danish Foreign Minister—and here I cannot answer on behalf of my eight colleagues—that we will all seize such an opportunity to make progress, but this Parliament which I respect and admire should not be content with declarations and statements in a serious situation—statements which can hardly exercise influence on a very serious situation may perhaps compromise this Parliament or the nine countries more than helping the unfortunate parties involved.

There is also the question of European identity raised by many speakers. We should not entirely forget what things were like in the past. I belong to the small group of people who believe that you cannot understand what happens today without the help of history. The fact that today nine countries can live and work together to elaborate the main lines of the European identity is a situation we would never have dreamt of ten, fifteen or twenty years ago. The impatience shown in this Assembly is a good thing and I hope that it will remain so since it is an inspiration to the governments.

But one should not leave out of account the fact that even this Assembly sits down and works with the concept of identity and we hope—it is my optimism which makes me say we hope—that after the next ministerial conference in Copenhagen in November we shall be able to state publicly what we have attained so far as

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far as identity is concerned, which in itself it is a very remarkable sign of European cooperation in the family of Nine.

It must not be expected that this document will be the final one. We live today in a continent which is still developing and therefore the definition of identity we produce in November should be seen as the first of a series of definitions since we must follow the times and the challenges of the times and the development in cooperation between the Nine which we hope to see in the coming year. Therefore the paper which we hope can be published after the November meeting in Copenhagen will remain an initial description by the Nine of the identity of the family of Nine and if we can contribute to that, and if you can contribute to that, there will be many further definitions of European identity.

Mr Giraud and many later speakers including Lord Gladwyn mentioned the question of defence and security. It is no secret that political cooperation can go no further than the agreement reached by the nine governments. It is no secret that there is no question of supranational decisions in the field of foreign policy. And it is no secret that there is no agreement in the Nine for the discussion of defence problems by the Nine in the framework of foreign policy consultation.

If I may add an observation, Mr President, as Danish Foreign Minister—since this is a question which I cannot answer on behalf of the Nine—I would like to say, although there is a danger of provoking a reaction from this esteemed Assembly—and I hope you will forgive me speaking frankly once more—that if I was a member of the American Senate or the American House of Representatives, and if I wished to reduce the American engagement in Europe I would support my cause by pointing out there were European countries wishing for the discussion of such topics in a club for which the USA had no membership card. I do not see this as being a rejection of anything European but rather as the affirmation of transatlantic cooperation on defence which is based on ideas and principles on which there is profound agreement on both sides of the Atlantic. I say this since I do not believe in the credibility of European defence without American commitment and so those who are so keen on discussing what Europe should do on the day when the USA perhaps reduces its forces, are perhaps only concerned about putting this question and bringing about this debate, and are asking for a reduction of the American engagement which I for my part do not desire, and which I do not

wish to take responsibility for, but which other people seem to want to take responsibility for. *(Applause)*

You mention, for example, Geneva—indeed the second stage of the Security Conference is taking place in Geneva, involving security policy and discussions in the framework of the Nine. This is perhaps the sphere in which the Nine have gone furthest in their political cooperation. So when we speak of security in its wider meaning, and of cooperation in its wider meaning, we are able to cooperate and we have shown that this is so in a way which has aroused respect in neutral countries, in unaligned countries and perhaps, tacitly, from a third party which is not able to express its respect. When we speak of Vienna we in this Assembly know that we in the Nine are not in agreement with the discussions in Vienna, that is to say that an appeal for the Nine to take part in the Vienna talks is an appeal to demonstrate political disagreement. I see no point in that.

Lord Gladwyn also mentioned the Middle East and ways of negotiating on another basis than the one used up till now. May I say here once again as Danish Foreign Minister that I frankly admit that the unfortunate situation we are witnessing at present may make it very necessary to re-think matters concerning the Middle East. But up to this moment we have a basis—one basis—which is accepted by both the conflicting parties, namely the UN Resolution of 1967 and—as Lord Gladwyn also said—until we have a new basis which is accepted by both parties, I believe we shall have to be more than prudent about undermining the basis which we have. This does not in any way imply disregard for Lord Gladwyn, whom I understood was of the same opinion, i.e. that if Resolution 242 were not accepted we would be put in a still more unfortunate situation in respect of the Middle East.

I share Lord Gladwyn's hope that this will continue. I believe the trend towards *détente* will survive this rather critical and difficult stage.

Sir Tufton Beamish mentioned the relationship between Copenhagen and Brussels. May I say—and I trust you will forgive a word in jest—that if Copenhagen is causing a spot of bother the problem will be solved on 1 January when the city in question will be Bonn. Seriously, though, I am not responsible for the distinction between what happens in the capital of the host country, as covered by the Luxembourg and Copenhagen Reports, and what happens in Brussels. Greater forces decided that it should be so, and I am content to follow the procedure.

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We pride ourselves on the democratic set up in the Community, and therefore—as a majority of this House would surely agree—it makes sense for the ministers to stick to it. I shall continue to do so. What has been achieved in the Second Report, which several people have quoted, is to make it quite clear that we reasonably consider that many matters have both economic and foreign policy aspects.

We have thus worked out a means of mutual consultation which ensures that one hand knows what the other is doing. That is as far as we have got. That is the point on which the Nine can agree at this stage. Any attempt to push matters beyond that point will not lead to greater unity but will simply disrupt the unity already achieved in a number of areas.

I shall naturally inform my colleagues of the practical problems mentioned in connexion with the next part-session. I think I have stressed, and amply demonstrated, that I am not afraid to answer questions in this House, but I will gladly keep my colleagues informed of the main issues.

Mr Amendola raised the question of why foreign policy and security matters are not discussed here. He said optimism was all very well, but we should be honest enough to admit that nothing much had been achieved. Later on, however, he stated that the most important thing in Europe today was the Security Conference. Well, I agree; but it is precisely on this point that we in the Nine have gone furthest. In other words, Mr Amendola's conclusions do not follow from his premises.

We have gone a long way in this respect. We have made most progress in the field of security and cooperation.

I thank Mr Federspiel—who I am quite aware basically disagrees with me on a number of points connected with foreign policy and application of the Treaty—for his positive remarks on the progress nevertheless achieved in the Second Report.

Mr Federspiel referred expressly to Section 12, which I mentioned a moment ago, and asked what we mean by identity. I have already replied: I hope we shall be able to publish our provisional document in November.

In regard to the Middle East Mr Federspiel said we should not try to go too fast. As Danish foreign minister I could say the same thing; but I prefer to repeat what I have already said. If the Nine can help—or if there is merely a chance that they can help—to find a solution to this conflict, they must do so.

Excuse me, Mr President, if I speak plainly once again. If it is simply in order to satisfy our own consciences—and this is not directed at Mr Federspiel, especially as he said the opposite—that we are to make a statement which will have no practical effect, then I will have nothing to do with it.

Mr Federspiel talked finally about schizophrenia, about ministers with two different hats. It is a popular and understandable theme, but matters are not quite as simple as that. There is nothing unusual in the fact that a number of foreign ministers were not present at the last meeting of the Council. Various Member States send ministers other than their foreign ministers to Council meetings. It is not a particularly Danish situation. Nor was it responsible for the failure to hold a Middle East debate which could not have taken place in the Council even if the appropriate ministers had been present. It is a perfectly customary situation. We have to live with this duality until our parliaments and peoples wish to progress beyond it.

In this connexion I would say to Mr Memmel, who asked why the ministers did not attend the Luxembourg meeting on the previous day, that there was no Luxembourg meeting. This would seem a good enough reason for not attending. There was a meeting of the Council of Ministers, and I sat in Copenhagen all Saturday prepared to leave for Luxembourg to try and arrange a meeting of foreign ministers if I thought we could go any further on the Middle East question. There was general agreement that we could not. We therefore did not interrupt the Council meeting to hold a separate meeting which, in the circumstances, would have led to an anticlimax since we could go no further than our statement of Saturday evening.

I think I have already answered Mr Dewulf's question as to when we shall get around to dealing with 'identity'. We are prepared to deal with it provisionally in November, but I stress the word 'provisionally'. Anyone who wishes to do a disservice to the European cause—and I know this does not apply to anyone in this House—has only to upbraid us in November for not having defined European identity for the rest of the century. For any document which goes too far in that respect will block further development, not encourage it. This has to be said to those who are expecting a final answer at this stage.

Any document or statement which purports to give a final definition of European identity can only place a stumbling block in the path of European development.

I trust the House will agree that I have—perhaps in a rather committed fashion—ans-

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wered quite openly and frankly a number of questions and expressed a number of views. I promised the President I would answer questions, and I have tried to do so. Given my official terms of reference, I cannot indulge in a general debate, but within those terms I am always prepared to meet Parliament and its Political Affairs Committee. This is in line with what I understand by that aspect of European identity we call democracy.

(Applause)

President. — I thank the Chairman of the Foreign Minister's Conference for giving such clear answers to the remarks made by Members of Parliament.

At the same time, I thank him for agreeing to be present, for the greater part at least, at the exchange of views which we are to have on the motions for resolutions concerning the Middle East and Chile.

10. *Amendments to the report by Mr Delmotte on regional policy*

President. — Twenty-seven amendments have already been tabled on the report by Mr Delmotte on regional policy. Since the debate on this report is taking place tomorrow, I propose that we should set the time-limit for tabling amendments at 5 p.m. today.

Are there any objections?

I call Mr Scholten.

Mr Scholten. — *(NL)* Mr President, would it be possible to put the time-limit back one hour?

President. — I shall meet you halfway, and set the time-limit at 5.30 p.m.

I call Mr James Hill.

Mr James Hill. — Mr President, I understand there are 27 amendments tomorrow. We are to start the debate, I believe, at 11 o'clock. Will you set a time limit on the length of the debate because, of course, there is Mr Arndt's report shortly after that? Could you give me some idea of how long you will allow for the whole debate, including amendments?

President. — I talked this over with the Whip of your group yesterday, whom I do not see present at this moment. We agreed to start the debate in the morning, maybe towards the end of the morning, then to finish it between 2.30 and 5.30 p.m., the latter being the utmost time-

limit to enable your delegation to return for a while to Westminster. Thus there will be three hours in the afternoon for the regional policy debate. That was the arrangement I made with the Whip of your group.

Mr James Hill. — Thank you, Mr President.

11. *Motion for a resolution on the conflict in the Middle East*

President. — The next item is a debate on the motion for a resolution drawn up by Mr Durieux and four other chairmen of political groups on the conflict in the Middle East (Doc. 193/73).

I call Mr Durieux to speak to the motion.

Mr Durieux, Chairman of the Liberal and Allies Group. — *(F)* Mr President, I should first like to thank my colleagues in the other political groups for having given me, as chairman of the group which initiated the motion, the chance to make a few explanatory remarks concerning the motion for a resolution. We wanted the resolution to be short, precise, clear to the public at large and, especially, in a form suitable for consideration by our respective governments.

The history of the nations which form the European Community is red with the blood of our peoples who henceforth will be working side by side on the construction of Europe, with all the variety of our philosophical and religious convictions and the plurality of our political parties—a plurality which serves as an encouragement to federate.

We could have included a great many other ideas in this motion for a resolution but we have left them to be understood. This is the case of Resolution No 242 adopted by UNO in November 1967—a unanimous desire which is implied in the second paragraph when we state that the cease-fire should be followed by direct or indirect negotiations to guarantee a lasting peace.

Mr President, we must proclaim aloud to the Arabs and Israelis, amidst the tumult of ever more secret weapons in the Sinai Peninsula and on the Golan Heights that all the bloody battles fought by our peoples are now only painful memories which served to weaken the Europe which is now in the process of fraternal reconstruction.

Now, while observing the undertaking I gave to my colleagues to keep to common ground, I should like to make a few remarks of a more political nature.

Durieux

I wish to draw the attention of the whole Assembly to the scope of our call for an emergency meeting of the Conference of Foreign Ministers in the form of an established institution and with a clear and definite agenda, as any Community citizen has the right to expect, rather than to have the matter discussed on the side at some meeting or other. Once this conference is over the general public must know whether the Nine Member States have reached a common position on a matter of such wide-reaching importance and if the peoples of the Middle East can now rely on Europe to help them find peace. This would be the first time the Community had adopted a common position on a political question of the greatest importance and if we ignore for the moment the sad circumstances which make this necessary it would be a reason for self-contradiction, particularly after the meeting at Copenhagen when a great deal of ink was consumed on the subject of the 'European identity'. The moment of truth has arrived and we must state, without any false shame, whether on a basic problem, and I might even say *the* basic problem, we hold points of view which converge or are at least parallel or whether we hold divergent opinions of which the institutional disputes are merely a reflection.

Paragraph 14 of the communiqué issued after the Paris Summit solemnly stated that political cooperation between Member Countries in the sphere of foreign policy had begun satisfactory. Today we have an opportunity to implement this declaration of principle. We now have both the juridical and institutional instrument for the purpose, in the form of the Second Report on Political Cooperation, and the political opportunity.

Since 1967 our various countries have in fact maintained a neutral position while supporting the efforts of the United Nations, which recent events have shown to be fruitless. We are certainly less committed than the United States or the USSR which have both, I would say, given material proof of their preferences and very often added fuel to the blaze by supplying the most deadly weapons whereas the Nine are not militarily involved in the conflict.

The mass media have just announced that Mr Kissinger and Mr Le Duc Tho have been awarded the Nobel Peace Prize for their contribution towards achieving a *détente* between the two blocs.

What *détente*, I would ask. We can see today how insecure it really is. Russian and American air lifts are flooding the countries of the Middle East with the most frightful weaponry and the whole world is aware that the *détente* is at stake.

This war is taking place—and let us not forget it—scarcely three hours' plane journey from our towns, in a region whose economy complements our own and between a number of countries with whom we have just signed agreements which go further than mere commercial relations, extending as they do from the granting of technical and financial assistance to social, economic and cultural cooperation.

It has often been said that Europe was able to show the road to peace. If this is true we must do so now by calling together those responsible for our diplomacy. There is no higher goal than peace and the Community's image cannot fail to be enhanced. The races of Europe used to hate one another from childhood; our nations hated one another to the extent that from adolescence onwards people trained to fight one or other of their neighbours according to diplomatic caprice.

World diplomacy is active at present and we must profit from the fact that the parties directly concerned are beginning to show a certain trend towards moderation.

We who are not committed are in a position to foster initiatives for achieving a truly satisfactory peace plan designed to bring about an immediate cease fire and put an end to the squandering of human life.

However, it is not within the power of this Assembly to work out such a plan for peace. The initiative for this is left to our foreign ministers who will be able to solve the problem of the refugees while guaranteeing the State of Israel the right to exist in accordance with the principles of the United Nations Charter.

There is no need to be a great politician—christian-democrat, socialist, conservative, European progressive democrat or liberal—to deplore the loss of thousands of lives. There is no need for courage to proclaim that all men have the right to live in freedom and safety. Does either the Koran or the Talmud forbid men to love one another?

May our example as Europeans who have achieved reconciliation after many years serve as an immediate lesson to those fighting the war in a world atmosphere apparently known as *détente*.

This is the example which must inspire our governments and our assemblies when faced with the present events in the Middle East.

Finally, Mr President, we have confidence that the wisdom and initiative of Mr Andersen as Chairman of the Foreign Ministers' Conference will ensure that the unanimous wish of the

Durieux

political groups in the European Parliament for a negotiated and lasting peace will be heard and fulfilled.

(Applause)

IN THE CHAIR: MR McDONALD

Vice-President

President. — I call Mr Ansart on behalf of the Communist and Allies Group.

Mr Ansart. — (F) Mr President, ladies and gentlemen, the war in the Middle East in an unfortunate demonstration of the fact that world *détente* has not yet been finally achieved. There are in the path towards *détente* obstacles which men of progress must remove by attacking resolutely the causes of conflict.

This new episode of conflict in the Middle East shows tragically that a lasting peace cannot be based on the annexing of territories which the peoples concerned regard as a permanent challenge and a permanent affront to their dignity. In seeking ways of helping to settle this dispute, the members of this Parliament must not lose sight of the fact that the Egyptians are fighting in Egypt and the Syrians in Syria.

It is our opinion that only a political solution based on the implementation of the United Nations resolutions can ensure peace in the Middle East. This is why any resolution adopted by this Assembly will only be of any effect in so far as it is based on the UN resolution requiring Israel to withdraw from the Arab territories occupied in 1967. This resolution, moreover, recognizes the national rights of the Arab people in Palestine and the right of existence and the security of all states and all peoples in this region, including, obviously, the State of Israel.

We have to recognize that it is the failure of Israel over many years to respect this UN resolution which has made this confrontation inevitable. It is thus unrealistic and unreasonable to believe that a cease-fire may now be achieved by ambiguous promises and vague phrases. We also deplore the fact that the motion for a resolution submitted by Mr Durieux moves away from the recent statement by the Foreign Ministers of the Nine and does not refer clearly to the need to observe Resolution No 242 of the United Nations which, as I have already said, requires that Israel withdraw from the occupied territories.

This is why we ask that after the words 'cease-fire followed by early negotiations' in paragraph 2 it should read 'on the basis of the Security

Councils Resolution No 242, adopted in November 1967, which alone can guarantee lasting peace.'

Implementation of the United Nations Resolution and a cease-fire are thus inseparably linked and it would be foolish to seek to ignore this fact.

If, therefore, our amendment is rejected we shall be unable to vote in favour of the resolution put before us.

President. — I call Mr Blumenfeld on behalf of the Christian-Democratic Group.

Mr Blumenfeld. — (D) Mr President, like the communiqué issued by the nine governments, this motion for a resolution reveals—I cannot call it otherwise—the helplessness and lack of agreement among Europeans. In spite of obvious deficiencies in the text of the motion for a resolution which has been placed before this Parliament and just explained by Mr Durieux, the Christian-Democratic group will support it and vote for it, principally because of the appeal in paragraph 2 for the immediate convening of an extraordinary conference of the Foreign Ministers of the Community, which is to offer the two sides in the Middle East conflict its good offices in achieving a ceasefire without delay, to be immediately followed by negotiations between the two sides or others with the object of achieving a lasting peace in the Middle East, a peace which guarantees everyone in the area concerned the right to live and through which the existence of the State of Israel and the right of the Jewish people to live within safe frontiers is accepted once and for all.

We would like to have seen a more concrete and more binding statement in the motion for resolution. But what is important is, of course, that emphasis be placed in the statement on the unity of the European Parliament, which, due to the lack of agreement, sees Europe in a neutral mediating role, urging those engaged in the hostilities to begin negotiations immediately the ceasefire takes effect.

This, Mr President, is the political difference from the interventions by the superpowers, above all the Soviet Union, but also the offers of a ceasefire which the Egyptian and Syrian Presidents, not to speak of other Arab spokesmen, are once again confronting with conditions that cannot be fulfilled. If the Israelis then react by showing little willingness to compromise, as was apparent from Mrs Meir's speech in the *Knesset* yesterday, it is hardly surprising.

We expect the Community to intervene directly as a mediator in the conflict in which more and more human lives are being lost on all sides,

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which is increasingly becoming a threat to world peace and which is raging on our doorstep. The Community claims that it has a responsibility towards the world. Well, if this is the case, we should use our political and economic weight independently of the super-powers.

Mr President, I should like to make one more remark on this motion for a resolution. It is an insufferable thought for us as democrats, who love peace and who are determined with all their might to defend freedom, human rights and political and moral principles, that neither the governments of the Member States nor the political groups gathered here have had the courage to condemn the use of forces as a political instrument. I mean by this the omission to point out who were the attackers in this fourth war and to condemn the Egyptians, Syrians and their Arab partners for beginning this war. History, which will one day reveal more than just the political developments, may also show how responsible Israeli policy was for the escalation, this new conflict after six years of truce. But in view of the continuing world-wide attempts to end this and other political conflicts by peaceful means, the condemnation of the use of military force and surprise attacks is a duty which we cannot leave undone if we are to remain credible.

Finally, it must be pointed out that the Soviet Union, a superpower, is responsible for the breaking of the truce and the failure of efforts to find a peaceful solution in the Middle East and for its active share in the development of this conflict. What has happened to the basic principles which Mr Brezhnev solemnly agreed with President Nixon in Moscow in 1972 and confirmed in Washington only a few months ago? The Kremlin and Washington said then that they would consult each other immediately there was a threat anywhere of conflict which might increase international tension. Instead, the Soviet Union, it should be stressed here, has in the last six months delivered to the Syrian and Egyptian armies and governments terrifying amounts of military supplies and ultra-modern weapons for all the world to see and has continued to supply such armaments since the beginning of the war in a massive airlift operation. All this is incompatible with the desire for and goal of *détente*, as we understand it at the moment. We in Europe will have to draw our conclusions from this.

Mr President, we should not accept the amendment supported by our Communist colleague in view of the justification I have just given for our joint motion for a resolution. I at least ask you to vote against it.

President. — I call Lord Reay on behalf of the European Conservative Group.

Lord Reay. — I should like to say a few words on behalf of my group in support of the resolution which has our names to it.

The main point of the resolution is to call for an emergency meeting of the Conference of Foreign Ministers. We feel that this is warranted not only by the extreme gravity of the situation in the Middle East at the present time but by the position of Europe itself in the world. Europe has a vested interest in peace in that part of the world for reasons of geographical proximity, although not for those reasons alone. In particular, Europe has a special position because with the involvement of the United States and Russia in the conflict, each one exclusively in support of one of the belligerents, Europe acquires a special position for that reason by itself as she is not committed to exclusive support of one side rather than another.

Europe wants and needs to acquire a single voice in foreign affairs. We frequently discuss this. We have discussed it today. There have been developments in this field and there will certainly be further developments. This situation could provide yet another case where Europe found that she needed a single voice with which to respond to demands from outside.

For these reasons we believe that nothing should be spared to develop the policies and to get in step the policies of Member States of the Community in order to maximize Europe's chance of making a positive contribution to the solution of this most serious situation.

President. — I call Mr. Vals.

Mr Vals, Chairman of the Socialist Group. — (F) Mr President, when the chairmen of the various political groups met yesterday to try to work out together a formula which might win the approval of the large majority of the Assembly, they agreed upon the text which is put before us today. This is why the Socialist Group, keeping to its promise of yesterday, will not vote in favour of amendment.

Moreover, we consider that the motion for a resolution shows clearly what the position of the Socialist Group is in this matter. In fact, in one of the recitals it warns of the risks of escalation that are the inevitable result of its prolongation and implicitly condemns any incitement to such escalation, particularly by the supply of arms.

Vals

At the same time, this motion calls for an end to hostilities in order to enable direct or indirect negotiations to recommence, thus confirming the positions adopted in the resolutions already passed by the United Nations in 1947 and 1967, that is to say recognition of the right of the State of Israel to existence and to the maintenance of its frontiers together with all the other Middle Eastern countries.

This resolution naturally also recommends the final delimitation of frontiers, in respect of which it asks for a guarantee. This fixing of frontiers will, depending upon the results of negotiations, be followed by the withdrawal of troops from certain territories presently occupied.

The motion thus contains everything which the Socialist Group desires—firstly an immediate cease-fire, secondly early negotiations, direct or indirect, and finally the guarantee of lasting peace. The Socialist Group will also vote in favour of the motion for a resolution.

(Applause)

President. — I call Mr Durieux.

Mr Durieux. — *(F)* Mr President, very briefly, and associating myself with what has been said by Mr Vals on behalf of the Socialist Group, I should like to say that the chairmen of the political groups yesterday agreed to submit this motion for the approval of Parliament.

I think we should reject the amendment proposed by Mr Amendola and Mr Ansart because it is unnecessary. The text contains our implicit wish to see a cease-fire followed by early negotiations, direct or indirect. I would stress these words 'direct or indirect' which will allow the Conference of Foreign Ministers to take such measures as are necessary, referring where appropriate to Resolution 242 of the United Nations. The amendment is therefore superfluous.

The Liberal and Allies Group will therefore vote against the amendment.

President. — I call Mr Schulz.

Mr Schulz. — *(D)* Mr President, ladies and gentlemen. I am afraid that, tragic as it is, the matter we have been discussing will still be of concern in a few weeks' time and I may well have to return to the subject in more substance and detail at the November part-session—perhaps in relation to the discussions held with our colleagues of the Consultative Assembly of the Council of Europe. Today I shall restrict myself to a statement of voting intentions.

Much as I appreciate the fact that the five chairmen of political groups have tried to obtain a common declaration of intent and much as I am in sympathy with what has been said by Mr Blumenfeld in particular, I wonder whether it is in fact possible for the European Parliament to condemn itself to a fictitious unanimity which we, as a parliamentary assembly do not need to reach, which because of the scope of the motion is lacking in credibility and which we will therefore not have.

Speaking for myself, Mr President, I must state that I shall not support the motion—mainly because it is stated in the preamble that the continued fighting is an extremely grave threat to world peace. In my opinion this form of wording is not honest. It is not the continuation of fighting but the commencement that constituted such a threat.

Like Mr Blumenfeld, I would have liked to see a resolution of the European Parliament on this subject roundly condemning any unilateral military action aimed at promoting political ends, particularly in a period of *détente*.

The conflict has indeed presented a grave and frightening threat to world peace but in my opinion only because of the massive, unilateral intervention by a superpower from the first day of the war onwards. I would ask the honourable Members whether anyone here seriously believes that the Soviet Union, which by its involvement in the Middle East, an involvement pursued with a brutal lack of ambiguity, is seeking to achieve its ends by force and has therefore very obviously and in public shed the straightjacket of *détente*, will come to negotiate with the West with very different aims in mind.

I would have welcomed a resolution, ladies and gentlemen, which called upon the national governments to consider whether in view of the Middle East situation the time had not come for sober reflection on certain methods used in the western policy of *détente*—something which in my opinion we omitted to do in 1968 after the Soviet intervention in Czechoslovakia with disastrous results for all concerned.

I would gladly have voted in favour of a resolution which declared it to be pointless to continue negotiations in the context of the Conference on European Security and Cooperation, which I have long regarded as an institution designed to promote the permanent insecurity of Western Europe, or to embark upon negotiations for a balanced reduction of forces until fighting in the Middle East has ceased. I would gladly have voted for a resolution calling upon governments to submit a nalternative programme for our energy supplies as a matter of urgency so that

Schulz

we might maintain our independence *vis-à-vis* certain Middle Eastern countries which are involved in this war—with maximum freedom for our decision making.

Since to my very great regret the motion for a resolution tabled by the five political groups contains nothing of all this, I am forced to reject it.

President. — Does anyone else wish to speak? The general debate is closed.

We shall now consider the motion for a resolution.

On the preamble and paragraph 1 I have no amendments or speakers listed.

Does anyone wish to speak?

I put these texts to the vote.

The preamble and paragraph 1 are adopted.

On paragraph 2, I have two amendments :

— Amendment No 1 tabled by Mr Amendola and Mr Ansart, and worded as follows:

At the end of paragraph 2, replace the words: 'either direct or indirect, such as may guarantee a lasting peace'

by the words:

'on the basis of the Security Council's Resolution No 242, adopted in November 1967, which alone can guarantee lasting peace'.

— Amendment No 2, tabled by Mr Kirk, and worded as follows:

At the end of paragraph 2, replace the words: 'such as may guarantee a lasting peace'

by:

'such as may within the framework of the United Nations Organization guarantee a lasting peace;'

I call Mr Ansart to move Amendment No 1.

Mr Ansart. — (F) I have already moved it, Mr President.

President. — I call Lord Reay to speak to Amendment No 2 in place of Mr Kirk.

Lord Reay. — Perhaps it will be convenient if I put forward the reasons why Mr Kirk has tabled this amendment at this stage rather than wait until we have adopted the first amendment. The amendment put forward by Mr Amendola and Mr Ansart brings in the question of Security Council Resolution 242, which, the amendment says, 'alone can guarantee lasting peace'. The amendment in the name of Mr Kirk, which I wish to move on his behalf, shares with Mr Amendola's amendment the intention of making

the parliamentary resolution more specific, but it does not go so far as Mr Amendola's amendment. We wish to make the parliamentary resolution more specific and to make reference to the United Nations basically because we believe that no settlement can be achieved in this situation which does not have an international character and that the United Nations is the correct channel through which to bring this about.

However, what we do not like about Mr Amendola's amendment is in particular the word 'alone'. Plainly there are many good things about Resolution 242. It was achieved only with great difficulty. It was accepted unanimously by the Security Council. However, we think that to say that on the basis of that resolution alone lasting peace could be achieved is going too far. For these reasons, I recommend to the House that it support our amendment, which, although it has a reference to the United Nations, nevertheless does not go quite as far as Mr Amendola's amendment.

President. — I call Mr Vals.

Mr Vals. — (F) Mr President, I am surprised to see an amendment tabled. The chairman of the political groups discussed the matter for a considerable time and produced a formulation for the motion on which they were unanimously agreed.

I am surprised that one of the signatories of the motion for a resolution, whose absence I regret as I would not wish this to be regarded as a personal attack—and who is chairman of a political group, has now tabled an amendment.

(Applause)

President. — I put Amendment No 1 to the vote.

The amendment is not adopted.

I put Amendment No 2 to the vote.

The amendment is not adopted.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

On paragraph 3, I have no amendments or speakers listed.

Does anyone wish to speak?

I call Mr Christensen.

Mr Christensen. — (DK) This is not the time, of course, for tabling amendments, but I have a feeling that a wrong address has been stated in paragraph 3. It says: 'instructs its President to forward this resolution to the Council and Commission'.

Christensen

I believe that this resolution should be sent—it is in keeping with the whole situation—to the chairman of the Foreign Ministers' Conference and to the governments of the Community countries. This must be what is intended with this resolution.

It looks to me as if a rubber stamp has been applied, automatically.

President. — I call Mr Lücker.

Mr Lücker. — (*D*) Mr President, I should just like to ask Mr Christensen to withdraw his amendment—I am not quite clear, in fact, whether he tabled an amendment or was merely making an observation. Paragraph 3 is simply a formula which we always use here in Parliament because we are expressing our wishes to the Council, the Commission and, in some cases, to the governments of Member States.

I assume that Mr Andersen as President of the Council will pass on this resolution to Mr Andersen as President of the Foreign Ministers' Conference.

Mr Christensen. — (*DK*) As far as I can see, the rules of procedure do not allow me to table an amendment.

I was just drawing attention to a purely formal matter which, I think, should be borne in mind on other occasions.

President. — I put paragraph 3 to the vote.

Paragraph 3 is adopted.

Does anyone else wish to speak?

I call Mr De Sanctis.

Mr De Sanctis. — (*I*) Mr President, I thank you for giving me the floor to give a brief explanation of my vote on the whole motion for a resolution. Having voted with my colleagues in favour of the various paragraphs and against the amendments proposed in this Assembly, I am naturally in favour of the document as a whole. This follows first and foremost from my convictions on the matter in question, and secondly from my impressions on reading this document and my reflections while listening to the debate that has been held in this Assembly, in spite of some elements of disagreement amongst those very groups that had initially presented such an united front on the matter to the point of getting together to draw up the document submitted for our consideration.

But on an occasion such as this which I consider extremely important, I certainly do not want

to fan the polemical flames; in any case, the disagreement is only marginal and superficial. I want to say straight away that I voted in favour of it, even though I am convinced that the document has many shortcomings and that it could have been more detailed and wide-ranging. But perhaps the reason for its being presented in this way is that too many obstacles had to be overcome in too short a space of time to enable a more comprehensive and coherent document to be drawn up and also that the European Economic Community, through its Parliament, is still only in the initial stages of attempting to create for itself, if not a unified foreign policy, at least a common European language capable of coping with problems of this nature and importance.

I can understand therefore how this kind of compromise could have been arrived at. Being, as I believe, a reasonably shrewd observer of European and world affairs like the rest of you, I do not close my eyes to the fact that a great deal more research and study and thought has to be put into the whole question of responsibilities, both immediate and long-term, and especially the responsibilities of some European countries, fortunately rather few in number, and of some great powers, amongst whom we have some Member States of the European Community. These countries I refer to have not hesitated, over the past years, to advance their own interests on the purely commercial level by offering their services as middlemen in situations where arms and munitions and spare parts were to be supplied, and these, after all, are the material instruments without which such conflicts cannot be fought. Now we are all joined in deploring the extreme gravity of the situation; it is such as to engender in us a well-founded fear that it may endanger not only peace in the Middle East (by now well and truly shattered, because arms are the only thing that count for anything there now) but peace in the Mediterranean, in Europe and possibly even in the whole world.

In my opinion, which I feel is shared by everybody, the world is making progress in a system which for some decades past has been what might be called a system of extended truce, broken every now and then in different quarters by conflicts such as this one. Today we in Europe are more keenly sensitive to the whole idea of war, since as a colleague remarked a short while ago, we now have war only a few hours' distance away: a three-hour flight can bring us to the scene of events and give us a physical experience of war alongside those who are fighting and dying.

This being the case, therefore, ladies and gentlemen, the task to which we can all join in pledg-

De Sanctis

ing ourselves and the reason why I intend to vote in favour of this motion for a resolution is that for the first time (and this, as someone has hinted in passing, could even be a historic occasion for us, this occasion today) an attempt is being made to work out a European point of view and to create a model for European intervention in problems of this nature. For the moment, given present procedural arrangements, the instruments for such intervention are in the hands of the Foreign Ministers' Conference of the Member States of the Community...

(Mixed reactions)

Mr De Sanctis. — (I) Is there some objection to my continuing, Mr President? I will be finished in a few minutes, and I think that I am just within the time-limit.

However that may be, I am convinced that, by means of the instruments at our disposal at this time and of the opportunity for Parliament to make recommendations on how public opinion and public goodwill can be crystallized into action at Foreign Minister level, a real attempt is being made to find the best avenue for promoting a serious contribution to the solution of such grave problems. And we must remember that this new avenue being sought may be fraught with great significance for the future, provided the instruments are continually reshaped to make them more adequate to cope with the real problems at issue. Fired by this conviction, which is in no way merely rhetorical, I reaffirm my intention to vote in favour.

With that I have concluded my contribution, Mr President, but I should like to ask for the floor again on a point of order.

President. — Yes, Mr De Sanctis.

Mr De Sanctis. (I) The point of order relates to those colleagues who have just now expressed their disapproval of the fact that I may have gone a few seconds over the very limited time allowed me. Their conduct leads one to question once again whether we non-attached Members of this Parliament, who do not belong to any formally-constituted political group, really have the same rights in regard to speaking time as all our other colleagues. I wish to make a formal protest on this matter and I ask the Assembly to take note of it.

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

The resolution is adopted.¹

12. *Motion for a resolution on the military coup d'état in Chile*

President. — The next item is a debate on the motion for a resolution tabled by Mr Lückner and four other chairmen of political groups on the military *coup d'état* in Chile (Doc. 202/73).

I call Mr Bertrand to speak to the motion.

Mr Bertrand. — (NL) Mr President, this afternoon the chairmen of the different political groups drew up a joint resolution on the events which have taken place in Chile since 11 September.

It might seem surprising to some that we should concern ourselves to such an extent with a military *coup d'état* in South America, where *coups d'état* at regular intervals seem to be the order of the day.

There was, however, one country in South America which, until recently, did constitute an exception in this respect, and that was Chile, which has had a democratic régime for more than 160 years and whose stable democracy was acknowledged as one of the most successful organizations in that part of the world.

Notwithstanding the fact that we had already discussed this problem during the September part-session, the chairmen of the groups felt it was necessary to take a stand once again in this Parliament on events in Chile. The reason is that more than a month after the *coup d'état*, which put an end to a freely-elected presidential democratic régime—Chile has been ruled since 11 September by a military junta—we are still witnessing arbitrary arrests, summary executions, the abolition of political parties and of democratic freedoms.

These events have aroused such indignation that we felt the European Parliament must protest a second time. Fortunately, no amendments have been tabled on this motion for a resolution and I hope that it will be unanimously adopted.

In tabling this resolution, we wished to stress certain points. We refer first of all to our friendly and constructive ties with the Latin-American Parliament.

We included this paragraph because the Chilean Parliament was represented in the Latin-American Parliament and because the President of the Chilean Senate was also the President-in-Office of the Latin-American Parliament.

The attitude of the military junta currently prevents these parliamentarians from exercising their parliamentary activities in the Latin-American Parliament; this is the result of the coercion imposed by a military dictatorship.

¹ OJ No C95, 10. 11. 1973.

Bertrand

We included this paragraph in order to draw attention to the consequences of events taking place at this moment.

The second reason is the total disregard for human rights on the part of the authorities currently in power in that country, which means that not only are human rights being violated, but that the freedoms previously guaranteed by the Constitution have been entirely abolished.

For these reasons, and because we support all those in Chile currently striving, albeit clandestinely, to restore constitutional democracy, we demand in our motion for a resolution:

1. An immediate stop to the military régime's repressive measures against the people of Chile. This is the essence of Paragraph 1 of our resolution;
2. A rapid return in Chile to democratic government and to the fundamental rights and freedoms of the Chilean people.

Finally, we appeal to the institutions of the Community to consider practical measures which could be taken to re-establish a democratic and constitutional government in Chile.

These are the sentiments on which we based the resolution now submitted to Parliament for its approval. I hope that everyone will give this resolution their support.

Applause)

President. — I call Mr Amendola on behalf of the Communist and Allies Group.

Mr Amendola. — (*I*) Mr President, ladies and gentlemen, at the last part-session the Communist group submitted a motion for a resolution on the serious and sad events in Chile. In the absence at that time of any other political initiatives, the submission on our part of a motion for a resolution and also the question that we put down were the only procedural means of taking the first practical steps necessary to arrive eventually at a vote in the Assembly.

Thus it was that at the meeting of the Political Affairs Committee the submission of our motion for a resolution led to a very fruitful political discussion.

When it later became clear that efforts were being made in other quarters to arrive at a general agreement, first by the Socialist Group and then by the Christian-Democratic Group supported by other allies, I had no hesitation in withdrawing, on behalf of the Communist Group, our motion for a resolution and I also announced that I did not wish to pursue the question we had put down for this morning.

In fact, we were interested not so much in a partisan statement on the grave tragedy which has struck the Chilean people as in achieving a unanimous vote of the Assembly in this chamber, which, in the face of all that is happening in that part of the world linked to us by so many intellectual and political ties, would give expression to the feelings and views shared by all of us and the task we have set ourselves of fighting the junta with all the means at our disposal, preventing them from growing in strength and denying them the means to persist in their attempts to strangle democratic liberties.

We must understand clearly something that our own experiences in Italy have taught us, namely, that the restoration of their liberty will be, first and foremost, the achievement of the Chilean people themselves, of their unity, their wisdom, their fighting spirit and their ability to win back for themselves proper democratic conditions. Liberty will not come from outside, as we in Italy also know. On the other hand, it is clear that it is up to us not to give the junta the means to consolidate what they have already gained.

Therefore I affirm that we shall vote in favour of the motion that has been tabled, convinced that in this way the Assembly will be living up to its duty. I might add that it seems to me particularly significant that the first signature to the motion for a resolution is that of the chairman of the Christian-Democratic Group.

Now, all this raises some further points. One factor which has been at the root of the tragedy that has struck the Chilean people is the breaking down, on the social level, of the alliance between the working class and the middle class. This in turn has led, on the political level, not to the breaking down of an alliance, because no such alliance existed, but to a lack of liaison and agreement between these two elements of the popular movement.

I am convinced that not only in Chile but also in Europe, given the historical circumstances of our countries, it is only from liaison—sometimes friendly, sometimes less friendly, but always on a democratic and civic-spirited plane—between the major political elements, Communist, Socialist and Christian Democratic, that we can derive that political and democratic progress best suited to the interests of our peoples and most effective as a barrier to the threat of Fascism still to be found on our Continent—we have seen it a few years ago in Greece and we know what is still going on in Spain and Portugal.

I do not think that we can maintain that these things do not concern us directly, as one British colleague has said on the basis of the more

Amendola

fortunate experiences of his own country. We peoples of the Continent know, on the other hand, that such threats do concern us all and have affected us all. I recall distant times when there was Fascism in Italy and I remember friends from other countries saying: these are matters that concern you and not us. Later they themselves were to know Fascism and Nazism.

In fact, the threat of Fascism is permanently ingrained in the very structures of society, as we have it in our countries. The only safeguard against this threat is provided by the unity of the democratic and popular forces, by civic liaison between those major forces which can ensure the progress of our countries.

For this reason I express with sincere conviction the support of the Communist Group for the motion for a resolution tabled by the chairmen of the political groups.

(Applause from the left)

President. — I call Lord Gladwyn.

Lord Gladwyn. — The motion for a resolution has been gone over by the chairmen of the groups and, I believe, approved by the groups in principle. It is a very fine document with which I associate myself, but I would draw the attention of my colleagues to the fact that it contains a phrase which is an absurdity.

In the second part of the operative passage it speaks of 'an immediate stop to the military régime's repressive measures against the people of Chile.' The people of Chile number, I believe, three and a half million. The military régime numbers about 12 generals and colonels. Therefore, if one approves this phrase one is saying that these 12 people are conducting repressive measures against three and a half million people in Chile, which is clearly not the case.

(Mixed reactions from the left)

Mr D'Angelosante. — *(I)* Yes, it is the case!

Lord Gladwyn. — No. What they are doing is taking repressive measures against their political opponents. We may think their political opponents are good people. We may think—I think—that the military régime is not a pleasant phenomenon. But one cannot say that it should put a stop to its measures against the Chilean people, because it is not true. Many of the Chilean people, I regret to say, are probably in favour of the military régime. Begging Mr Amendola's pardon, I believe that a number of workers in the copper mines will favour the military régime because they think they will get more money.

It may be a very regrettable tendency. But you cannot say that all the Chilean people are against the junta, because I do not think that is true. What you ought to say here is that there should be an immediate stop to a military régime's oppressive measures against its political opponents. That would make sense and we should all be in favour of that.

President. — I call Mr Klepsch.

Mr Klepsch. — *(D)* Mr President, ladies and gentlemen. I wish to abstain from voting on this motion for a resolution and not to support it for the following reasons. Although I agree fully with the principles set forth in the motion, particularly the demand for the full return to constitutional rights and liberties in Chile, the wording seems to me to be too much of a compromise, allowing of a variety of interpretations and liable to contribute to the legend that Allende's régime was an example of democratic order and that Chile's constitution was only infringed by his overthrow.

But this is just what is not true. The Allende régime continually infringed the basic rights guaranteed by the constitution and, moreover, interpreted it in a doubtful, twisted and arbitrary manner. Often it failed to respect either justice or law and did not seek to maintain order based on the rule of law. For years it exceeded its powers by issuing decrees against the large majority of the parliament elected by the people. It has been established that the régime prepared for civil war in every way, bringing foreign agents into the country and laying up large, secret stores of weapons. In doing so it acted in direct contravention of the wishes of the broad mass of the Chilean people, as is shown by the trade union elections in Chile over the past few months.

These clear facts, which are supported by a substantial amount of evidence, are in no way reflected in the text of the motion. I therefore consider my abstention justified.

President. — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.¹

13. *Third directive on the coordination of safeguards in connection with mergers between sociétés anonymes (cont.)*

President. — The next item is the resumption of the debate on the report drawn up by Mr Héger on behalf of the Legal Affairs Committee on the

¹ OJ No C95, 10. 11. 1973.

President

amended proposal from the Commission of the European Communities to the Council for a third directive on the coordination of safeguards which, for the protection of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in connection with mergers between *sociétés anonymes* (Doc. 154/73).

I call Mr Brugger.

Mr Brugger. — (D) Mr President, I am extremely sorry that I cannot follow the reasoning on which the rapporteur, Mr Héger, bases his proposal for an amendment of Article 6 (4). I am not just expressing regret out of politeness. I have much to learn from Mr Héger who has a great deal of political experience and a thorough knowledge of his subject, as he has already shown us. However, I should like to preface the debate with a remark to put things in their correct perspective.

It is stated on page 3 of the report that the Legal Affairs Committee adopted the resolution by 15 votes in favour with one abstention. Since I was the one person abstaining I should like to give my reasons for so doing and to explain why I wish to make alternative proposals. The amendment itself was adopted with three people voting against it. I think this helps to clarify the remarks of one of this morning's speakers and the statement made by the rapporteur, Mr Héger. Adoption by 15 votes with one abstention refers to the adoption of the resolution.

I should like to make the following point.

The Committee on Social Affairs and Employment has in Article 6 (4) established a norm which must be described as incomplete, *minus quam perfecta*, since it is laid down that if no agreement is reached in negotiations with employees when a merger is to be effected, either party may ask the public authority to act as intermediary. The mediation may be unsuccessful or not accepted by one of the parties. The text proposed by the Committee on Social Affairs and Employment makes no provision for such a case. This is why I have described the norm as incomplete — *minus quam perfecta*.

There may, in my opinion, be a reason for this incompleteness. We are discussing here a directive which will constitute a basis for legislation in the Member States. One can imagine that the Committee on Social Affairs and Employment has formulated the provision in this way because it is aware of the fact that the situation of the mass of those employed in trade and industry differs from one Member State to another and consequently wishes the consequences of an unsatisfactory or incomplete or unaccepted media-

tion to be left to the legislation of the individual countries. Every Member State is therefore left to decide whether such a case is to bring any consequences, as is provided for in the amendment proposed by the Legal Affairs Committee or whether any other steps are to be taken to decide the matter. I assume that this interpretation of the text of the Committee on Social Affairs and Employment is also tenable.

Now let me turn to the amendment proposed by the Legal Affairs Committee, with which I could not agree. The rapporteur, Mr Héger, considered the matter for a long time. He explained to the Legal Affairs Committee how the incomplete formulation of the text proposed by the Committee on Social Affairs and Employment might be tightened up and what the consequences would be if the attempt at mediation were to prove unsuccessful. His proposed amendment effectively introduces a right of veto by the employees' representatives who can, if they regard the merger as damaging to workers' interests, prevent its taking place. It is thus up to the employees' representatives to decide whether these interests will suffer or not. Mr Broeksz stated in his speech today that the effect of this amendment is to place capital as a factor of production on the same level as labour because just as employees' representatives are given a right of veto in certain circumstances, so capital has a right of veto at the General Meeting.

Apart from the fact that employees' representatives may also attend the General Meeting when they have shares—and nowadays the emphasis is on giving shares to employees—I would not equate the one with the other.

The deciding factor will be who has the first right of veto, since the second right of veto will not be nearly so effective as the first. If I assume that the General Meeting possesses the right of veto—which I do not see as necessarily being the case—then I would rather have the first than the second right of veto. In the case we are considering the employees have the first right of veto. If they say no, the General Meeting cannot reach any decision to merge.

I therefore believe that in this respect we have weighted the balance of equal rights of capital and labour in the latter's favour.

I followed Mr Gundelach's remarks with great attention and would like to express my agreement with his point of view. We would, I am sure, do more towards achieving a balance between labour and capital if we were to replace the process of agreement reached through a mediator with a genuine process of arbitration with arbitrators chosen equally from representatives of capital and labour. They would jointly

Brugger

choose the chairman and should they fail to reach agreement, a court would ensure the appointment of an impartial chairman for the court of arbitration.

The first task of the court of arbitration would be to determine whether employees' interests would genuinely be harmed by a certain merger and if this were found to be the case, it would then have to decide whether their interests would be more detrimentally affected by the prevention of the merger and the consequences which this would have or by allowing the merger to proceed, which might prove the lesser of two evils. It would be a question of deciding which action involved less harm to the employees. Any decision would then be based on the finding of the court of arbitration on this point.

This is why I would prefer arbitration procedure on the lines I have described to a process of mediation.

I would however concede that this whole third directive might after a thoroughgoing revision be made more effective than it is after so many amendments.

I expressed my opinion in the Legal Affairs Committee in the same terms as I have done so here. Although I was outvoted then, I believe I am justified in stating my misgivings with regard to this text to the plenary sitting. I should not like my remarks to convey the impression that I tend more to favour capital but would hope that they might help to achieve a genuine balance between capital and labour which in turn would make for more efficient enterprises.

(Applause)

President. — I call Mr Bermani.

Mr Bermani. — *(I)* Mr President, I have asked for the floor because, when these matters were being discussed, I was a member both of the Committee on Social Affairs and Employment and of the Legal Affairs Committee, and having voted on both resolutions and thus being in a unique position amongst all who have spoken to-day, I have been following this debate with great attention. With regard to the consideration of paragraph 4, first by the Committee on Social Affairs and Employment and later by the Legal Affairs Committee, there was a rather animated discussion in both committees (I recall in particular the contribution made by Mr Brugger). However the Legal Affairs Committee achieved virtual unanimity, there being only one abstention, that of Mr Brugger; in the Committee on Social Affairs and Employment also there were twelve votes in favour with one against and three abstentions. Overwhelming superiority

therefore, as the sports writers say, for the amendments we are discussing.

But this morning the chairman of the Committee on Social Affairs and Employment, my own esteemed chairman, Mr Bertrand, drew attention to what we said in our amendment, at the meeting of the Committee on Social Affairs and Employment, that is. If at the end of the negotiations that have to be carried out in the case of a merger on the plan for social measures, no agreement has been reached, then mediation must take place and a decision must be arrived at.

I think that this interpretation on Mr Bertrand's part is due to the fact that on the day of the discussion the vice-chairman Mr Durand deputized for him; I cannot explain it otherwise, because Mr Bertrand is always a very precise man, of a precision which I greatly admire. The fact remains that in the introduction to his opinion, rapporteur for the Committee of Social Affairs and Employment, Mr Adams points out that the committee is seriously concerned with 'the feeble response to its proposal for a compulsory social scheme to cover workers adversely affected by mergers'. Mr Adams goes on to say that the need for social measures is paid only lip service, because in reality it cannot be guaranteed at the legal level, inasmuch as in Article 6 we have a clause which is far from binding, to the effect that in the event of disagreement between the parties, each of them has the right to ask the public authority to act as intermediary.

Mr Adams adds further that when one thinks of the problem of corporate redundancies and the attempts made to solve it by the use of a similar arbitration procedure, and when one realizes the shortcomings of this method, one cannot allege the consent of the workers, financially the weaker element, to these legal arbitration proceedings, in which our dear friend Mr Brugger looks to the impartial chairman who is in reality so difficult to find. In these legal proceedings the workers are the ones who lose financially. I have had many experiences myself of this kind of thing—many lawyers engaged by the company against few lawyers for the workers, sometimes even no lawyer at all!

For this reason the Committee on Social Affairs, and Employment, in its amendment to Article 6, has maintained in paragraph 4 that the merger—and this is the new feature—can take place only when negotiations on the plan for social measures have been successfully completed, something not envisaged in the original paragraph 4 where you did not have the words 'successfully completed'. The original paragraph does, it is true, contain what is repeated in the third sentence of the amended version of the

Bermani

Committee on Social Affairs and Employment, namely, that if no agreement has been reached at the end of the negotiations on the plan for social measures, each of the parties may ask the public authority to act as intermediary. In the light of the committee's amendment in the previous sentence, however, this mediation—and this is the new feature—cannot unconditionally bring about a result unless it concludes with some degree of success, even if only partial, in the matter of the plan for social measures, in other words, unless there is agreement on the plan for social measures, even though it may have to take account of changes introduced by the mediation proceedings. Otherwise, the mediation has not and cannot have any result. This and nothing but this, therefore, is the meaning of the amendment by the Committee on Social Affairs and Employment. The Legal Affairs Committee, I repeat, adopted the opinion of the Committee on Social Affairs and Employment unanimously with one abstention, thereby only making it more orthodox from the legal point of view, as was Mr Héger's wish, but essentially making the same point made by the Committee on Affairs and Employment, namely, that mediation is no more than a simple method to reach agreement and reconciliation but that it can never be a decision in the sense that the merger could take place while the essential matter of the plan for social measures was disregarded.

There is therefore no contradiction between the amendment by the Committee on Social Affairs and Employment and that of the Legal Affairs Committee. For that reason, I think that the amendment of the Legal Affairs Committee should be adopted. It is true that it is an amendment which greatly favours the workers but this is what we wished to do in the Committee on Social Affairs and Employment and also what the Legal Affairs Committee wished to do. The rapporteur, Mr Adams, in his opinion submitted on behalf of the Committee on Social Affairs and Employment, upheld this principle and the Legal Affairs Committee rightly approved the opinion of the Committee on Social Affairs and Employment. I consider therefore that with regard to the draft of paragraph 4, the amendment of the Legal Affairs Committee ought to be adopted and, I would add as a Socialist, ought to be adopted precisely because for once we have an amendment in favour of the workers.

President. — I call Mr Broeksz on behalf of the Socialist Group.

Mr Broeksz. — (NL) Mr President, I should very much appreciate it if Mr Gundelach were able to attend this afternoon's debate. At first it appeared that this would not be possible.

The question we are concerned with is whether the proposals made by the Committee on Social Affairs and Employment are directed towards achieving the same effect as the proposals made by the Legal Affairs Committee. I feel that this is undoubtedly the case. One could say that the Legal Affairs Committee has perhaps formulated certain points slightly better from a legal point of view, resulting in greater clarity as regards the consequences of failure to reach agreement on the social aspect of an important merger.

However, I should first like to say a few words concerning the right of veto. I spoke already this morning on the right of veto, laid down in Article 4, because Parliament felt that the right of veto was one-sided. I pointed out then that Article 4 also provides for a right of veto. Since then Mr Brugger has maintained that there are in fact two vetos, but that if he had to choose, he would prefer to be the first to veto a suggestion.

Be that as it may, the basic question is whether the shareholders and the employees both have a right of veto. The answer to this question can only be yes. The following question is obviously whether the interests of both parties carry equivalent weight.

Although I should be only too pleased to assume like Mr Brugger that employees are occasionally present at a shareholders' meeting, this is in my experience generally not the case. The presence of employees as representatives of the working class in a general meeting of shareholders remains for the time being in most cases an illusion. We do, however, hope that things will change in the future. Moreover, the interests of both parties often do not carry the same weight. I admit that a shareholder can lose his capital if a certain enterprise is not a success. But the interests of those who lose both their employment and their source of income as a result of a merger—I would refer in this connection particularly to the position of aged and ageing employees—are in my view more important in many cases. However, Mr President, something rather serious in my opinion has in the meantime happened. I am more than willing to vote for the proposal put forward by the Legal Affairs Committee and so eloquently defended by Mr Héger. However, I shall not gain much in doing so, since Mr Gundelach has in the meantime informed us that he is not prepared, or at least not able, to incorporate this suggestion in the proposal. So what in fact can we achieve?

It now appears that Mr Gundeach is willing to set up some sort of arbitration authority which would come into operation both when the general meeting of shareholders rejects a merger and when the employees do so.

Broeksz

If this is possible, it means that the Commission's proposals must be withdrawn, that the Commission itself must propose an amendment, that this amendment must be forwarded to Parliament which in turn must refer it to the Committee on Social Affairs and Employment and to the Legal Affairs Committee. To this I would agree. I feel this would be even better than voting and adopting or rejecting something which benefits no-one.

I should like to hear from Mr Gundelach whether he personally is prepared—I know that he cannot speak on behalf of the Commission—to try to bring about such an arrangement.

If this were so, I hope that this arrangement would be based on Article 6 (1), which refers not only to the social interests of the employees, but also to the legal, economic and social consequences of a merger for both parties. The beginning of Article 6 (1) reads as follows: 'The management organs of each of the merging companies shall draw up a detailed report explaining the legal, economic and social effects of the merger on the employees...'

I should appreciate it very much if the new version were to be based on this stipulation, since it would ensure that the employees' interests would be taken into account not only in the narrowest sense, but also in the broader sense as defined in Article 6 (1).

If Mr Gundelach would give such an undertaking, I should propose that the Commission withdraw its amended proposal for a directive and submit it to us in the modified form at a later date.

I hope that our rapporteur can agree to this, for this would help us out of the impasse which we have reached.

President. — Perhaps Mr Gundelach would like to answer some of your queries. I call Mr Gundelach.

Mr Gundelach, Member of the Commission of the European Communities. — (DK) Mr President, it follows from what I said this morning that I would be willing—I myself put forward the idea—to try and work out another solution for the conflict that might arise between the two parties even with a conciliation body, rather than give a one-sided right of veto to the one or the other party, namely in the form of a well-defined arbitration body with well-defined duties. I also agree that such duties should cover everything mentioned in Article 6, especially paragraph 1, and not only the direct social consequences dealt with in paragraph 4.

The only worry I have with the proposed procedure is of a purely procedural nature. If we put forward an entirely new proposal directive, an entirely changed draft directive, and begin the whole procedure from the start again, we will lose a lot of time. I wonder therefore if it would not be possible during further discussions in the two parliamentary committees concerned to adopt a point of view towards the Commission's ideas and immediately afterwards continue consideration of the matter here in Parliament—notwithstanding the fact that there will be formalistic problems to resolve, which however it has been possible to resolve in other cases. If we begin the whole process from the start with new formal proposals, it may take us many months before we get any further. I therefore only wish to submit proposed amendments for the ideas that have now been put forward, that the Commission should introduce more informally in the debate ideas about an arbitration solution for consideration in the two committees.

I believe the debate here today on this question—irrespective of the standpoints adopted by the one or the other party—justifies the conclusion that a new attempt of this kind should be made, since the debate has shown that there is considerable uncertainty in this assembly about whether the way proposed in the proposed amendment to Article 6 (4), is really the right way when all things are considered.

I shall not go into the arguments put forward by the other side or by my own side, but only emphasize that there is no question of the Commission attaching more importance to the one party than to the other; its one aim is to achieve a truly equitable solution with equal conditions for both parties in the negotiations.

However, I cannot, with the best will in the world, believe that the proposal in front of us today is such an equitable solution. I must therefore strongly recommend the Assembly to reconsider the matter, in the two committees, on the basis of the Commission's ideas for an arbitration solution, before any resolution is passed—also with a view to the precedent-setting effect this proposal will have for the various proposals I mentioned this morning: the Statute for European companies, the fifth directive, the convention on transnational mergers and the coming proposal from the Commission for a social programme, which will include obligations in the field of labour legislation also covering that sector which we are discussing here today.

President. — I call Mr Héger.

Mr Héger. — (F) First of all, Mr President, I should like to reply to the proposals that have been made.

Héger

May I point out that the question we are debating here already dates back some forty months. It is forty months since Parliament was asked to deliver an opinion! This seems a very long time to me and when people start talking in terms of looking at the matter all over again I begin to fear that it will still be a very long time before we settle the matter.

But this is not the main thing I wanted to say. Mr Gundelach has just said that we might consider a change involving the introduction of an arbitration committee. I would be all in favour of an arbitration system but not for this problem taken on its own.

If we want to have an arbitration committee able to function and give decisions which are enforceable (since, obviously, arbitration must lead to a decision but the decision is only of any use if it is enforceable) the proposal deserves to form part of an overall proposal covering company law as a whole and not just the merging of national *sociétés anonymes*. The establishment of an arbitration committee is possible when drawing up a law to govern companies in general.

However, in the present case there was never any question of arbitration (except, of course, in the remarks made by Mr Brugger a short time ago—incidentally after making the same points in the Legal Affairs Committee). We had decided on what the Committee on Social Affairs and Employment had proposed—mediation.

I am not, moreover, convinced that employees' representatives would prefer arbitration to mediation. On the contrary, it is my belief that during discussions between the parties and when the mediator is able judiciously to point out the advantages and disadvantages to either side of the proposals put forward and, possibly, the risk to both employees and the company representatives of seeing the merger's being ineffectual or called off, both employees and management will have enough good sense to see what should be done and the best that can be done.

There was mention of the right of veto. Gentlemen, let us not get carried away by words! Of course the term 'veto' contains a certain concept of authority but what does it mean in effect? We have two sides in a discussion. One agrees to something and the other does not, so an agreement cannot be reached. What is being called the right of veto is merely the refusal to agree to a compromise proposal or to certain social measures.

In this connection I should like to point out to Mr Brewis, who spoke about possible compensation that there is nothing to prevent a proposal

which is first discussed and then submitted for mediation to involve a solution whereby older workers who could not be re-employed by the merged company would be given the appropriate compensation, financial or otherwise, in the form of an early pension or the like. It is not up to me to offer solutions here.

As Mr Bermani pointed out not long ago—and he has the advantage over some of us of having witnessed both the work of the Committee on Social Affairs and Employment and that of the Legal Affairs Committee—the Legal Affairs Committee has not lost any hope of a solution as offered by the Committee on Social Affairs and Employment. On the contrary, the Legal Affairs Committee has taken up the latter's thesis and given it a legal form which is slightly different, especially because it involved the reversal of two paragraphs.

Finally Mr Gundelach is right to consider the possibility of setting up a committee of arbitration. The Commission should submit proposals along these lines not for the purposes of this draft but within the context of company law in its wider sense.

Mr Brugger is the excellent rapporteur we have in the Legal Affairs Committee on the subject of the European Company. Here, too, the question of arbitration may arise. Why, therefore, should we legislate in an important new field for particular cases rather than more generally for companies as a whole by introducing a law which though new would in this case be effective?

I would certainly not be against the two committees meeting to discuss the matter in more detail than is possible now, but a new discussion hardly fills me with enthusiasm. On the contrary, I would prefer to see results from a proposal which had been maturing for forty months. *(Applause)*

President. — I call Mr Federspiel.

Mr Federspiel. — I have listened with great interest to this discussion. When I entered this Parliament I thought that this third directive was really debated to the end, so I have not gone into the question to any great depth.

What calls me to my feet is the very interesting proposal of Mr Gundelach to resolve the dispute which I understand has arisen between the Committee on Social Affairs and Employment and the Legal Affairs Committee by means of some arbitration procedure. It is correct that arbitration is totally different from mediation as it was proposed in the amendment.

Federspiel

I should like from some experience in the procedure of arbitration to sound a note of warning. The purpose of resolving the questions in the third directive is to resolve them in the sense of the economic purpose of the Treaty, particularly the competition rules of Articles 85 and 86 which set out definite legal rules to abide by and to assist established practice of the Court. If questions of opposition are to be resolved by arbitration, obviously one cannot go by these rules, because probably one will find considerations of labour market law opposed to considerations of Articles 85 and 86.

Mr Gundelach has said that in due course a programme for unified labour legislation will be put forward by the Commission. We all know how long that will take. That means that a court of arbitration would have no rules to go by except equity—what would seem reasonable—from the point of view, not of law, but of the interests of those opposing a merger. I should not like to be an arbitration judge in a court having to decide that. It is not really the procedure that we should adopt.

As I said before, I am speaking without having gone far into the question, but is not the best procedure to try to work our way to reasonable procedures by means of discussion instead of trying to establish rules which I am certain will be completely unworkable by a court of arbitration?

I am sorry to intervene in a debate in which I have no reason to speak, but I thought that I should speak my mind to this question.

President. — I call Mr D'Angelosante.

Mr D'Angelosante. — (1) Mr President, ladies and gentlemen, in all my experience of this Parliament—not a very long one perhaps, but also not so brief—I can recall no case in which a proposal which had the unanimous support of the committee responsible (in point of fact, at the committee meetings those who are opposing it today did not raise the problems they are now calling to Parliament's attention) and the approval of a vast majority of the Committee on Social Affairs and Employment delivering its opinion, met the fate for which this proposal seems destined in this chamber. And it is not without regret, Mr President, that we have to note that this unprecedented incident is happening precisely when the interests of the workers are being defended.

Obviously, I do not wish to make generalized statements on the significance of an event of this kind. But I think you will agree with me, ladies and gentlemen, that my regrets are amply justified.

Proposals are being submitted which I have not yet succeeded in comprehending fully. This morning, Mr Gundelach mentioned a document which we succeeded in acquiring only within the last few hours, the text of which is not therefore known and which is supposed to be a kind of Magna Carta of the rights of the European company. If I have not failed to grasp what he was saying and if I did not understand, I beg his pardon—in this generic text based on a proposed agreement going back to 1972, the entire matter we are considering is supposed to be set out in an orderly fashion. In point of fact, in an annexed statement known as Joint statement No 1, the governments of the countries that formed the Community at the time to which I refer agreed (with only two countries opposing, the German Federal Republic and Holland) that, in order to defend the workers' interests in the case of mergers, the most favourable legislation should finally be applied and that, in any case, the Commission should set up a study group.

That is the whole truth of the matter.

We have a second proposal from our colleague Mr Brugger; even if I do not agree with it completely, I have to admit that it has its own logic.

He had a lot to say about this proposal also at our committee meetings. Rather than grant the workers a right of veto, which would be unconstitutional and against all human and divine law (the other side have so many rights of veto which no one would ever deny them!), Mr Brugger proposes an arbitration procedure in which a representative of the workers, a representative of capital and a third party would decide whether the workers were being harmed or not by the merger in question. This procedure seems very strange and complicated to me. The harm which can be done to workers by mergers is perfectly obvious: redundancies, transfers, loss of employment, loss of social position and so on. Nevertheless, if Mr Brugger had proposed that this arbitration body should be given the power to demand that the merger should not take place, where the workers' interests were being harmed and this could not be avoided in any way, then I should have gladly welcomed a re-examination of the entire question.

But he does not say that! Mr Brugger wants to put the workers' representative, the representative of capital and the tribunal's nominee to the trouble of coming together merely to determine whether society is more affected by the loss suffered by the workers, because he admits that such loss there must be, or by the loss to society as a whole as a result of the merger not being carried through. And here we are not in agreement.

D'Angelosante

This is arbitration on a different problem to the one we are considering; it may well be an opinion on a question of natural rights, but it has nothing to do with our document.

What is wanted then is not arbitration on the effects of the merger on the workers' interests; what is wanted is that the representative of the employers and a magistrate should merely acknowledge, but only in a very general and abstract way, that the workers' interests come before the question of the merger! I do not agree any longer with this.

It gives me great pleasure, however, to observe how, at the very moment an attempt was being made to throw out this very positive innovation, the Legal Affairs Committee was unanimously submitting to the Assembly...

(Interruption by Mr Brugger)

... almost unanimously, Mr Brugger: there was only your abstention! At the very moment, as I was saying, when an attempt was being made to ditch this innovation, it was not thought possible to do so simply by having it lose on a vote.

What would have made us vote against it? Nothing. But then along comes Mr Brugger and makes a proposal (not a written one, however, God knows why); someone else comes along and thinks up something else; this morning Mr Gundelach told us of a basic text which cannot be found; today he tells us that we ought to reconsider the whole matter.

Obviously, Mr President, ladies and gentlemen, this is not a problem which can be solved by a simple 'no' vote. I am quite sure that even those who would like to ditch the whole matter with a simple 'no' vote realize that they would do better not to use this facile and simple weapon. At this point I feel that the whole matter cannot but be referred back to the committee. Firstly, for a correct report; I realize that the plenary Assembly has sovereign power over the committee, but we must remember that it voted with eleven votes in favour and one abstention. Secondly, because the Commission's representative proposes that it should be referred back to the committee for a reconsideration of the whole matter, for a look, perhaps not at the entire document on company rights as Mr Héger suggests (it would be nice but impossible) but at least at its provisions in relation to Article 6, with a view to safeguarding the workers' rights.

This proposal has been made by Mr Brugger and I should like, for my own part, to associate myself with it and to add my request to all the other requests. Without therefore saying any-

thing to prejudice the matter or put a limit to the re-examination, I should like to invite the Commission to take note of what has been said at today's plenary sitting, so that the proposal we are considering may be referred back to the Legal Affairs Committee (perhaps also to the Committee on Social Affairs and Employment) and be resubmitted here before very long with an adequate explanatory statement.

President. — I wonder whether Mr Gundelach wishes to make a comment at this stage. I call Mr Gundelach.

Mr Gundelach. — *(DK)* Mr President, I shall just briefly answer a few points. It is true that this question has been debated over many months in Parliament and that the matter ought to be finalized as quickly as possible, but it can hardly be thought surprising that the discussions should flare up again, when in connection with the second round of amendments—caused, as was emphasized this morning, solely by the need to adapt to the Community's enlargement—new proposals are put forward. So a new debate must be expected and it must be in everyone's interest that it should produce a constructive result.

Mr Héger pointed out that if arbitration solutions should be contemplated, such solutions should also be available in sectors where corresponding problems arise: the Statute for European companies, the fifth directive, the convention on trans-national mergers and a European directive or a regulation on labour legislation questions. It is this very point, Mr President, that I have tried to emphasize in the three times I have spoken today, that the solution that is found must be harmonious and consistent in all cases where we are in essence confronted by exactly the same problem.

The problems which arise from mergers are not fundamentally different from the problems which arise when different units of production are amalgamated within the same company structure, e.g. that which the statute for European companies is intended to cover. I have therefore repeatedly emphasized that attempts should not be made to solve a problem that in essence recurs in many different fields with decisions in one field, but that an attempt should be made to find a uniform solution to the same problem in all the legal texts where it occurs. For that reason I have in principle been in agreement the whole time on that point with what I now understand to be Mr Héger's viewpoint. As regards the much-discussed question of veto rights, I would repeat that I feel a rather too easygoing attitude has been adopted

Gundelach

to the disbalance that arises when a limited number of employees are given the right of veto on decisions whose financial consequences affect or may affect much larger groups of employees who are not here involved in the decision making process. There is a factual disbalance between the political power it is sought to give a group of employees through this right of veto and the economic and social consequences which result from it. I believe this matter is being taken lightly on the grounds that two equal parties are concerned and if they cannot agree, well then, nothing will come of it. This can be very well called a right of veto. In my opinion, this is not the correct description of what we are discussing here today. We are discussing economic mergers which are very frequently of economic interests to society as a whole and thus also for the working classes as a whole.

The special problem we are talking about now is to ensure that the workers directly concerned in such an amalgamation should enjoy a status in social legislation that is not inferior to the one they had earlier, but to secure this by giving this limited group of workers the total right to stop mergers, which are an inevitable feature of a modern economy, is in my view taking a sledge hammer to crack a nut.

(Applause)

President. — Thank you, Mr Gundelach.

I call the rapporteur, Mr Héger.

Mr Héger. — *(F)* Mr President, I think I can say without false modesty that I have done my duty in trying to find a solution today. But it seems that opinions differ and that some Members of Parliament want the committee to meet again in the presence of Mr Gundelach to see whether the motion could not be improved. I as rapporteur will not disagree. The only promise I can make is that I shall submit my report as soon as possible, as I cannot pretend not to be anxious at the prospect of this draft being dragged out for weeks more, perhaps even several months, before a solution can be reached, which will be the case if we start a new discussion in committee.

President. — I call Mr Schuijt.

Mr Schuijt. — *(NL)* Mr President, as chairman of the Legal Affairs Committee, may I start by expressing my greatest thanks to Mr Gundelach for postponing his departure in connection with commitments elsewhere in order to be able to attend this debate.

I requested the floor in order to support the rapporteur's proposal. So far as I have been able to ascertain, the opinions of members of the Legal Affairs Committee on this subject are at the moment divided. Our difficulty is that Mr Gundelach firmly refuses to adopt the amendments proposed by the Legal Affairs Committee, and that—and this is another consideration—the question of arbitration has been raised. We must ask ourselves whether this question should be dealt with as a separate item at a later date, or should be considered as part of our debate on the proposed directive. This is why I should like to thank the rapporteur and support his suggestion that this matter be debated once more, at all events in the Legal Affairs Committee and if necessary also in the Committee on Social Affairs and Employment.

Mr Wieldraaijer. — *(NL)* Together!

Mr Schuijt. — *(NL)* Perhaps we could consider the question jointly, in the presence of Mr Gundelach. I hope that we can comply with Mr Héger's request that this be done in the near future.

President. — I have received from the rapporteur a request for reference to committee under Rule 26(2) of the Rules of Procedure.

I put this proposal to the vote.

The proposal is adopted.

The report is accordingly referred to the Legal Affairs Committee, as the committee responsible and the Committee on Social Affairs and Employment for its opinion, and I declare this item on the agenda closed.

I remind the House that the Committee on Budgets will be meeting after today's plenary sitting.

14. Agenda for next sitting

President. — The next sitting will be held tomorrow, Thursday, 18 October 1973, with the following agenda:

10 a.m. and 2.30 p.m. and possibly the evening:

- Statement by the Commission of the European Communities on action taken on opinions delivered by the European Parliament;
- Report by Mr Fellermaier on relations between the EEC and the USA;
- Report by Mr Delmotte on regional policy;

President

- Report by Mr Arndt on adjustment of monetary support;
- Report by Mr Thomsen on the EEC-Norway Agreement;
- Oral Question No 98/73, with debate, by Mr Jahn and others to the Commission, on cooperation agreements with State-trading countries;
- Oral Question No 100/73, without debate, by Mr Ansart and Mrs Iotti to the Commission, on the entry of Spain into the Common Market.

The sitting is closed.

(The sitting was closed at 6.50 p.m.)

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IN THE CHAIR: MR BERKHOUWER

President

(The sitting was opened at 10.15 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. *Verification of credentials*

President. — At its meeting this morning, the Bureau verified the credentials of the following members of the delegation from the Danish Folketing:

Mr Christensen, Mr Dalsager, Mr Jakobsen, Mrs Nielsen, Mr Dich, Mr Bro, Mr Thomsen, Mr Federspiel, Mr Guldborg and Mr Petersen. Pursuant to Rule 3 (1) of the Rules of Procedure, the Bureau has made sure that these appointments comply with the provisions of the Treaties.

It therefore asks the House to ratify these appointments.

President

Are there any objections?

These appointments are ratified.

3. *Statement by the Commission on action taken on opinions delivered by the European Parliament*

President. — The next item is the statement by the Commission of the European Communities on action taken on opinions delivered by the European Parliament.

I call Mr Ortolí, President of the Commission of the European Communities.

Mr Ortolí, President of the Commission of the European Communities. — (F) Mr President, it will not surprise you to hear that I am devoting the whole of this address to the action we have taken following your opinion on the problem of Parliament's budgetary powers.

Before handing over to my colleague, Mr Cheysson, who will explain to you in more detail how we prepared our proposals in the light of your Parliament's opinion, I shall make a few brief remarks.

First of all, I must tell you how much importance we attached to this opinion. We considered it very promptly, and the pains we took to assess it bear out its importance in our eyes, which I referred to a moment ago. The fact that we have accepted most of your suggestions is further, equally significant, proof of the importance we attach to it. We hope you will recognize in this our respect for the quality of the work done in this Parliament, particularly following the presentation of the reports and amendments, and also the expression of our wish that this Parliament should play, with our full assistance, a greater role in the Community's institutions.

Our proposals in their present state—as amended in the light of your opinion—must be replaced in the more general context of our Community's development.

We indicated to you in the draft submitted to you in June, that, according to the Commission, the development of the European Communities should lead to Parliament being equipped with greater and greater legislative powers, but we also said that we thought that the policies adopted by the Heads of State or Government implied a moving forward in stages.

Parliament and the Council expected the Commission to very quickly submit proposals concerning budgetary powers, but it should not

be forgotten that at the same time another deadline implicitly fixed, i.e. the end of 1975, and that before this date the institutions have to submit a report on European Union.

The Commission feels the preparation of this report should be an occasion for profound reflection on the operation and evolution, up to 1980 and beyond, of the whole Community system. It should be an occasion for reflection on the allocation of responsibility between the institutions. It should lead to the formulation of more ambitious proposals aimed at meeting the obligations of the Community institutions, when the entire relations between the Member States will have been transformed into a European Union.

We must therefore define together, in the near future, the nature of the future union and how Parliament will exercise its control. This is an essential task, but a difficult one.

We shall none of us flinch from this task, but does this mean that, on important points, we should modify the present institutional balance and plunge ahead before thoroughly examining the situation? Is this what we should be doing less than a year after the enlargement of our Community, when old and new members have done two things: first, consolidated for a while our institutional system, second, decided to engage in common reflection and prepare new developments for Europe?

We do not think so, and this explains why we took our leave of you just after dealing with the problem of the 'last word' or codecision on what we call, in our jargon, general Community acts of considerable financial importance.

But once again, our reaction must be understood in the light of perspectives mapped out elsewhere. This approach would seem to be all the more legitimate, in that, far from threatening our future, our proposals, completed after your discussions, prepare the subsequent stages of the institutional development of the Communities.

The fact that we have not fully accepted the ideas you have expressed should not obscure the essential point, i.e. that if our line is followed, as from 1975 the European Parliament will be able to play a very important and even decisive role in budgetary procedure. This will transform its role in the whole of Community life.

Regarding our revised proposals, and leaving aside the very important question of the establishment of an Audit Board, I shall only mention a few points which, I believe, will show very clearly that if our policy is followed, the plans I am outlining have every chance of succeeding.

Ortoli

According to your proposals, the situation will be as follows:

'last word' as regards own resources following approval by the Council. One need only reflect that we live in a Community whose responsibilities and needs must surely increase, to realize the importance of such a power;

— 'Last word' as regards non-compulsory expenditure. There is nothing new about this, but the field of such expenditure would be extended;

— Parliament's increased power to modify other expenditure, since the latter will be considered to have been adopted if the Council does not reject it, on a qualified or simple majority, as the case may be;

— confirmation of the right to reject the whole of the budget, a right which is certainly difficult to exercise, but a powerful, if not decisive means, of exposing our Community's problems if Parliament thinks it necessary.

And then there is the consultation procedure. I hope it is adopted. If it is, we must believe in it, we must have the will to make it work, and then it will make new progress possible.

If, following our joint request, and our sustained action, the Council follows this path, this dialogue you have been seeking will become a reality. There will be many changes in attitude and behaviour. This dialogue you feel so deeply about, and which I believe to be necessary, will be established between two, or even three, institutions, if you include the Commission, institutions which the States of Europe enjoins to work together and not to ignore one another, to cooperate in a climate of confidence and not perpetual suspicion.

This, Mr President, is what I wanted to say.

I shall sum up what I have said because I believe it is important we should clearly see where we now stand.

We do not believe that the institutional process has stopped. We are ready, for our part, to cooperate with you, to ensure that the work required of us is actually carried out on time and that the results expected by the European Parliament are achieved.

Furthermore, we feel that one should not simply look at the individual points on which we differ, but rather that one should look at the whole of what the Commission has proposed, and then what has been adopted after the excellent work that you, Parliament, have carried out. I wish to state very clearly that if all this were to be actually adopted—and we shall

do everything in our power to see that our governments adopt our proposals—this Parliament could say that it plays a much more active part in the budgetary procedure.

My closing remarks, Mr President, will be very brief.

Your Parliament has always fought hard to maintain and strengthen its position among our institutions. Its influence and authority have continually increased. If we have not been able to agree on all the points in the very important debate on which we have spent so much time, I think we have been able to agree on the essential points, and that, in their present form, i.e. modified in the light of your discussions they herald an evolution which goes beyond the budgetary field and prepares other advancements we wish for and which we have made our objectives.

(Applause)

President. — Thank you, Mr Ortoli.

I call Mr Cheysson.

Mr Cheysson, Member of the Commission of the European Communities. — *(F)* Mr President, as President Ortoli has just said, this subject is so important that you will allow me, I hope, to take up the various parts of the resolution adopted by Parliament on 5 October and, following the order proposed by the rapporteur and accepted by Parliament, to present our revised proposals.

I shall not dwell on the details of the changes we have made except to say, Mr President, how much benefit we derived from the opinions expressed in the two committees, the working party and, in particular, Mr Spénale's remarkable reports. Thanks to Mr Spénale, we were able, on many points, to considerably improve the presentation of our proposals by cutting out references to the ECSC levy rate, as the latter forms the subject of a 'gentlemen's agreement' between this Parliament and the Commission, by stating the conditions of adoption of the provisional 'twelfths' for advances, even by rectifying errors we committed, for example by speaking of rates of own resources instead of basis of assessment, by giving more complete information on revenue and by explicitly mentioning the VAT rate.

I should therefore like to associate myself with what President Ortoli has said, as well as to thank the rapporteur and committee members by stressing how much I appreciate the friendliness with which I was always received by the committees during their meetings.

Cheyssou

Following the order in which Parliament's resolution is set out, I should like to go over all the proposals.

Creation of revenue. As Mr Ortoli recalled, we propose, with the full agreement of Parliament, the establishment of a truly community procedure allowing for the creation of new own resources. This procedure is such that, as Mr Spénale stressed, ministers can consult their national parliaments before addressing the Council.

As Parliament has requested us, we propose that any decision on new own resources should be an act of Parliament and not of the Council.

Finally, again following your suggestion, we are preparing a separate treaty for our proposals on this point, to amend the Treaty of Rome.

As for loans, we again followed your suggestions and provided for an increased majority to adopt it, but we maintained it as a formal proposal to the Council of Ministers, feeling that recourse to loans should be one of the normal ways for the Communities to obtain revenue.

In short, as regards the creation of revenue all Parliament's recommendations have been followed. These cover paragraphs 5-9 of the resolution.

Acceptance of expenditure. Parliament has recognized, as we ourselves indicated in our initial memorandum, that, as regards most of the expenditure arising from decisions taken previously, Community acts, pluriannual programmes, Community policy decisions, the most important questions arose, as far as the acceptance of expenditure is concerned, when community policies were defined and acts adopted which subsequently, and sometimes for a long period of time, determined the volume of expenditure by mapping out the policies to be followed by the community.

This involves, let us not avoid using the term, legislation at European level, which directs policies.

What part can Parliament play in the adoption of legislation having financial implications, i.e., most of which belongs to the legislative field? In our initial document we stressed the need for a second reading so that Parliament could be thoroughly informed of the matter before the Council was authorized to take its decisions. You felt, in paragraph 11 of the resolution you adopted, that we were being too restrictive with regard to the field of application of our proposals, and we therefore modified them in accordance with your suggestion; we now talk of Community acts of general scope having

important financial implications and which do not have to be adopted by virtue of pre-existing acts.

In fact, as I said a little while ago, where financial consequences are concerned, there is a whole new field of legislation.

You gave special consideration to this idea of a second reading and, as with the consultation committee, you made it something which goes further than what we had initially envisaged and which appears to the Commission to be of very great importance. We therefore took up the whole of your proposals on the consultation committee and clarified them.

According to our proposal, Mr President, and this is an idea which appeared in a report which you yourself submitted to Parliament a little while ago, the consultation committee would be activated at the request of the Commission or Parliament; this would mean that, when a Community act with the financial implications we have mentioned was submitted to you for examination, it would be determined whether the consultation procedure should be used or not. As you proposed, this Community act would be submitted first of all to Parliament instead of first going formally to the Council. Parliament would deliver its opinion. Again following your proposal, if the Council's opinion differed from that of Parliament, the consultation procedure would begin.

We wished, Mr President, to define a little more clearly the composition of the consultation committee, so as to bring out the political nature of this consultation. I would point out that, in Parliament's own view, the purpose of these consultations is not that a decision should be taken by a specially composed body, that a position should be reached, but rather that agreements should be reached between the two institutions: the Council and Parliament.

This agreement is of a political nature: the discussion too must be of a political nature. Our proposal therefore provides that the consultation committee should normally be composed of Council Members, on the one hand, and a roughly equal number of Members of Parliament on the other. In this way, we can have the political discussion we are seeking, the dialogue whose importance Mr Ortoli has underlined.

It will mean the end of legislative decisions being taken behind closed doors. It will enable Members of Parliament to know, from the very beginning of the legislative process, the conditions in which decisions were formulated and thus to report them at national level, if they

Cheyssou

so wish, then, in this meeting between Ministers and Members of Parliament, they will be what I, personally, consider to constitute a most interesting development—the comparing of national points of view on the Communities' major problems with the political views held by the various groups in this Parliament.

I feel that this involves an important innovation, which cannot help but affect the nature and even the spirit of the Council's work. The ministers will know, when they are dealing with laws having financial implications, that, in the consultation committee, they will have to defend the arguments they advance before their party colleagues, when adopting any particular position.

I therefore feel that this committee will be set up. If it is not, what will happen? Your Parliament has discussed this problem at length and, as Mr Ortoli recalled a little while ago, several suggestions were made, which were supported by most of you, about giving the 'last word' to Parliament.

Finally a majority of Members of Parliament accepted a very ingenious formula, which gives the 'last word' to Parliament, except in those cases where the Council has it, when voting unanimously under particularly strict conditions.

This very ingenious proposal is of limited scope and would therefore have no place in a Parliament possessing full rights; but it is what it wants for the time being. It is significant, too, that this Parliament has considered it important to express its determination to have the 'last word' in a number of cases.

But all these proposals presuppose an amendment of the Treaty, and on a point which we are bound to consider fundamental.

A treaty amendment legally according legislative powers to Parliament is beyond question a major amendment. It is an amendment which touches on problems of sovereignty and which can fairly be said to have some connection with the constitutional provisions of such and such a State. Now we all know very well that such an amendment cannot be adopted at the present time.

Is it therefore advisable to present them? Is it worthwhile risking a crisis over them? Is it worthwhile giving an excuse to those who do not wish to consider the rest of our proposals to say that the major amendments to the treaty are at present impossible, for reasons you already know? The Commission does not think so.

It was impressed by certain remarks made in Luxembourg, in the course of discussions, in connection with the problems that such modifications might cause in certain places. Above all, it feels that realism is essential if we wish to progress.

The problem is not just one of being in the right, it is also one of progressing, and this is part of our Commission's task.

Furthermore, and perhaps most important, as Mr Ortoli rightly said a little while ago, we have still a long way to go in our work of reflection, our proposals and our possibilities of extending the legislative powers of Parliament. Indeed, this is only one stage: the 1975 budget. Now, it is in that very year, 1975, that the institutions must submit their report on European Union, and when we will be able to move forward again.

This is why, on this point, as the President of the Commission has already told you, we do not feel we can agree with Parliament, and why we prefer to take up subsequently, without previously confining ourselves within a system which is ingenious, certainly but also limited, as you will recognize, the debate on the extension of Parliament's legislative powers

We are not, however, opposed to reviewing the treaty, quite the reverse. Like Parliament, we feel that the governments of the Member States undertook to consider reviewing the treaty when, in their statement of 21 April 1970, they referred to Article 236, and all our proposals concerning discussion and formulation of the budget, presupposed an amendment of the treaty.

You already know the main points, so I shall deal with them very quickly.

There is, first of all, the 'last word' expenditure of the European Parliament. This expenditure is at present limited, but we have proposed that its scope be progressively extended to all expenditure which does not automatically arise from previous decisions covering a long period.

I shall refer, if I may, to the deliberations held in this Parliament at the beginning of July. At that time you considered that this point was absolutely essential and you discussed it at length. Committee members subsequently found that the line recommended by the Commission was the right one and that the scope of Parliament's 'last word' expenditure should be progressively increased in each budget so that all expenditure not automatically arising from previous decisions might actually be covered by this 'last word'.

Cheysson

At the moment, there is a type of expenditure for which you do not have the 'last word' within the framework of budgetary procedure. It is described as 'necessarily flowing from the treaty and acts drawn up under it'. If the procedure we propose is accepted, where the overall expenditure of an institution has not been increased, your proposals can only be annulled by a qualified majority of the Council and, where the overall expenditure of institutions has been increased, the Council will require a simple majority to overturn your proposals.

Mr Ortoli stressed, a moment ago, that the Commission's present position, which is also that of Parliament as far as total rejection of the budget is concerned, was of very great importance. We propose, in fact, as you suggested, that Parliament's right not to have to formulate the budget should be formally stated in the treaty; this gives Parliament considerable power.

It is because this power is considerable that we felt that your proposal for partial rejection lost a great deal of its importance, especially as the right to partially reject the budget already exists in the case of expenditure over which you have the 'last word', the scope of which, by the way, the Commission proposes should be considerably extended in the years ahead. Here your 'last word' gives you the right to reduce appropriations to nil, which constitutes, indeed, a right of partial rejection.

Should there be a right of partial rejection for so-called compulsory expenditure? Here, difficulties are to be feared. Generally, such compulsory expenditure flows automatically from previous acts and can not therefore be rejected partially by the Council of Ministers or by anyone else.

Let us not forget the Commission's proposals concerning controls, on which we have received broad support from Parliament.

These controls must be improved in order to enable Parliament to exercise its full rights in this connection, by placing at its disposal a sound instrument: the European Court must therefore be set up. In order to follow your recommendations, we have slightly strengthened several parts of our proposal. We should therefore have a body of very great authority and which is completely independent, as regards its conditions of appointment, which include agreement by Parliament as regard the conditions in which the duties of its members would be terminated—without the intervention of the Commission or the Council—as regards, finally, its statute, which will be prepared, initially, with the consent and at the proposal of Parliament.

It goes without saying that the reports of this European Court will be public and that, as we have stressed in our new text, it will be at the disposal of the institutions and therefore of Parliament. It will report to Parliament, it may also assist and advise it, as Article 23 of your motion for a resolution expressly proposes.

All this must be done speedily, so that Parliament may, through its powers of control, have real supervisory rights over the life of the Communities and have a say in the financial Regulation which, in future, will be approved by you and no longer by the Council alone.

The timetable must now be rigorously adhered to. As Mr Ortoli stressed, the Commission considered your proposal as quickly as possible: on 10 October, it presented its revised proposals; on 15 October I was heard in person by the Council of Ministers, with whom the procedure has now been started. We shall insist on the urgency of the matter, and I respectfully request that nothing be done that might slow down the Council's deliberations.

The Committee has given a lot of thought not only to the written resolution but also to the opinions expressed during committee meetings, meetings of the working party and throughout discussions.

This is how we arrived at our present 'package', which incorporates all your proposals, except where major amendments to the treaty are concerned, which we consider to be premature and at the moment dangerous. But the proposals in general are most impressive.

Let us endeavour to institute this Community procedure for the creation of new own resources; let us try to introduce these compulsory consultations, which will give us a general idea of national views and political and social forces; let us progressively increase Parliament's budgetary powers, so that everything of any consequence in an annual budget is subject to the 'last word' of Parliament; let us establish the control system; let us have this European Court, which could function almost perfectly right from the start; finally, let us not risk a serious crisis; above all, let us not risk jeopardizing all the proposals we have made to you, by asking that major amendments should be made to the Treaty, which no one today thinks can possibly be accepted.

This is what we propose, and we suggest that it be implemented without delay, so that, by the time we next meet, before the end of 1975, within the framework of the report on European Union, we shall be ready, without having prematurely committed ourselves, for bolder legal proposals in the legislative field.

Cheysson

In 1975, we can resume our labours. I believe that the construction of Europe is a continuous process and that, as the President of the Commission said a little while ago, the progress that we can and must make now is a preparation for the future.

(Applause)

President. — I thank Mr Cheysson for his statement.

In accordance with the procedure adopted by Parliament, whereby a short exchange of views lasting not longer than 20 minutes is held after statements by Members of the Council or Commission of the European Communities, I call Mr Spénale to speak for about five minutes.

Mr Spénale, chairman of the Committee on Budgets. — (F) Mr President, I have listened very attentively to the statements of Mr Ortoli and Mr Cheysson.

I feel we must first of all thank the Commission for the speed with which it has taken up this question, following our deliberations on 5 October.

We should also recognize, even if we are left with a certain bitterness which I shall deal with later, that the Commission has taken account of our proposals on a large number of points and that, consequently, we do not have a feeling that our discussions and our consultations with it have been useless.

I should like, without wishing to open further discussions, to review very quickly the various points.

As far as the creation of revenue is concerned, we are agreed on the Commission's proposals. These are simply the old proposals made by the Commission in 1970 and which were slightly departed from in the initial June proposals.

As regards control, the ideas expressed by the Commission do not raise any fundamental difficulties on our side.

As regards budgetary powers proper, which are at the very heart of this debate, we can be well satisfied as far as procedure is concerned. But, let me say right away, we regret the fact that the principle of total rejection has been accepted, but not the possibility of rejection by titles. The rejection of certain titles of the budget was considered, first by the Political Affairs Committee, at the instance of Mr Kirk, and then by the Committee on Budgets, as a factor of flexibility in the budgetary powers of the European Parliament and we regret that our proposals in this connection have not been followed.

I now come to the main problem with regard to which the proposal formulated arouses our bitterness: creation of new expenditure, that is to say acts having financial implications.

I listened attentively to the arguments with which Mr Cheysson explained the decision taken by the Commission.

What exactly are the proposals made to us?

Consultations at which the whole Council would be present, but where the European Parliament would be represented by a delegation. The Council would be in a position of considerable strength; for even if it did not meet as such, it would be able to negotiate without any feeling of constraint, since all its Members would be present.

Furthermore, if the proposals emanating from this consultation committee, which would subsequently be transmitted to the various institutions, are not approved by Parliament, such rejection would achieve nothing: the Council would take its decisions in accordance with its old procedures.

In short, we have neither the 'last word', which to very many of us meant a great deal, nor powers of codecision, which many others considered of great importance. Indeed, although he remarked that this Parliament held various positions, Mr Cheysson must recognize that if one adds up those who favour, in this Parliament, the 'last word' and those who favour codecision, one has accounted for almost all Members. It must therefore be said that our views have not been followed on an essential point.

What reasons have been given for this? The necessity not to make any profound modifications to the treaty. But I cannot really understand why a procedure such as that proposed by Mr Kirk which, if not accepted by one of the institutions, would entail a resumption of consultations, implies, any more than anything else proposed to us, an important modification of the treaty!

The argument is therefore not a sound one; the Commission has made a deliberate choice here. This must be clearly said, even if we recognize the very positive value of the procedure agreed by the Commission for deciding on these consultations, notably a joint statement from Parliament, the Commission and the Council.

Until now, in fact, decisions taken in this connection resulted from a sort of unilateral or, more precisely, confidential decree of the Council. If the procedure you propose—which

Spénale

consists in associating Parliament (which means that the latter will be able to discuss them), the Commission and Council, in order to establish rules of internal law which in no way modify the relations of the Community institutions and States, and which do not therefore, Mr Cheysson, raise any problems of sovereignty—is adopted by the Council, and we strongly recommend that it is, the method will contain an extremely important element.

In conclusion, I should like to say that I feel very keen disappointment and that, judging from the discussions I have had with colleagues of various groups in our Assembly, this feeling is general. We now have to decide what action to take on these proposals. I propose that Parliament's political groups, the committees responsible and the working party we have set up discuss the matter.

The Council, for its part, is in possession of the proposals of the Commission and the report of our Parliament's proceedings. In my opinion, there is no point in the Commission's awaiting a further opinion from the European Parliament. It is clear that such an opinion would only consolidate the resolution of 5 October, which remains the basis of Parliament's present proposals concerning its budgetary powers. We ask the Council to take full account of them and we stress the following point: Parliament's powers were laid down, in the treaties, by government figures, it is true, to whom we are indebted, since it was they who founded the Community, but without any participation by Parliament itself. Since then, on all occasions, the Council alone has decided what powers it would propose to grant to Parliament. In the ratification discussions which took place following the April 1970 agreement, the parliaments of the six founding States called for a strengthening of the European Parliament's budgetary powers. Now that the parliamentary institution exists, at this stage of own resources and in the matter of budgetary powers, it would be almost improper for the Council to take up, alone, a quasi-constitutional position, without consulting the institution concerned.

We therefore ask the Council to consider our two proposals—the Commission's and ours—and, before establishing its position, open, at some suitable moment, consultations with Parliament; I think that this is essential.

I feel that the style of relations which, at this stage, will be established between the Council and Parliament, will be of very great importance for the future of relations between the institutions, I should like to thank the Council in advance for whatever action it may take.

(Loud Applause)

President. — I call Mr Giraud.

I would remind him that this exchange of views must not exceed 20 minutes.

Mr Giraud, *chairman of the Political Affairs Committee.* — (I) Mr President, as chairman of the Political Affairs Committee and of the working party mentioned, I should also like to thank Mr Ortoli and Mr Cheysson for their statements this morning, and to thank the whole Commission for the hard work it has put into drawing all the conclusions it thought possible at the moment from the information provided by Parliament. I should like to say that the Political Affairs Committee's position was not substantially different from that of the Committee on Budgets, in that it recognized that the line of argument taken by the Committee on Budgets, and particularly by its rapporteur, is fully in accord with the Treaties, particularly the Treaty of Luxembourg. The Political Affairs Committee, however, had a different view as to the way things should be done, having regard to the realities of the moment and of the fundamental differences which unfortunately still exist in the Community. Our committee felt, therefore, that before reaching the final stage, we would probably have to pass through a dynamic stage, which—incidentally—would be a useful one, if it was really dynamic.

We accept that the Commission's new proposals contain some very important new elements, representing a considerable step forward. I believe that if the Commission considers that the procedure for examination of the new proposals by the Council is already under way, then we should ask the Council to bear in mind that side by side with the Commission's proposals there exists the Parliament's resolution which remains completely valid and which would make it possible, before arriving at the stage of the 'coordination committee' (which is also provided for in the Commission's new proposals), to have some preliminary coordination between the Community institutions: the Council, the Commission and Parliament.

I also hope that this exchange of views may have the best possible outcome and respect the democratic rules of a Parliament which wants to be a parliament in accordance with the spirit and the letter of the Treaties. All this, I say again, can be achieved through a wide-ranging exchange of views between the Council, Commission and Parliament, which will allow us to look forward to the phase starting in 1975 all the more calmly, the greater the headway that we have made.

(Applause from the centre)

President. — I call Mr Bangemann.

Mr Bangemann. — (D) Mr President, if this Parliament has again and again complained about the lack of democracy which has made itself felt as the institutionalization of the European Community has progressed, it has done so not in its own interest but in the interests of European integration generally. If that fact was not clear, the debates over the past few months have shown that the lack of democracy in decision-making now seems to constitute a genuine threat to European integration.

I see two conclusions that may be drawn from this. If we consider what is meant by the Community's being democratically based, namely the re-establishment of a parallel rate of progress between it and the individual Member States, it becomes immediately apparent that public opinion in the Member States can no longer accept the lack of concordance between their own constitutions and that of the European Community because basically this is nothing more than a gulf between the progress made toward European unity and the democracy found at home.

Secondly, public discussion on questions of crucial importance to the Community—and in particular public discussion in which those contributing are aware that they influence decision-making, is another important feature of democracy. The lack of public discussion which becomes particularly obvious when one looks at the decision-making machinery of the Council of Ministers is what makes the decisions taken not just increasingly difficult to comprehend but unacceptable, because people no longer have the feeling that their interests are taken into account when decisions are reached. It does not help to point out formally that the Members of the Council of Ministers are responsible to the national parliaments since if national parliaments obtain all their information on such decisions from reports and cannot participate in public discussion as part of this body, this is an empty argument of no help to anyone.

Then there is the point that this is a body made up of individual sovereign States so that failure on the part of the Council may easily be blamed on one or other of the Council Members without it even being mentioned in public discussion so that political discussion on the decision of the Council of Ministers tends to dry up both in the national parliaments and here, because basically we are slowly getting tired of beating our heads against a brick wall.

Mr President, it is in this light that we should look at two arguments put forward by Mr Cheysson. One is the argument that the right

to reject the budget as a whole is considered to be more important than the right to reject parts of it. I do not consider this to be a correct political assessment. It is, obviously, a much more serious thing to reject a whole budget because of a part—and this Parliament must think over well whether it will do this if it does not agree with part of the proposal—than simply to reject a part. I am rather sorry to have to emphasize this point but wanted to make the matter quite clear.

The second argument I do not find convincing—and other speakers have already mentioned it—is that one has to be cautious when amending the Treaty because one does not want to sacrifice the progress made by possibly provoking a crisis. I wish to state quite clearly—and I cannot speak now for my own political group but should like to make this point on my own behalf—that I am not prepared, and nor I see are an increasing number of people within the Community, to support what is claimed to be a step forward but which could lead us anywhere and certainly not to democracy if one has to avoid political conflicts in matters connected with amendments to the Treaty.

I do not think that this is helping European integration since it is basically the lack of political debate, the lack of political conflict which is at the root of the growing apathy of the public to European questions. Because we avoid conflicts, because we are always ready to agree in terms of the least common denominator, European unity is becoming more and more difficult. And I should like to state publicly—and regardless of the country involved, which may be my own—that I am not prepared to continue silently to accept an obstacle put in the way of European identity in the sense of democracy by any Member State because of the argument that by so doing we achieve a small amount of progress in one place or the other.

(Applause from the Socialist Group)

I believe that if we all do the same, we shall achieve a genuine political confrontation which will be of service both to the democratic foundations of this European Community and to European integration—and this, after all, is our aim.

(Applause)

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

Mr Thomsen. — (DK) Mr President, honourable Members, I wish to remind the House that, during the long debate on this matter, the European Conservative Group has consistently taken the view that the most we could hope to get the Council to agree to in connection with an in-

Thomsen

crease in budgetary powers is to accept that Parliament should have a right of codecision.

Not only did we think that this was the most we could hope to obtain, but we also thought that it was all we could have use for at this stage in European development. For by gaining a right of codecision we would achieve parliamentary control over the activities of the Community. We are convinced that this will be difficult enough for Parliament to obtain, and I must add that we share the disappointment voiced by Mr Spénale and others.

On one specific point we are not, however sure, that this judgement is correct. I remind the House of the proopsal in favour of which Mr Kirk has pleaded time and time again on behalf of our group and with Parliament's support, i.e. that negotiations should take place in the conciliation committee until a result is reached which can be ratified by both parties. Our group cannot see why this should require any amendments to the Treaty. All that is needed is good will by the council in finding a *modus operandi*.

I have already said that we share the disappointment expressed. I certainly support what Mr Spénale has said, in particular his idea of requesting the Council to study the proposal submitted by the Commission and that put forward by Parliament, and, if necessary, to come back and explain to Parliament's appropriate committee why it cannot follow Parliament's views on certain points.

(Applause)

President. — Mr Lücker, do you wish to speak on a point of order?

Mr Lücker. — (D) I was not intending to raise a point of order, Mr President; all the same, I hope that we are not running too far over time.

President. — I call Mr Lücker.

Mr Lücker. — (D) Mr President, it is difficult to call what we are doing now a debate since we did not have a chance to discuss the matters put to us by the Commission today in our political groups. What I am now about to say can, therefore, only be regarded as a political reaction against the background of what was thought and said on this subject in my group over the past few days and weeks and what we expected from the Commission.

I listened very carefully to the explanation given by Mr Spénale and must say that in general I agree with what he says. I am not unaware that the Commission's proposal represents a certain improvement on the existing situation but I would ask whether this is enough.

If we leave aside the trimmings so attractively presented, as always, by Messrs Ortoli and Cheysson, we come to the nub of the problem. To what extent is Parliament to be given the right to participate in decision-making on legislative matters? There is a lot of talk about its not being possible because it would involve an important amendment to the Treaty. What I should like to say, Mr President, is that if we really kept to the spirit and the letter of the Treaty of Rome and had done so in the past, we should not need to discuss the question here today.

What we need is a return to the spirit of the Rome Treaty and to the Treaty itself, and this is what Parliament has really been concerned with. Mr Spénale has stated that the basis of Parliament's position is its resolution of 5 October. And Parliament will certainly not change its mind, now or later.

We now find ourselves at odds with the Council over a proposal from the Commission. I can only express the same hope, that the Council will consider Parliament's opinion and that some possibility will be found of providing for consultation between Parliament and the Council so that some of the omissions from the Commission's proposal can be put right at Council level.

This is what we are really concerned with. Let us not deceive ourselves, Mr President, our situation is this. The Commission's proposal is, compared with the original proposals put forward by Mr Spénale that we should be given the last word from the legal point of view, and that of Mr Aigner—which was approved by Parliament with a substantial majority incidentally—and that of Mr Kirk, is the least interesting one that Parliament has had to discuss. Of this series of proposals the Commission's has least to offer and I cannot see that what we heard this morning involved any substantial change in the Community decision-making machinery used this year.

This means that we must now try to hold discussions with the Council in order to achieve more than the Commission proposed.

Mr Bangemann's statement that public opinion in Europe regards us as lacking in democratic procedure, is merely a reflection of what is being said everywhere. And the Commission's proposals would do nothing to bring about an essential change in the situation.

Consequently without delivering another opinion, we must seek other ways of gaining more.

There are two things I regret, Mr President, and I should be grateful if you would allow me to

Lücker

explain them. First of all, I regret that the Commission missed the opportunity of accepting Parliament's proposal, thereby forcing the Council into confrontation and discussion. Who can say that the Council would have said no from the very beginning? It has already been suggested that the Treaty be amended, Mr President and the only question is now the extent of the amendment proposed by the Commission or the extent of the amendment to the Treaty which Parliament demanded in its resolution.

And now we are being told 'If you go further than we propose, it will not be accepted.' Even if this were true, Mr President, I would have suggested we put it to the test.

(Applause)

The Council, or its Members, would then have had to say whether they cannot do it now, or at all or whether they do not want to do it.

By putting forward such a proposal, the Commission is in practice creating a situation in which the individual Council Members do not even need to say what their intentions are with regard to Europe.

(Applause)

This is the first thing I regret.

The second is—and I make no attempt to conceal it—that the Commission has forced us into a certain conflict situation in its regard. I will not say too much on this point but I have my own opinions on the matter. It is, however, a question on which we will definitely have to reflect. I do not want to anticipate the attitude which my own political group will take but the present relation between the Commission and Parliament is definitely not what it was on 4 October of this year.

We shall have to see how we cope with this situation. Mr Spénale put the matter rather more elegantly than I have done. But we cannot expect anyone to give his final opinion on this question today.

This is my reaction, Mr President. I cannot speak on behalf of my group because we have had no chance to discuss the matter together. But I think I can say that by and large I have said what my group is and will be thinking having heard the statements made by Mr Ortolí and Mr Cheysson.

(Applause)

President. — I thank Mr Ortolí and Mr Cheysson and those Members of Parliament who have taken part in the exchange of views for their contributions to the discussion. This matter will now be referred to the committees responsible,

namely the Political Affairs Committee and the Committee on Budgets, which will deal with it according to the usual procedure.

4. *Change in agenda*

President. — I call Mr Vals on a point of order, on behalf of the Socialist Group.

Mr Vals. — *(F)* Mr President, according to our agenda, we have to examine, after the report by Mr Fellermaier, the report by Mr Delmotte. This report was distributed together with some twenty amendments, and if I am to believe the information I have received, thirty-four amendments have been tabled up to now.

I do not believe that these thirty-four amendments can be discussed before Parliament.

This is why I ask, on behalf of my group, for Mr Delmotte's report to be sent back to committee, where the amendments can be considered, so that we can discuss them at the November part-session.

President. — I invite Members of Parliament, in particular the chairmen of the various political groups, to comment on the proposal made by Mr Vals to refer the report by Mr Delmotte to the committee responsible.

I call Lord Reay.

Lord Reay. — If I understood aright the proposal by Mr Vals, it was that we should refer the whole of the report back to the Committee. I must say that I do not think this is a very good idea. This is a major issue that we have on the agenda for this part-session, and I do not think one can for procedural reasons remove it at the last minute.

Mr James Hill, the Chairman of our Committee, has come back from London. I believe that he wishes that we should take the debate. He will have an opportunity to say something in a moment. We have the Commissioner here, and I believe that he may have had to cancel meetings in order to be here.

The regional policy is to come into effect on 1 January, and I do not think it would be understood if Parliament postponed the debate on this question for another month. Even if there was an opportunity to discuss it in a month's time, the contribution that Parliament would then be making to the final policy would be bound to be diminished by such a delay.

I can understand that to take the general debate and deal with all these amendments together

Lord Reay

on the same day may be too much. It certainly looks a daunting prospect that we should have a general debate and then discuss individually 34 or 35 amendments.

It is possible that this Parliament is now evolving to a point where one cannot compress what are essentially two different processes into one single session. Therefore, if the suggestion were made that we should have the general debate today but refer the amendments back to the Committee and take them next month, I believe that that proposal might be acceptable. But for us to avoid having the general debate today would, I believe, seriously damage the credibility of this Parliament.

President. — I call Mr Kirk.

Mr Kirk. — Lord Reay has really made the point that I was going to make, so I shall be brief. This is an issue which is of paramount importance in all our countries. It has been known that we were to discuss this very important report this week. The Commission, I understand, is very anxious to have the views of Parliament as soon as possible, as it has to make its final disposition, as does the Council. The compromise proposed by Lord Reay that we should express our views on the matter today, even if it means that the committee must try to absorb all the amendments at a later date, is perhaps the best way of proceeding.

President. — I call Mr James Hill.

Mr James Hill (*chairman of the Committee on Regional Policy and Transport*). — I have only recently arrived back from London, and this has come as a great surprise to me.

I understood yesterday in conversation with Mr Delmotte that a number of these amendments could be incorporated without any ill effects in the actual documents. Four of the five amendments by the Economic Committee have already been discussed in committee. Nos 1 and 4 were accepted by the committee and Nos 2 and 3 were rejected. So we have had a discussion in committee already on some of the amendments.

I understand that the Commission is willing to examine the budgetary amendments, which, from what I heard yesterday, do not present any great difficulty.

The danger in this is that from time to time we shall get issues to which many amendments will be tabled, and if every time we get such an issue—I am particularly thinking of the subject of driving licences when it comes again

from the committee—amendments are referred back, that will prevent people from discussing the subject, when they have travelled here in order to do so.

As the Chairman of the Committee, I should like to see the full discussion go ahead. I know that there are many Members who wish to speak, but, if they could restrain themselves and keep to the points of the amendments, I am sure that we could get through this agenda today.

President. — I shall apply the Rules of Procedure as flexibly as I possibly can in this matter, but I would ask all speakers to be as short as possible.

I call Mr Bourges, on behalf of the Group of European Progressive Democrats.

Mr Bourges. — (*F*) Mr President, I should like to make several observations on Mr Vals' proposal.

First, some observations of principle. Parliament's Bureau long ago entered this very important item on the agenda for this part-session. I fail to understand, in view of the fact that you are, yourself, Mr President, along with the Bureau, involved in organizing debates and that just yesterday you fixed the deadline for tabling amendments, how we can be told this morning that it has not been possible to prepare the work of this Parliament or consider the amendment. This is a very important problem. I think that it would be very bad for Parliament to continually call in question its agenda.

Account must also be taken of a certain number of practical considerations. The regional development fund must be set up by 31 December 1973 and I should like to say to Mr Vals that if he does not want the fund to be set up then, a good way of ensuring this is in fact to defer discussion to the second half of November; then, after receiving Parliament's opinion, the Commission would deliver its views and submit its proposals to the Council. We would also be at the end of the year, a time which is always somewhat disrupted by holidays.

For all these reasons, it is urgent that Parliament debate this problem.

If we postpone the debate to November, we shall perhaps have another ten to fifteen new amendments. I suggest, Mr President, that the competent committees meet, either now or at lunch-time, so that we can start the discussions this very afternoon and complete them in good time.

This is the opinion I express on behalf of my group.

President. — I call Mr Johnston.

Mr Johnston. — I shall not delay the proceedings for any length of time because I agree with your pleas, Mr President, for brevity. The main lines of argument have already emerged. I take the strong view that we should proceed with this debate today. Many people have come here specially today for this debate, and this is particularly true of the Commission. All these problems have emerged because of the number of amendments which have been tabled. We may not be able to complete them today, but surely this is the time when the general, up-to-date views of Parliament should be clearly made known to the Commission as we reach the end of the year and the point of decision. Therefore, I strongly support those who have already spoken urging that the debate should continue according to the agenda.

President. — I call Lord O'Hagan.

Lord O'Hagan. — I intervene only to make the plea that this will not develop into a party political controversy. The suggestion that we should postpone this debate on the subject reminds me of the Japanese Kamikaze pilots. It would mean that if this policy were pursued to its full extent and if we were never able to discuss topical issues the development of this Parliament would be inhibited, if not destroyed. If we wait for the bomb to drop before doing anything about the situation, if we merely refer this matter back and express our views to the other institutions two or three months too late, we shall never make our presence felt.

I hope that this will not be regarded as a party matter, nor even as a British matter. It is an essential function of this Parliament that it should respond and help to develop subjects of real interest to people in the Community and I suggest that we get on with it.

President. — I call Mr Fellermaier.

Mr Fellermaier. — (D) Mr President, ladies and gentlemen, Lord O'Hagan has just told us we must not make this a party issue but see it as one concerning the people of the Community. This is the very reason why my group asked the President, through Mr Vals, that Mr Delmotte's report should be taken off the agenda and referred back to the Committee. 34 amendments submitted to the President at 5.30 p.m. yesterday could not be discussed by the political groups beforehand with the thoroughness the subject would deserve. Mr Bourges has raised a question but at the same time made a statement and a certain insinuation concerning Mr Vals when

you posed the rhetorical question of whether we, the Socialists, did not wish to see the fund set up by 31 December. Of course we do!

But because the subject is such an important one, we want the House to have the opinion of the committee concerned on these 34 amendments. The rapporteur cannot do this without consulting his own committee.

I also think, Mr President, that at this stage of the debate we should ask the Commission to state whether the risk referred to by Mr Bourges genuinely exists and that Parliament may not be able to cast its vote in good time if we refer the matter back to the committee and continue the debate on the first day of the November part-session. All I can say, Mr President, is that we cannot responsibly discuss 34 amendments from certain regions and areas of interest here and now. We need a thorough preparation for the task and the Socialist Group asks again that we should be given the necessary time.

(Applause from the Socialist Group)

President. — I call Mr Lückner on behalf of the Christian-Democratic Group.

Mr Lückner. — (D) Mr President, I am sorry I cannot support Mr Fellermaier's suggestion.

My group discussed the matter this morning and decided that in view of the 34 amendments tabled it would be a good idea to discuss the question today. I hope, of course, that the discussion will centre on the matters of greatest political importance so as to give some guidance to the committee. On the main points the amendments are so controversial that the House would find it difficult to take any particular line. But we will let ourselves be guided by the experience of Parliament that a political debate on such controversial matters serves a useful guiding function, before the amendments are discussed in committee and subsequently referred back to the plenary Assembly. It is not the first time we have done this; it must be the sixth or seventh. The House should reserve the right to give some guidance so that we either reach a certain agreement in the committees or decide that the question has to be settled by vote.

I am therefore in favour of holding the debate but would hope that it will be limited as we agreed this week and really restricted to those points which are politically controversial. I think this would be useful for the final decision we shall then reach in November.

President. — What is the rapporteur's position?

Mr Delmotte, rapporteur. — (F) Mr President, I appreciate the various speeches—at least, those which I have been able to hear, for I was held up for a few minutes outside the hemicycle by the need to look through the various amendments which had reached us with some delay. I appreciate them in so far as they are the product of extremely laudable intentions, but they come from people who have had little or no occasion in the recent past to discuss the problem which we have to debate.

But, Mr President, I cannot be accused of vanity if I state in the presence of my colleagues that the keenest interest was felt by myself, for at half-past nine this morning I was still unaware of the contents of 14 of the 34 amendments tabled.

It is easy enough for my colleagues to expatiate upon the importance of the subject, but I find myself absolutely incapable of discharging in any valid way the task with which I have been entrusted.

Allow me to recall that last July, under conditions that were already difficult, we were obliged to submit a preliminary interim report, that since then we have made every effort, particularly in the Committee on Regional Policy and Transport, to achieve the progress necessary to submit this second report, and that the Committees have worked in parallel. Now, however, the members of the Committee on Regional Policy and Transport cannot undertake any serious examination of the amendments which have been presented to us, and in my view such conditions prevent us from proceeding to an effective consideration of this second report.

That is why I support the proposal just made by Mr Vals, that this item should be referred to committee.

You can decide for yourself whether a general debate which, as we well know, will be repeated in November when the various amendments are considered is necessary or even useful.

We have just been told that there may be 15 more amendments. That is all right as far as I am concerned, but as for today, I, as the one immediately interested and most concerned by the situation arising from the tardy tabling of these amendments, the content of 14 of which, I repeat, was unknown to us until a few minutes ago, must say that it is impossible to achieve anything meaningful.

Those of our colleagues who have made somewhat flamboyant statements must bear the responsibility for these statements. But the problem is too important and too serious to be

discussed in the conditions which I have just described.

(*Applause from the Socialist Group*)

President. — I call Mr Thornley.

Mr Thornley. — I want to explain why I support comrade Fellermaier and Mr Vals and the other speakers who have moved for the postponement of this discussion.

I do not want it to be assumed that as Irish Socialists either Mr Kavanagh or myself do not regard this subject as important. We regard it as possibly the most vital matter affecting our country. Possibly only Italy and ourselves are so closely affected by the whole question of regional policy, and we are vitally interested in it.

However, I agree with comrade Fellermaier. I do not think that this matter can be discussed today now that there are 34 amendments, five of them in the names of myself and Deputy Kavanagh. It would be unfair to Mr Delmotte, the rapporteur, to ask him to absorb that number of amendments. As there is an opportunity to discuss this matter before the end of the year, I intend to vote with the Socialist Group for the deferment of this issue.

I note the enthusiasm of my colleagues in what is called the movement for progressive something or other. I find the enthusiasm of my Gaullist friends from Ireland for the discussion of this subject slightly insincere, as they negotiated the terms of accession of Ireland in the first instance and they are now stuck with the consequences.

I should like the opportunity to discuss the whole question of regional policy at great length. It is a vitally important question which it would be unfair to ourselves and to Mr Delmotte to take today. Those who are pressing that it should be debated today are doing so simply for tactical reasons.

President. — I would remind the House that we are discussing a point of order. I would ask you not to let it develop into a criticism of one of the groups.

I call Mr Lenihan.

Mr Lenihan. — I should like to support the approach taken by Mr Bourges.

The important aspect is that we have on our agenda today this major debate on regional policy. We must proceed with this. We had

Lenihan

a debate a fortnight ago on extending the powers of Parliament. We would surely bring Parliament into disrepute if we did not face up to a major discussion on this most vital part of the Community's work at this time.

Furthermore, it is all-important that we have this debate today and do not adjourn it until the middle of November, if we are serious about having a regional policy implemented from 1 January 1974. If we are going to be serious about our business, I suggest that while we are having a full debate on the principles involved—a general debate, as it were—the Committee should meet to have a look at the various amendments before us. If the Committee gets down to its work immediately, it can come back here to this Assembly with, if necessary, an oral report or an oral recommendation as to its view on the amendments—none of which is terribly difficult—and we can proceed with a general debate while the Committee is looking at the amendments. Following the general debate, we can have a committee-type debate on the specific recommendations coming back here to the Assembly from the Committee.

(Cries from the Socialist Group — Applause from the Group of European Progressive Democrats)

President. — I would ask Parliament to settle this matter calmly.

I call Mr Thomson.

Mr Thomson, Member of the Commission of the European Communities. — First I should like to say that, as far as I am concerned and as far as the Commission is concerned, we are at the disposition of Parliament. I am grateful for the remarks that have been made by various Members about the convenience of the Commission, but that is not the consideration here. For my part, I am ready to meet whatever turns out to be the majority wish of Parliament.

The Commission's interest, of course, is to get Parliament's decisions—not merely views, but decisions—on the Commission's proposals that have been put before the Council as quickly as possible.

I had very much hoped to be able to go back from Strasbourg later today or later tonight armed with Parliament's decisions, which would be very useful ammunition in the important dialogue that is now developing at the Council of Ministers' level. But I think the fact that over 30 amendments have been tabled—some of them very late during yesterday—has put the rapporteur, Mr Delmotte, in an impossible position from any practical point of view.

The overriding concern of the Commission, and I think the overriding concern that will be shared by Parliament, is, of course, that the Summit calendar requiring a decision on setting up a regional development Fund by 1 January 1974 shall be sustained.

I can assure Parliament, even though it may regrettably not be possible to come to decisions today on the various proposals and amendments, that I believe the calendar can still be sustained if these decisions are taken in the November session.

Finally, the Commission is in the position of having submitted the final elements of its package of proposals to the Council and, through the Council, to Parliament. I should have thought, in view of all the difficulties that have been created, that it might be a sensible compromise to have a general debate on the total Commission package, leaving the proper consideration of the amendments to be dealt with by the Committee between now and the November session.

With respect, Mr President, I think that the suggestion made by the distinguished Member from Ireland that Mr Delmotte and the Regional Policy Committee should be expected to deal with these important amendments upstairs somewhere while a general debate goes on on the floor of the House would be the worst of both worlds. But I wonder whether, in all the circumstances, the compromise of having a general debate, while leaving the amendments to be properly and thoroughly considered as they ought to be within the committee machinery, should take its due course.

President. — I call Mr Vals.

When he has spoken, I shall put his proposal to the vote.

Mr Vals. — (*F*) I regret the lengths which this debate is assuming, but I must point out that the polemical tone was not introduced by the Socialist Group; it was Mr Bourges who began by asking me whether I was not interested in the regional development fund, thereby implying that this problem possibly left the Socialist Group indifferent.

This I cannot accept, Mr Bourges, for our group is at least as interested as yours in a decision on this matter.

(Applause from the Socialist Group)

We are, in fact, responsibly minded people, and in our view this problem is sufficiently important to warrant our devoting all our attention to it.

Vals

I too regret my inability to share the view put forward by a Member of this House when he proposed that the amendments be considered while the general debate was going on. What about the rapporteur? Should he be with the Committee or in the Assembly? This really does not strike me as a serious proposition.

Mr Lückner remarked that it was essential that this debate should furnish a guideline. But the Commissioner has just told us that an orientation not followed up by a decision would not give him much ammunition for the purposes of the discussion and that what the Commission wants is a vote.

He has made it clear that if we take our decision in November the setting up of the regional development fund will not be impeded in any way.

When I made my proposal, I was under the genuine impression that agreement had been reached between the Members of the Commission and the rapporteur. At all events that is what was being said this morning in the lobby of this House, but it appears that this was incorrect.

I therefore suggest that the committee meet to examine the problem, the amendments and the report, and that it then propose to us either that the debate should continue or that it should be deferred until November.

Only after the responsible committee has been consulted can the House make any decision.

(Applause from the Socialist Group)

President. — I am obliged to call Mr Bourges as last speaker, so that he can comment on a remark made by Mr Vals.

Mr Bourges. — *(F)* Mr President, ladies and gentlemen, we have been implicated in a manner which strikes me as being a little inconsiderate, and that for two reasons.

First of all, as a movement, and I am sure that most of our colleagues will agree with me when I say that it hardly seems fitting to attempt to make a laughing-stock out of one of the legally-constituted political groups of this House by pretending not to remember its official name—and that in a manner which I, for my part, did not find to be particularly natural. I am grateful to you, Mr President, for the correction you made on this point.

To Mr Vals, I should like to say that I had no intention of doubting the Socialist Party's interest in the fund. In this connection, my words were, I think, perfectly clear. I was merely drawing its attention to my fears that if the debate were postponed until November we should lose

our chance of seeing the Fund materialize by 31 December.

My remark was therefore prompted not so much by the interest that we may or may not have in the establishment of the Fund—I know that we are all equally concerned about the matter—as by a respect for deadlines.

Mr Thomsen has told us that while he would like to have a decision this evening, a postponement of the debate to the second fortnight in November would in no way impede the normal establishment of the Fund. On this point, therefore, we have been reassured. Mr Thomsen was, in fact, supporting the proposal put forward by Lord Reay. On behalf of our group, I would add that we are prepared to lend this proposal our support, although we should have preferred the debate to be carried to a conclusion.

As Mr Lenihan rightly said, it is a good thing for each of our part-sessions to have a principal orientation, theme and subject. Our last part-session in Luxembourg turned principally on the budgetary powers of Parliament. The present part-session was to have been—or rather, it was supposed to be—devoted to regional policy. Here I should like to pay tribute to the work done by Mr Delmotte and his committee. But I should like to say to Mr Delmotte that I did not propose that he and his committee meet outside these precincts, as Mr Thomson seems to have believed. I merely suggested that the meeting of the committee—or rather, of the committees, as it turns out—should be held immediately in order that we could resume this debate in plenary sitting in the afternoon.

Those are the points I wanted to make in respect of this item on the agenda.

President. — I call Mr Vals.

Mr Vals. — *(F)* After the debate was over, I asked that the committee should meet and submit to us proposals.

I do not ask that the matter be referred to committee, and since the committee chairman and the rapporteur tell us that this problem can be debated and have indicated the conditions under which this must be done, I for my part am prepared to accept this procedure.

What I should like to see, therefore, is that the committee submits proposals on the order of business.

President. — Mr Vals is asking that the committee responsible should make proposals as to how this report and the amendments to it should be dealt with. I note that Mr Vals has changed his proposal.

President

I call Mr Lücker.

Mr Lücker. — (D) I am afraid, Mr Vals, that we cannot vote on the proposal because the committee has passed responsibility to the plenary sitting. There was an original Vals proposal and then a proposal by Mr Kirk. If Mr Vals amends his proposal in this way we shall have to vote on the Kirk proposal that the debate be held today. The committee will then have to discuss the matter again and put its proposals to the November part-session. We cannot vote on it until then. We cannot refer points of order back to the committee again.

President. — Since Lord Reay's proposal, that we have a general debate on regional policy today and possibly discuss the amendments in the committee responsible, goes further than the changed proposal by Mr Vals, I now put Lord Reay's proposal to the vote.

The proposal to hold a general debate on regional policy today is agreed to.

The debate will be held after that on the report by Mr Fellermaier.

5. *Relations between the European Community and the United States of America*

President. — The next item is a debate on the report drawn up by Mr Fellermaier on behalf of the Political Affairs Committee on relations between the European Community and the United States of America (Doc. 188/73).

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

Mr Fellermaier, rapporteur. — (D) Mr President, ladies and gentlemen, although the House is still thinking mostly of regional policy after that discussion on the order of business, I think that the subject with which we are to deal now—even with all this noise which is going on, Mr President—is just as important for the Community as far as its external political relations are concerned.

President. — May I call for order and ask the House to listen to what Mr Fellermaier is saying?

Please continue, Mr Fellermaier.

Mr Fellermaier, rapporteur. — (D) Thank you, Mr President. One can see how regional unrest can soon become a central problem if confined to one house.

Mr President, ladies and gentlemen, the Political Affairs Committee had tabled a motion for a resolution on relations between the European Community and the United States of America. This motion is the starting point for today's debate.

If one asked the House why the debate was being held just at this time and if one considered the matter purely formally, one would answer that the reasons were the joint declaration by the delegations from the United States Congress and the European Parliament in May of this year and the subsequent inter-party motion. But that would be merely the apparent reason and too simple. In fact we are holding the debate because it is absolutely necessary that we get a better political grasp on the relationship between the European Community and the United States of America. This means a realization of what can be crystallized over and above the still very important individual questions as an overall political framework for this relationship, which is so important for both the Community and the United States.

During the many weeks of very thorough preparatory work in the Political Affairs Committee, a number of people asked whether it was right to discuss relations between the Community and the United States when the dates of the American President's visit to Europe were still not finally fixed.

Let me say quite clearly and simply that relations between the Community and the United States will certainly acquire a special political importance as a result of the coming visit but at the same time we must realize that these relationships relations are of a comprehensive and permanent lasting nature which goes beyond any individual actions. I should, therefore, consider it wrong to concentrate discussion on so important a political point solely on the prospects of the American President's visit to Europe. However important it might be in improving the climate of European-American relations and however important it may be that the European heads of government hold discussions with the American President and he in turn with the Community institutions in Brussels, this is only part of the overall effort to develop relations between the United States and the European Community.

You know, Mr President that at its July part-session the House adopted a special resolution on the subject of the American President's visit to Europe. In this resolution we expressed our desire that the American President should take advantage of his visit to explain to the elected representatives of the peoples of Europe here

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in the European Parliament, the basic tenets of American policy with regard to Europe. There is no doubt that this desire will find its expression in an official invitation to the American President once it is established by informal contact that the invitation will meet with a positive response.

Now let us turn to the motion for a resolution. The motion tabled by the Political Affairs Committee clearly states that the United States have repeatedly declared it to be a principle of their foreign policy to support the political and economic integration of Europe. I feel that it should also be said in today's debate that one cannot doubt the principle of this support. It is, therefore, all the more irritating that the past few years have given rise to extraordinarily important points and problems which have led to misunderstandings and sometimes to heated discussions between the United States and the European Community. Where such misunderstandings occurred, there arose the question of whether an improvement in dialogue would make it possible to avoid such misunderstandings which can often have a psychologically detrimental effect on relations between Europe and the United States for months.

A second question which has to be answered is to what extent there have been genuine conflicts of interests which would also need to be settled in the context of a permanent dialogue and in the way that matters are settled between friends—openly, honestly and objectively—but, if necessary, also with political obduracy. The motion for a resolution tabled by the Political Affairs Committee refers to some of the complex problems which immediately come to mind. It first calls for a coherent Community policy towards the United States determined by an overall political approach. I consider this one of the main points. If the Community wishes to possess an identity to outsiders, it must support this claim by a global policy. It cannot simply appear as the sum of individual policies and act as if, for instance, the energy policy had nothing to do with security matters or the famous soya beans nothing to do with the state of the American dollar. All this is interlinked. One cannot always try to find solutions in individual policies but must ultimately be brave enough to say that priority in political assessment must be reserved for the overall approach and that this must be take precedence over individual policies.

I think it is important to realize that these problems are becoming increasingly intermeshed. However, this does not mean that everything should be lumped together. We must make a clear distinction between problems according to

the specific solutions possible in each case and where specifically they can best be achieved. In doing so we must, of course, also remember such international organizations as GATT for matters of trade or the International Monetary Fund for monetary matters or the NATO Council for defence matters.

On the other hand, we must not go so far as to stress the restricted scope of Community competence as to make impossible any dialogue between the Community as such and the USA or other important political partners. The overall political approach needed to determine the nature of the permanent Atlantic dialogue will ultimately only be possible if we work hard to advance political cooperation in Europe and if, in this cooperation with the United States, we allow the Community institutions and—and I would emphasize this, Sir Christopher—the Commission especially, their rightful place in this dialogue. To give proof of European identity thus means nothing more than a decision in favour of Europe action by our Community of Nine. Anyone who believes that only individual Member States are in a position to discuss the totality of economic and political questions that arise in connection with the United States is denying the identity of Europe. This is something that must be made quite clear.

As you will see from this motion for a resolution, Mr President, paragraph 5 also refers to security policy. The Political Affairs Committee discussed for a long time whether security policy and defence policy were one and the same thing and I very much hope that the argument about the meaning of words which plagued us for weeks in the Political Affairs Committee will not be repeated here in the plenary sitting. I am of the opinion that security policy goes beyond pure defence policy and has become a comprehensive international concept. It is not for nothing that the first reference in the title of the European Conference on Security and Cooperation is to security. This also reflects the fact that a process of rethinking is going on in the world, particularly between East and West.

The Political Affairs Committee therefore chose, at my suggestion, a wording which was intentionally cautious in expressing the wish that the Community should in future also speak with one voice on the matter of security policy.

This wording does not anticipate anything and involves no statement regarding the need for membership of certain military alliances. This was merely to make things clear for our friends from the Member State that does not belong to any military alliance. I should like to say one more thing on this complex matter which

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aroused considerable feeling in the Political Affairs Committee. I feel that we in Europe are entering upon a stage of the discussions in which military alliances will certainly retain their importance politically and especially in respect of military policy but in which the discussion of security policy clearly goes beyond the organizational framework of the military alliances. As a result, I feel we should avoid shortsightedly basing any future discussion in the Community on security matters but should watch developments in Europe as a whole. It would seem to me to be important that our integrated Europe is aware of the problems raised and recognizes that one cannot settle matters of economy, monetary policy and external policy generally on a Community basis and at the same time close one's eyes as a Community to matters of security policy.

Mr President, the various paragraphs of the motion for a resolution on economic and monetary relations speak for themselves. As you see, we have in paragraph 10 referred to the very topical question of energy supplies which will be very important during the visit of a delegation from the European Parliament to Washington under your personal leadership.

Referring to the organization of the dialogue with the United States, the motion for a resolution states clearly that although a more intensive, permanent dialogue must take place, no new institutions are needed for this purpose. No, the contrary will have to be the case. The existing organs will have to do everything to ensure a successful, permanent dialogue. I think it would be mistaken to attempt to do away with existing problems by asking where we can create an additional body for consultation between the United States and the European Community.

In this connection, Mr President, I think the House should welcome the guidelines given by the Foreign Ministers at their meeting in Copenhagen on 10 and 11 September because it outlines the basic desire to conclude concrete and clearly-defined agreements with the United States.

This is where we might see the beginnings of the new dialogue. The readiness and ability of the Community to enter into discussion is an important advance towards the goal set by the American Foreign Minister, Dr Kissinger, that 1973 be made the Year of Europe. The dialogue has begun.

We were very glad yesterday to see Sir Christopher Soames and the Danish Foreign Minister, Mr Andersen speaking on the report in the Political Affairs Committee so that I can now

repeat and confirm that the dialogue has begun successfully in the Year of Europe 1973.

One last word on the matter of inter-parliamentary contacts. A delegation from the American Congress visited Strasbourg in May and under the present arrangement for six-monthly contacts a delegation from the European Parliament will be leaving for Washington in a few days' time. I just mentioned the Working Party on Energy Policy a few minutes ago. We shall also be discussing with our American friends in Washington such topical questions as multinational companies and groups, world trade in agricultural products and US and Community policies on the developing countries. Such contacts at parliamentary level seem to me to be a valuable and necessary complement to the classical rules of foreign policy, which gave priority to the Executive. But we know how strong the position of the American Congress is in, say, the broad sphere of foreign trade legislation and therefore also know that we need to conduct an open, fair dialogue with those responsible for such legislation in the American Congress. We shall achieve a great deal more information and goodwill from the American Congress, Mr President, once we have established this stronger inter-parliamentary link.

I should like to conclude my remarks because I see that, as usual, we are running out of time. The positive development of relations between the United States and the Community will be of decisive importance for both sides in the near future. Today's debate by the European Parliament on the motion for a resolution should encourage us to review the problems involved and within the Community do everything to establish the necessary dialogue with the United States in a form that is dynamic, efficient and successful both for the American people and the peoples of Europe.

(Applause)

IN THE CHAIR: MR COUSTÉ

Vice-President

President. — I call Mr Corterier on behalf of the Socialist Group.

Mr Corterier. — *(D)* Mr President, before I give my views in detail on the motion for a resolution I should like to give the reasons for the amendments which I have tabled on behalf of the Socialist Group.

We have tabled an amendment to paragraph 4 because we consider that all Community institutions should be involved in political cooper-

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ation, and not the Commission alone. We therefore decided upon a wording as set out in the amendment which does, of course, include the Commission.

We have proposed an amendment to paragraph 5 because we consider that if, as in this case, we talk of the need for the Community to speak with a single voice, to avoid any misunderstandings it should also be made clear that this must be done within the context of NATO.

I should now, Mr President, like to make a few observations on the motion for a resolution on behalf of the Socialist Group. There has never before been so much discussion on the relations between Western Europe and the United States and the problems involved as in the last few years. There was hardly any such discussion in the fifties and sixties although there were at the time problems concerning the United States and Western Europe.

These problems were mostly of a military nature. But since at that time there was a clear threat from the East, neither side ever lost sight of mutual interests connected with security and any differences were quickly settled. Now, again, there are problems in the sphere of security policy between the partners on either side of the Atlantic but these can, of course, be viewed somewhat differently in the light of the *détente*. In addition, trade and monetary matters have recently moved to the forefront and differences on such matters have sometimes been so sharp that relations between the United States and Western Europe cannot fail to have been affected. The Committee of the Nine—a committee of leading politicians and statesmen appointed by NATO—even stated not long ago that relations between America and Europe had reached a very crucial stage and that the situation could probably only be dealt with by a meeting at the highest level.

Now, it seems to me that however we assess this special proposal one thing is clear. All those responsible for formulating policy on either side of the Atlantic are called upon to make every effort to ensure that the present difficulties are overcome.

The Socialist Group therefore welcomes today's parliamentary debate on relations between the European Community and the United States. When discussions and negotiations begin between Western Europe and the United States on the various subjects of concern, we as members of the European Parliament will have a special responsibility as regards the general public in the various countries of the Community. In the interests of our relations with the United States we must make clear again and again that despite

all conflicts of interest and differences of opinion on individual questions, the fundamental community of interests of Western Europe and the United States remains or, as the Committee on External Economic Relations stated in its comments on the motion for a resolution, they share a lasting community of interests and destiny which covers all their relations that must be looked at in its continuity. We must not allow disputes over day-to-day matters to cause us to forget our common interests and thus cause a dangerous worsening of relations. Western Europe and the USA are linked by a common history and civilization, a shared concept of human rights and democracy and by far-reaching interests.

I should like to mention just two of these areas of interest here. The security of Western Europe is today, as it was when NATO was founded, inseparably linked with the security to the United States. Security policy also includes the policy of *détente* which can only be pursued if both Western Europe and the USA work closely together in this sphere in the future.

Both the USA and Western Europe are part of a closely-woven economic and monetary system which has done much for the extraordinary prosperity of most Western European countries and the USA. This system has been growing in importance for the economic development of each country individually and influences price trends as well as security of employment. As a result it must, where it is at present not functioning satisfactorily be restored to order by the joint efforts of the USA, Western Europe and Japan.

There cannot, I am sure, be any doubt as to be community of interests existing between the partners on either side of the Atlantic. It must be possible, on the firm base of these common interests to find a just settlement acceptable to both sides for—and we must not try to understate the position—the many questions which are at present the subject of differences. If we wish to conduct a dialogue with the United States of America with success for Western Europe and if, in particular, we wish to conduct a dialogue on the basis of equality between Western Europe and the USA, one thing is necessary. The European Community must, where this is possible, speak with one voice on all matters that are the subject of negotiations and thus not only in matters of trade policy but of monetary policy, security policy and so on.

This need is further underlined by the growing trend towards bilateralism between the two superpowers, the USA and the Soviet Union. I am convinced that this trend will continue after the settlement of the conflict in the Middle East.

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Both superpowers have concluded important agreements on the limitation of arms supplies in which they did not directly involve their allies, and are moving more and more towards far-reaching cooperation in other fields, particularly in trade and technology. Basically there is nothing to object to in such bilateral negotiations and agreements by the two superpowers. At least they reduce the risk of military conflicts on a world scale, even if they cannot, unfortunately, prevent that in the Middle East.

So far there is no indication that the superpowers' bilateral negotiations involved any infringement of important West European interests. But this situation could change very quickly, particularly if in future the superpowers were to be met from Western Europe with a number of voices giving a range of conflicting opinions and interests, instead of by just the one voice. The result would be a growing temptation for the United States to discuss important questions of East-West relations directly with the Soviet Union without regard to Western European interests. Such a trend would necessarily provoke a fatal crisis of confidence between Western Europe and the United States. We have already received an alarm signal from the USA in this respect in Dr Kissinger's words concerning the overall responsibility of the United States and the merely regional responsibility of the European Community. These words of Dr Kissinger sounded almost as if in future world politics on a grand scale was to be reserved to the superpowers while Western Europe and others were to confine their regional politics to the basement of world politics. Dr Kissinger has thus raised the question of how the United States would behave in the event of a conflict between their own and their allies' interests in direct cooperation with the other superpower. This development should lead us to demand with even greater emphasis than in the past that Western Europe speak with a single voice. Only thus can we achieve the acceptance of Western Europe by the United States as an equal partner in world politics and sufficient consideration of its interests in the dialogue between the two superpowers.

Turning to what Mr Fellermaier was saying, the result of the meeting of foreign ministers in Copenhagen on 10 and 11 September is of very great importance. I am not sure whether we can be so optimistic as the British Foreign Minister, Sir Alec Douglas Home, who said that the meeting had achieved a breakthrough for European policy in relation to the United States, but one may certainly justifiably talk in terms of encouraging progress. The agreement by the Nine in Copenhagen to work towards a joint statement of intent with the United States on

relations between Europe and the USA is of great importance *inter alia* because of developments in East-West relations as I have just described them. Such a statement of intent will not come as a matter of course, as was demonstrated by the tough negotiations that preceded the Copenhagen undertaking as the nine partners not only grasped the reality of the interdependence of Western Europe and the United States but were also concerned lest the necessary transatlantic links should prove not to be compatible with the even closer ties between the countries of the Community. There were, therefore, some misgivings regarding the idea of a permanent dialogue with the USA and there was also concern lest the USA should use its superior weight to link matters of trade and security. It proved possible to allay these fears, partly because of the agreement to study the question of European identity simultaneously with preparations for Mr Nixon's visit. The Nine are now prepared to conduct a comprehensive and constructive dialogue with the United States on all problems of concern to both sides on an equal footing and within the context of a gradual political union of the Nine. In my opinion this represents a great step forward.

The draft of the final communiqué issued by the Ministers on the subject of the planned meeting with President Nixon is, of course, couched in very general and even vague terms. But we must not forget that it is a compromise establishing for the first time a common basis for a dialogue between the Common Market and the United States. In this draft the Nine speak with a single voice. It contains the main elements for a dialogue with the United States, emphasizes the joint nature of convictions and interests, points out the lessons of history and binds both sides to cooperate more closely and to pursue a constructive dialogue. It takes as its starting point the American recognition of the gradual political unification of Europe and then proceeds to give guidelines on the subject of East-West relations, cooperation between industrialized and developing countries, research and technology, trade, monetary problems, the environment and the supply of raw materials. These are the important points which are all referred to in the motion for a resolution tabled by the Political Affairs Committee. What now has to be done is to transform these points into concrete proposals to be used as the basis for negotiations. I believe, however, that one can see that the Copenhagen meeting has advanced us along the way to a constructive dialogue and a fair balancing of interests with the United States.

Mr President, I should like to say in conclusion that we should together make every effort to

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achieve a genuinely constructive dialogue between the Community and the USA so as to ensure the success of the approaching negotiations on the various subjects. We must succeed in adjusting relations between Western Europe and the United States to the changed situation of world politics and at the same time find a fair balance between the interests of either side. These relations will then be those of equal partners and not of rivals.

(Applause)

IN THE CHAIR: MR DEWULF

Vice-President

President. — I would ask all those who wish to be placed on the list of speakers for Mr Fellermaier's report to do so now.

I call Mr Boano on behalf of the Christian-Democratic Group.

Mr Boano. — (I) Mr President, it has always been external events that acted as stimuli to European integration—the very birth of the Community came about under the impulse of a profound anxiety about international security. Now once again, the world debate on important monetary and trade problems, in which the Community and the United States are engaged as partners of equal status and responsibility, the present confrontation between the two great systems and the two superpowers which represent them, do not just demand our participation because they embody the main elements of a critical and evolving phase of international politics, but are of interest to us also because—and here I would refer to paragraph 7 of the report prepared by the Committee on External Economic Relations in support of Mr Fellermaier's motion—they offer the Community a suitable opportunity to demonstrate its identity *vis-à-vis* the rest of the world and to speed up the process of its unification.

The dialogue between the Community and the United States—which is obviously, a rational and critical one—should be conducted openly and frankly, as, indeed, it has been in the two meetings which have been held between delegations from the American Congress and from this Parliament. The United States, for their part, should show whether, conscious of a common destiny, they wish to join Europe in a common dialogue with the rest of the world, or whether they merely wish to consider us as a market to be won for their industrial and agricultural products.

This sharing of responsibility and of decision-making, desirable when important problems at

world level are concerned, becomes essential when Europe's future destiny is involved. And in this connection there is a passage in the well-known statement by Dr Kissinger which we find disquieting, namely one where he defines the United States' trade relations and refers to those he calls adversaries and those he calls friends. Mr Kissinger said that the United States would continue to strive for the relaxation of tensions with their adversaries on the basis of practical negotiations on matters of common interest. The United States would welcome, said Mr Kissinger—and here comes the reference to the friends—the participation of their friends in a constructive East-West dialogue.

Obviously, this second part of the statement cannot please us, because it implies that Europe's contribution to the dialogue between East and West is something to be desired but of marginal importance, and not, as it ought to be, a condition *sine qua non*.

Of course, and here I agree with what has been said both by the rapporteur and by the Socialist speaker, Europe should endeavour to persuade the United States of the importance and indispensable nature of its contribution. Europe should, therefore, speak not only in the same spirit but in the same voice, in order both to deter the United States from the great temptation to manipulate any discords arising between the Community's Member States, and to convince them of the reality of the Community's gradual progress from an assembly of states to a single, homogeneous entity and of the inescapable and irreversible nature of this process. This is the spirit of the conclusion of the report prepared by the Committee on External Economic Relations, where, in the words of the three recommendations formulated by the Political Affairs Committee, the Member States are reminded of their duty, sanctioned by the Paris Summit, to act together in the face of Europe's growing responsibility in the world, since the role which the Community assumes or would claim on the world stage, will be meaningful in so far as the Community is able at the operative and institutional level to implement measures designed to accelerate the process of its unification and integration.

Therefore, in this spirit, and above all with this concern for the internal consequences within the Community and with the aim of accelerating the process of integration which may result from the dialogue begun between the Community and the United States, the Christian-Democratic Group expresses its full support and agreement with the report drawn up by Mr Fellermaier.

(Applause)

President. — The list of speakers is now closed. The proceedings will now be suspended until 2.30 p.m.

The House will rise.

(The sitting was suspended at 12.45 p.m. and resumed at 2.30 p.m.)

IN THE CHAIR: MR DEWULF

Vice-President

President. — The sitting is resumed.

I call Lord Gladwyn on behalf of the Liberal and Allies Group.

Lord Gladwyn. — It is to the credit of the rapporteur that he has grasped the fact that relations with America are one of the great potentially unifying factors in the construction of Europe. In my view, Mr Fellermaier's report and resolution could hardly be bettered, accompanied as they are by the sensible opinions of the Committees on External Economic Relations and on Economic and Monetary Affairs. This should certainly be of use to the Ministers, who, as we all known, are now struggling to get agreement on a revised Declaration of Principles, the original text of which, adopted on 11 September, was so unfortunately, as I think, leaked to the Press.

It will be no surprise to my colleagues, and certainly no surprise to the rapporteur, to know that to my own way of thinking one of the most important developments will be the projected joint declaration on what is now called 'security' and what used to be called 'defence', though it is entirely arguable that by 'security' we mean something rather wider than 'defence' and that it includes such matters as disarmament and limitation of armaments.

The rapporteur will therefore be glad to know that I for one now entirely accept this new term.

It must in any case be clear that, if all the Nine, in spite of the fact that one of them does not belong to the North Atlantic Treaty Organization—I underline the word 'Organization'—and another is officially neutral, can agree on certain basic questions of security, including of course defence, a very considerable step forward will have been taken.

Indeed, contrary to the views held up till now, it is quite possible that Western European unity may be furthered in the reasonably near future by agreement on security matters rather than on such thorny problems as economic and monetary matters.

Nor would it appear to be necessary, as alleged by some, to await a complete coordination of foreign policies before agreeing on at least a measure of defence coordination. It is surely quite possible to accept, for instance, certain principles of common defence, totally non-aggressive in character of course, in advance of the appearance of what might amount, I suppose, to an embryo Community foreign ministry.

Besides, in what fields of foreign policy are the Nine now seriously divided? They have a common attitude at Helsinki. They are very close to a common attitude, I think, as regards the Middle East. They are now at one, or appear to be at one, in their general attitude towards the United States, and in their conception of the right basis for the coming economic negotiations to be conducted by Sir Christopher Soames. Only at Vienna are they divided, and it does not seem that the absence of France from Vienna, with which I myself have always sympathized, would prevent some advances there, unlikely though that appears to be at the present time.

So we are surely getting near to the time when we can speak of a European 'identity'. The word 'identity' has appeared on the scene only recently. Before that we used always to hear of the necessity of creating a European 'entity', and no doubt we still do. After all, if an entity is created it presumably has to have some identity. At least, it is difficult to conceive of an unidentifiable entity. However, if by adding the 'id' to 'entity' the intention of the Ministers is to decide what we mean when we talk of a European union—the character, that is, of a European union—then I am all for it.

The pragmatic approach is all very well, but if the Americans want, as they apparently do want, to discover how, and to what extent Europe can converse with them as well as with other States—in other words, the dialogue which was referred to by Mr Fellermaier in his report or perhaps in his speech—then it is presumably necessary for us to make some progress in the attribution of powers as between the various organs of the Community, more especially, perhaps, the power of the Commission—in other words, to begin to contemplate the actual European constitution of the future. Incidentally, I quite agree with Mr Fellermaier that we do not want any new bodies. We want to make the existing bodies work.

I know that, in theory, this will not be possible before 1975, according to the Ministers in their Summit Conference, but under the pressure of world events it seems probable that we shall have to improve on the programme there laid down.

Lord Gladwyn

So, to conclude, it seems to me, in a general way, that, however the present crisis in the Middle East ends—and it will not end up in World War III, of that I am certain—we can all rest assured that it will result in a situation in which close cooperation between the Community and the United States will become increasingly necessary.

If we cannot count on American good will and assistance in the construction of our European entity its emergence will be much more difficult. If it does not emerge, then the situation will be really dangerous, for then it will be almost inevitable that there will be a major clash between the superpowers that will put all genuine *détente* out of the question.

In conclusion, I should once again like to congratulate Mr Fellermaier on his admirable report, which I am sure will be approved by us with a large majority.

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

Mr Thomsen. — (*DK*) Mr President, honourable members, I share Mr Fellermaier's disappointment this morning when he made his report before an almost empty and very unruly House and I also support Lord Gladwyn's complaint at having to speak in an empty chamber. Now, this is a parliament. There are many kinds of parliament and there are many kinds of parties with various characteristics. If I may praise the European Conservative Group for a moment, we are in the habit of speaking very briefly. Perhaps we are fairly confident that our opinions speak for themselves.

I shall also be extremely brief on this occasion and say to the rapporteur, Mr Fellermaier, whose work we have been able to follow in the Political Affairs Committee and later in the group, that we think his report is good, complete and clear. We support it. We have no objections whatsoever.

During the debate yesterday and today many people touched on the problem that we all wish to speak with one voice but at the present time have to proceed through different organs. That is the fact of the matter. We all wish it were different, but we all know that it cannot be changed by a unanimous or unilateral decision of Parliament. A period of maturation is required before we shall finally have achieved a degree of union permitting us to say that Europe now speaks with one voice on all matters. We are all looking forward to this in the future. All of us here, some more patient than others, can understand this. But it is not surpris-

ing that our partner in today's negotiations, the USA, finds it difficult to understand.

I therefore think it would be worthwhile for the delegation which already had contacts with a delegation from the House of Representatives in May to be able to renew that contact. The meeting of foreign ministers in Copenhagen has also helped to improve conditions, and I am glad to be able, as a member of the delegation, to contribute towards greater understanding on the other side of the Atlantic of conditions here in Europe. Europe will work together with the USA but it must seek its future in its own way and at its own speed, with regard to the political possibilities.

We therefore accept Mr Fellermaier's report. Two amendments have been tabled by the Socialist Group, of which Mr Fellermaier is a member. On behalf of my group I am able to accept the wording of those amendments. We shall vote for them.

(*Applause*)

President. — I call Mr Sandri on behalf of the Communist and Allies Group.

Mr Sandri. — (*I*) Mr President, ladies and gentlemen, I shall try to deal with this subject which is very wide in scope as quickly as possible and solely from the point of view of the document we have been asked to consider. We discussed this subject and the complex problems involved on the eve of these important negotiations so that today we should merely ask ourselves what progress has been made in this time. Mr Fellermaier has given an answer to this question without which our discussion would have seemed to be merely academic, and said that negotiations had begun successfully.

I would respectfully like to disagree with this assessment. We are fully aware, in fact, that we cannot expect miracles in the short term, particularly in the field of foreign affairs. We know very well that any process is slow, complicated and full of contradictions. But we must still try to distinguish between trends in the various international processes and the tendency of the negotiations which opened just as autumn was beginning would not seem to me to be towards success. To express the matter in boxing terms we might say that the past months have been used by our partner, the United States of America, to make a feint in order to cause Europe to drop its guard. Negotiations were begun and there were a few agreements in principle, then everything was referred back to committee. When this was done, incidentally it was found that there had been a withdrawal from the positions the European Community had initially assumed.

Sandri

Mr Boano said this morning that we wish to know whether Europe has a common destiny with the United States or whether it is merely a market for American capital. I would point out that if we begin to talk in terms of a common destiny we shall end up being nothing more than a market for capital. What I want to say is that even from a tactical point of view it is less advisable at this stage to emphasize the common destiny or—as Mr Fellermaier put it more realistically the community of interests—and more advisable to stress awareness of Europe as a separate entity—the autonomy of Europe as a continent. Particularly since the controversy which has broken out and which is even acknowledged by the motion for a resolution is a very critical one, particularly in paragraph 8 where a code of good conduct is called for and where it is recognized that powerful circles in the United States are working against the liberalization of trade, when we know that negotiations are influenced by the fact that they lack the necessary legislation, since the Trade Bill has still not been approved in the United States.

I think that at the moment it is both advisable and necessary to stress the existence of Europe as a separate entity rather than to ask ourselves whether we have a common destiny or to stress our common interests.

As far as specific points in the document are concerned I should like, in order to be brief, to restrict myself to two. The first concerns the reform of the monetary system. It seems to us that in this paragraph of the motion for a resolution we are being too hasty in accepting special drawing rights as a solution to the present serious disturbance of the world monetary system.

This might be one of the ways, but presented thus it gives the impression of being the only one. And if special drawing rights were to be the only possible solution to the monetary crisis and if we were to omit to bring out all the conditions which should be implied in this proposal, we believe that it would very probably evolve into yet another form of dollar domination, however brought up to date or disguised, and might subsequently prove to be a factor accelerating inflation and thus a new cause of disturbance of the money market in the medium or long term with all the damage deriving from this either for the liberalization of trade or for the interests of the Third World which in this document we are actually proposing to support and defend.

My second remark concerns paragraph 10 which contains a recommendation for cooperation between energy-consuming countries. In the

terms in which the problem is stated it would seem that we would form a kind of cartel of consumers which in the final analysis would be in opposition to the cartel of consumer producer countries. We wish to take this opportunity to reaffirm firstly the need to specify the various forms that cooperation would take between producer countries on the one hand and consumer countries on the other. In the second place we should like to emphasize the need to get round the middlemen in the form of the large companies, all of whom are more or less multinational and who will end up by being the real obstacle in the way of cooperation between consumers of petroleum oil.

The motion for a resolution begins with a statement which in itself is valid, and which we agree with, namely the statement of the Community's responsibility in world terms which should not be looked upon as, if I may use the word, polemical, but as a correction of the idea put forward by the American Secretary of State, according to whom, in worldwide terms the Atlantic Alliance would make Europe and Japan regions with mere supporting roles.

There are occasional signs that the European Community has come to realize and affirm its world responsibility, as for example in the attitude taken to the conflict in the Middle East. There is no doubt that the Community has at least tried to take a stand different from that of its powerful American partner but these are merely signs. In general, it would seem to us that to continue to talk of the Community's responsibility in world terms without putting it into practice involves the risk of remaining in a world of make believe. We are sure that until the dialogue has begun and been maintained as a dialogue between the United States and Europe it is unavoidable that the stronger party should prevail and that our affirmation of responsibility in world terms should fall into the level of what we should like to see.

We are convinced that if the European Community assumes a responsibility in world terms it will begin and realize its relations with the United States in the wider context of relations with the rest of the world, with the Socialist countries, with the countries of the Third World and with the whole world with which we truly share a common destiny.

It seems to us that through the totality of these international relations with every part of the world, the Community will be able to acquire that identity or personality which if the dialogue were to remain between ourselves and the United States would inevitably be a subordinate one.

Sandri

Finally, Mr President I should like to remind the Assembly of the Communists' aim as expressed by the Secretary of the French Communist Party, Georges Marchais, when he stated that we are for an independent Europe which brings its own contribution to peace and disarmament and is able to establish with the United States and with the Socialist countries relations of cooperation based on equality of rights and the interests of the peoples.

This is certainly a long-term objective but it would seem to us that with the negotiations as they are developing at present the resolution put before us for our vote tends to evade reality, at least as we see it. Thus while we accept many of the statements contained in the proposal and in Mr Fellermaier's report, it is our feeling that we should abstain from voting on this motion for a resolution in order to express our dissatisfaction for past omissions or for steps taken which have lost us ground as compared with last spring, but also the hope that in fact the Community will acquire greater coherence, greater clarity, greater decisiveness in negotiations on which depend not only the relations between ourselves and our partners across the Atlantic but also to a great extent the future of mankind.

President. — I call Mr Van der Hek.

Mr Van der Hek. — (NL) Mr President, after the excellent and detailed statement by my friend Mr Corterier, I should like to make a few remarks about the economic and monetary relations between the United States and the European Community. For this purpose, I wish to formulate a number of basic principles which, as it were, should give direction to the way in which the various subjects mentioned in the report should be presented for discussion in the dialogue between the United States and the EEC. So my remarks will be mainly concerned with the direction in which the negotiations should go and with the aspects that should thereby receive emphasis.

The questions up for discussion are not only, nor even in the first place, of importance in the context of the relations between the United States and the EEC. They are world issues in respect of which the United States, the European Community and—I cannot fail to mention this country—Japan, bear a particularly large responsibility by reason of their great economic power. These three countries have a decisive influence on the nature of the solutions that will be found. These solutions, however, concern world-embracing issues. This is true both for the trade policy relations which have so far been

regulated in GATT and for the monetary relations which the IMF is institutionally responsible for shaping. It is also true of the international commodities agreements, in particular of those agreements that regulate the markets for agricultural products. It is true—and this is perhaps something new—of the energy questions and of international investments, especially where the point at issue is to gain some influence on the role of multinational undertakings.

What should be the primary objective in these negotiations? In my opinion, the aim should not be simply to promote the interests of each of the various partners but in particular to create a world economic order in which each of these countries and the large group of countries forming together the Community can pursue their development. This can only be achieved by laying emphasis on international cooperation and by not looking exclusively to one's own interests, for that is short-sighted.

It may seem as if I am stating the obvious. I feel, however, that the developments of the last five years make my words not entirely pointless. For the position of the United States has become quite different from what it was during the time when Kennedy was still President. The EEC too, possibly under the influence of one of its Member States occasionally makes the mistake of only considering its own position.

I was pleased to hear Sir Christopher Soames say, at the beginning of his statement, that if the Community appreciates its responsibilities, it must be outward-looking. This seems to me a prerequisite; without it, international cooperation is not possible.

Mr President, I should now like to make a few observations about various points of relevance to economic and monetary relations. I should like to go into more detail in this area than the motion now before us has done, although what I am going to say will be entirely in agreement with what has been stated in the motion.

We are in the first place concerned with a stable monetary order in which special drawing rights must indeed play an important role, a monetary order based on fixed yet adaptable parities. Monetary relations must at the same time be developed in a multilateral direction. The countries with deficits and the countries with surpluses must in that context accept certain obligations as regard financial and economic policy. The position of the developing countries must definitely be regulated as well. It is generally realised that special measures must be taken in the interests of their development, also in the monetary field.

Van der Hek

In the framework of the new international monetary order that is being negotiated within the IMF, the new economic and monetary union that we seek to create should be given a special place. Economic and monetary union must not be an obstacle to world monetary integration but should be one of its foundations. In all proposals presented on this matter, this principle should never be lost sight of.

In the field of trade policy it is essential that the GATT system should receive renewed consideration. It should indeed continue to be based on the liberalization of world trade but the element of economic cooperation will have to be strengthened since without this economic cooperation liberalization cannot be maintained to the very end. There are times when certain states threaten to go back to using protectionist measures. By reason of disturbances in the market and for balance of payment considerations, it is essential that this economic cooperation should take shape.

The statements concerning the developing countries in chapter 4 of GATT should thereby constitute an express objective. I very much hope that the Community will accept this chapter in its totality and that France will abandon its position of not wanting to accept this chapter.

I should like to see it stated that the developing countries' share in world trade ought to be in accordance with those countries' needs. Politically speaking, this means that, if their share in world trade continues to diminish, the aim of the GATT negotiations must be to make their share rise again.

As is right, agriculture occupies an important position. It is still formulated in general terms but the Community must be prepared to structure its own agricultural system in such a way that it can support cooperation in this field as well, and so that what happened in connection with the international sugar agreement will not be repeated.

Finally, I should just like to say something about energy. It does not seem right to me that only the most important energy-consuming countries should come to an arrangement between themselves. There are too many rich men's clubs in this world. The consumers and the producers should come to an arrangement about energy as well. The petroleum issue is the most obvious proof that this thesis is a sound one.

(Applause)

President. — I call Sir Christopher Soames to state the Commission's position.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — This has been a worthwhile and interesting debate at an opportune moment.

I should like to begin by congratulating Mr Fellermaier and the Political Committee on the resolution which is before the House and on the work that they have put in to produce this report, with which I find myself in a very large measure of agreement.

It is a tribute to the spirit of cooperation between the various committees of this House and the Commission that the fruitful two-way exchange of information, ideas and attitudes between the Commission and the Political

Affairs Committee and the Committee on External Economic Relations results in such a major concordance of views on the broad lines of future relations between the European Community and the United States of America.

Here I must take issue with Mr Sandri, who spoke in the name of the Communist Group. The impression that he gave me was that he felt it was wrong to single out European United States relations and that we should only look at this against the background of Europe's relations with the rest of the world. To a certain extent this is right, of course. Europe is not merely concerned with her relations with the United States of America. But nor did Mr Fellermaier or any of his colleagues think in these terms.

What I think those who drew up the report believe—and I believe that this view is shared by this House as a whole—is that European United States relations are of themselves of enormous importance both to Europe and to America and that as Europe is finding her new strength, as the Nine countries intermesh their destinies to an ever greater extent, as they will be doing, the relationship of this new Europe and the United States, which is something quite different from any relationship which any individual country within Europe has ever had with the United States, is of immense importance and something which is certainly worth writing a report upon and worth this House having a special debate upon. That is my view.

But I would agree with all those who have said that, of course, this must be looked at against the background — Mr van der Hek made this point — of our outward-looking Community with the very great responsibilities of a political character which must accompany our economic strength.

Of course I agree—I have said so myself often enough in this House — with the view expres-

Soames

sed in the resolution, that the Community must become aware of its increased responsibilities for external relations and that we must look at these as a whole and in a world-wide context and be governed by an overall political approach.

Mr Fellermaier and Mr Corterier touched upon the limitations of the Community's dialogue by arising from the way in which our institutions work. It is a fact that as things stand today, while the situation exists whereby what the Community can talk about with a single voice is limited and there are a number of factors which are of importance in terms of European-American relations and relations between Europe and other powers in the world which cannot be treated within Community institutions but have to be treated within a different institution known as a political cooperation institution, it is absolutely essential for us that these institutions be made to work. It is a situation with which we are living.

I am not here to comment on whether this is an awfully good or an awfully bad idea, but it is a fact of political life that this is where Europe stands today, and it is with this pattern of institutions that we have to live, and it is up to us to ensure that they work to the best advantage of Europe.

We must also understand the impact which the pattern of institutions Europe in its wisdom has chosen to adopt has on those other countries with which we wish to have a close relationship. We should understand the difficulties which they sometimes have in comprehending the present situation in terms of the responsibilities of our different institutions. I think that there is now a better comprehension in general between the United States and Europe, as Mr Fellermaier said.

Earlier this year there was a fair amount of shouting at each other between Europe and the United States across the Atlantic. Problems which in themselves were fairly minor seemed to be over-stated. Occasionally there was even ignorance on both sides and certainly a lack of understanding or sense of perspective. Looking at our relations with the United States this autumn, I feel that we have reached a greater degree of mutual understanding. There is still a long way to go, but the situation is better than it was a year ago. The United States are no longer accusing us of the sin of regionalism. There is a greater understanding in the United States that we, in our policies towards certain developing countries, are assuming a greater share of the burden that the developed countries of the West have to carry. It may be that even in terms of the

common agricultural policy recent developments of various kinds have brought a greater understanding of some of our preoccupations about stable sources of supply.

We on our side are more than ever aware of the need to advance in the definition of our European identity, and this point was emphasized in the interesting remarks made by Lord Gladwyn. This includes the need to give to that identity an open and outward-looking character. I think the word 'identity' is preferable to the word 'entity' since this involves a European identity which will evolve over a period of time. This identity will not be created just because certain things are written on various pieces of paper. It will be achieved in the image which we give to the world in pursuing our policy. It is important that this identity will form the basis for the further development of the mutual confidence in shared aims and objectives between the United States and Europe which is at the very foundation of our security and prosperity.

All this mutual understanding is to the good, and I look forward to the talks I shall be having in Washington the week after next. They will form part of an on-going dialogue. Mr Fellermaier said it was important that this dialogue should not be in fits and starts but of a continuous character. This is true, but it takes many forms. There are ordinary diplomatic contacts, contacts at official level and contacts between the Commission and the United States Administration and between the Council of Ministers and the United States Administration and Executive. A continuing dialogue is taking place. I am glad that a delegation from this House is to visit the United States at the same time as I shall be there. I believe that Parliament has played its part in the greater comprehension between Europe and the United States through the talks which many Members of this House had with Members of Congress who visited Strasbourg earlier this year, and I am sure that their return visit will be fruitful.

I think we must try to look at the problems which the Americans face. If we are to understand them we must try to look at them from time to time through their eyes as well as through our own, just as we have every right to ask of the Americans that they do the same towards us.

In some ways it is easier to achieve spectacular successes with one's former opponents than it is with one's longstanding friends. It is certainly more newsworthy. A particular visit or a spectacular declaration may mark a turning point in

Soames

relations with a former foe. But with one's friends so much can be, and is, taken for granted, changes have to evolve gradually and there are so many points of contact and so many points of potential friction that sometimes it must seem frustratingly slow to introduce a new note into a relationship.

However, I honestly believe we are on the right road. Since the beginning of the year we have had Dr Kissinger's speech in April and the European response at the Copenhagen meeting this September.

I see that point 4 of the resolution before the House calls for the active involvement of the Commission in the regular activities of the foreign ministers in the area of political co-operation. At Copenhagen certainly we had that involvement, and in the drafting sessions that flowed from the Copenhagen meeting.

Those passages in the European draft which bear on Community matters are in fact being discussed in Community institutions no less than in the organs of political cooperation. There is good cooperation now—and it must be our hope that this will not only last but will become even more profound and important—between the Community institutions on the one hand and political cooperation institutions on the other.

It may not be easy for the United States, as I was saying, to understand the niceties of this kind of procedure, but what matters is that Nine Member States have rallied and decided to concert on their response, and since then the dialogue between the United States on the one hand and Europe on the other has developed further.

I think that the Tokyo talks at the opening of the multilateral GATT negotiations were also a positive ingredient in European-American relations. There the European Community was ahead of the field: working through the Community institutions, we had adopted a common stance on how we should approach these negotiations well before the other main parties in the talks had fixed their position.

In Tokyo we were able to agree through Community procedures with the Americans on just how we should treat the link between the GATT negotiations and international monetary reform.

On the subject of GATT negotiations I agree so much with Mr van der Hek how important they will be for the image not just of Europe but of all the main industrialized countries. The world will be watching us to see whether we are aware of, and are ready to live up to, our responsibilities to the developing world. We should not just look at these GATT negotiations

as a means to have more trade between the industrialized countries and for us all to get a bit richer.

All right, so be it: liberalization of trade is good for us all and it is good for the world as a whole, but I so much agree with the message I think Mr van der Hek was giving to the House, that we must always keep a weather eye on the likely effect of the decisions and proposals we are making, from a trading and commercial point of view, on the relationship between the industrialized world and the developing world.

At all events, before we can get down to this sort of detail in the GATT negotiations, we await the Trade Bill which must go through Congress without too much delay, we hope, because it is very important that we do not lose the momentum which to some extent was created in the Tokyo Conference.

In the meantime we can have some technical discussions in Geneva.

I think the House might wish me to say a word in this debate about the appointment the Commission has just made to the post of Head of the Commission Delegation in Washington. My colleagues and I are very glad that Mr Krag, the former Prime Minister of one of our Member States, has agreed to take on this task. I know that the appointment has been extremely well received in Washington as an earnest of our intention to develop to the full our relationship with the United States.

We for our part regard the appointment as one aspect—as it were, an outward and visible sign—of our desire to implement what underlies point 11 of your draft resolution—namely, that the dialogue with the United States must be intensified by both sides on a footing of equality in order to make practical progress.

Mr President, I will not take up any more time of the House. I think we understand each other very well as to what the European Community is seeking in its relationship with the United States. I hope and believe that not only the relevant committees but the House as a whole has a feel of how the Commission is trying to live up to the obligations which were put upon it by the Summit Conference to create and keep going a dialogue with the United States, which is what we are trying to achieve. I believe that there is a good understanding between us.

I congratulate once more Mr Fellermaier and his colleagues on the resolution, which embodies much of what is at the root of what we are seeking to do in terms of European-American relations and expresses it most felicitously.

President. — Thank you, Sir Christopher Soames.

I call the rapporteur, Mr Fellermaier.

Mr Fellermaier, rapporteur. — (D) Mr President, ladies and gentlemen, before beginning my short statement. I should like to make an apology: owing to a meeting of the Bureau of my group during today's mid-day break, Lord Gladwyn had to wait a few minutes before the rapporteur arrived. I should therefore like to apologize to him.

I am grateful, Sir Christopher, that you have just emphasized the particular importance of the fact that the European Communities are sending Mr Krag from 1 January 1974 as the permanent representative in Washington. I believe that when this outstanding Danish statesman, who has done a great deal for his country and for Europe and the unification of Europe, represents the Community in Washington in future, it will be clear to the United States what importance we attach to the permanent dialogue. At the same time, this is an answer to the critical comments of the Communist representative here, Mr Sandri, who said that a great deal in this report is illusory. I am convinced that the great majority of Parliament will probably come to the conclusion in the voting that the report gives a realistic and unvarnished picture of the position as it has developed in 1973. Is it an illusion when we find that there is considerable progress in the fact that, within the round of ECSC conferences in Geneva, the Europe of the Nine speaks with a single voice, and the European Commission has been included in the delegation, in which it is empowered to speak for the Nine in all negotiations on questions of commercial policy?

I consider this to be genuine realism and not illusory. Is it not significant—and Sir Christopher has emphasized this—that in the preparations for the GATT discussions in Tokyo, in spite of the initial divergences it was possible to ensure that the Nine again spoke with one voice. And I should like to say here that the Commission has made an outstanding contribution in preparing the standpoint of the Nine in Tokyo.

And so I also believe that this report of the Political Affairs Committee bears witness that we, the European Parliament, have confidence that the Council of Ministers is aware of its responsibility to the European public and will do everything, in the light of its declaration in Copenhagen on 9 and 10 September, to continue the dialogue with the United States with the objective of achieving a new charter of relations.

I am also grateful that, in connection with the multiplicity of relations which exist between the United States and the European Community, and are being extended at all levels, Sir Christopher has also emphasized the role of the European Parliament. I think that, in view of the forthcoming commercial law which is to be adopted in the American Congress, we must certainly welcome it when something like an improvement in climate is achieved at Parliamentary level, so that success can then be ensured in the necessary diplomatic channels. Mr Corterier has submitted two proposed amendments on behalf of the Socialist Group. I may say, Mr President, that they present no difficulty to me as rapporteur—as both proposals clarify the text of the Political Affairs Committee—to recommend the House to approve these amendments.

I should also like to express my thanks to all colleagues in the Political Affairs Committee who have been working together on this report for months, as well as to the Commission for its collaboration.

(Applause)

President. — Does anyone else wish to speak? We shall now consider the motion for a resolution.

On the preamble and paragraphs 1 to 3, I have no amendments or speakers listed.

I put these texts to the vote.

The preamble and paragraphs 1 to 3 are adopted. On paragraph 4, I have Amendment No 1 tabled by Mr Corterier on behalf of the Socialist Group and worded as follows:

Paragraph 4

This paragraph should read as follows:

'4. Calls therefore for an intensification of the political cooperation between the Community's Member States and Community institutions.'

Mr Corterier has already moved his amendment. The rapporteur has stated that he agrees to the rewording of paragraph 4 proposed by the amendment.

I put the amendment to the vote.

Amendment No 1 is adopted.

I put paragraph 4 so amended to the vote.

Paragraph 4 so amended is adopted.

On paragraph 5, I have Amendment No 2 tabled by Mr Corterier on behalf of the Socialist Group and worded as follows:

Paragraph 5

This paragraph should read as follows:

President

'5. Would consider it an advantage, in this connection, if the Community could speak with a single voice in the sphere of security policy, notably, for those member countries of the Community who are also members of NATO, in the framework of NATO.'

Mr Corterier has also moved this amendment already. The rapporteur agrees to the rewording of paragraph 5 proposed by the amendment.

I put the amendment to the vote.

Amendment No 2 is adopted.

I put paragraph 5 so amended to the vote.

Paragraph 5 so amended is adopted.

On paragraphs 6 to 16, I have no amendments or speakers listed.

I put these texts to the vote.

Paragraphs 6 to 16 are adopted.

I put to the vote the motion for a resolution as a whole, incorporating the various amendments that have been adopted.

The resolution so amended is adopted.¹

6. *Change in agenda*

President. — The next item on the agenda is the report drawn up by Mr Delmotte on regional policy. However, the rapporteur is not present.

I therefore propose that we first deal with the report by Mr Thomsen on the EEC-Norway Agreement, if Mr Thomsen does not mind.

Are there any objections?

That is agreed.

Mr Patijn. — (N) Mr President, is not the same true of the oral question by Mr Jahn? Both Mr Jahn and Mr Thomsen wish to raise a matter which will take only a fairly short time to discuss. It seems to me rather unnecessary that Sir Christopher Soames should have to come here this evening simply to answer Mr Jahn's question.

President. — I would remind Mr Patijn that this is a particular item on the agenda which we are trying to settle.

7. *EEC-Norway Agreement*

President. — The next item is a debate on the report drawn up by Mr Thomsen on behalf of the Committee on External Economic Relations on the Agreement concluded between the

European Economic Community and the Kingdom of Norway (Doc. 161/73).

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

Mr Thomsen, rapporteur. — (DK) Mr President, I have the honour of presenting, on behalf of the Committee on External Economic Relations, a report on the trade agreement between the Community and Norway.

It would seem natural on this occasion to regret two circumstances. We have expressed our regrets about one of them before. It is that Norway is not today a Member State of the Community and that we therefore have to be dealing with a trade agreement at all. As you know, there was a large majority in the Norwegian Parliament, the *Storting*, and the Norwegian Government had decided to begin negotiations with a view to full membership, but the decisive referendum in Norway put a stop, at any rate, temporarily to such a step.

The other circumstance to be regretted, and which Mr de la Malène has earlier deplored in this Parliament, is the very small say that Parliament has when the Community enters into trade agreements. However, the President-in-Office of the Council spoke to us on this matter yesterday and in view of this I shall refrain from going any further into this point until we, in this Parliament, have got some idea how the new procedure will work.

I shall only further state here that the agreement before us does in fact follow the same pattern as the trade agreements with the other EFTA countries which did not wish to join the Communities, in particular the agreement concluded with Sweden.

I shall not weary Parliament, which still has a long agenda before it, by going into the details of these agreements, which are well known to Parliament, but I think I should mention two areas where the agreement deviates particularly from the others out of regard for Norway's special situation.

The first is crude aluminium, of which Norway is a very large producer, with low production costs, so that the Community was not able to offer Norway the same condition as other EFTA countries, i.e. a seven-year run-down period with a ceiling calculated on the basis of a five-year average.

The conditions offered to Norway are somewhat more rigorous—and naturally more rigorous than if Norway had become a full Member State of the Community.

¹ OJ No C95, 10. 11. 1973.

Thomsen

On the other hand, Norway obtained concessions in the fisheries sector which were of extremely great importance for that country: the common customs tariff to have been applied for frozen fish fillets was reduced from 15 to 3%. That is a very important concession to Norway, but I think I should also say at this time that it is not without advantages for the Community as well. Various Community countries buy considerable amounts of fish products from Norway and from the consumers' point of view and a general point of view of keeping prices down, it is of course an advantage that these products carry only 3% duty instead of 15%.

A matter of special interest which I should like to mention is shipping policy. It has been strange for me—and I understand Mr Baas, on behalf of the Committee on Agriculture, has had the same experience—to discover, I will not say hidden documents but documents one would not normally come across. I had to penetrate to the proposal the then Norwegian Government had presented to the *Storting* in order to find any comments on shipping policy.

Since I knew that Norway—which is not of course a big country—represents 9% of the world's Mercantile Marine, I realized that this question must have been raised. It had been raised. I shall not here go into many details but simply say that Norway had wished that it should in some way or another be given a status, at least as an observer, as a conegotiator, when shipping policy was discussed. The Commission replied very correctly that Article 84 (2) of the Treaty of Rome had not yet come into effect. It can perhaps be said that the Communities do not yet have a shipping policy.

This discussion, then, between the Communities' institutions and Norway ended with Norway issuing a unilateral statement, which has been included in the documents, and of which the Communities have taken due note. It has not been commented on and it now constitutes one of the official documents in the trade agreement with Norway.

The Committee on External Economic Relations believes that the work which the joint committee may undertake, should be extended to include the actual administration of the trade agreement so that it will be possible in given cases, when it proves practical and desirable, to discuss shipping questions with Norway within the framework of this committee, just as I have pointed out in my report that there are other areas that are not covered by the trade agreement either, which the Communities might possibly wish to discuss with Norway.

If the Communities are to discuss the energy policy further, it cannot be entirely without

significance that there are in the Norwegian part of the North Sea some of the richest oil and gas deposits. The Communities might then find it profitable to be able to call on Norway in this sector.

Recapitulating, Mr President, I should like to say that it is my impression that the trade agreement that has come into force—and has indeed been in force some time—has been particularly well received in Norway as an indication of what could be achieved after having voluntarily abstained from full membership.

Personally, and as rapporteur, and as someone from a country that is Norway's neighbour, I can in all conscience say that this agreement is in my opinion a fair and reasonable one. I can recommend that Parliament approve it.

(*Applause*)

President. — I call Mr Dich on behalf of the Communist Allies Group.

Mr Dich. — (DK) Mr President, I shall be very brief and say that I agree with Mr Thomsen that the agreement that has been concluded and that it has entered into force was well received in Norway, especially as it substantiated for the Norwegian people the correctness of the theory they had before the referendum that the European countries have a need to trade together and that that need does in fact make membership of the European Communities—which Denmark thought it had to have—unnecessary, something which the Danish people are also beginning to realize today.

I shall not go any further into this point but simply state that Norway at any rate, by taking the decision it did, achieved on the one hand this excellent trade agreement and avoided on the other hand the tremendous inflation which hit Denmark when it joined.

President. — I call Mr Christensen.

Mr Christensen. — (DK) I would first take this opportunity of thanking the rapporteur Mr Thomsen for his report, which expresses the satisfaction, shared I think by the whole Parliament, that it has been possible to achieve a reasonable agreement between the Community and Norway and that, during the negotiations on this matter, neither side has shown bitterness or sullenness about the decision taken by the Norwegian people to abstain from actual membership and subsequently negotiate a free trade agreement.

Christensen

But I should like to ask Mr Thomsen a question, since in paragraph 10 of his explanatory statement there is the following statement which somewhat puzzles me. I shall have to quote a fairly long piece in order to give the context and I hope I will not weary this Assembly by so doing. Paragraph 10 states:

'This agreement puts the Community's commercial relations with Norway on the same footing as those of the other EFTA non-candidate countries. Whilst taking account of the need to proceed cautiously in certain sensitive areas, it provides for rapid progress in the liberalization of trade, together with the opportunity for extending its scope in the future.'

and now comes my problem, for the next words are:

'At the same time it preserves the political autonomy of Norway.'

This seems to me a rather bombastic statement, for should one then conclude, looking at the matter from the opposite angle, that the new Member States and the countries of the original six, have lost their political autonomy? I think one should answer this with a definite No. I do not believe, as a member of the Danish Parliament, that I can say that the price of Denmark's membership of the Community was loss of our political autonomy. I find that a rather bombastic statement and I should like to know whether it could not receive some further explanation if only because I should like, for the sake of the report of the proceedings, to draw attention to the fact that I cannot subscribe to the thesis that Norway, unlike Denmark for instance, has thereby retained its political autonomy.

When I ask this question it is also because I have compared all the texts. Strangely enough, this expression does not appear in the french translation. I should therefore now like to know which of these texts is actually the text we are voting on, which also means which of these explanatory statements we are adopting when we accept the conclusion.

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

Mr Lange. — (D) Mr President, ladies and gentlemen, the trade agreement between Norway, the last full member of EFTA, and the Community is to be welcomed.

In the course of the negotiations we often had the impression that there were tendencies in the Community to punish Norway to some extent

because of the result of the referendum. This attitude is also expressed to some extent in the agreement, particularly in regard to aluminium. I find it simply absurd however, when a political organization like the Economic Community with its economic strength and 250 million inhabitants—I do not even need to define the size of the gross national product—behaves towards 4 million people as though they were in a position to compete with the Community. I felt obliged to make this comment in this connection because I know very definitely that tendencies of this kind were general throughout the Community before the beginning of the negotiations with the EFTA countries, and the Community was seen by certain political forces as nothing more than a community which was open to everyone. Sir Christopher, as the present Vice-President and Member of the Commission responsible for external relations, does not need to take what I have said personally. I would only like it to be seen as a comment on the historical development. I would be grateful, however, if Sir Christopher could state that the present Commission, as the executive body of the Community, will do everything it can in order to make relations with Norway as normal as possible and will give Norway opportunities, on the basis of the development clause, to achieve even closer relations with the Community.

There is, it seems to me, one particular point which is of particular interest for Norway and which would certainly have been achieved with full membership or at a later stage. This is the securing of the economic conditions in north Norway, i.e. in the three northern provinces, a problem which has been discussed here in Parliament by various members, sometimes with exceptional passion, namely regional structural policy. Norway simply cannot overcome by itself the problems with which it is faced there. I therefore think that the Commission should attempt to promote the development of relations, so that Norway's reservations about collaboration or cooperation with the European Community are largely removed.

I have no wish to interfere with Norway's internal politics by this comment. The referendum has taken place, the elections have taken place; the Norwegians must therefore deal with certain things themselves. I believe, however, that in this connection we can also do something from the outside with this trade agreement to ease and improve the position of the Norwegians.

I should also like to make one comment about the fact that in certain agricultural sectors there is a relatively long transition period. I should

Lange

again be grateful here—especially as here lies the origin of the Norwegian's fears that they would lose some of the bases of their existence—if the Commission could state that it will do everything in its power to remove these fears of the Norwegians. If we create a free trade area, a large European free trade area, particularly in the production of industrial goods, then I think that this must also apply in full to Norway and we should endeavour to remove more quickly than scheduled the restrictions on duties which are planned to extend over a number of years.

The previous negotiators could object that the Norwegians had tabled a list of so called sensitive goods or products. They only did this, of course, after the powerful, and economically strong European Community behaved towards them as though they were an economic dwarf which could be blown away by any breath of wind, i.e. as though certain sectors, particularly industry, could not withstand a certain degree of competition from outside. The attitude of the Socialist Group to the Thomsen report is absolutely in favour. Mr Thomsen has himself drawn attention to the critical points and to this extent the report, or rather the motion for a resolution, is to be accepted without reservation. However, I felt obliged to make a few more comments here because I am anxious — and I believe I may say this equally clearly on behalf of my colleagues in the Socialist Group—for us to overcome as quickly as possible everything which has so far meant an economic split in Europe outside the Soviet area of influence.

One more comment: it has not been a question of any country giving up its independence or, inversely, retaining political independence as a result of a trade agreement, since in all matters which otherwise would have been decided within the Community in the Council, it has retained its power of decision. This is what the so-called political independence consists of. But we do not yet have a political European union, i.e. a general political roof above the Communities, so that the question of giving up independent powers in my view cannot not play any role at all. I do not even think that this can be found hidden in paragraph 10 of the explanatory statement which Mr Thomsen has given. Moreover, we are deciding on the motion for a resolution and not the explanatory statement. To this extent I believe that the fears which Mr Christensen has expressed are removed and disposed of, or rather they do not exist at all.

If anyone believes that membership of the Community has brought about an additional—no I shall leave out the word additional—a parti-

cular acceleration of the inflationary development in the nine Member States, he is fundamentally mistaken. This statement, Mr Dich, is not true under any circumstances, since the economic and non-economic inter-relationship between all industrialized countries is so great that none of them can escape from certain changes.

In addition, it has become clear to the normal central European in the meantime—and I am quite prepared to admit this—that in some north European countries developments have taken place which show that the picture one has had of these countries for a long time is no longer correct. Denmark for example—although it is not Denmark which is concerned—is in the eyes of many people still an agricultural country; in reality however it is already largely a highly industrialized country. The same applies to Sweden and—I again repeat the reason for our discussions—to a decisive extent to Norway also, which does not preclude certain regions in Norway having had no part in this development, partly for topographical reasons, partly for geographical and partly for political reasons.

I should like to state again, Sir Christopher, that if it were possible to use the trade agreement with Norway as an instrument of goodwill, and thus give the Norwegians the feeling that the Europeans are not hostile but rather well-disposed towards them and would like to help them, but do not wish to offend them by offering this help, then I believe the trade agreement with its development clause would be one of the prerequisites for achieving even closer collaboration at some time in the future.

Allow me to add my favourite idea: we could also ensure that the present EFTA countries — I am thinking particularly of those in northern Europe and in central Europe — would collaborate fully in European efforts at unification in the not too distant future, i.e. as full Member States of the European Communities. I should also like to state once again that the Socialist Group will vote for the resolution.

(Applause)

President. — I call Mr Guldberg.

Mr Guldberg. — *(DK)* Thank you, Mr President, for allowing me to take the floor.

I consider myself a Member of this Parliament's Liberal and Allies Group but I am of course speaking on my own behalf. I did not ask to make a short observation, but a short observation will suffice.

It is my rather primitive belief that agreements are something one enters into with a view to

Guldberg

observing them and that in any agreement, whether it is a treaty like the Treaty of Rome or an agreement such as Mr Thomsen has presented here, there are certain obligations which naturally limit one's freedom of action. You can play with words and call it surrender of sovereignty. It is freedom of action you are surrendering when you enter into an agreement which you undertake to observe. There need be no involved discussion on this point.

However, when I asked to speak it was because it seems to me important, in this connection too, to underline the great importance that should be attached—also by all political groups, including the one I belong to—to having European cooperation expanded to a cooperation embracing the free and democratic countries in Europe on the widest possible scale both geographically and content-wise. And I do not think there should be any reason in connection with an agreement with Norway to create the impression that, apart from Mr Dich and possibly a few others in this Parliament, there are people who believe that it would be just as good to make a few limited agreements with a view to avoiding any continued extension of cooperation, which is not at all my opinion of the Norwegian attitude.

I should like to ask a specific question apropos of Mr Dich's statement, which was a statement made on behalf of the Communist Group and suggested that this was evidence that it was neither necessary nor desirable that the European cooperation we represent should be further extended either in width or in content.

If this statement was Mr Dich's personal view, I am acquainted with it and it has no great importance. But if it was a statement from the spokesman of the Communist Group, I should like to have it confirmed that this is the Communist Group's policy and point of view concerning our cooperation, namely that it is not desirable to have it extended either geographically or content-wise.

President. — I call Mr Jakobsen.

Mr Jakobsen. — (DK) Mr President, I would not presume to involve this eminent Assembly, which has such important items on its agenda today, in a discussion about internal Danish affairs if, like my colleague Mr Christensen, I were not compelled to point out that those words about political autonomy, political independence, will undoubtedly be misused in Denmark.

I must therefore ask that both my colleague Mr Thomsen, whose excellent report incidentally

I applaud, and the responsible Member of the Commission Sir Christopher Soames, should make it quite clear in connection with the negotiations with Norway, that there has not of course been any question of Norway having greater or less political independence any more than there was ever any question, when Denmark signed the agreement, of Denmark giving up any part of its independence, which does not come within the terms directly agreed upon by Denmark. How on earth this point should come into the picture, I do not know; I can only think that the text of the report has been taken over from an earlier one.

I think it is very important to have established that there is of course no other difference between the position of Norway and Denmark than that the Danish negotiators, by their signature, obviously accepted that Denmark should accede.

I am sorry that, with a view to a very undesirable domestic development in the discussion at home, which could also play a role in Norway, we have to spell out something which is obvious to all of us. My colleague Mr Dich made his statement for Danish domestic political considerations, certainly not to entertain this Assembly with something which everyone knew from the beginning was wrong, and which there is no reason to discuss any further.

While I have the floor, however, may I express my pleasure at the words that have been spoken about Norway and the attitude that has been shown towards Norway.

The only thing that marred the pleasure of the Danes, who voted by a large majority to join the EEC, was that Norway did not come with them. We greet with great satisfaction every step which this Assembly takes to include Norway more closely, more firmly in the cooperation to which we have committed ourselves with such great pleasure and satisfaction.

President. — I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — I was greatly encouraged by this excellent report of Mr Thomsen's. I was glad that it concluded that the agreement with Norway is fair and reasonable for both parties, for that is the view of the Commission.

The report emphasizes that in the relationship between Norway and the Community this agreement should not be seen as the final word and that it should not exclude any further development in the future. I wholeheartedly share that view.

Soames

This brings me to a point made by Mr Lange, as to why there were not more agricultural goods included in this agreement with Norway.

There was never any question of any agricultural produce being included in this free trade agreement. It is essentially a free trade agreement. What we decided to do because of the enormous interest of Norway in fishing was to make certain concessions which were of an industrial character because they concern frozen fish fillets, and that crosses between industry and agriculture. This concession, as Mr Thomsen pointed out, is of advantage not only to Norway but to the consumers of Europe as a whole.

This brings me to another point. Mr Jakobsen said that he hesitates to enter into interrai Danish politics. All the more so do I. But I cannot totally let go by the remark made by Mr Dich, speaking from the Communist benches, to the effect that this agreement shows that any other country which was accepted by the Community could have got the same sort of deal. This is nonsense. Had the Community not been enlarged there would not have been an agreement with Norway.

Secondly, persons who wish to consider this point and give it greater reflection should ask themselves how much Denmark's agricultural production could conceivably have been included in such a free trade area arrangement.

I believe we have done what we can here in an atmosphere of firm political will, with a certain and necessary sense of urgency, to conclude a fair and balanced agreement that takes account of the particular problems of relations between the Community and Norway.

Mr Thomsen drew attention to one or two specific aspects of this agreement. The first was the question of sea transport. We all realize how important this is to Norway. On the other hand, we have to admit that this is not an easy subject on the Community side. It is not easy to see how we can get far in discussing sea transport with the Norwegians until we have a common shipping policy in the Community, and that day still seems to be some way off. So, though the Norwegians would obviously like to discuss this subject with us, we on our side do not at this stage have anything very substantial to say to them. But we have made clear to the Norwegians that they can come and talk to us about this at any time and that we shall continue to cooperate with them in international bodies such as the OECD, as we have done in the past, within the limit of our present powers and terms of reference.

Mr Thomsen referred specifically to the treatment given to raw aluminium, although I notice that the draft resolution considers that the arrangement we have made represents a fair and reasonable compromise. This is a balance between what temporary and permanent imports into the Community of aluminium are likely to be. We have to make an estimate of what we think the temporary imports are likely to be and set a figure around that.

We have said, and we mean, that if our estimate turns out to be badly wrong the Community will be only too prepared to look again at the matter, because the last thing that we were trying to do in any way was to pull a fast one on Norway. We had to make some estimate of what would be temporary imports of aluminium for manufacture as opposed to permanent imports into the Community.

We signed the agreement in May, the first tariff reductions were made at the beginning of July, and the Joint Committee already met in July and is going to meet again next month. Both the Norwegians and ourselves are thus already busy making the agreement work.

It is in this spirit of pragmatism and good will that the Commission looks forward to the development of close and mutually beneficial relations between Norway and the Community.

I thank Mr Thomsen very much for his most interesting report, which covered the field of this problem very succinctly.

(Applause)

President. — Thank you, Sir Christopher. I call the rapporteur, Mr Thomsen.

Mr Thomsen, rapporteur. — (DK) Mr President, I should like to express my gratitude for the statements that have been made and which have been for the most part favourable.

Mr Dich is, I can truly say, my good friend. He has only one fault: he has very unreasonable opinions and he is following a track which he should not as a good democrat follow now that a considerable majority in Denmark have voted Denmark into this Community. But that is his affair.

I can further add, something which others have clearly pointed out, that there are indeed inflation and price rises in Denmark, but they are also to be found in Norway—which we are speaking about today—and they are also to be found in Sweden, and it is not at any rate the Communities' fault. Competent Danish authorities calculated long ago the very small fraction of price increases that were due to Denmark's accession.

Thomsen

However, this is a day when we should be speaking about Norway and not about Denmark. I should therefore like to say to two of my colleagues, Mr Christensen and Mr Jakobsen that I think we are making a little too much of the wording which the report has been given.

I can state that nothing has been left out, nothing has been contracted. But the report was elaborated in English, where the word 'autonomy' was used. Now we can quarrel at length in Danish about whether autonomy is 'right of self-determination' or whatever else we should translate it by: independence, sovereignty, full sovereignty, etc.

Mr Guldberg is right that, when a country joins a Community like this one, the converse conclusion cannot be drawn from what is stated about Norway, namely that Denmark and the other countries have in some way surrendered their full and entire political independence. But we all know that it has been given up within certain specific areas. For example, we can no longer change our customs duties towards the outside world unilaterally. Norway is able to do so. We cannot enter into trade agreements; the Communities do this for us. Norway can conclude any trade agreements it wants.

As I see it, Norway has acquired a status according to its own wishes like that by which Sweden and Switzerland set store.

You can philosophize about whether 'complete sovereignty' can in fact be found in this world, where everyone is dependent on the decisions taken in other countries. But I do not think that this is the right day to enter into philosophical discussions.

I hope I have put the minds of some of my Danish colleagues at rest by these words. At all events, I must warn against the procedure of converse argument, a 100% converse argument. It is not the case with any of the nine countries in this Community.

I should like to thank Mr Lange for having emphasized—possibly rather more strongly than I did—the importance of the aluminium sector. I think too that in my introduction I stated that Norway had been treated strictly and at all events naturally more strictly than if Norway had become a member. But the provision is somewhat flexible and, as we have heard from Sir Christopher, it will therefore be administered according to the state of the aluminium market in the Communities. It is not possible to do much more than that.

I was glad to hear that the Joint Committee was already at work and will certainly become a new useful instrument between Norway and

the Communities. I would also thank Sir Christopher for the brief and effective manner we have been able to meet here. I think we are fairly agreed that it is a reasonable agreement that has been concluded and I am happy that those who have spoken on behalf of Parliament as also the responsible member of the Commission hold the same basic views, even though we may have slightly different ideas about certain paragraphs.

(Applause)

President. — Does anyone else wish to speak? We shall now consider the motion for a resolution.

I call Mr Dich for a statement of voting intentions.

Mr Dich. — *(DK)* Thank you, Mr President, for giving me the opportunity of making a statement on the voting. I shall of course vote for the report. This is perhaps something unusual for me here in Parliament. I will do so all the more gladly since I have now had confirmed from both Mr Guldberg and Mr Thomsen what I believe to be a very sensible clause about preservation of political independence for Norway.

For it is of course true, as both Mr Guldberg and Mr Thomsen stated, that when a country joins these Communities it must of course surrender a part of its political sovereignty. On this point I am in particular agreement with the Conservative Danish politicians who very clearly, in the period before the Danish referendum, emphasized this.

I do not on the other hand agree with Mr Christensen, who attempted—and this may be for purely domestic Danish reasons—to maintain before the Danish people an illusion that a country can enter the European Communities without surrendering its political sovereignty.

May I add very briefly to my earlier observations about the inflationary effect of Denmark's membership of the Communities, that I also understand that the Conservative Group here in Parliament voted last April against an increase in agricultural prices because this would raise the price level for industry and thus have a definite inflationary effect.

I agree with the Conservatives.

And finally, in brief, to Mr Guldberg: in the group I now belong to we fortunately have personal freedom.

President. — Does anyone else wish to make a statement of voting intentions?

President

I call Mr Christensen.

Mr Christensen. — (DK) There is no reason for me to have the President believe that I am now making a statement on the voting. I am not doing so and the President can stop me from speaking under the Rules of Procedure if he so wishes.

What Mr Dich just now did was nothing to do with the voting, he continued a debate. And when I asked to speak, I was told that it was only possible to speak now about the voting.

I should just like to say thank you. It was that I wanted to say to Mr Thomsen and also to Mr Guldberg and moreover thanks for the clarification of the somewhat substantial and in my opinion too-substantial formulation that figures in the explanatory statement.

But I am even now convinced that irrespective of the explanation we have received and which I knew perfectly well myself—I am not all that stupid—this business will, despite all, have further consequences. Witness Mr Dich's remarks, which I much regret, that a piece of paper can get out of here with the kind of things that can be used in the way they will be used. It will also be used in the public debate in Britain in the coming weeks. There is no doubt about that, and I much deplore it.

President. — Mr Christensen, I used the expression 'statement of voting intentions' out of courtesy towards our Danish colleagues.

I call Mr Guldberg.

Mr Guldberg. — (DK) Mr President, I have not yet heard from the interpreters whether I have been given the floor, but I hope I am not acting erroneously. I would ask you to excuse me for having taken the floor for a statement about voting without needing to explain the way I voted. I have not had the opportunity to study the rules of procedure but the President is welcome to stop me from speaking if he believes I have taken the floor in contravention of them.

I asked to speak simply to state that the question that I asked the spokesman of the Communist Group, Mr Dich, was whether he was speaking on behalf of the Communist Group. This is not a Danish problem, it is one that concerns this Parliament.

I would thank Mr Dich for his answer to the effect that he was not speaking on behalf of the Communist Group.

I would also thank the President for not having interrupted me.

President. — Does anyone else wish to speak? I put the motion for a resolution to the vote. The resolution is adopted¹.

8. *Decision on the creation of a Committee for Regional Policy—Financial regulation for the European Regional Development Fund—Regulation establishing a European Regional Development Fund*

President. — The next item is a debate on the report drawn up by Mr Delmotte on behalf of the Committee on Regional Policy and Transport on the proposals from the Commission of the European Community to the Council for

- I. a decision on the creation of a Committee for Regional Policy
- II. a financial regulation to special provisions to be applied to the European Regional Development Fund
- III. a regulation establishing a European Regional Development Fund (Doc. 178/73).

As we decided this morning, there will only be a general debate on this subject. The amendments will not be discussed. They will be referred to the committee responsible.

I call Mr Patijn on a point of order.

Mr Patijn. — (NL) Mr President, as I have understood it, despite the fact that this is to be a general debate, 26 Members have entered their names on the list of speakers.

President. — Yes, there are a lot of speakers on the list. It goes without saying that the rapporteur, the spokesmen of political groups and the responsible Member of the Commission will in any event be able to speak during the general debate.

Mr Patijn. — (NL) Mr President, I should like to ask you how you envisage getting through today's agenda? There are still three items to be discussed: the Arndt report and two oral questions. Even if you limit the list of speakers, it will not be possible to deal with these items before one o'clock tonight, if at all. I should like to ask you how you contemplate disposing of these items.

President. — That will depend on the goodwill of Members of this Parliament. We shall sit until 7 p.m. and resume the sitting at 9 p.m.

¹ OJ No C95, 10. 11. 1973.

President

I call Mr Kirk on a point of order.

Mr Kirk. — Mr President, I do not want to have a discussion lasting half an hour, but I want to clarify this point. Many Members wish to intervene in the general debate, not on individual amendments. A lot of interests throughout the whole of the Community are involved here, regional interests which are not necessarily reflected in the views of particular political groups. It certainly is the case that in my own Group there are conflicting interests between various regions which need to be expressed.

I therefore hope you will allow, if only for a short time, ordinary Members — not spokesmen for Groups — to intervene in the general debate.

President. — Mr Kirk, that is how I see it too. I must call any individual Members who wish to speak briefly in the general debate. I cannot anticipate the course of events.

I call Mr Fellermaier to put a last point of order.

Mr Fellermaier. — (D) Mr President, I may say that on behalf of my group I cannot agree with your interpretation of the organization of this debate, because I believe that our colleagues, namely Mr Arndt with item number 141, Mr Jahn with item number 153 and Mr Ansart with item number 154, and also the Vice-President of the Commission responsible for external economic questions, Sir Christopher Soames, actually have to know whether they will have to be available here some time during the night or whether the items will not be discussed until tomorrow morning.

What Mr Kirk has rightly said, namely that as chairman of his group he does not wish to decide within the group who shall have priority to speak for the group and who will not, also applies to my group. There are also in my group a number of Members who wish to speak in this debate on regional policy. We have not yet announced all the speakers from our group. I have a list from the Bureau timed at 3.30 p.m., in which there are already 19 speakers notified.

Mr President, I would like to ask you to consider applying Rule 28, under which it is fundamentally possible to apportion the speaking time between the groups. I believe this debate must be organized. If we can assume that we will have perhaps 25 to 30 speakers, I cannot agree with your statement that we shall have to see how we get on. In that way we would then have first-class Members, who have the opportunity to speak now at a favourable time, and after them second-class Members, who may not wish to speak at midnight or some other time.

The debate on regional policy, if the House so wishes, must be conducted so that every Member of the House can speak on it without any restriction. I would therefore ask you to consider whether you can apply Rule 28 and to agree with the groups on a time limit and allocation of speaking time to the groups.

President. — Mr Fellermaier, after a long discussion this morning, this House took a decision. I am now in the Chair; I must therefore apply this decision and, unfortunately, interpret it. Whatever the Rules of Procedure say, I appeal to all Members and ask them, as Mr Kirk has just done, to respect the spirit of the decision, so that when they speak on their own behalf they speak as briefly as possible in the general debate.

I would also ask those members of your group who wish to speak in this debate to have their names placed on the list without delay. No-one can deny the rapporteur, the rapporteurs for opinions and the chairmen of the groups the usual speaking time, which they need. When we have the list of speakers wishing to speak on their own behalf, we shall bear in mind what you have said, so that we can finish at a reasonable time.

So please let us start the debate in the usual manner; when the Members on the list for the general debate have spoken and when we have the list of Members who wish to speak on their own behalf, we shall see how things stand and consider applying Rule 28 of the Rules of Procedure strictly. Do you agree, Mr Fellermaier?

Mr Fellermaier. — (D) Mr President, I would have preferred it if you had proceeded on the basis of applying Rule 28 on my suggestion.

I should like to ask Parliament, on behalf of my group, to resolve that the President, the chairmen of the groups, the chairman of the responsible committee and the chairmen of committees asked for their opinion should meet together to organize the debate and to allocate speaking time between the groups, in order to decide on the application of Rule 28(2) in the interests of fair treatment of all groups and members of the House in the extremely important topic of regional policy.

I ask for a vote on this motion which I am putting on behalf of my group.

President. — It is quite clear that if that was the desire expressed by the Socialist Group, I would have no alternative but to put this procedural motion to the vote.

However, I would point out that if this procedure were to be observed, we would waste at

President

least an hour on the consultation procedure laid down in Rule 28(3).

I shall therefore consult the House, Mr Fellermaier, if you feel that you must have a vote. However, I still think that my original suggestion, that we start the debate according to the normal procedure and see how things stand when the list of speakers is complete, was the best; I could not grant your request at present, even on an arithmetical basis, because the list of speakers, as I have said, is not yet complete and I do not as yet know the political persuasions of all the speakers.

Is it really necessary for us to continue speaking on points of order?

I call Mr Broeks.

Mr Broeks. — (NL) Mr President, I much appreciate the fact that you are trying to get the debate started. However, we are afraid that, in view of the large number of Members down to speak, this sitting will last deep into the night. It is in everyone's interests that the debate should be limited as much as possible.

Would it not be possible to follow Mr Fellermaier's proposal: each group would get an agreed total amount of time in which to speak, which it could then divide among its own Members. A given group could not then put forward a disproportionate number of speakers, as is the case now, since this would compel the other groups to bring an equal number of speakers into action.

I believe a ten-minute consultation would save us a lot of time. I would therefore ask if it would not be possible for the group chairmen to get together and agree on a maximum time for each group.

President. — Let us not have another twenty people debating the order of business. I shall agree to Mr Broeks's proposal on condition that I get a list of all the speakers. I have no such list yet. We must have time to set the speaking time for the various political groups. I am sure that all the groups will agree to this proposal. Let us meanwhile begin the general debate. We can begin with those speakers who have to speak in the general debate in any event.

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

Mr Delmotte, rapporteur. — Mr President, ladies and gentlemen, I first wish to say, at the start of this debate, and in view of this morning's decision, that I shall conform entirely to your wishes and keep my speech to a minimum in the

hope that those who speak after me will do likewise.

Before introducing the second report by the Committee on Regional Policy and Transport on the proposals from the Commission of the European Communities to the Council concerning the creation of a Committee for Regional Policy, the setting up of a regional development fund and the financial provisions to be applied to that fund, I want to stress my regret once again concerning the conditions in which the report has had to be studied, discussed and drafted.

I want to stress, above all, that the Committee on Regional Policy and Transport had to complete this work without seeing the opinions of the other committees: the Committee on Agriculture, the Committee on Budgets, the Committee on Social Affairs and Employment and the Committee on Economic and Monetary Affairs.

This being so, I should like to say, Mr President, that it somewhat worried me that some members of the Committee on Regional Policy and Transport should have felt compelled to opt for an immediate debate, the result being that they are leaving it to the plenary Assembly, in actual fact, to consider points which should have been the proper concern of the committee.

The urgency of the work made it necessary for the parliamentary committees to work concurrently. In such a situation, the extent of agreement to be found in the first opinions must be attributed to the 'European' spirit which imbues us all, and the first amendments can be said to correct and even complete what we have said. A rather striking fact about the amendments which had reached us up to 11 o'clock this morning is that no-one has confined himself to expressing an opinion on the points which the committee thinks should have priority, but everyone has been anxious to contribute something—and we welcome this—to this concept of regional development which the Parliament is rightly concerned to elaborate.

To give a résumé of the main points of the very succinct report submitted by the Commission—and this is not without relevance to the discussion we heard a few minutes ago—I would say that Community intervention in regional policies is urgently required for, we believe, three reasons:

- national regional policies are not sufficient to free certain regions from their excessive dependence on outmoded agricultural activities;
- in certain regions, considerable unemployment or under-employment persists, whether it is obvious or concealed by the artificial support given to certain activities;

Delmotte

— the gap between the revenues of the most favoured and the least favoured regions of the enlarged Community persists, rather, it is widening.

The Committee on Regional Policy and Transport accepts the Commission's analysis of the imbalances. But it wanted to affirm certain requirements which it thought insufficiently highlighted by the Commission.

These requirements, we believe, are of three kinds. First and foremost, there is the importance of the human factor and of non-economic infrastructures. This is why our report lays emphasis on the human factor. A region cannot be considered simply from the geographic or demographic angle; it is a collection of features shaped through time and of bonds formed among men and between men and the nature around them (even if this nature has also been modified in some ways). These features, these bonds, can be one of the most powerful restraints on development and it is only by setting up new infrastructures—in the broadest sense—that we can create the solid, lasting foundation essential for real development.

In the depressed regions, whether they are regions given over to agriculture or to out-of-date industries, hill regions or frontier regions, it is essential to create a comprehensive infrastructure, in other words, not merely economic, but also social, educational and vocational training infrastructures, if the populations are to be not objects of development but participants, and eventually, therefore, agents of their future.

It is obvious that private industry, looking for profit, will be reluctant to settle in regions where people are found ill-prepared to contribute effectively to development.

The direct economic advantages offered by national policies, however great, however varied, are seldom enough to overcome this reluctance. Private enterprise, on the other hand, which profits from growth as much as it contributes to it, is drawn to regions where the human potential, supported by social, cultural and educational activities, shows a strong aptitude for development.

Therefore, the Committee on Regional Policy and Transport insists that Parliament affirm the need to think of infrastructure in the non-restrictive sense, and the need for Community aid not to be limited to too low a percentage of the total expenditure incurred by the local public authorities.

Only a full range of infrastructures, not limited financially by inadequate national investments, can lay the foundation for comprehensive regional preparation and development.

Community policy must, moreover, complement national policy at the points where it applies and where national action by itself is unlikely to be effective because of the size of the problems and the cost.

The second requirement, we believe, is what we have called non-dispersion, that is, concentration of aid, and reinforcement of national action.

The Committee on Regional Policy and Transport believes that, even added to the national effort, Community aid would be insufficient if widely dispersed.

It has to be remembered that the Fund will receive only 2,250 million u.a. over three years. But even if it had more it would, nevertheless, remain insufficient if it had to be allocated over the same period to all the problem regions.

European solidarity will be called into play and priorities will have to be established in favour of certain regions where the imbalance is so severe as to form a barrier to the Member States' progress towards economic and monetary union and where the countries concerned cannot, by themselves, support the weight of the required action.

I would say in parentheses here that by 'weight' I mean more than the financial cost, for there are areas where, it seems to me, technical aid will be required and where private and public efforts will need to be coordinated.

In addition, it will be necessary to take account of all the sectoral policies within the framework of the development plans for the regions. These plans will be the instruments of a comprehensive structural policy involving geographical planning in human terms. At the same time, aid will have to be concentrated in the first place on selected regions which will be the subjects of planning.

Thus, a plan will be needed, split into a certain number of specific programmes, taking into account region by region the industrial projects and infrastructure projects for which Community aid is requested.

This planning, I must stress, cannot succeed without European solidarity and active participation by local and regional authorities. Moreover, this regional participation will need to involve the best qualified people, to be designated by the Member States.

Mr President, the third requirement, in our view, is the documentation committee, which we cannot do without. It will, I believe, be the task of the committee for regional policy which is to be set up at the same time as the fund to examine all the possibilities. It will be up to this committee to satisfy a long-standing demand by

Delmotte

Parliament for a European regional research and information centre, and above all—God knows, it is overdue—an improvement in regional statistics.

Mr President, I hope that I have answered your request to be concise. You decided this morning that we should have a debate on regional policy which would exclude discussion of the report, consideration of the amendments or votes on these and on the motion for a resolution.

You know my position and I shall not repeat it: the majority of Members here have decided to ignore the position in which this rush of amendments has placed your rapporteur—and he had not seen fourteen of them at the start of this morning's sitting. I accept the Assembly's decision; as far as the rest of my time here allows, that is up to 6.30 this evening, I shall listen very attentively to everything that is said. I am sure that it will be of great value to me when we prepare our work for the November part-session.

This is where my part in the debate ends, Mr President; I shall naturally not ask to speak again.

(Applause)

IN THE CHAIR: MR McDONALD

Vice-President

President. — I call Mr Thomson, Member of the Commission, who wishes to contribute at this stage.

Mr Thomson, Member of the Commission of the European Communities. — As is the case with Mr Delmotte, rapporteur of the Committee on Regional Policy and Transport, this is not exactly the debate that I should have liked to see taking place today. Without going over the matters that we discussed this morning, obviously the Commission would have preferred at the end of the day to know Parliament's decisions on the proposals that have been put forward, because these decisions would have been powerful ammunition for the Commission in the critical dialogue which is now being entered upon with the Council of Ministers.

But since the last-minute amendments, of which Mr Delmotte has spoken, made that impossible, I for my part welcome the chance to explain to Parliament this afternoon the nature of the package of proposals on regional policy which the Commission has now completed—indeed, completed only a few days ago—and passed on to the Council and which we asked that the Council should pass on to Parliament under the accelerated procedure arrangements.

There is only one other point that I should like to emphasize before I get down to the substance of the general debate, and that is that I would not on behalf of the Commission have accepted the change in the procedure today in the spirit in which I have done if I had thought that there was any doubt at all about the ability of the Community's institutions to fulfil the timetable laid down by the Summit Conference 12 months ago. I have no doubt, and Parliament should feel reassured by this, that we still have ample time, provided that the spirit and will are there, to set up the Regional Development Fund by 31 December.

I have studied with the closest interest the reports from the various parliamentary committees on the elements of the Commission's regional policy package passed to Parliament in July, and I pay tribute to the high quality of the work done by the various rapporteurs. I think Members of this House will understand if I say a special word about the central report by Mr Delmotte. This is not the occasion to comment in any way on the amendments that he and others have proposed to the Commission's proposals, but I should like to say how admirable I found the quality of his report, and concentrate for the moment on what I take to be the two main concerns that emerge from his report and have emerged from his speech.

The first is the anxiety which I know is shared in many quarters of the House about how the infrastructure which the fund should help should be defined. There is concern that the Commission appears to be defining the infrastructure in too narrow an economic sense and not with sufficient awareness of what Mr Delmotte has called the human factor in regional development.

I would try to reassure Parliament about this matter. I find myself in great sympathy with the emphasis which Parliament has repeatedly put on the importance of educational and training facilities finding their place in programmes qualifying for Community finance. Parliament will recall that in the last major general debate on regional policy on 5 July, I said that, since the Community's regional resources would not be unlimited, the Community's contribution to infrastructure development should be related to creating the kind of conditions which would enable new employment opportunities to be produced, and in this context I accepted that one prerequisite for new jobs to be produced was the provision for young people of a proper opportunity for vocational training.

That remains my position.

Thomson

Article 4 of the Commission Regulation speaks of infrastructure investments which are required for the development of industrial or service activities. If this is examined fairly it will be seen to be a broad definition. It is a broad definition because the Commission was very much aware of the varying situations in the different Member States and of their different infrastructure needs. It was particularly conscious of the fact that in certain regions of the Community—I think of the Mezzogiorno in Italy or of large areas of Ireland and of other parts of the Community—the infrastructure must be provided from scratch. Until an infrastructure is created the possibilities of even beginning to attract employment simply do not exist. Therefore, the question of infrastructure in relation to regional development, the question of defining it broadly, and the question of seeing it in the kind of human terms that Parliament has emphasized are all of crucial importance. We must take each situation on its merits, bearing in mind the priorities of Member States and the projects they will wish to submit for Community involvement.

I need hardly say that we shall need to operate in the closest coordination within the Commission with the Social Fund in deciding how the finance from the two funds over this area and that of vocational training can best be employed.

I add at this point that it will be a major responsibility for the Commission to ensure the adequate internal coordination of all its activities, not only the Social Fund and the Regional Fund, but the guidance side of EAGGF and the operations of the European Coal and Steel Community Funds, and to make a clear assessment in each case of the new Community policy in its regional impacts. That element of cooperation is very important. In this case coordination, like charity, begins very much at home for the Commission.

The second concern that emerges from Mr Delmotte's report and which will find a good deal of expression in today's debate is that the Commission has produced too large a map of needy regions and is not ensuring effectively that those whose need is greatest will get the greatest share of the Fund. Mr Delmotte emphasized that as one of his greatest anxieties in this connection. I should like to speak frankly to Parliament about the considerations behind the Commission's proposals and to say why I think that they are wise and well founded.

As to the size of the map, it is certainly a pretty big map, but by far the greater part of it relates to agricultural priority areas, many

of them very sparsely populated, and therefore in terms of population the size of the map can be rather misleading.

The political fact which I think that this Parliament as an assembly of politicians must bear in mind, the agricultural map, was inherited from the previous Commission and it was an expression of proposals and criteria which passed through the normal procedures of this Parliament in the days when the Committee on Economic Affairs covered regional policies. On the basis of these proposals and criteria agreed by Parliament, they were then agreed by the Member States and reached a very advanced degree of agreement within the Community.

I think that it would have been politically extremely difficult for the new Commission to start its work on regional policy by attempting to wipe out the work that had been done so painstakingly by its predecessors, and to start redrawing the map from scratch.

I want to face squarely the charge that the Commission should have adopted a fundamentally different approach and made proposals which would have concentrated the resources of the Fund at the most on two or three of the major problem regions of the Community. I think that I can best answer this anxiety by reminding the Parliament of the principles which underlie the whole Commission package.

The first principle is that the Community's system for distributing the resources of the Fund should not be determined rigidly in advance. That is why the Commission has not recommended a system of national quotas. In the Commission's view, quotas would have been the best recipe for promoting disunity inside the Community rather than unity. In any case, I have been a politician interested in regional development during all my working life and I do not think I have ever heard of a national state in Western Europe that uses quotas in its own national regional policy, that uses quotas between one region within the State and another. The same political wisdom that produces that result at the national level is equally valid political wisdom at the Community level.

However, if there are no quotas, we must face the consequences. There must then be criteria established on a Community-wide basis which will ensure that the distribution of the Fund reflects relative needs. This is what the Commission has done in its Regulations. Honourable Members will find the technical details of the criteria described in the Explanatory Statement to the latest set of Regulations, giving the list of regions. These criteria produce the map which is attached to these Regulations, and the popula-

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tion distribution reflected in that map is by its very nature and necessarily a relevant and significant indicator of relative need; because that is what the criteria are intended to do.

I should like to emphasize that it is not an exclusive indicator of relative need. I think that there has been a great deal of misunderstanding on this point.

A fundamental principle which flows from the absence of a system of national quotas is that there must be flexibility in the operation of the Regulations which will enable the Community to take special account of a number of areas where the degree of the intensity of the regional problem is generally accepted as being a great deal higher than elsewhere. In this connection I think particularly of the Mezzogiorno, where there was a special protocol attached in respect of Italy to the original Treaty of Rome. I think of Ireland, where the last Irish Government negotiated a special protocol to their Treaty of Accession. I would also include Northern Ireland and Greenland in this list of areas where the degree of need has a special dimension not to be found in other parts of the Community.

I know that there are those in Ireland in particular who do not feel that the Commission's proposals deal fairly with the severity of their problems. I want to try to meet this criticism fairly and squarely. The Irish problem has unique characteristics. Perhaps I might describe them in this way. It is unique in the Community.

It is unique even with regard to Italy in the sense that alone amongst the Community countries it has no industrially developed region within its borders on which it can draw internally for a transfer of resources. I think that it was this unique character that was given juridical expression in the protocol I have mentioned.

I want to assure our Irish Members that the Commission from the very beginning has recognized the importance of this protocol, has recognized that Ireland is the only country in that respect, and has done so by accepting that Ireland is the only country where the entire territory falls within the criteria which the Commission has put forward.

It is utterly mistaken to believe that the Commission stopped at that point by determining the criteria and having a map emerging from it. What the Commission did was to write into the Fund Regulations — Article 5 — a provision by which the Commission would have the flexibility to vary the rate of Community contributions according to the degree of need. In doing so we had deliberately in mind the kind of problems I have been discussing.

Within the Regulations as they are on the table at the moment the Commission can concentrate the highest rate of aid on the priority areas. Perhaps I should emphasize that I speak personally in this respect. I have described the position under the Regulations, but, speaking personally, it may be that out of the negotiations which are now beginning an especially high rate could be created exclusively for Europe's blackest spots.

At this point I want to try to explain what lies behind the criteria. I emphasize that they are *bona fide* Community-wide criteria. They are drawn on a Community basis. They reflect Community inequalities and not national inequalities, a point Mr Mitterdorfer has repeatedly emphasized in Parliament as being one of the hallmarks of a '*communautaire*' approach. Of course, these three criteria from the Commission are far from ideal, partly because of the difficulty of achieving any exact comparability of national statistics. But that does not mean they are not a perfectly adequate measuring rod for establishing the broad relativities of need between one region and another and between one Member State and another.

It may be a little difficult to convey an exact description of an elephant by means of statistics, but, my goodness, you know an elephant when you see one. Everybody knows an area that is in real need when they see it. So let us not allow the statisticians to bamboozle us and erect statistics as an alibi for not meeting the challenge on an adequate scale.

All that having been said, it is essential if one is to face the real choice involved here for the Community—the real political choice involved for the Community in regional policy—to grasp the fact that these criteria do not have any sort of absolute purity. They were not brought down from Mont-Blanc written on tablets of stone, or anything like that. One can draw these criteria in a wide variety of ways. One can draw them at different levels. One could draw these criteria at a level that would ensure that only Greenland, Ireland and the Mezzogiorno qualified. Some here I know could argue with sincerity and conviction that that is what the Commission should have done. I do not believe it was within the Commission's terms of reference to propose this even if it had wished to do so because we are bound—and in fact Parliament is bound and the other institutions of the Community in my view are bound—by the categories of problem regions laid down in the Summit communiqué as being the regions to benefit from the operation of the Fund.

Perhaps I might remind Parliament of the three categories that were laid down by the Heads

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of Government at that meeting: the areas of agricultural preponderance; the areas of industrial change; and the areas of structural under-employment. When you conscientiously apply these categories to the Community map, you will find they go a long way beyond the borders of the Mezzogiorno and the borders of Ireland.

But in any case there is a serious political choice to be made here. The Commission, after much mature consideration, made its choice and it stands by this choice. It decided to draw the criteria in such a way that, while they remain Community-based, they were able to take account of some of the more severe regional imbalances found within the borders of every Member State of the Community. For my part, I am completely convinced this was the right basis on which to proceed. A Community regional policy is a new policy for the Community; it is breaking new ground. When it is established, it will represent an important new dimension in Community activity. One should not—certainly no one here as a working politician should—underestimate the qualitative leap that we are being asked to take and that we are asking our electors to take in making a Community regional policy work. We are asking the worker in Hamburg who has come to regard his fellow-German in a poor border area of Bavaria as somebody he has a duty to help to do something in a quite different dimension now, to take the new step of being ready to put his hand in his pocket and pay out taxes in order to help a Sicilian peasant or a Belfast shipyard worker. This in many ways is the real test of whether we will create a Community that is a real Community in human terms. But to create that kind of truly human community in which we regard people from other national backgrounds as our fellow-European citizens in the sense that matters—not the rhetorical sense that we all use in our speeches but in the real financial sense of sharing our wealth with them—that demands an immensely imaginative leap. An innovation of this character can only be brought to the point of take-off if it enjoys a wide measure of political consent. The Commission's package provides a reasonable basis for obtaining that.

I do not believe for a moment that if our criteria had been drawn narrowly to concentrate only on the blackest spots in the Community there would have been any hope of getting a Fund of meaningful size set up. I do not think that this is a mere assertion of opinion. I think the recent historical evidence supports this proposition. This European Parliament has pioneered the concept of a Community regional policy with persistence and vision over many years. But so

long as it was argued that the main focus of Community regional policy within the old Community of Six was the outstandingly underprivileged region of the Mezzogiorno, the most ambitious suggestion ever put forward by the former Commission was one that amounted to 50 million units of account a year. The present Commission has been able to multiply that proposal twentyfold. This is a fact of which Parliament should take proper account. This is not because the present Commission has any greater vision or any loftier ambitions for the construction of Europe than its predecessors. It is simply that there is now a Community of Nine whose heads of Government committed themselves to a Community regional policy covering a wide range of regional problems set out in the three categories I have already described. I believe that this is the right approach, but equally I believe that it will bring bigger benefits to areas like the Mezzogiorno and Ireland than the narrower or more concentrated approach could do as a matter of sheer political reality.

I believe therefore that the Commission's package of proposals, while they can no doubt be constructively amended and improved in all sorts of ways as a result of the hard work the Parliament has been putting into them, are essentially sound proposals which deserve the general support that they receive from the rapporteurs of the various committees. Now that the last elements of the list of eligible regions have been put before you, you have a package which is both thoroughly '*communautaire*' in its principles and politically realistic in the proposed way for putting these principles into practice. I believe equally that the proposals which the Commission has been putting forward for the size of the Fund—2½ million units of account over three years—show the same two characteristics: that it is big enough to make a significant contribution to the advance of Europe and modest enough to be politically acceptable as a starting point in Community policy. We must see this not as a sum of money for 1974 or even 1974-76, but as a starting point, as a crucial element in the growth of the Community over the next decade and, indeed, the next generation.

In the great debate which has developed about Community regional policy there are those who say the Fund should be a great deal bigger and those who say it should be substantially less. I suspect that the Commission has probably charted the middle ground in this matter pretty well.

There is only one final comment I want to make about the crucial months that lie ahead, months in which no doubt Community regional policy

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will find itself being discussed alongside a number of other aspects of the Summit mandate. A Community regional policy is, of course, essential to the advance towards European economic and monetary union, whatever the calendar upon which that advance takes place. I mention the calendar of advance in terms of economic and monetary union because, whatever timetable is adopted, we cannot afford in the case of regional policy to waste any time. The clear mandate in the Summit communiqué that a fund shall be set up by 1 January is of vital Community interest. Therefore, I very much agree with Mr Mitterdorfer that it must be explicitly stated that an effective policy on regional structures is a prerequisite for the realization of economic and monetary union.

I myself would go a little further than that. I would say that a Community regional policy, as the Summit recognized, is not only necessary to make economic and monetary union possible, but is something right in itself if we wish over the decade that lies ahead to build a social and human Community on the foundations of the present economic Community.

I hope it is in that spirit that Parliament will feel able to scrutinize the proposals put forward by the Commission. Of course they are far from perfect, of course we are more than ready to welcome constructive improvements to them, but I beg Parliament and also Member Governments not to let the perfect be the enemy of the good. I hope that this House—and I know that this appeal will find a ready response—will lend its immense authority to getting this imaginative new human development in Community activities off the ground.

(Applause)

President.—The House is greatly indebted to you, Mr Thomson, for that fine and clear opening statement on behalf of the Commission. Both your speech and that of the rapporteur, Mr Delmotte, have set the stage for what should be one of the finest debates which this Parliament has seen this year.

I call Mr Mitterdorfer, rapporteur for the opinion of the Committee on Economic and Monetary Affairs.

Mr Mitterdorfer, rapporteur for the opinion.—*(D)* Mr President, ladies and gentlemen, it is of course difficult, following the statement by the Member of the Commission, Mr Thomson, who has already partly gone into the report which I have had the honour to submit on behalf of the Committee on Economic and Monetary Affairs, to give a short introduction to this report. I should nevertheless like to do so and

will be extremely brief, for two reasons: first of all because the Committee on Economic and Monetary Affairs restricts itself in its opinion to an examination of the proposal by the Commission for a Council regulation on the establishment of a European regional development fund. The two other proposals, namely the resolution on the establishment of a committee for regional policy and the financial regulations for the fund have not been considered in its opinion for reasons of competence. I should also like to point out that the Committee on Economic and Monetary Affairs did not have available the final version of the report by Mr Delmotte on the three proposals mentioned above.

The second reason for my brevity is that, in its discussions, the Committee on Economic and Monetary Affairs restricts itself only to an examination of those provisions of the proposal for a regulation which clearly relate to economic policy. In its opinion—and this has just been mentioned—the committee has to show clearly the connection between economic and monetary union and regional policy—and for the committee this means regional structural policy. The committee is doing this in an effort to ensure that in the present and future discussions of Parliament there will be continuous further development of the demands which Parliament adopted in the form of resolutions on the recommendation of the then responsible Economic Affairs Committee. Shortly before the planned transition to the second phase of economic and monetary union, it is difficult to tolerate the fact that we still do not have those instruments of regional structural policy, the existence of which is always being defined as a prerequisite for the success of an economic and monetary union policy which we have now had for almost three years.

In this connection the hopeful statements by the Member of the Commission are to be welcomed. The deliberations of the Committee on Economic and Monetary Affairs have led to the tabling of four amendments, which I do not need to explain in more detail here, as discussion of these can take place when we deal with the motion for a resolution from the committee responsible.

To sum up, I should like to state on behalf of the Committee on Economic and Monetary Affairs that the intended action by the fund is not an original activity on the part of the Community but rather supplementary financing of national projects by means of aid or preferential interest rates. I do not thereby wish to minimize its importance, but only to point out that this Parliament has often demanded Community initiative in the field of regional policy.

Mitterdorfer

The proposal by the Commission also suffers from the fact that important items which are necessary to assess it from the point of view of economic policy are still not available or have in part only just been brought to our notice. Mr Thomson has just spoken of the list of regions. We are unable to discuss this today as we must first check through it. As a result of the lack of important items and the involvement of two committees, the Fund Committee on the one hand and the Committee on Regional Policy and Transport on the other, the Commission's power of decision is probably even more restricted than can be assumed at first sight.

The intended size of the fund cannot be discovered from the actual proposal for a regulation. This is one of the points criticized by the Committee on Economic and Monetary Affairs. The Commission does give information on its size in the explanatory memorandum, but does not explain how it arrived at the figures chosen. On the other hand, the committee complains that, for example, the Commission has not proved the so-called incentive effect of the 15% or 30% Community contribution in capital investments which is important for regional policy. It was also felt to be an important defect that the Commission submitted its important regional policy proposals in stages. Parliament has already complained about this procedure—as one can see without success—in the case of the earlier proposals by the Commission, which of course were not accepted in the Council.

As a particular example of this, I must refer expressly to the lack of a list of the development areas and parts of areas in the assessment of the proposal for a regulation on the regional development fund. Viewed in isolation, one could therefore consider the Commission's proposal regarding the fund in a slightly ironic sense as a technical implementing regulation for the use of funds not yet secured in favour of largely unknown beneficiaries, even though we have found out something about them in the meantime.

I would not like to consider this criticism however as purely negative, but one which is intended to be helpful in placing the regional policy of the Community on a sound footing and advancing it, I shall also have an opportunity during the discussion of the amendments to speak on behalf of the Committee on Economic and Monetary Affairs. I would therefore like to conclude my remarks at this point.

President. — Thank you, Mr Mitterdorfer. I now call Baroness Elles, rapporteur for the opinion

of the Committee on Social Affairs and Employment.

Lady Elles, rapporteur for the opinion. — I think that the immensely human and comprehensive way in which the Commissioner, Mr Thomson, has spoken on the Regional Development Fund and the way he sees that it should be implemented has already gone a long way to remove many of the anxieties and fears that beset so many of us when we read the cold and somewhat analytical report written in the light of the economic considerations and the way in which the Regional Fund was apparently going to be applied. So this is already, I think, some consolation to us.

But, as the draftsman for an opinion on behalf of the Committee on Social Affairs and Employment, I should like to give the views of my committee on the social aspects of the Commission's proposals for the creation of a Regional Development Fund, the way in which it is to be established and the way in which the fund is to be applied.

I should perhaps say at this stage—we recognize this fully—that Mr Delmotte's very full and able report and the motion for a resolution contained in Document 34.060 contained criticisms of the way in which the Regional Development Fund has been outlined and referred, particularly in paragraphs 3-6, to the lack of human and social aspects being considered in the future application of the fund.

Our own report and opinion on the social aspects have not been considered by the Regional Policy and Transport Committee, for reasons which I shall not go into, but it should be said as an annex to the report that our opinion has not been considered by that committee, and this is the first opportunity that we as a committee have to give our views to Members of Parliament and to members of the Commission.

All of us in this Parliament are well aware that no policy can be successful unless the people to whom it is to be applied are both well informed and willing to co-operate and the policy which is to be applied answers both the needs and the demands of those people. The Regional Policy Fund envisaged in the original report is based entirely on economic considerations, but the needs and demands of people cannot always be measured in economic and financial terms. If I may say so without appearing to be somewhat irreverent, it was a relief to hear that Mr Thomson is more prepared to use his judgment as in sighting elephants than in basing his criteria on the documents. It is a very serious criticism of the way in which the

Lady Elles

economic considerations are to be handled, that the statistics which are being used are compiled in completely different ways in each of the Member States and yet the application of the fund is to be based on comparative methods.

The first urgency that we in the committee see is that there should be a complete revision of the methods by which these statistics are compiled in order to make more relevant comparisons. We have only to think of the gross domestic product and the way that it operates in the United Kingdom, where a husband and wife are reckoned as one person when calculating the per capita element of the gross domestic product. We also have the way in which agricultural workers are calculated. Many of the wives who work 12 or 14 hours a day in the fields are not classified as workers. But there are many areas where women are unemployed but are not signed on at the employment exchanges and not accounted for in the unemployment figures. There is also the situation in regard to the school-leaving age and apprenticeship courses. Are the young considered as unemployed or as part of the work force of the region? I single out a few of these elements. I hope that they will be taken into consideration for a future basis for deciding which areas need most help.

We have not only the economic considerations and not only poor statistics, because these are overshadowed by the social aspects of the problem. We have areas of people with low incomes, bad standards of housing, poor transport facilities, few schools, badly-staffed hospitals—all the elements which I presume the Commissioner would refer to as the elephants. These are fairly visible to the naked eye when assessing which regions are in need of help compared with the heavily industrialized and extremely rich centres of the Community.

We have a picture of a declining agricultural area with people living on low incomes, and satisfaction in working on the land is restricted to the older members of the family. But these people have quite different aspirations for their children, because they see no future in their trying to live off a small bit of land, because they cannot afford to buy the tractors and other mechanization with the limited income which they can derive from a small piece of land, and they wish that their children shall have a better life than they themselves have had. It is not that they grumble, but they see the children of other people working in the towns possessing the status symbols of cars and motorbikes, television sets and fridges, things which are not available to their own children.

I have been talking about a typical agricultural area where something needs to be done, but perhaps some of the worst tragedies occur where there is industrial decline. It is the young people coming out of the schools who are being brought up in areas where their parents and friends and relations have no future because industry is declining and there is no chance for them to work and save. These young persons will have to migrate to other areas to earn their living unless positive measures are taken to retain the children and imaginative vocational training is provided, so that when they leave school they are able to go to jobs for which they are trained.

The social policy makes certain demands. For instance, people must be informed and must be willing to cooperate. These are plans for a changing future. It is no use building roads for outlying regions, structures based on industrial life, if those roads will serve only as ways of escape and not as ways of bringing work to the people. These people in the regions who will be helped by this infrastructure need inducements to stay in the areas in which the infrastructures are being designed. In particular, the committee felt that considerable work should be done in housing and education to help these people to live a decent life without moving to other parts of their country or to other Member States or even outside the Community.

Another need not stressed so far is for managers and personnel to maintain these areas at a higher level than they are at now. It was common thinking some time ago that automation and increased industrialization would lead to a certain measure of unemployment. We are beginning to realize that this is not true. The greater the economic growth rate the greater the number of people who are needed to maintain services and higher standards which are demanded by the people who are earning in industry. This will happen in the regions. For this reason I particularly ask that a serious study be made of the demographic problems involved. This matter has not yet been gone into with sufficient depth and foresight.

We shall help regions which have been providing labour for other areas. If we are to keep people in those regions we need more labour in the industrial areas which are increasing the economic growth rate. I refer to the estimate of the United Nations that 11 million migrant workers extra will be needed within the Community by 1980. This is a legitimate need, but we have to take that into account when making these demographic studies. We have to decide what the needs of industry will be in the personnel fields in the future and realize that we are taking steps on these lines.

Lady Elles

There is another obvious truth. Sometimes we have to state the obvious, but we do not lose by doing so. It is that, unless we give considerable help to an area, we shall not be able to remove the imbalance in the financial and economic structures. We have in the Community per capita differences of at least five times between certain areas. Unless we considerably help the region which has low incomes, we shall never close the gap between the poor region and the industrial centre, because the rate of economic growth is always increasing more rapidly in the areas where there is little money, opportunity and capital. We have only to compare the industrial centres and the help given in developing countries. However much the living standards of the people in developing countries increase, the gap remains wide and becomes wider.

For this reason we ask that the Regional Development Fund be applied in great measure in areas in which it should be effective. We particularly think that the coordination of policies is essential in order to obtain the greatest benefit also from the other funds of the Community, as Mr Thomson mentioned later — the EAGGF guidance fund, financing under the ECSC, the European Social Fund and monies from the European Investment Bank, to say nothing of the contributions to these areas from Member States.

We would particularly ask that there be co-ordination not only at Commissioner level but between all the departments concerned with regional development. So often in government we find that it is at the lower levels in the organizations and administration that there is a communications gap.

Further, we should like consultation by the Regional Fund Committee to be mandatory and not hortatory. When consulting groups in the regions to be helped we must help the regional authorities in implementing the policies. It is essential to consult the youth groups to which the benefit of this aid is applied and all the interested groups which will be the beneficiaries, or perhaps not, of these policies. Therefore we wish it to be obligatory that this committee should consult interested and relevant parties.

I think I have expressed the views of the committee as fully as I can. We believe that if these considerations are taken into account the Regional Development Fund can contribute positively to benefiting members of the Community while retaining the traditions and languages which go to make up the variety of the Community. We do not want to see a uniform Community; we want to see a unified Community. Only in this way shall we be able to

increase the living standards of those who so far have been left out of the race.

President. — I call Mr Nolan, the rapporteur for the opinion of the Committee on Budgets.

Mr Nolan, rapporteur for the opinion. — I should first like to utter a word of thanks to Mr Thomson for his clear and explicit statement a few moments ago.

The Commission's report states that regional policy is one of the policies fundamental to the building of Europe. We and the members of the Community agree that the regional policy is fundamental to the building of Europe. When there is structural imbalance in the Community, with one area very poor and another very rich, the real Europe that we are thinking of and trying to build cannot be a reality.

The Budgets Committee, for which I have drafted the opinion, is interested in the money end of it. We chose three aspects of the present proposals for comment. One was the size of the fund, another was the distribution of the fund and the third was the control of the fund.

I am personally concerned, and so is the Committee, that, irrespective of what Mr Thomson said, the 500 million units of account mentioned will not be sufficient to meet the demands of the region, nor indeed would it be able to carry out the objectives laid down by the Summit Conference in 1972.

The Commissioner also referred to the map. There may be areas on the map which may not qualify for benefit, but when you put an area on the map which is to qualify for a fund there are politicians, governments and local authorities in that area and they will look for their share of the cake. They are on the map as part of the region, they qualify for the fund and they will look for the funds.

Another aspect of the 500 million units of account is that there will be a bookkeeping system. One will be handing back to countries money which they have given. So the actual fund would be only about one-third of the 500 million units of account.

As regards the distribution of the fund, I have included in our amendment proposals concerning the eligibility of regions for funds. I did this because when the President of the Commission was in Ireland he mentioned States that might qualify for certain monies under the CAP or the Social Fund, but today it has been mentioned in a different context that the two funds could be married together. Our interpretation of what the President of the

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Commission said in Dublin is that if one qualifies under CAP or the Social Fund it would affect the amount of money that one would get from the Regional Development Fund. The committee submits that the basis on which these areas receive help from the fund should be that laid down by the Commission in the criteria in the first report, calculated on the average income per head, rate of unemployment and emigration from an area. I hope that the Commission will today give us an assurance that these will be the criteria which are used.

In the opinion that I have drafted I have mentioned one special point which could perhaps be taken up. It deals with another aspect of the distribution of funds. There is a broad measure of agreement between the authorities, but, because of similarity of problems facing both Northern and Southern Ireland and other adjoining regions, it would be most sensible for the Commission to have a certain percentage of the funds for its own areas which it would pick out. It might, for instance, take this border area where a Council of Ireland, by agreement between the Government of the United Kingdom and the Government of the Republic of Ireland, could be set up. The Commission might say: 'Right. You have a cross-border problem. There is a need for developing water supplies and electricity, and a certain amount of money should go there.'

Apart from the fact that that would be helping the regions, it could help to ease the tensions which now exist. It is the feeling of this Parliament that wherever possible, if it can relieve tensions among Member States, the Commission should help in that way.

We have introduced several amendments designed to allow Parliament to have greater weight in the execution of the policy—an element which seems to have been lacking in the Commission's proposals. We have, therefore, suggested that Parliament has the right to propose that a new regional policy committee examine problems relevant to the regions.

I will not discuss the amendments beyond saying that in a general way most of those that we have proposed are designed to give Parliament greater powers and are in line with our general discussions last week in Luxembourg. I have said on behalf of the Committee on Budgets that we want the criteria of the original proposals of the Commission—that is, those of last May—that the Fund should be enlarged and that Parliament should have more power. Above all, as Mr Pounder has pointed out, there have been frauds on Community Funds.

Monies have gone wrong and have not been administered in accordance with the standards prescribed by the Commission. Therefore, what we want and what we propose in our report is that the Commission gets off on the right foot and that proper control over the Community's funds be available.

President. — I call Mr Mitterdorfer on behalf of the Christian-Democratic Group.

Mr Mitterdorfer. — (D) Mr President, ladies and gentlemen, on behalf of the Christian-Democratic Group of the European Parliament, I should like to base the discussion of the report which Mr Delmotte has presented on behalf of the Committee on Regional Policy and Transport concerning the Commission's proposals in particular on the fact that, in the opinion of the European Parliament, regional policy is an important prerequisite for the achievement of economic and monetary union on the way to European political union. I am quite aware that this is a very broad basis and there will certainly not be sufficient time to deal with all the necessary aspects. Nor is it perhaps even necessary.

The European Parliament, particularly on the insistence of the Christian-Democratic Group, has actually stated in the last one and a half years all the important things which have to be done by the Community in favour of the European regions. After a great many efforts and—as we have unfortunately found—many fruitless initiatives, we are once again faced with a packet of regional policy measures as a result of an instruction in the Summit Conference of October 1972. The responsible Committee on Regional Policy and Transport expressly welcomed the fact that the Commission has submitted these proposals within time limits which allow the Council to take a decision before the end of the year. The fact of the timely submission of this formal proposal is also acknowledged by the Christian-Democratic Group.

It is also true that Parliament has repeatedly stated that the purpose of regional policy may not be simply to influence economic factors in the regional sphere. The Community would be badly advised if, in its regional policy actions, it only considered people as a factor in production. As humanity must remain in the centre of our economic policy thoughts and efforts, Parliament is certainly well-advised to point out repeatedly that abstract concepts must also be given life in the European every-day world and it is precisely the human component of economic life which cannot be ignored by the Community.

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I should therefore like to mention expressly paragraphs 3, 4, 5 and 6 of the motion for a resolution as the most positive part of the resolution submitted to Parliament. Without going into more detail on the following paragraphs of the resolution—not least for reasons of time—I should like to remind you, however, that the Christian-Democratic Group must make reference to the need for continuity in Parliament's demands for a European regional policy. This does not mean a repetition of well-known demands, but rather a certain vigilance, the results of which must be that in its resolutions Parliament includes ideas and demands which it has submitted in earlier resolutions.

And here I must make some criticism of the motion for a resolution submitted by the Committee for Regional Policy and Transport. There is no clear reference to the fact that, with the proposal for a regulation on the creation of a fund, the Commission is replacing its proposals for the creation of such a fund approved earlier by Parliament and moreover, that with the resolution on the appointment of the Committee on Regional Policy the committee is also replacing corresponding proposals from the year 1969. There are also in existence clear recommendations by the Parliament for this proposed Committee on Regional Policy, which it seems to me, the Commission has neither mentioned nor taken into account in its new proposals. It seems to me that this is a dangerous indication of the opinion held of our institution that—as has obviously happened—the quasi-executive can simply ignore without comment the recommendations of the institution which will be but is not yet the legislative body of our Community.

In the view of the Christian-Democratic Group the committee's report could have taken into account in more detail the views expressed earlier by the Parliament in analysing the Commission's new proposals. Parliament has been dealing since 1969 at least with concrete proposals by the Commission for Community action in the sphere of regional development. In my opinion, Parliament cannot afford to ignore without comment the fact that its earlier recommendations have not been taken into account by the Commission at least in the form of notes in its new proposals. I am thinking in particular of the proposal for a committee on regional policy which is closely connected with the draft regulation on the European regional fund. This institution was discussed in detail in Parliament some years ago. The important result of these discussions was that the Parliament fully supported the Commission in its intention to set up this committee within the Commission itself.

The chairmanship was to be held by a representative of the Commission, and the members of the committee were to be representatives of the national governments. These general provisions led the Parliament to suggest that, in addition to the proposed appointment of representatives of the governments, it was also necessary to consider the inclusion of European employee and employer organizations and the representatives of the regional bodies for the work of this committee. Regional policy can only be good policy if it is pursued locally.

In the motion for a resolution which is now submitted, it is only intended to locate these institutions in an area lying between the Commission and the Council. Whereas the Commission originally claimed chairmanship of this committee, it is now satisfied with the secretarial role and the appointment of two Commission members. The chair, to all appearances, will be taken by representatives of Member States elected for two years. In the Commission's view, this structure corresponds to that of the committees conjunctural policy and medium-term economic policy.

As regards the functions of this committee, according to the Commission's earlier ideas it was to investigate the prospects for regional development and the problems arising as a whole for regional policy from the Common Market. In the new proposals it has become the instrument for assisting the coordination of national policies and has been given a whole series of functions which, in order to save time, I do not propose to list here. I consider, however, that the comparison of these functions with the very much broader original proposals for the method of operation of this committee from the year 1969 shows that the Commission is delegating substantial parts of its activity in the regional policy area to the new committee which is to be made up for most part of government representatives, whereas in the Parliament's proposal this committee was to be expressly an advisory, permanent committee.

Parliament's request for the European employee and employer organizations to have right of hearing and the inclusion of regional representatives in the permanent committee has been reduced to the rather miserable provision of Article 5 according to which, under the regulations of the Rules of Procedure which have yet to be established, the views represented in the regions and the views of the trade unions and business associations could be obtained. I would draw particular attention to the word 'views' which can probably give cause for thought; the wording is: 'the views represented in the regions'.

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Apart from the fact that Parliament's opinion has not been taken into account, it must be stated that with an advisory committee which is so firmly under national control it will not be easy for the Commission to administer the fund with the freedom which it claims. I need only refer in this connection to Article 5 of the draft fund regulation concerning the Commission's power of decision which at first sight can be considered adequate. This power of decision however is greatly reduced by the provisions of Article 13 (2) of the same draft regulation and on the basis of the motion for a resolution.

On behalf of the Christian-Democratic group I regret that the motion for a resolution has not referred to this situation and the amendment submitted on the motion for a resolution by the committee responsible is in my opinion not adequate in view of the importance of the problem. The importance of the problem—I would like to repeat—lies simply in the fact that earlier concrete proposals by Parliament have been ignored without comment by the Commission and that, what is perhaps even worse, in connection with the institutions the Commission has departed from its originally justified ambitious demands on the basis that other auxiliary committees are so composed.

Ladies and gentlemen, it has always been the declared aim of the Christian-Democratic Group to give the regions a greater say—I am saying this in connection with the composition of the Committee on Regional Policy. It is however a question of conceiving regional policy not only as a policy for certain regions but also as a policy by the regions. The aim of European regional policy must therefore also be to allow the regions to have policy towards Europe, and to develop between the Community and the region a policy of mutual give and take. It is precisely the composition of a permanent advisory committee for such regional development that, in my opinion, would provide an opportunity to advance the involvement of the regions in our European viewpoint. At least, in my opinion, it would be necessary in dealing with development plans which are obviously to be handled by the committee for regional policy, to include in the committee's deliberations the representatives of the regions concerned. This reference to 'views' says too little. I believe we must therefore really involve the interested regions in the committee when their development plans are being dealt with.

Another point which I should like to mention briefly is that the committee very laudably—I am glad to be able to emphasize here—has based its proposal for a regulation for the activity of the fund on a Community average. This raises a problem in so far as an earlier

proposal by the Commission, namely that for a directive on agriculture in hill farming and certain other less favoured areas, which is definitely a directive on regional structural policy, uses national average incomes as a basis.

Allow me to use the reference to the directive on agriculture in hill farming and certain other less favoured areas, which has still not been adopted by the Council, to point out that this directive makes the aid granted expressly dependent on certain infrastructure measures in the general area having already been carried out. These are clearly related to regional structural policy. The fund for regional development which is to be set up would have to partly finance these. If the provision contained in the present proposal in Article 4 (1) (b) is accepted by the Council, the assistance from the above-mentioned directive would not be possible, as the fund for regional development can only help towards financing infrastructure investment which is necessary for the development of industrial and service installations. I have noted that one is prepared to amend this and give this term 'infrastructure' a broader meaning.

Mr President, the lack of a list of regions also seems to be a problem to me. We know that this list exists. We shall perhaps be dealing with it in the next few weeks, but at the time of submission of these proposals it is not yet available. We can perhaps deal later with the method of establishing these regions—and that seems to me a bit of a problem—when discussing the amendments.

I should like to conclude. The Christian-Democratic Group is very interested in seeing that these first steps towards a Community regional policy are actually taken. However much one might wish perhaps to take more courageous steps, the Christian-Democratic Group is very interested in seeing that the Council finally takes the corresponding decisions.

President. — I call Mr Wiedraaijer on behalf of the Socialist Group.

Mr Wiedraaijer. — (NL) Mr President, on behalf of the Socialist Group, I should like to limit my statement to a number of observations on the main points of regional policy.

In the first place, I should like to express our great appreciation for the report made by Mr Delmotte, the rapporteur.

In the second place, our contribution should be seen as an attempt to lend hearty support to the intentions set out by the Commissioner responsible for regional policy in what we con-

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sidered to be a most enthusiastic dissertation. At the end of his statement, the Commissioner said that he, too, considers regional policy as a means of creating a social and human Europe. I believe that we socialists must also be concerned in the first place with defining the framework within which regional policy should be placed.

When we speak of a social and human Europe, that regional policy should, as an element of the socio-economic policy, lead us to the situation where we have a just division of income in that Europe. A European economic community where the differences in income remain so large as they now are, also from a geographical point of view, will not create harmony between the people and the nations of Europe. It will not be a European community where we feel at home. Regional policy should serve to bring about some improvement at least in the income disparities in the various EEC countries, for these differences must be reduced. Regional policy can be a tool to this end, but nothing more than that. For if policy is restricted to that aspect alone, it will not be possible to reach the target that has been set. Regional policy will have to be followed by an incomes policy that includes all incomes and is pursued at national and community level. I should like to hear from the Commissioner whether that aspect is included in the regional policy he is striving to achieve and in what direction his ideas are tending as to the policy to be pursued.

Mr President, regional development policy can be helpful in eliminating differences. In our view, however, there should be more to it than that. Speaking on behalf of the Committee on Social Affairs and Employment, Lady Elles has pointed out that, even if a regional policy is pursued, the economic growth percentages in the various areas will probably remain divergent and that the pace of economic growth in the strong areas will be more rapid than in the weak areas. We can see now that there are great differences in the pace of economic growth when we look at the various areas within the EEC. So far, economic development has in fact been based on the free play of the forces within society. That has led in certain areas to rapid economic growth and a conglomeration of economic activities. Experience has taught us that differences in economic growth cannot be sufficiently remedied by regional policy. If there is a real desire to get rid of arrears in economic development and to adapt the prosperity of the various areas more to one another, regional policy will have to be combined with a certain curbing of the rapid growth in the economic centres.

Anyway, not only for reasons of regional policy and with a view to eliminating differences in prosperity but also in order to combat congestion and protect the environment, we must plan our investments in a certain direction. Curbing of investments in the areas with rapid economic growth and the encouragement of investments in weak areas are necessary to allow the instruments to work from both sides so that a harmonious equilibrium can be achieved.

In this connection I should be glad to hear from the Commissioner how he thinks of this element of economic policy as a complement to regional policy for arriving at a selective investment policy, both at national and at community level, as a means of putting a brake on investment in congested areas.

I would also point out, however, that if regional development policy is concentrated on certain areas in a given Member State, it is also necessary to examine the differences in economic growth within that Member State. For if the EEC is going to give a stimulus to certain backward areas while in other areas of the same country there is intensified economic growth, we will not have been successful in getting rid of unjust discrepancies.

Giving direction to investments is particularly important if we think of the expected increase in the number of foreign workers in the EEC. Lady Elles has already mentioned figures in this respect. Certain forecasts show that many millions of foreign workers are still needed and are being attracted by the demand for labour in the areas of economic conglomerations.

If we put money into the regional development fund to tackle the chronic and structural unemployment in certain areas and in the meantime let growth in other areas go on unimpeded, so that there is an influx of several million foreign workers, we are in my opinion proceeding in a somewhat foolish manner. Here, too, there is a connection between regional policy and the policy the Community should pursue in the social field in respect of the migration of foreign workers. I should much like to know Mr Thomson's views on this. My following remark concerns the funds for regional policy. I think that too few funds have been made available for this purpose, given the size of the problems by which we are confronted in the Community. I do not wish to speak on this matter now, since the main consideration now is: when funds are limited, priorities must be established. Well, in my opinion, priority should be given to the poorest, the least-developed areas. A European approach that is truly characterized by solidarity will result in the choice

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of criteria whereby the most backward areas will really receive the aid they need.

Mr Thomson has made a number of remarks on this subject that deserve consideration. He is optimistic; he believes that with the criteria that have now been chosen, a policy can really be pursued that will result in aid being limited to those areas which are poorest and slowest in their development. But what guarantees can he give us that each Member State will not go grubbing unconcernedly in the big pot that is made available? I should like to hear something more about that.

In conclusion, I should like to make a remark about coordination. When this regional development fund is established, a number of funds will have come into existence: the social Fund, the agricultural fund, the regional development fund. It is therefore of great importance how coordination will be arranged. Mr Thomson has spoken about this too but I should like him to deal now with the following questions. Who does the coordinating in the first place? What procedures will be used for coordination? What policy will the Commission pursue in this respect? Will the Commission in fact pursue a policy in respect of these three funds that is well coordinated and coherent? In my opinion it would be foolish if measures were taken in various fields that were too little related to one another.

Our concern is that the weakest in our European society should be helped on the principle of solidarity.

(Applause)

President. — I call Mr Johnston on behalf of the Liberal and Allies Group.

Mr Johnston. — Mr President, I am glad that Mr Delmotte has not had to go away yet, so that before he does I have the opportunity of expressing my sympathy with the difficult position in which he was placed this morning and of putting on record that I certainly, although I thought it was the right thing to have this debate, was very conscious that Mr Delmotte took a different view because he was anxious, in his painstaking way which I have seen so frequently in the Committee, to produce a result which took the best possible account of all the amendments submitted and embodied them in a constructive way in the resolution.

Speaking on behalf of the Liberal Group, I begin by recalling a meeting of that Group which took place in France in September of last year, when the subject of the effect that an enlargement was likely to have on the peripheral

regions of the Community was discussed at length. I do so because the resolution which our Group agreed at that meeting, based on a report submitted by our French colleague, Mr Bourdellès, who unfortunately cannot be here today, embodied, if not the most important, certainly a very important element in our attitude in this Group to regional development, an aspect which found expression in our amendment.

At that meeting, noting the growing divergence between peripheral regions and densely-populated industrial central regions, we urged the Community institutions—

‘to implement a balanced economic and social policy not based solely on the pursuit of maximum productivity and profit in order to develop the poorer regions’.

Although, as both you and your predecessors have said, Mr President, we are not debating the amendments this evening, I come directly to this particular point because it is of central importance to the success or failure of any regional policy which we may seek to implement.

Regional policy—and a number of Members have already said this, but it bears repetition—cannot and must not be seen simply and exclusively as an economic exercise. Despite the time which Mr Thomson spent on this matter, all he specifically said, beyond dealing with the economic question, was, when it is boiled down, that there might be expenditure on vocational training.

From Article 4 (1) (b) of the Commission's proposals it appears to us that they are still seeking to link infrastructures very closely indeed to economic development only. I think this is wrong in just the same way that I thought the Economic Committee's amendments which tried to introduce the word ‘productivity’ were even worse. After all, why are we embarking on regional policy? It is first and foremost not for economic reasons. It is for social and political reasons that we are setting out on this particular course.

While the advantages of industrial rationalization are there to see and while the drive for higher material standards is going to come from the great industrial heart of Europe, from the Ruhr to Paris and London, what we must ensure is that that heart pumps its blood into every vein in the body of our Community.

That means—and this Mr Delmotte recognized most clearly—that regional development is not only about jobs but also about infrastructure, education, even about culture, and about the whole quality of life one seeks to create. We

Johnston

are not dealing with economic units but with human beings and with the rich diversity of life which those human beings give to our Community in Europe. I took the point made by Lady Elles in that she felt assuaged, if that is the right word in this context, by what Mr Thomson said, but I remain somewhat worried about it.

I wish to make a further four points. First, I should like a still clearer explanation—and Mr Thomson spent some time on this matter—of how the Commission sees its criteria for the granting of aid working out in practice. Mr Thomson spoke of the need for coordination between various elements in the Community. At the same time, on the face of it the criteria devised by the Commission are straightforward, clear and presumably capable of objective application. But in practice it becomes much more difficult.

Let me take two examples. In its proposals, the Commission groups together both agricultural regions and regions of declining industry, yet they are extremely different. The areas of declining industry already have a framework for development, an existing industrial outlook, probably trained personnel, certainly training facilities, physical infrastructures and so forth, and of course they already have an existing access to Community assistance through the Social Fund. It is noticeable that the main beneficiary of the Social Fund has been Germany, which is by no means a depressed country, but, on the other hand, the problems of industrial restructuring are clearly most serious there and in Belgium and the Low Countries. Contrariwise, the agricultural regions generally speaking have none of these things, and in the main their principal resources are probably land and water. Therefore their problems are entirely different.

Let me take a second example, which is perhaps more difficult and to which Mr Thomson made no specific reference, though I am sure that he is well aware of its complexity. The Commission inevitably in its proposals and in its map—a map which not everybody has yet got but which has appeared in the Press—is tied to existing administrative boundaries. Let us take Scotland, which after all the Commissioner, Mr Thomson, knows moderately well. Scotland clearly meets all the criteria according to which aid should be given. Scotland comes forty-fourth in the European GNP league and Ireland is in the same situation. Yet Scotland is a large country and conditions within it vary a great deal. The south-west of Scotland is largely undeveloped; the Borders and also Glasgow and its conurbation have severe un-

employment; there is considerably less unemployment in Edinburgh, more unemployment in Dundee, and the situation in Aberdeen is much better. The Highlands, representing half the area of the country, have long been neglected, with many small isolated communities and islands in the north and west. There is therefore tremendous variation within development areas and regions which already meet the criteria. How does one concentrate on those parts within regions which generally require less assistance? It may be said that this is for the national governments to determine, but the problems are there because national governments have failed to tackle them properly. We have heard about elephants and the fact that they are rather recognizable beasts, but the truth is that they are difficult to recognize in the dark. There is a genuine difficulty in knowing where precisely to allocate assistance.

Secondly, I return to the question of substitute expenditure which I raised in our last debate in July. This is an important matter and leads one to ask what proposals the Commission has to deal with this very real problem. Regional development will not work unless there is a genuine redistribution of wealth and opportunity. Yet it is a fact that domestic budgets for regional purposes vary from year to year. How are we to ensure that by accident—as it were, by coincidence—in the year that a State receives assistance from the Regional Fund for Regional Development its own domestic expenditure for this particular purpose does not drop? This is a real possibility. There are people in the United Kingdom who are talking about the Regional Fund in terms of a clawback of expenditure on the CAP. That is the wrong way to look at the matter. The fund will not work unless it is clearly seen as a supplement to existing national expenditures.

Thirdly, we in our Group remain unhappy about the proposed consultation machinery. We continue to prefer the previous arrangements proposed in 1969, to which Mr Mitterdorfer referred. We remain unhappy about the composition of the committee, in which government nominees will dominate, and unhappy about the extent of genuine regional involvement. Mr Delmotte's proposals go further than the Commission's proposals and to that extent are welcome, but I want to see elected representatives much more involved in this whole process, not necessarily elected by governments alone. I want to see them involved both at the level of this Parliament and at regional level and therefore having a more definite say in what happens. Has the Commissioner given any further thought to this matter?

Johnston

Fourthly and lastly, there is a certain unreality about this debate. There are differences between speakers, and some of these differences are of significance, but over all this debate there hangs a pall of sweet reason. There is the underlying assumption that we all agree, subject to this adjustment and that amendment, that everything will be all right. But is the situation exactly like this? Is this what will happen? Are there really no opponents of regional development and the allocation of funds to enable this to take place? I do not believe that is the case at all. I believe that there *are* opponents.

The air is thick with rumours, although they do not circulate quite so often in the mellow atmosphere here in this House. The time has come for plainer speaking and a franker indication of the positions adopted by national governments as to their intentions. This is not the Commission's responsibility. Three weeks ago, Sir Christopher Soames was in Glasgow and made a speech in his usual forceful fashion. His audience was satisfied that this meant that the Commission was pressing forward with all energy with its policies, but Sir Christopher left Glasgow to another burst of Press speculations that despite Mr Georges Thomson, Mr Ortoli or anybody else, the French government would successfully scupper the whole deal behind the closed doors of the Council of Ministers at the end of the year. One hears stories of German and Dutch doubts about establishing a fund of this proportion before there are adequate democratic controls over it, particularly when they are well able to produce a fair amount of the loot themselves. I think there is need for much clearer and blunter speaking. This is a basic test of European solidarity, to use Mr Delmotte's appropriate phrase. The movement towards economic and monetary union has created new imperatives which cannot be ignored. The reduction of the main discrepancies between regions is a social and political precondition of the economic changes on which the stability of monetary union and in turn our capacity to sustain and raise our living standards depend.

(*Applause*)

President. — I call Mr James Hill on behalf of the European Conservative Group.

Mr James Hill. — I welcome the decision made by Parliament today when it had the vote on Lord Reay's motion, which has made it possible for us to have this general debate. I was rather saddened that the Socialist Group did not want any debate. We in the Committee on Regional Policy and Transport think that it is far better

to air one's views in debate than to have a snowstorm of amendments.

May I point out one correction that should be made in the English version of the Delmotte Report? Paragraph 17 in the Explanatory Statement says that the budget will be — I am sure that the Commission will be pleased to hear this — 2,250,000 million units of account, exactly one thousand times what the Commission has requested. However, when listening to the debate today it would appear that the budget will have to be of that size. We have heard ideas advanced for improvement in the social, educational and cultural spheres, worker participation, participation with every possible union and management, all the hundred-and-one — dare I call them 'bees in bonnets'?—of people that want to see the best possible regional policy programme for Europe.

It is fair to Mr Delmotte to say that the very tight timetable imposed on him in particular and on my committee meant that we had time to consider only four of the amendments from the Committee on Economic and Monetary Affairs, and this resulted in a rash of amendments within the last 48 hours. I fully understand the reasoning behind the amendments. The Members concerned want their views known, and under the timetable this was the only possible way. I think that the compromise decision taken earlier today was the only possible solution. We shall be discussing these amendments in the Committee on Regional Policy and Transport on Tuesday, so I hope that we shall have plenty of time to bring the report back for the November plenary session.

I make no apology for returning to Mr Delmotte's interim report of July, because it is reinforced in the report before us today. It was emphasized in the motion for a resolution agreed to by this House in July, and it is a fundamental point also in the motion today. I refer to the cardinal importance—perhaps Lady Elles explained this more fully than I shall—of social and human factors in the formulation of regional policy.

Many Members, apart from Lady Elles, have emphasized this point. Commissioner Thomson said in reply to Lord Brecon that the Community would look at each particular situation and would do so on the basis that it is important, by means of vocational training and the provision of Community services, to create a climate in which new jobs are available. This was all right as far as it went, but it was not an adequate response to the emphasis placed by the Committee on the human factor and the need for a broader definition of infrastructure support.

Hill

So I am enlarging the Fund by several thousand million units of account.

I think it has possibly been a mistake in the Parliament that we have not emphasized the size of the Fund before. Because of the smallness of the Fund, even changing it into English pounds, it will not go a long way. It will have either to be spread very thin like butter over the whole of the map kindly produced by the Commission, or we shall have to do what I think Mr Delmotte would insist upon and concentrate upon special areas.

On page 19 of the report, Mr Delmotte states that 'intervention by the Fund should apply to all activities in a particular region', and that 'resources should not be dispersed over too great an area. Indeed, a large fund with widely-distributed resources would be less effective than a more modest Fund with resources concentrated on a few regions whose recovery is an urgent matter.'

I think that the Irish Members here today and those from Southern Italy — I add that a delegation from the Committee on Regional Policy and Transport is to visit Sicily at the end of the month — would want to see massive intervention rather than a thin spread. It is entirely up to the new Regional Policy Committee and the Commission how they dispense what eventually the Council votes them.

Regional policy is another thing that Mr Delmotte stressed. Regional planning must be backed by the active participation of local and regional authorities. My committee has taken the first step from the European Parliament's point of view. We met both the Council of European Municipalities and the International Union of Local Authorities in Brussels on 20 and 21 November, so that we shall at least be acting out the whole intent of Mr Delmotte.

Mr Delmotte's document also refers to technical aid which will make it possible to derive the utmost benefit from financial resources. This seems fairly straightforward, except in some underdeveloped areas where there are very few technical aids. It will be up to the Commission and the new committee to ensure that technical aid is brought into these very underdeveloped parts of the Community. They need experts, they need active university participation, and they will certainly need the greatest cooperation from areas that have already solved their own problems.

The coordination of Community and national policies will be one of the most difficult areas that the Commission will have to deal with. We have heard from Mr Johnston how he rather fears that some national governments will not

be as generous or indeed as kindly disposed to regional policy as others. There is no doubt that the clawback feature of regional policy must not be over-emphasized. The main point of a regional policy conception is that, overall, the working standards and the gross national product of those areas should be brought up before one starts to concentrate on areas which are already enjoying a very high standard of living.

It must be remembered that the European Investment Bank gave 1.9 billion units of account to regional development schemes from 1958 to 1972. This Bank should be encouraged to continue this good work. The Social Fund has provided 265 million units of account for the resettlement and training of workers. This, again, must be encouraged. No one must be allowed to say that in future everything will be provided by the Commission in its rather generous budget which is being operated from Brussels. The Guidance Section of EAGGF has spent 150 million units of account on modernizing and providing higher living standards in agriculture. This organization must not draw back from continuing these efforts.

This aspect of regional policy is a problem both for the Commission and for the Council, and I greatly hope that Mr Thomson will be able to give us a report from the Commission's point of view on the conversations he has had with national governments on regional policies. I know that he has pre-empted me because he has already spoken. From time to time the European Parliament needs to be told in a fairly cold, flat way exactly where the national governments stand. It is no good our assuming, as European parliamentarians that the Commission is getting the fullest cooperation from our own national governments. If Mr Thomson is not getting it, what steps does he propose to take to secure that progressive coordination without which, as I think he will agree, the Community's regional programme may well be stultified? When the Council of Ministers comes to study the Commission's proposals, it should give high priority to securing effective coordination of national regional policies, but I think that we shall have to make sure that our own national governments are fully aware of the problems that Mr Thomson is being surrounded with during the initial stages of his work.

It only remains for me to say that I think that today's debate has been useful. I personally will have learned much from it. On behalf of the Committee on Regional Policy and Transport, I congratulate Mr Delmotte on the excellence of his work and the speed with which he has produced it.

(Applause)

President. — I call Mr Lenihan on behalf of the Group of European Progressive Democrats.

Mr Lenihan. — We have had a very constructive debate so far on this very important matter, which is now being evolved by the institutions of the Community to ensure that regional disparities are redressed and that the Community moves forward in the economic and social sense towards a balanced development in the future. On the economic side, this is recognized as essential if economic and monetary union is to be achieved by 1980. On the social side, the point has been emphasized here that we cannot have a situation where some parts of the Community lag behind in development—where, for instance, at present in Ireland the per capita income is 60 per cent of the Community average.

On economic and social grounds it makes very good sense to have a positive regional policy that means something. The reality to which I shall address myself is a regional policy that means something and that can be taken seriously. The notion that must be avoided is that this is merely spreading the jam thinly all over the cake. If it is spread too thinly all over the cake, the jam will not have any taste for the eater.

In practical terms, I criticize the fact that we have in the map produced by the Commission one-third of the population of the Community covered and one half of the geographical area. I appreciate Commissioner Thomson's statement that he recognizes the unique position of areas like Ireland. I should like to see more precision given to how that unique position can be acknowledged and dealt with. It is not sufficient to say that a unique situation exists. It is not sufficient to spell out in the documentation before us, which is the fact, that the whole of my country is entitled 100 per cent on any of the criteria that can be adopted. We must devise mechanisms which can deal with the unique situation.

How do we do this? I understand the political realities as well as anybody in this House. It is obvious that some yardstick must be adopted in regard to the allocation of funds to benefit particular countries. This is a fact of life. How does the Commission get away from this fact of life? How do we devise a situation where the Commission in the administration of these funds can give practical expression to the uniqueness that, as it tells us and as we all acknowledge, exists in regard to particular regions?

This is why in one of our amendments—I can talk about it because it is a matter of principle—we sought to bring the Commission back to the

situation as expressed in its document of 3 May, where it specified that a proportion of the Fund should be retained by the Commission to deal with intractable regional problems.

This again meets the point made by Mr Thomson today when he described intractable regional problems as unique regional problems. In particular, it applies to infrastructure investment, the highly expensive area of investment needed for countries such as Ireland, Greenland and Southern Italy mentioned by Mr Thomson, areas where there is no industrial base from which, internally or nationally, funds can be transferred towards the very heavy investment that is required for basic infrastructure needs—water, roads, telephone systems and so on. These highly expensive areas where national resources are not available to deal with the capital investment involved are, I suggest, precisely the areas that would come within the meaning and spirit of the Commission proposal of 3 May to reserve a proportion of the Fund for this quite unique type of infrastructural investment that is essential if the areas of the Community that are way behind to the extent of only 60 per cent of the Community average per capita income and cannot afford the infrastructural development involved can come within the Reserve Fund arrangement originally envisaged by the Commission.

I am not thinking here of grant arrangements or, indeed, anything of that kind. I am speaking with my own country in mind, but I am certain the same thing applies to Italy and other countries with particular areas requiring help in order to remove the disparities—namely, applications to the European Investment Bank. They have the machinery to assess these infrastructural applications, and to do so on the basis of the soundness of the presentation.

I suggest it is in this very area where specific regional grants can be given towards reduction of interest, specific grants on the basis of applications to the European Investment Bank, approved by the European Investment Bank and qualifying for the Regional Development Fund and interest-free repayments. I mention this as an idea whereby we can link the European Investment Bank's loan investment infrastructure with the grant investment from the Regional Development Fund, thus combining the two operations excluded from the percentage allocation per nation envisaged in the Commission's thinking heretofore.

In my view, it is precisely in this area that we should seek to adjust the Commission's thinking and, indeed, bring it back to the position of 3 May.

Lenihan

The method I suggest, to have a Reserve Fund dealing with unique situations within the Community, may not be the proper one. There may be other methods. However, I suggest to the Commission that their minds—and there *are* expert minds within the Commission—should now be applied to this particular area.

I appreciate that the Commission are departing from and are not involved in any quota assessment situation, but it is not enough to leave it at that. As it is now presented, there is a lingering suspicion that it is a quota system by another name. I would say it is a percentage system, or at any rate that national governments are getting percentages. We must remove the suspicion attaching to quotas or percentages based on population indicators or other such criteria and get right back to the original purpose of establishing a regional policy and a Regional Fund, the policy adumbrated in the principles of the Preamble to the Rome Treaty, at the Rome Conference and in May 1973 in the guide-lines of the Commission's Report.

If we have to face political realities in regard to national governments, which I fully appreciate, then let us say that for a percentage of the total Fund we will exempt a particular proportion out of any national government or population or apply some similar criterion related to nation state needs.

I feel this is a practical approach to the problem and one whereby, at least for some area of investment out of the Regional Fund, there will be an acceptance of the criteria and the principles on which the whole regional policy development was based in the first instance—the whole reason why we have a Commissioner here responsible for regional development. I suggest we come back to first principles at least in regard to a proportion of the Fund, recognizing that national realities may arise in regard to a very high proportion of the Fund.

(Applause)

President. — I call Mr Cipolla on behalf of the Communist and Allies Group.

Mr Cipolla. — *(I)* Mr President, ladies and gentlemen, Article 2 of the Treaty lays down that 'the Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of

the standard of living'. This article is sixteen years old, as this is the length of time since the Treaty of Rome was signed.

Now that we are tackling the problem of regional policy, we must therefore first of all ask ourselves this question; in these sixteen years, has there been an increase or a decrease in the disparities in income and economic development between the various regions of the Community, which prevailed when the Community was set up?

You know that there has been an increase. All the economic statistics show that there are regions which have seen their labour force diminished by emigration over these sixteen years. They have seen mines closed down, as was the case with the sulphur mines in my own area and with the coal mines in Sardinia. They have seen the land abandoned and whole areas populated by old men, women and children living on remittances from the emigrants.

It is clear that these are the facts from which we must start out, because they indicate serious responsibilities for the Community as a whole and the different governments—and I refer in particular to the Italian Government—both in regard to political initiatives taken by the Community and the various governments and in regard to initiatives neglected by the responsible bodies.

Why has the balanced regional policy not been put into effect, which would seem to be indicated by all the theoretical provisions of the Treaty? I say this for the benefit of my Irish colleagues who, being only newcomers to the Community, may possibly be under the illusion that it is capable of radical change. Europe has developed enormously from 1957 to 1973, but it has not been a balanced development. Rather has it been an uncontrolled development, based on the profit motive and the accumulation of riches. A condition of this development (that of Milan or Turin, that of Germany or Belgium) has been the deteriorating situation in the weaker regions of the Community, Southern Italy being a particular instance though not the only one.

These are the thoughts that must inspire us in weighing up the problem we are tackling, if we do not want to deceive the peoples of Europe. It is only now that we are talking of regional policy, after sixteen years which have seen a completely unbalanced type of development. I do not know if we are going to continue to speak about it without taking concrete decisions. The reason that development has been so lacking in

Cipolla

balance is not only the fact that there has not been a regional policy but also that other policies worked out by the Community have accentuated this difference between regions with a certain type of development and regions which are still backward. For instance, the agricultural policy and the Mediterranean policy of preferential trade agreements are both amongst the reasons why certain areas of the Community have declined while others have made progress.

The rich areas have become richer and the poor areas have become poorer. When we have spoken in this Chamber of the common agricultural policy, like the last time when we adopted an amendment to the budget, we have found that in all these years a form of protectionism has been operated at the expense of the Community's consumers with regard to particular products from certain regions while, on the other hand, extra-Community products have been introduced into the Community market, products of a type that are not characteristic of the more highly-developed areas of the Community (citrus fruits, certain kinds of vegetables, wine and other such products). We have seen how the EAGGF enables money and wealth to be transferred from one country to another within the Community, so that there are some countries which have always had credit balances and other countries which have always had deficits. Differences of this kind are not only due to the fact that the Community has not yet adopted a regional policy; they are also the result of the general policy adopted hitherto.

A short while ago our colleague who spoke on behalf of the Liberal and Allies Group said that, at least with regard to the social fund, the country that had got more from it than any other was Germany. And the social fund is supposed to help the underdeveloped areas! We Communists know well that this policy has been dominated by the monopolies and the multinational societies and that it has favoured this kind of development but today we are becoming aware that this kind of development, and this is the point, is creating contradictions within the Community to such an extent that it is no longer admissible. In fact, the increase of such imbalances cannot be allowed to go to its extreme limits because it generates those negative elements of which we are all already aware.

In my opinion, the main brake on the Community's economic and monetary union at this time is the fact that there are two major areas within the Community—one has been there for a number of years, that is, Italy, and the other, composed of the United Kingdom and Ireland, is more recent—which, as things stand at present, cannot enter the monetary 'snake'. We cannot

make any further progress along the road towards economic and monetary union and a stronger Community as long as a policy which permits such gaping imbalances is allowed to remain operative. How can a country like Italy, with a million people unemployed, accept a common policy and maintain monetary equality with countries which have millions of foreign workers?

And this is one of the basic contradictions which you ought to bear in mind. In Italy the working class has clearly grasped this situation and has placed itself in the forefront of the effort to solve the problems of Southern Italy. Today the workers in Milan and Turin, mechanics and factory workers and so on, realize that you cannot pursue a development policy if you do not try to meet the needs of Southern Italy.

When we read in the UNO report that the seven million workers who have already immigrated into the European Community will be joined by another eleven million before 1980, we have to ask ourselves if a society with this kind of structure can maintain its position. Do you not think that these workers, whether they are 18, 15 or 10 million, coming not only from the Member States of the Community but also from outside, constitute a disruptive element capable of overturning the entire situation? You have only to think of what is happening in France with the migrant workers to realize the tensions this kind of development can lead to.

This is why we feel that a policy of restoring balance to the situation is not merely dictated by a sense of social justice but is, in fact, a matter of life or death for all of us. Therefore, when I hear that there are countries which have benefited by EEC policy to an inadmissible extent, I do not understand how we can talk of community or of development prospects in a new society.

Thinking along these lines therefore, we cannot say that we are satisfied with this regulation, even though the Commission's representative has told us that we should not be deterred by these initial obstacles. I know well that we are trying to launch a new policy; I think however that we should be on the alert and try to avoid being deluded. We ought to try to see to it that this beginning is a realistic one. We say therefore that a policy of this kind comes too late and is inadequate, both in quantity and quality. For this reason we should try to change these regulations entirely and to let the voice of the workers of Europe be heard in such a way as to achieve a radical change in the type of development experienced in Europe over these past years, and this in the general interests of the Community.

IN THE CHAIR: MR DEWULF

Vice-President

9. Change in agenda

President. — I am to inform the House that the various political groups have reached a gentlemen's agreement on the rest of the agenda for this evening.

It is agreed that we now take Oral Question No 98/73 by Mr Jahn and others, and that we shall not spend more than an hour on it.

After that we shall suspend our proceedings so that everyone can prepare for this evening's sitting.

The sitting will be resumed at 9.30 p.m. with a resumption of the debate on regional policy. All individual speakers this evening will be limited to five minutes' speaking time.

Next, if there is time, we shall take Oral Question No 100/73. On tomorrow's agenda, we have the report by Mr Héger on the revaluation of the Dutch florin, and then the report by Mr De Koning.

Mr Arndt is also willing to present his very important report on the short-term adjustment of monetary support tomorrow, after which we can debate it.

*10. Oral Question No 98/73, with debate:
cooperation agreements with State-trading
countries*

President. — The next item is Oral Question No 98/73, with debate, by Mr Jahn, Mr Artzinger, Mr Bertrand, Mr Burgbacher, Mr Früh, Mr Giraud, Mr Härzschel, Mr Martens, Mr Mursch, Mr Noè, Mr Notenboom, Mr Pêtre, Mr Schuijt and Mr Springorum to the Commission of the European Communities.

The question is worded as follows:

'Subject: Cooperation agreements with State-trading countries

In view of the facts that

- extensive economic agreements, some of which are to extend until 1983, have been concluded between several Member States of the Communities and East European State-trading countries,
- it was decided at the Summit Conference of October 1972 that European political union should be achieved by 1980,
- according to the EEC Treaty, trade policy between the European Communities and non-member countries should be decided by the Community institutions,

1. Will the Commission give the European Parliament a comparative survey of all current agreements with particular reference to the precise goals, methods and conditions of the cooperation in question?
2. Does the Commission share our view that bilateral cooperation agreements extending beyond 1980 are likely to hinder, if not prevent, political union?
3. Will the Commission do all it can, in this connection, to promote the goal of European union?
4. Is the Commission prepared to institute proceedings against a Member State for infringement of Article 169 of the EEC Treaty, if it finds that individual cooperation agreements have been concluded in violation of the European Community's responsibility for common commercial policy?
5. Does the Commission share our view that it is desirable for binding Community directives to be drawn up without delay on the conclusion of cooperation agreements?
6. Will the Commission submit such directives to the European Parliament in order to ensure that this politically important measure meets the wishes of the peoples of the European Communities?'

I would remind the House that pursuant to Rule 47(3) of the Rules of Procedure the questioner is allowed twenty minutes to speak to the question, and that after the institution concerned has answered Members may speak for not more than ten minutes and only once. Finally the questioner may, at his request, briefly comment on the answer given.

I call Mr Jahn to speak to the question.

Mr Jahn. — (D) Mr President, ladies and gentlemen, our question on the subject of cooperation treaties between Member States and Eastern European State-trading countries is intended to illustrate a problem which threatens to become a nuisance of the first order in the Community and the treatment of which so far leaves doubt about the will of Member States to act in conjunction. We have therefore every reason to press for clarification on this point.

Firstly: what is it about? Between the Member States of the Community and East European State-trading countries many bilateral agreements have been and are being concluded for the purpose of extensive economic cooperation. The features of these agreements are manufacturing installations to be built in Eastern European states, joint capital investments, and joint marketing of the products produced in these plants. In practice private firms carry out these contracts. These agreements are accompanied as a rule by extensive promises of credit at remarkable conditions. My friend Mr Blumenfeld has

Jahn

put a question to the Commission about the latter aspect, so that I do not need to go into further detail here. I should like to say, however, that these promises on interest which have been made by some European nations to the State-trading countries of the East could lead to a complete distortion of competition and thus to a destruction of the basis of our economic collaboration. It is undisputed that such agreements will decisively alter the existing flows of trade. Some parties to the agreements also plainly emphasize their intention to extend, by means of these agreements, the bilateral trade between the Member States and their East European partners.

In view of such intentions, ladies and gentlemen, we must ask ourselves, and above all the responsible governments, whether this is all compatible with the Community Treaties. Ultimately it is the European Community which since 1 January 1973—which is some months ago—decides about the whole commercial policy towards third countries. It must be said quite clearly that the continuation of this national trading policy is a breach of the Treaty.

One should not play with words here and claim that these agreements concern cooperation, as stated in the title, and therefore not trade. Open statements by many politicians already illustrate what is actually involved. I should like to refer here to the statement by the French Prime Minister Mr Messmer on his recent visit to Hungary or that of the Financial Minister Giscard d'Estaing on the signing of the French-Soviet Cooperation Agreement of July 1973.

There is also probably no doubt that a modern trade policy will include both the conventional methods of controlling trade and the methods for creating trade. We all recognize that external trade is not only an economic factor but also a political instrument. Thus East-West trade falls within the general area of East-West relations. Every one of us wants this. This explains why the Member States are tempted to interpret their lost powers as narrowly as possible. In my opinion, however, this does not justify a breach of the Treaty.

The conclusion to be drawn from the particular political nature of East-West trade should not be that Member States should organize foreign trade individually. If foreign trade is to be arranged to take into account particular foreign policy interests, one must rather draw the conclusion that suitable instruments must be created at Community level which will guarantee preservation of the national interests within the Community interest. In my view there is no other way and there can be no other way. Please

remember, ladies and gentlemen, that by 1980 European union is to be created in the Community and that means above all a union with respect to foreign policy. How can this aim, which has been set out by the Summit Conference, be achieved if cooperation agreements are now concluded lasting 10 years, i.e. well beyond 1980, which are based on a purely national foreign policy and will still be so based in 1980, when there should only be a common foreign policy. Do the Member States seriously believe that they are making progress towards European union by such uncoordinated agreements? We believe the Member States are jeopardizing this objective and we would warn against the view that one can continue on the traditional national paths in foreign and foreign economic policy and believe that European union will simply turn up on such and such a day.

For other reasons we have cause to examine the cooperation agreements carefully from the point of view of the Community. The construction of manufacturing plants outside the Community, which is the purpose of these agreements, necessarily leads to the shift of production into third countries. As a result, the labour market conditions within the Community will alter precisely at the moment when a regional policy, which we have been discussing at such great length today, is to be introduced. Can it be ensured that the products produced in third countries by undertakings located in the Community will not be used for dumping?

We must examine this honestly, having in mind our employees and the factories.

I would point out that in the United States there is corresponding protective legislation. I consider it urgently necessary for the Commission to instigate careful investigations into practices in East-West trade and their effects on the labour market. If necessary, suitable protective measures must be built into the cooperation agreements.

This leads me to the question of how the cooperation agreements can be integrated into the Community, since we are not against these agreements, but we wish to have them in a form which will not present us with difficulties or with competition where we cannot make use of it.

I should like to say, to sum up: first, we must urgently ensure that Community rules and uniform principles are established for the agreements which Member States of the Community are concluding with East European countries; secondly, that Community outline agreements are negotiated; thirdly, that the planned agree-

Jahn

ments are coordinated and Community projects or projects of Community interest are defined, and not without Brussels having a decisive say, since otherwise we would not need any foreign trade authority in the EEC in Brussels.

Furthermore, the credits used for economic development must be subject to standard criteria and conditions. The situation should not arise where a German delegation arrives in Moscow and is told. 'What do you mean by credit? We have 6% from the French and you want 9%; there is no point in any further discussion'. This is what happened to us a few weeks ago with a delegation from Parliament.

We cannot allow this underbidding in the granting of credits in competition for contracts outside the Community. The consultation procedure between Member States introduced in the Council Regulation of January 1965 has obviously proved to be inadequate; Sir Christopher Soames, I am sorry to have to say that it is not satisfactory when the Commission can only submit proposals in such areas and the Council then acts differently or not at all. The Commission must also look after the implementation of the project. This involves close collaboration with this Parliament. We must discuss the matters here and these go far beyond the discussions on regional policy.

Ladies and gentlemen, I could have said a great deal here today about the position in the German zone border area, not a word of which appears in the regional policy document which we have before us. I do not wish to go into this any further. In my opinion the Commission must also be responsible for the implementation of the projects. This involves not least close collaboration—I repeat—with the European Parliament. We expect from the Commission detailed information on the nature and content of cooperation agreements in existence so far. In particular we would like a comparative survey of the agreements concluded during the last few years. I can only ask all my colleagues—I asked this question of some colleagues in the German Parliament—to try to obtain information in the national parliaments as to how many cooperation agreements have been concluded. This certainly does not require the disclosure of confidential information. It would be sufficient if the services of the Commission compiled this data for us from generally accessible sources.

And with that I would like to conclude: the Commission is called upon to press for a change in the present practice of organization of cooperation agreements. The Commission has an obligation to look to the 'preservation of the Treaties'. I would remind you of Article 169 of

the EEC Treaty. If this should not be possible by political means, the Commission may not leave it at that. If it should be found that, by means of cooperation agreements, some Member States are infringing their contractual obligations, the Commission must bring this state before the European Court of Justice. We await a clear statement of position by the Commission on this.

I repeat: we want economic cooperation with the State-trading countries of Eastern Europe if these will and can improve the living conditions of the peoples concerned. We must however prevent the undertakings of the Member States being played against one another. We must guard against these agreements endangering the Community as a whole or in only one of its sectors by intention or neglect.

(Applause)

President. — I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the Commission. — I think, Mr President, that under the Rules of Procedure this is how we go.

I should like to congratulate Mr Jahn and his colleagues on what is from his and from the Commission's point of view a very happy timing in raising the question of cooperation agreements with State-trading countries at this session of Parliament, because it was only last week that the Commission sent to the Council a formal communication on this subject together with a draft Council decision, and I am delighted to have this opportunity to say something to the House about our thinking in this matter while at the same time replying to some of the questions set down by Mr Jahn and his friends. I think Mr Jahn will see that our trends of thought are very much the same.

I should like first to describe briefly the nature of the Commission's proposals to the Council and then seek to reply to some of the questions which Mr Jahn has put.

In the first place, in our paper we have tried to set out briefly, but coherently, I hope, the historical background to the development of these cooperation agreements and the role which they now play in the relations between our Member States and the countries of Eastern Europe. Our conclusions on this are that, although the agreements do not in general explicitly deal with commercial policy, they nevertheless influence strongly the development of trade between our Member States and the countries of Eastern Europe and cannot, therefore, be considered to fall outside the scope of

Soames

common commercial policy. This does not mean that these agreements do not have their part to play, which was very much the point made by Mr. Jahn.

They do have their part to play. They reflect the will of all our Member States to work for closer links with the countries of Eastern Europe, links more adapted to the conditions of the day than the past type of agreement. This is an objective which the Commission shares with the Member States, but the development of these cooperation agreements and, in particular, the detailed dispositions agreed during each of the annual meetings of the inter-ministerial mixed committees which are set up under these agreements risk cutting across the objective of defining a common commercial policy towards Eastern Europe unless steps are taken to ensure that all these activities are fitted into an overall Community approach and a Community framework.

The primary objective, in our view, must be to prevent these cooperation agreements from upsetting the balance of reciprocal advantages both between Member States themselves and between individual Member States and the East European countries. Moreover, in the longer-term future we entirely share the view set out in the paper by the Group who put down the question—namely, that we should work towards a greater involvement of the Community as such in this field. Meanwhile we are proposing to the Council that there should be a system of regular information and prior consultation, not only before the conclusion of the cooperation agreements themselves but with respect to the annual meeting of the inter-ministerial mixed committees, where so much of the business of these agreements is done.

In addition, we are proposing that Member States should in all cases negotiate a clause which would permit the revision of the agreements in the event of their coming into conflict with the development of Community policies in new fields in the future. Such a clause already exists in the German-Soviet agreement, and we believe that it is most important that this should be made a general practice.

I turn to the specific questions tabled by Mr Jahn and his colleagues. The Commission would not consider it advisable to take too dogmatic a view about achieving bilateral cooperation agreements which extend beyond 1980 or those which are included for an indefinite period or about the relationship of such agreements with our objective of achieving political union by 1980. Our feeling has been that the insertion of

a revision clause, such as that to which I have just referred, would provide the best way of ensuring that there is no conflict between those agreements and those emerging Community policies which will be taking us along the road to European union.

Mr Jahn asked whether the Commission was prepared to undertake legal proceedings against Member States if it finds that an individual cooperation agreement contains provisions contrary to common commercial policy. My answer is firmly: yes, it would be the Commission's duty to do so. Indeed, in one case already the procedures of Article 169 of the Treaty have been invoked by the Commission with respect to certain provisions of a cooperation agreement between one of our Member States and an East European country. Since the procedures are still at an early stage, I hope that the House will not press me to say more than that this evening.

There is then the question whether at this stage it is desirable to proceed by binding Community directives in the field of cooperation and, if so, whether Parliament will be consulted on such directives. Our feeling in the Commission is that at this point it would be premature to think in terms of Community directives for this matter. Hitherto, in the Community there has been a somewhat sterile discussion about whether these bilateral cooperation agreements do or do not fall within the scope of the EEC Treaty. To seek now to proceed by means of directives would, I fear, be likely to perpetuate that somewhat sterile confrontation. We have thought it preferable to follow a different sort of approach which we believe is better adapted to the situation. The first priority must be to get full information and proper consultation, which, we hope, will lead to a much greater coherence and coordination between these agreements. In the light of that the Community will be much better placed to decide whether to proceed to formal directives. We shall see later whether or not this is the right course to take.

As for the involvement of Parliament, we are firmly of the view that the whole question of the relationship between the Community and its Member States on the one hand and East European countries on the other—and, indeed, everything concerning that relationship—is a most proper and appropriate subject for debate in this House and in its relevant committees. In particular, we look forward to hearing the views of the House on the ideas which I have outlined rather rapidly today.

I make one final point. In our communication to the Council we have told the Member States

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of the Commission's intention to call together a high-level group of experts to draw up a report—I hope by next spring—on the ways and means of arriving at the definition of a policy of cooperation with Eastern Europe on a Community level. We shall hope to draw the members of this group not only from among officials but also from the private sector in order to achieve a real cross-section of views from all Member States as to the way we should be working in the development of Community relations with Eastern Europe.

I end by saying how grateful I am to Mr Jahn for raising this matter, which is tremendously important both for our own affairs within the Community and also for putting ourselves as a Community in a position where in State trading we may take advantage of the size and scope of the Community and not be at a disadvantage, which otherwise might be the case, in relation to the other great trading nations such as Japan and the United States. This is not only for the good of our own coherence as a Community but also for the benefit of the Community as a whole in our situation as a trading entity in the world. I believe that what Mr Jahn has advocated is in the Community's interest and we look forward to proceeding with it.

(Applause)

President. — I call Mr Patijn on behalf of the Socialist Group.

Mr Patijn. — *(NL)* Mr President, speaking on behalf of my group I should like to thank Sir Christopher Soames for the detailed answer he gave to Mr Jahn's questions. I should like to add a few short observations.

As regards the question itself, we would observe that, as Sir Christopher has stated, the questions were indeed put in very good time—given the communication which the Commission has just sent to Parliament and which we have not actually read as yet—and that there has thus been a fortunate concurrence of circumstances, but that on the other hand those cooperation agreements have of course existed for many years. The reason why we only now ask this question is that we have suddenly found ourselves halfway in this development. We could have thought of it earlier, perhaps, and perhaps Mr Jahn could also have put the question earlier. I could not do so since I was not as yet a Member of this Parliament.

In the opinion of our group, these agreements—and here I agree with Sir Christopher Soames—will have no influence on political union. As long as we do not know what content that political union will have, it is after all hardly

possible for us to decide that a given aspect will have an influence on it. The result is not yet certain. Nevertheless we still wish to have an exchange of views with the Commission on the Community's powers on this point. As I understand, there is an internal Commission document which states in detail what the Commission's powers are in the field of trade policy and of foreign relations in general. I hope that we may very soon receive that document here too, so as to be able to exchange views on it with the Commission.

To the best of my understanding, that document states among other things that the Community is in particular competent in the field of foreign trade, customs duties, liberalization measures, dumping and similar matters.

We now receive a new document, promised to us by Sir Christopher, which clearly shows that—as Sir Christopher himself has said—the cooperation agreements comprise at this moment hardly any elements that fall within the scope of the Treaty. If this was actually the case, a consultation and information procedure would now have to be followed in accordance with the present procedure for trade policy agreements, as was laid down by the Council several years ago. That has not happened, however. The Commission is now suggesting that it will happen. From this it can be confidently deduced that at the moment it is also the Commission's cooperation agreements in their generality do not fall within the scope of foreign relations, a matter in which the Community has a say. Nonetheless, these agreements may contain elements—and I am happy that Sir Christopher has pointed this out—that may have a considerable influence on trade policy.

Now we really would urge that the Community should elaborate a policy on this point. I naturally find it excellent that Sir Christopher should declare that a review clause must be inserted and that an information and consultation procedure must be followed, but that is in the long term only a stop-gap. If it is now argued that this does not come within the jurisdiction of the Commission and if no review clause is inserted, there is not much that can be done. Consultation can be engaged in, but even so, everyone goes his own way. But the Council will first have to agree on that consultation procedure too. That is why we believe that it looks as if in the long run the Community will establish a policy in which credit facilities, investment guarantees and suchlike will be jointly arranged. We would therefore urge the Commission eventually to propose directives for this matter so that a common policy can take shape in the Community.

Patijn

As we all know from a decision by the Court of Justice, as policy in the Community takes on a more Community character, the powers of the Community in the field of foreign relations will also increase. This is very clearly expressed in the AETR judgment of a few years ago.

My conclusion is as follows. We have no direct idea at the moment what the Commission ought to do, though we have no objection at all to a consultation and information procedure or against the review clause announced by Sir Christopher Soames. We would, however, urge the Commission to consider whether the subject matter dealt with in the cooperation agreements would not lend itself to some form of harmonization in the Community context.

President. — I call Mr D'Angelosante on behalf of the Communist and Allies Group.

Mr D'Angelosante. — (I) Mr President, ladies and gentlemen, on behalf of the Communist and Allies Group I should like to make a few brief observations. Before hearing the previous speakers and, in particular, Sir Christopher Soames, I did not intend to say very much but at this point I feel that I need to say only very little, because I observed that, with its usual courteous and bland style of speech, the Commission has rightly pointed out to the author of the question, Mr Jahn, and to the other Members associated with putting this question that, in the present state of things, there is no Community regulation which can oblige Member States in any way to any particular type of behaviour in the matter of technical cooperation, and it would be absurd and unjust to think of trying to extend the regulations in the matter of the common commercial policy to this area.

Since this is how things are at present I feel that it reduces the legal justification, or support from the Treaty, for the concern of the Members who have put the question; this means that the matter will be discussed at greater length but that the discussion will be, at the same time, less binding and, if one may say so, less political.

On this aspect of the question, I should like to point out that for some years in this Parliament, when we have talked of common commercial policy, we have felt that it was sufficient to confine ourselves to the external and formal aspect, that is to say, the common character of the policy. However, I feel that when expressing an opinion on a common policy one should not be over-impressed by the fact that it is a common policy; it is still necessary to examine what kind of policy it is.

Neither from the question itself nor from Mr Jahn's speech do we get any kind of clear indication as to what the terms of this common policy ought to be. If we do not know these terms, Mr Jahn, how are we to make a comparison between them and future European political union, or decide whether the two are compatible? We are making a comparison between two unknown quantities and this is absolutely impossible. On the other hand the very terms in which the question was put give only a very vague, ambiguous and ill-defined idea of the characteristics of this common cooperation policy and of future political union, and only an abstract possible contradiction is noted between the present conduct of Member States and the political union of 1980.

I share to some extent Mr Jahn's concern but I want to tell him that, unfortunately, political union by 1980 has so many enemies and so many obstacles upon its path that to single out the difficulties weighing upon relations with the socialist countries in the matter of technical cooperation is to single out only one element, perhaps for political reasons—this I do not like, because we are dealing here with one of the topics which is engaging the Community's attention today. It is true that we have a Treaty which binds us and that next week, as Sir Christopher Soames has announced the Commission will be submitting a proposal on this specific matter to the Council but, as far as I am concerned, it would not be courteous on our part to overlook the fact that there are usually two parties to every agreement.

Just as in our discussion on Mr Fellermaier's report we took account of the other side's points of view, it would not be politically realistic to ignore some new relevant factors which, however, Mr Jahn seems to me to have forgotten. First and foremost, there is a formal proposal by Comecon to the EEC, which is by now at the publication stage at least. I will only remark that this should put an end to the old prejudice repeatedly raised in this chamber about the lack of recognition of the EEC by the Soviet Union and other Eastern European countries. I will also observe that the competent authorities in the Socialist countries have raised the twofold problem of relations between the two European organizations, the Community and Comecon, and also bilateral relations.

It may be that we shall, at the end of our debate, arrive at the conclusion that bilateral relations ought to be entirely excluded, but, however we may persuade all the other speakers of this, it would be discourteous, I repeat, to simply refuse *a priori* to take our colleague's request into consideration and it would be

D'Angelosante

equally wrong to believe, as often seems the case here that bilateralism would mean the end of the world.

I should like to give an example which Mr Jahn will certainly understand much more clearly than I, making due allowance naturally for the differences between us. It is a well known fact that there are very close relations between countries outside the Community and non-European countries, in particularly, African countries. Nevertheless it has never been claimed by Member States that trade relations and relations, even at a very high level, in the matter of technical cooperation should be limited to Community relations; and I would add that this holds also for monetary relations at international level. We all know one Member State which has always had direct, privileged and bilateral relations with each one of these Associated States of the Community in the same areas and on the same matters as the Community itself and by means of agreements whose monetary content conditioned Community regulations on trade, cooperation and economic matters.

Everyone knows this but nobody has ever protested. Now, however, the African countries are protesting.

At this very moment when we are speaking of relations with the so-called State-trading countries—but even this designation is outdated and it would be advisable to change it; in fact, Sir Christopher Soames did not use it—is it in fact necessary to go looking for debating points and divisive elements, something that does not happen on other topics, while at the same time important members of the Community, such as the German Federal Republic, France and Italy, maintain flourishing and highly-developed trade relations with the Eastern European countries? While the political situation seems to be improving, in spite of some very threatening shadows recently, is it still the time to be searching for some kind of Community political identity in this disturbed situation? Mr President, ladies and gentlemen, I feel that all this has been made superfluous by the passage of time; my contribution therefore is not intended in a merely polemical spirit but rather as a witness to new times and to our hopes.

President. — I call Mr Klepsch on behalf of the Christian-Democratic Group.

Mr Klepsch. — (D) Mr President, ladies and gentlemen, I would be grateful, following the reply to the remarks by Mr Jahn, if Sir Christopher could also say something about the

practice of outbidding which is being applied by Member States in the determination of the credit conditions granted to the East Bloc States. It is extremely important that the present practice which Mr Jahn has particularly criticized in an example, is brought to an end. We should be grateful if we could hear something about the Commission's ideas on this matter.

In particular, however, since the next round of the negotiations within the European Conference on Security and Cooperation is shortly to take place, and each of us, as well as the Commission, knows that the state-trading countries consider the question of credit as one of the main subjects for negotiation within this Conference, this House would be interested in hearing the Commission's view of this matter as the participant in the delegation of the President of the Council at the Conference. I believe it would be expedient if this House could today hear Sir Christopher's comments, i.e. before this round begins. I would also be grateful if we could be given a survey today or at some time about the relation between the credit conditions which we grant to the Eastern bloc States, industrial and developing countries. The most important point for me however is the question of the Commission's attitude to the European Conference on Security and Cooperation.

President. — Mr Jahn, do you wish to speak again?

Mr Jahn. — (D) No, Mr President.

President. — Do you wish to speak, Sir Christopher?

Sir Christopher Soames. — I shall be glad to answer the one question that was posed to me and what has just been put to me by Mr Klepsch.

The Commission is aware that in the Conference on Security and Cooperation some of the State-trading countries intend to make an issue of the question of the credits granted to them by the West. I believe it is to that subject that the Member was referring.

We know that the German Democratic Republic and Hungary have jointly declared they would like more credits on favourable terms to solve their foreign exchange problems.

Arising from that, Mr Klepsch asked what the attitude of the Commission was likely to be in these circumstances. I can be quite firm on this. The consultation procedure which we propose and of which I talked is to apply to the

Soames

credit terms granted by Member States to State-trading countries. It will cover that aspect of the matter. We think this is very important from the Community point of view. Differences in the conditions on which export credits are granted can lead to distortions of competition. Nor does the Commission regard it as appropriate that these countries should be able to negotiate favourable credit terms which are not always granted by countries of the Community to countries much less well off than them in the Third World.

Mr Klepsch asked whether I did not think it was time to check the practice of Member States outbidding each other in the favourable credit terms granted to State-trading countries. This is another aspect of the question. That is the Commission's stand, and it is the Commission's view that we should. We see no reason why State-trading nations should get indirect subsidies which we do not give to other industrialized countries and not even to countries of the Third World.

What the Commission proposed in December last was a minimum rate of interest below which Member States must not grant credit of any description either to State-trading countries or to any industrialized country.

I can assure the Member that the aspect he raised—and I was glad he did—is referred to specifically in the proposals we are putting to the Council. I cannot tell him today what the attitude of the Council will be. However, I am glad to think, having listened to the debate, that Parliament is with us.

One Member—Mr Patijn, I believe—wondered whether we were going far enough. I am not suggesting we will solve all this from one day to the next, but I have the feeling that Parliament is with us in our general approach on this matter and I have no doubt that the Council also will take note of that.

President. — I have no motion for a resolution on this debate.

The debate is closed.

Mr D'Angelosante, we cannot reopen the matter.

However, I know that you have something to say and I will give you the floor later.

11. *Change in agenda*

President. — Bearing in mind Sir Christopher Soames's commitments, Mr Bordu has very kindly stated that he would be prepared to

give a brief introduction to the oral question on Spain which is on the agenda, Sir Christopher Soames being prepared to answer.

The Assembly can only welcome this gesture by Mr Bordu.

Are there any objections?

That is agreed.

12. *Oral Question No 100/73 without debate: entry of Spain into the Common Market*

President. — The next item is Oral Question No 100/73, without debate, by Mr Ansart and Mrs Iotti to the Commission of the European Communities.

In agreement with its authors, I shall now read out the question:

'Subject: Entry of Spain into the Common Market
We wish to draw the Commission's attention to the feelings aroused by certain official declarations tending to support Spain's entry into the Common Market.

Will the Commission confirm once again that in view of the current suppression of all democratic liberties under the Franco régime Spain can claim no right to join the Common Market?'

I would remind the House that pursuant to Rule 46(3) of the Rules of Procedure the questioner may speak to the question for not more than ten minutes, after which a member of the institution concerned will reply briefly. After the Commission has replied, the questioner may put one or two supplementary questions, to which the representative of the Commission may then reply briefly.

I call Mr Bordu to speak to the question.

Mr Bordu. — (*F*) I should first like to thank you, Mr President, and to thank the Assembly. The question by Mrs Iotti and Mr Ansart is designed to ascertain the Commission's opinion on Spain's entry into the Common Market.

The question has been prompted by certain official declarations indicating enthusiasm for such an eventuality and tending it seems, to prepare public opinion for it.

We use the word enthusiasm, because, as far as we know, Spain has not, as yet, indicated officially that it intends to seek entry into the Common Market. If it had done, we should have worded this question more strongly.

From the legal angle—and I shall confine myself to that—the Treaty of Rome affirms that to be a member of the EEC a State must be a democracy. Spain certainly does not satisfy this

Bordu

condition. Democrats, with good reason, always speak in terms of Franco's Spain, of a Spain which, for forty years, has been living under a fascist type of dictatorship, of a Spain where parading on the first of May will put you in prison, a country where torture is given free rein, whose lawyers—a hundred of them— on 27 September last denounced the regime's arbitrary rule and the country's judicial system and injustices. These lawyers spoke out against arbitrary house searches, some at their own homes, and the arrest of witnesses who had testified before the courts without adopting the official line.

For the past 15 months, ten workers' leaders, including Camacho, Soto, Sartorius, etc., have been imprisoned awaiting trial.

Supporting, the Spanish people, as we do, in their courageous struggles, and committed, as Communists, to defending this entire nation's right to freedom, we deplore the encouragement given by official declarations to such a régime, whose counterparts may be found in Portugal, Greece, now in Chile and in apartheid South Africa.

President. — I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — The honourable gentlemen, in his speech, has touched on a number of points which have nothing whatsoever to do with the Commission and it is not for me to comment upon them. I will address myself to the question itself.

The current negotiations with Spain are aimed at the conclusion of a free trade area and are based on Article 113 of the Treaty. The basis on which these negotiations are being conducted excludes any reference to the possibility of Spanish membership of the Community. That is a fact. Since, therefore, the question of Spanish membership of the Community is a purely hypothetical one, the Commission does not consider it appropriate to take up a formal position on the matter.

President. — I have received a request from a number of Italian Members of Parliament that the report by Mr De Koning on olive oil prices be placed on the agenda of a future part-session. I would ask all those Members who are present to inform their colleagues in the political groups of this request. The rapporteur, Mr De Koning, is not here tonight. His deputy, Mr Héger, should be here. When we resume this evening we shall discuss this request for a postponement immediately in the presence of Mr Héger.

I call Sir Christopher Soames.

Sir Christopher Soames, Vice-President of the Commission of the European Communities. — I think it is my duty to make a comment, Mr President, although it falls outside the scope of my personal responsibility to the Commission. However, on behalf of the Commission I must say that we are against postponing the report because the price of olive oil, I am assured, has to be fixed by 1 November. That, I think, is something which the House would like to bear in mind.

President. — I am grateful to Sir Christopher for making that very important point. But might I presume that we shall have the real debate on the postponement after the break we are now to take?

I thank Sir Christopher for being here with us, and I hope he has a good trip home. The same goes for President Ortoli.

The proceedings will now be suspended until 9.30 p.m.

The House will rise.

(The sitting was suspended at 7.55 p.m. and resumed at 9.30 p.m.)

IN THE CHAIR: MR DEWULF

Vice-President

President. — The sitting is resumed.

I call Mr Pounder on a point of order.

Mr Pounder. — I hope that the point I wish to raise will be regarded as a point of order. A few minutes ago I was asked by two journalists to raise with you, Sir, as President of this sitting, the fact that there are no telephone operators whatsoever for the Press. I am told that they have all gone home, and the Press is concerned because its representatives have no contact with their newspapers.

President. — Mr Pounder, this is not the first time that such matters have been mentioned. We shall take note of it.

13. Change in agenda

President. — I shall now deal with the procedural motion to delete from tomorrow's agenda the report drawn up by Mr De Koning on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation

President

fixing the target price and the intervention price for olive oil for the 1973/1974 marketing year.

Pursuant to Rule 32(3) of the Rules of Procedure, the following may be heard: the proposers of the motion, one speaker for and one against the motion and the chairman or the rapporteur of the committee concerned.

I call Mr Cipolla, who proposed the postponement.

Mr Cipolla. — (1) Mr President, Mr Bersani, who was the first signatory of the request submitted by us this morning for a debate on olive oil, is not here now. This is a rather important question which should have been discussed by the Committee on Agriculture. That committee did not discuss it at length because of the absence of all its Italian members who were detained by their commitments in the national Parliament.

On the other hand, there is no problem in view of the fact that the regulation expires on 1 November and in view of the nature of the regulation on olive oil, which means that there is a certain time lag in the payment of the subsidies. It is a question which affects a particularly depressed region and it should be tackled calmly and unhurriedly. That is the reason why we have asked that it should be referred back to the committee for a more detailed examination.

President. — Ladies and gentlemen, Mr Cipolla's question is of particular importance. In addition to the basic arguments, we are concerned with the question of whether or not Parliament will deliver its opinion before 1 November, as Sir Christopher Soames said before the sitting was suspended.

I see Mr Thomson wishes to say something else on behalf of the Commission of the European Communities.

Mr Thomson, Member of the Commission of the European Communities. — On behalf of the Commission, may I say that I think that Parliament would wish to know that these prices must be fixed in time to come into force on 1 November, when the new marketing year on olive oil begins. Therefore from the Commission's point of view we feel that a decision of Parliament should be taken during the current part-session.

President. — Thank you, Mr Thomson.

I would ask all Members to think again of the consequences which a possible postponement might have for the rights of this Parliament regarding the delivery of an opinion.

Does anyone else wish to speak against the motion?

I put the motion to the vote.

As the result of the show of hands is not clear, a fresh vote will be taken by sitting and standing.

The motion is adopted.

14. *Decision on the creation of a Committee for Regional Policy — Financial regulation for the European Regional Development Fund — Regulation establishing a European Regional Development Fund (cont.)*

President. — The next item is the resumption of the debate on the report drawn up by Mr Delmotte on behalf of the Committee on Regional Policy and Transport on the proposals from the Commission of the European Communities to the Council for

- I. a decision on the creation of a Committee for Regional Policy
- II. a financial regulation to special provisions to be applied to the European Regional Development Fund
- III. a regulation establishing a European Regional Development Fund (Doc. 178/73).

I would remind the House that each speaker is allowed up to five minutes' speaking time.

I call Mr Herbert.

Mr Herbert. — Like other speakers, at the outset I want to congratulate the rapporteur on his detailed and comprehensive report. I commend his tenacity in rigidly adhering to the ideal enshrined in the final communiqué of the Paris Summit. I also commend Mr Delmotte's deep commitment to the basic principle of European solidarity as illustrated in his opening statement and in his report, which states that the Fund should intervene only when the task of rectifying regional imbalance is beyond the capacity of central governments. In elaboration of this point Mr Delmotte cites two of the most representative examples, namely, Ireland and Italy. In the case of Ireland he proves that Ireland through her own resources is unable to correct regional imbalances and as a result will be unable to conform to the rigid disciplines of economic and monetary union.

We in Ireland are aiming at a well-balanced national regional development policy, but no matter how successful our efforts will be in redressing and correcting our national im-

Herbert

balances we shall never succeed in closing the gap between Ireland and the rest of the Community through our own resources. This is the stark reality of our situation. For this reason, realistic access to Community funds is imperative for Ireland and indeed also for Italy, if both our countries are to remain as co-equals in the enlarged Community.

Up to this afternoon we were discussing the very important matter of regional policy without having before us all the information required for a full discussion until Mr Thomson's exposé in his opening statement. We were to a large degree dependent on media sources. For example, the sources suggest that in recent weeks the Commission has made secret proposals to the Council of Ministers containing a scheme whereby the Regional Fund will be divided up on a quota or population basis. According to this scheme, Ireland would receive 3.9 per cent of the available aid. We in Ireland have already expressed our views on such proposals and have expressly condemned the distribution of regional funds on a quota basis.

It is patently obvious that any distribution on a quota basis or on a population basis is totally contrary to the principle of transfer of resources from the richer to the poorer regions in the Community. It is also patently obvious that the distribution of funds on such quota or population basis results in fact in a distribution of regional funds on a *juste retour* basis, a concept that the Commission had expressly rejected in formulating its guidelines. The proposals as made to date and as contained in the guidelines and draft regulations are in accordance with a genuine regional policy. Again according to media sources, activities behind the scenes, however, seem to be going in the opposite direction. This is a most disturbing situation, particularly disturbing for a small country such as Ireland. When acceding to the Community the Irish people sincerely believed that they were joining a genuine family of nations where the stronger members would not take advantage of weak members.

Allied with the rumours relating to distribution by quota or population has been the recent publication of the areas to benefit from regional aid. It would seem from the proposals that enormous areas of the territories within the EEC would qualify for regional aid. This is totally incorrect, as a brief examination of the facts and figures contained in the Commission's report of 3 May will reveal.

Ireland's situation is a case in point. The per capita income in the richest region of Ireland is less than that in the poorest regions of

Britain, Denmark, France, Germany, Belgium, Holland and Luxembourg. Yet all of Ireland, even the poorest regions of Ireland, are to be classified on the same level as these other regions. This is manifestly unfair and contrary to the principles underlying real regional policy.

If the proposals relating to all areas to benefit are to go through the Council of Ministers and if the distribution is based on a quota system, it is perfectly obvious that the policy which will result will not be a genuine regional policy but will accentuate the existing imbalances and the ideal of economic and monetary union will become illusory.

If a common position is taken and if a firm commitment to a genuine regional policy is not achieved, the policy that will be formulated will be one that will be based virtually entirely on the principles of *juste retour*. If this happens we shall have the rather extraordinary situation where nine countries, backed by politicians and civil servants who are the most intelligent in the world—I mean the civil servants—have set up myriad structures and a vast bureaucracy and devoted thousands and thousands of man-hours to the creation of a system whereby moneys are contributed to a central fund and then given back virtually to the same persons who made the contributions. If there is not to be a genuine regional policy it is clear that it would be far more sensible to permit the Member States to cater for their own regional problems with their own resources and concentrate Community effort in other fields, such as social or agricultural policies.

In conclusion, this is a very historic occasion for Parliament—a Parliament that has been so persistent in promoting and advocating a Community regional policy since the Bersani Report of 1966. This ideal is now about to be realized, the ideal of humanizing a concept that has up to now been a most inanimate technical and commercial colossus, and I pray fervently and wish that Mr Thomson will be remembered by posterity as its architect-in-chief.

President. — I call Mr Pounder, for whom and together with whom I regret that the technical conditions under which the press is working are not better.

Mr Pounder. — I am grateful, to you, Mr President, for that remark.

At the outset I would thank the Commissioner, Mr Thomson, sincerely for his eloquent and encouraging speech.

I rise quite unashamedly as a regionalist representing a region in my national Parlia-

Pounder

ment, and certainly not for one moment am I ashamed to adopt a regional pose in this House. For far too long there has been an inadequate realization of the importance of regional development. For far too long there was the tendency of over-concentration in areas which were already over-developed, and all that that did was to add to the social problems of over-crowding, housing shortage and environmental pollution.

As I come from Northern Ireland it is inevitable that I should be particularly concerned about the establishment of a meaningful regional policy for the Community and for the provision of adequate finance to give full effect to that policy. But I must admit that I find it extremely difficult to assess fully the Community's policy unless and until the vitally important matter of the finance to be made available has been determined.

Let us assume for the sake of argument that the Commission's proposal for 2,250 million units of account over the three years 1974—76 is accepted. Frankly, I would say that that is the absolute minimum figure for that three-year period that could reasonably be expected to give effect to any form of meaningful policy. I should like to see the figure higher, and I do not despair that this may prove to be the case. But as soon as one has started talking in terms of funding, another question arises. It concerns the general criterion for the deployment of those funds. As I see it, the deployment can be on one of two bases, either to spread the available finances over all the regional projects in a manner which will mean a rather meagre spread over a huge area of activity, or they can be deployed on a priority basis so that those areas deemed to be in special need receive a meaningful share of the finance and tangible results of the policy can be seen. I find this the only realistic and worthwhile alternative.

The second point I wish to make concerns specifically the application of the Regional Development Fund to Northern Ireland and the Irish Republic. As I am the only person in this Parliament who comes from Northern Ireland and quite a number of Representatives from the Irish Republic have already spoken and others are on the list, I should like to make my position absolutely clear on one point which has already been raised. In recent weeks and months there has been much talk in Ireland of the possibility of establishing a Council of Ireland which, if and when it is created, should be given certain powers and functions. In certain political circles in Ireland it has been advocated that the Council should be empowered to determine the projects which may attract

Community regional assistance. That is a view that I totally and utterly reject. I do not wish to see any Council of Ireland involvement in the policy of the Community. The Commission should decide the projects it will assist. The Commission should establish the procedure for funding and supervising the projects which will arise. It would be wholly wrong for any outside organization such as a Council of Ireland to act in an agency capacity. I believe passionately in the Regional Fund, but I want to see it administered, financed, organized—everything—through the Commission.

In conclusion, I look forward very much to the time, which I trust will be early in 1974, when there will be projects proceeding in Northern Ireland which are directly the result of the Community's regional policy.

I know—and I do not think Northern Ireland is by any means an exception in this—that in Northern Ireland there will be considerable disappointment, if not actual disillusionment, with the Community should there be any unreasonable delay in funding adequately the Regional Development Fund next year.

Mr President, with those few remarks, I endorse absolutely the observations of Mr Thomson. I wish him and his Regional Fund all the money it needs. The sooner and faster that it can become operational, the better I believe it will be for the regions of this Community.

President. — I call Lord Reay.

Lord Reay. — Mr President, in order to try to compress my speech as successfully as Mr Pounder has succeeded in doing within the allotted five minutes, I will begin by forbearing to enter the dispute, which sometimes acquires a somewhat philosophical nature, between those who seem to argue the relative values of a social and an economic approach to the question of infrastructure. I think both types of approach are probably necessary.

If you take in the case of Scotland—about which I shall be saying a little more in a moment—the example of the Forth Bridge, which has been of such value to the opening up of Fife, that is plainly an illustration of an economic rather than a social approach to the infrastructural question.

On the subject of the map the Commission has drawn, I think politically the Commission had no choice but to draw a map of areas eligible in the widest and most generous manner possible.

I simply do not think it could do anything else. Of course, this has produced the fear

Lord Reay

that aid will as a result be spread too thinly, but the map is of course concerned with eligibility only.

We must not confuse a system of project aid which the Community is now establishing in which each project submitted requires approval with a system of, for example, industrial investment grants which operates automatically once the area has been delineated. It will be up to national governments submitting the projects to the Commission and the Funds Committee, who will approve them, and to the Regional Policy Committee, who will advise, to ensure that the projects are well chosen and that money is not misspent.

My primary purpose in speaking was to say something about Scotland. The economic prospects and the economic image of Scotland are being transformed by the discovery of oil. This is quite the most important development to have happened in Scotland this century. This relates to that part of Scotland which is not already heavily industrialized. In these areas which will be affected by oil, aid can hasten development. It can also be used to control the development, to prevent imbalances in which housing, education and so on fail to keep pace with the employment that the development generates. Aid will also give the opportunity to control the development in a manner which will be most essential from the point of view of preventing what is a truly beautiful and unspoilt area of our Community from being ruined. That is something that, without great care, may happen only too quickly.

In such areas I do not think we need view aid as being an open-ended project. In those areas it is supported by a natural tide of growth, because in those areas growth is related to the development of an asset which is of vital value to the Community. I think that such investment will be quickly repaid and will be decreasingly required. However, the heavily industrialized area of Scotland—Glasgow and the surrounding region, the West Central area, which accounts for almost half the total population of Scotland—cannot profit to the same extent, if at all, from the development of oil. Glasgow has suffered from a long period of industrial decline and chronic unemployment. Even today, unemployment in Glasgow and Greenock is three times the national British average—over 6 per cent. There is great poverty. For example, a quarter of the households in Glasgow have no water and one third have no bathroom. There have been local and national policies in that area to respond to these problems, but nothing in a period of 50 years has succeeded in breaking the pattern of a large declining industrial city.

As for national policies, governments have been frightened by the scale of the problem in relation to the resources at their disposal. They have been too willing to supply funds when crises have occurred in particular industries to keep those industries going and so to postpone the problem, rather than to adopt more radical action. Such a problem as this will take a decade or two to solve, but only if the scale of available resources is commensurate with the scale of the problem can the right policies be pursued.

I very much welcome in this context Resolution 7, which draws attention to the need for aid to be devoted on a large scale. In this respect it is promising that the project will be financed jointly between national governments and the Community.

I have great doubts, as have some others, about the size of the fund which is to be available. If the figure were 50 per cent higher it would still amount to only one third of the current cost of the common agricultural policy. The question of the size of the fund is important, for without a regional policy economic and monetary union is not possible. But beyond that a regional policy, properly pursued, gives the Community an opportunity early in its life to show that it intends to be a single Community, ensuring that all its citizens have their fair share of the Community's economic fortunes and that no one area is excluded by accident, geography or history from partaking in the prosperity that we expect and constantly endeavour to procure for the Community as a whole.

President. — I call Mr Thiry.

Mr Thiry. — (*F*) Mr President, ladies and gentlemen, being as brief as I can, there are two things I wish to say and which, I believe, must be said, one to our Committee on Regional Policy and Transport, the other to the Commission.

First, I want to thank the committee and its rapporteur for using a new and stimulating approach to this very technical subject, first in its interim report in July, then in the report and the motion for a resolution which we are considering today.

By adopting this approach, the Community will be able to overcome its excessive preoccupation with economic considerations. To the Commission, I wish to voice my regret that it has not given more consideration to our resolution of 5 July, which expressed support for the conclusions of the interim report calling for 'a broader view of development taking account of the human factor'. And yet it was the Commis-

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sion which requested an opinion from us before it submitted formal proposals to the Council on regional development.

Still speaking briefly, I must say it seems unfortunate that according to the Commission's concept, the aid released from the new regional development fund would depend on its power to create or maintain employment, as if education and vocational training were not equally valuable, if less immediately effective, ways of increasing employment.

We must admire—this is not saying too much—the committee's and the rapporteur's perseverance in putting across the point of view we expressed on 5 July.

The Commission was somewhat reticent in its provisional reply this morning, but I hope our point will not be lost. I should like this evening to draw the Parliament's notice to one of the amendments. It is the only one which seems to me to need clarifying. I am referring to the four lines which it is proposed should be added to Article 3 under paragraph 3 on page 9 of the report: 'The fund may intervene only when the national intervention capacity is not sufficient to correct the imbalance'. The need for this provision is not in doubt; it is required in the interests of fair distribution and solidarity and simple economy. As the report says, Community aid is given where national aid is adequate, this means a waste of Community resources and an opportunity for the State concerned to save money. However, I feel some anxiety here. Let us take, for example, a region which qualifies for aid from the fund according to one of the Commission's criteria. If this region belongs to a State which is capable of financing its development fully, the Fund would not be allowed to intervene because of the terms of this new paragraph 3 under Article 3.

Supposing the State concerned does not, in fact, carry out its responsibilities, does this mean that the region cannot be given Community assistance?

I know that this is a delicate matter, for the Community must avoid unwarranted interference in internal policies, and I believe the report is right to remind us that there is no question at present of creating a European super-state. But I think we must consider how to prevent regions missing out altogether because the State does not give the aid it should and the Community withholds its help because it is the State's responsibility. I would point out that, when it is a matter of prohibiting, not exacting, certain national aids, the Commission has the right to intervene in a State's internal affairs where the rules of the Treaty of Rome on com-

petition apply, and it often does so and to great effect.

It would be regrettable if action by the Community was not equally possible in the case of depressed regions. Mr President, for one moment I thought I could see something which would prevent this new paragraph 3 of Article 3 from having such an unfortunate effect, that is, in the motion for a resolution and the amendments to the Commission's text which it asks for.

If the Committee for Regional Policy and Transport is obliged to take evidence from the regional authorities when the interests of their region are at stake—and this is what the amendment of Article 5 of the draft decision on the creation of this committee means—then there exists some safeguard for all the regions. It will, indeed, be a matter of interpreting and implementing the texts. This work of interpretation and implementation must be guided by the principles reaffirmed by Mr Delmotte in his report, notably the principle that regional policies must be directed largely to promoting self-awareness in the regions and their active participation. In conclusion, I wish to thank Mr Delmotte once again for stressing these principles.

President. — Ladies and gentlemen, you will have noticed that the Chair was a little more generous towards the only spokesman for the non-attached Members, and you will have noticed how elegantly Mr Thiry developed his arguments.

Mr Thiry. — (F) Thank you, Mr President.

President. — I call Mr Bordu.

Mr Bordu. — (F) Mr President, ladies and gentlemen, the Community cannot, in our opinion, hope to solve the complex problems of the regions by itself. Its role is to complement and to encourage.

We believe that it is for the Member States to define their regional policy and priorities, just as it is they who have to bear responsibility for the regional distortions resulting from their own decisions.

We have to face the fact that, throughout the Community, regional imbalances have been aggravated by financial regroupings and increased movement of capital with the economic and social upheavals they bring.

Such a policy has had the effect of creating virtual deserts where there was once great economic activity. This is the case with the mining areas and the consequences are being felt

Bordu

in the energy sector as much as in the industrial sector, now that the world is having to re-examine its sources of energy. The capitalist profit motive is capable in this way of killing regions, by squandering human and material resources.

Regional policy must not ignore social aspects such as unemployment, immigration, redeployment, vocational training and the sad human factors affecting, for instance, northern and eastern France, of which we are reminded by the struggles of the Lip workers.

These are questions of national interest.

In looking at regional problems we must not consider only the rural sector, when the big agglomerations throughout Europe testify to an uncontrolled increase in urbanization and social segregation with dire consequences for the organization of work, transport and the quality of life. All this has to be seen as the result of the crisis in the capitalist system, which the Community's regional policy will not be able fundamentally to solve.

The consequences of the economic and social life of the Member States have forced them to draw up their regional policies. These cannot solve existing problems as long as they are not designed to meet the immense needs of all workers, whoever they may be. But these policies are often, to some extent, anti-democratic and antisocial. They are based on monopolist planning and made dependent on government powers. They are more measures for administrative de-concentration than real decentralization, in some countries.

Community regional policy is intended to create gradually, at European level, a homogeneous environment, which will permit investments by transnational groups. It is hoped that it will prevent distortions of competition and be the starting point, in the regional sphere, for a transfer of control over public investments to supranational level.

The Member States of the Community are, moreover, by no means agreed on the means and aims of regional policy, or on the amount with which to endow the fund, which could become the main financial instrument of regional policy. These disagreements, we believe, are the result of that inexorable law, which results in the unequal development of capitalist economies, certain countries not wanting others to develop with Community aid, others reasoning differently and wanting the fund, therefore, to be much bigger.

This regional policy will be partly financed out of the Community's own resources in the second

stage of economic and monetary union. In other words, public funds will most often be used to assist the private sector and, notably, multinational companies for the most profitable operations.

These companies will be favoured, too, by the Committee for Regional Development, one of whose tasks is to collect information on the investment markets and to inform investors of its findings.

Finally, regional policy is presented as an element in the final designs for the Community. This means that, in addition to being the result of coordination resulting from the demands of 35 multinational European groups, regional development also provides one of the springboards for movement towards political integration, dominated by big capital.

Now, we feel that nations must be left to make their own decisions. In conclusion, I would say that own resources, based on taxes affecting the main objects of popular consumption, will increase the accumulation of floating money, and we know what serious inflationary effects this will have. Own resources, in our view, should accord with the pressing needs of the workers: economic and social needs.

They ought, too, to be used to tackle the problem of unemployment and immigration. Before anything else, they ought to help national, State undertakings.

In this way, we believe, the regions themselves could acquire greater autonomy which would enable them to benefit from State aid in proportion to their new responsibilities. We also think the Parliament should be adequately informed, at least as well as the investors.

These are the ideas and suggestions I wanted to make at this stage in the debate.

President. — I call Mr McDonald.

Mr McDonald. — Although I sympathize with Mr Delmotte in his complaint that his committee had not had an opportunity to study the opinion of other committees, I welcome the speed with which the decision and draft regulations have been produced with a view to establishing a regional development fund and a Committee for Regional Policy by the beginning of next year.

We in Ireland, which is a small country and underdeveloped as compared with the Community, have placed great faith in the proposed fund. We have been encouraged to do so by the preamble to the Treaty which says that it aims at 'reducing the differences existing between the

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various regions and the backwardness of the less favoured regions'. We have also been encouraged by Protocol 30 of the Treaty of Accession, whereby Member States agreed that Community institutions should implement all the means and procedures laid down by the Treaty, particularly by making adequate use of Community resources to assist Irish industrial and economic development designed to align the standards of living in Ireland with those of other European nations and to eliminate under-employment, while progressively evening out regional differences in levels of employment.

In the words of the Commission report, 'The Fund should concentrate its expenditure very largely in those regions which are most in need in relation to the Community as a whole.'

Mr Thomson has talked about the political need to give something to all Member States in order to persuade them to support Community regional policy. I say that this is totally wrong and not in the Community spirit. More probably than any other Community policy, regional policy calls for a major demonstration of Community awareness. I could call it the great test of whether we have a Community or simply a collection of States interested in getting bigger markets and bigger profits from their industry, because, make no mistake about it, the reason Ireland must insist on a proper regional fund and an adequate transfer of help from other members to help our industry to grow is that we least of all, at this present stage of our economic development, are able to cope with the complete effects of economic and monetary union.

We are not asking for the lion's share of the Fund. We are not asking for something for nothing. We are saying that if the Community is going to help and be beneficial to all its inhabitants the Fund must be large enough and used in such a way as to reduce the dangers of economic and monetary union to all the weaker areas, including Ireland.

Mr Thomson can perhaps recognize the principle involved if I remind him of the oldest slogan of the party to which he belongs:

'To each according to his need,
From each according to his ability.'

Ireland has already shown its idealism for Europe. We voted overwhelmingly to join the Community just a year and a half ago. As a small country with an economic history which I do not propose to recite now, membership constitutes the greatest single change in our orientation in 50 years of independence and I go further and say, the most significant change affecting our country in the 170 years since we

formed a union, not altogether with our consent, with Britain in 1800.

We argue that the basic grants should be larger for the poorest regions. I am glad to learn today that Mr Thomson shares this view. We also urge that part of the Fund should be set aside for regions with particularly bad problems, as the Commission itself suggested last May. But this has been quietly changed, it seems, though I still have hopes that it will be revived.

In conclusion, I stress that the views I have expressed in this very short intervention and the proposals I have made are not born of narrow selfishness. I am not arguing that we in Ireland or others similarly placed should be allowed to sit back and let Community money do our work. But what must be understood is that these regions cannot progress into economic and monetary union with the other Member States unless adequate provision is made to enable them to deal with the special development problems in the various corners of our Community.

President. — I call Mr Creed.

Mr Creed. — When the Heads of State or Governments of the countries of the enlarged Community met in Paris 12 months ago it was agreed that high priority should be given to the aim of correcting in the Community the structure of regional imbalances which might affect the realization of economic and monetary union. The Commission was invited to report without delay on the regional problems and the way in which the Community could put forward appropriate proposals.

The Member States agreed to coordinate their regional policies. It was agreed that a Regional Development Fund should be set up before 31 December 1973 and be financed from the beginning of the year, and the second stage of the economic and monetary union was due to begin on 1 January 1974 from the Community's own resources. The task of regional development was defined as being to correct, in coordination with national bodies, and progressively with the realisation of EMU, the main regional imbalances in the enlarged Community, particularly those resulting from a preponderance of agriculture and from industrial change and structural underemployment.

In response to the invitation of the Summit meeting, Mr Thomson submitted to the Council on 14 and 15 May a report now described and accepted as the Thomson Report, on the regional problems of the enlarged Community. The Report called for a greatly strengthened Community regional policy. In orientation and

Creed

substance the report was acceptable to Ireland and was welcomed at the Council meeting by our Minister for Foreign Affairs, Dr Garret Fitzgerald. We in Ireland had pious hopes of starting on the road of achieving the goal under the distribution of the Regional Development Fund, which would rid our people of inequalities in living standards. We in our country who voted so enthusiastically for accession did not want our people to be under the impression that they were conned into joining the Community, no more than we want the Community to become a rich man's paradise. There are areas in my country which have been denuded of their population over the last 20 years, because job opportunities were not offered and people left their areas to emigrate or to get employment in the industrial areas of cities and towns. This movement of people must be halted. Employment must be provided in their own areas.

Ireland's main criticisms of the Commission's proposal are that the size of the Fund is inadequate in relation to the size of the regional problems involved and that the proposals fail to take account of the relative intensity of regional disparities in the Community and fail to take account of the inability of certain Member States, notably Ireland and to a lesser extent Italy, to finance necessary economic development from their own resources.

There is also the fact that Protocol 30 of the Accession Treaty, designed to settle certain special problems of concern to Ireland, makes mention of the objective of reducing the differences existing between the various regions and a reference to the backwardness of the less favoured areas. A reasonable interpretation of Protocol 30 suggests that there should be special consideration for Ireland in the development of a regional policy.

I was very pleased to listen to Mr Thomson today identifying the problems in Ireland. If one wants to provide a solution to any problem, the first essential is to recognize that a problem exists. For that I am deeply indebted to Mr Thomson. I remind him that, while we public representatives and others condemn many times the men of violence, we are concerned at the ills in our society. In many instances those ills are a vehicle of escape from bad housing, from low standards of living and from a rejection of society. I represent in my Parliament areas which as yet do not have an electricity supply, remote rural areas which should be at the top of Mr Thomson's priority list. That, in my opinion, is essential. I am glad that, as I said earlier, he recognizes the problem. If I interpret him properly, he said it was a dark spot. I

sincerely hope that Mr Thomson will be able to put a bit of light in that dark spot.

President. — I call Mr Dunne.

Mr Dunne. — Mr President, I am a comparative newcomer to the European Parliament and am only learning the procedure. Therefore I do not propose to detain the House very long. However, I could not refrain from participating in this most important debate on the Regional Development Fund and the proposed distribution of the monies as it affects my country.

Representing Ireland, I can say it is hard to understand the very small percentage allocation of money proposed for regional development, as it has been designated as a depressed region in toto when one reads the Delmotte Report, especially the paragraph which states that Parliament believes that European solidarity should be reflected in the strengthening of such regions and that the regional concentration of aid will be the test of this universally advocated solidarity.

Ireland has been chosen as one of the beneficiary areas under the Fund on the grounds that the gross domestic product per head is below Community average, thus showing the imbalances. Agriculture, although the main source of income, does not provide continuous or permanent employment. Emigration is at a high rate owing to a lack of industrial projects, and national intervention is not capable of correcting those imbalances without assistance from something like the Regional Fund.

My country is only in its infancy as far as self-government is concerned. In fact, it attained that status only 50 years ago. Last year, political parties campaigned throughout the greater part of the island for entry to ECC by way of a referendum. The people were assured of the benefits accruing from membership of this great Community. They were convinced that unemployment and emigration would no longer be a problem as the resources of the Community would aid depressed Member States in curing their ills. Can we now go back to our people and say we are getting only a crumb off the table when they can read in the papers that the richer nations with highly-g geared industries and little unemployment will get the large slices of the Community loaf, especially from the Regional Development Fund?

We have several industries such as sugar-beet factories and meat plants which are only seasonal. They create annual unemployment and emigration problems. They create problems for the taxpayers who also supported entry to EEC

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for a better Ireland and a better deal, but they are taxed in order to provide the social benefits for those unfortunate people. We also have the car assembly problem, which will be phased out over the years, and the grave problem of closure of coal mines.

I appeal to Parliament here today to support the Irish plea for a greater share of the Regional Fund to improve the lot of our people by stemming the tide of unemployment and emigration. If our case is not supported then I, for one, shall feel that the aims of the European Economic Community have lost all credibility and the view of the ordinary person will be that its aims are to make the rich richer and the poor poorer.

President. — I call Mr Scholten.

Mr Scholten. — (NL) Mr President, anyone who before this debate was not already convinced that regional policy was of great importance to all Member States will undoubtedly at this late hour have come to this conclusion, and rightly so. For imbalances in economic and social development occur in all Member States. They are imbalances that not only threaten economic growth but are inadmissible especially from a social point of view.

We are starting out now at European level with a policy aimed at making improvements in this field. The inception of this policy—as has already been stated in various ways today—cannot be other than modest, since the financial possibilities are limited. It should immediately be added that although these possibilities are at the outset limited, they will have to be broadened, since the great needs present in the various Member States will in the coming years have to be met. But especially in the first years, these possibilities will be limited and against this background I should like to endorse emphatically those who have already made a plea in this debate against a fragmentation of this policy.

If we start dividing the limited funds among too many projects and areas, I believe we shall be letting down in particular the weakest areas. On this point I agree entirely with what my fellow-countryman Mr Wieldraaijer stated this afternoon. In my opinion, too, the guiding principle for policy in the first years must clearly be—likewise from the point of view of European solidarity—that fragmentation of resources must be avoided and that particular attention must be given to the weakest areas in our Community.

When I state this, I am at the same time very well aware that we also in my country have a problem area, namely the province of Limburg.

For Community reasons, the unique situation has arisen in that province that a certain activity is not being reduced but is going to disappear entirely. Within a very short time, the coal mines will have disappeared entirely from the Limburg scene. That is giving rise there to extremely great problems and is creating, too, a unique situation. It is against this background that I urge that concerted action be taken.

Mr President, it is difficult in this debate to bring forward any new points. Yet I believe I should draw attention to one point that I have not yet encountered either in the written documents or in the oral contributions. I refer to the relationship between regional development policy and fiscal policy, taxation policy. At the present time—and the situation will be the same also after the establishment of the regional development fund—it is possible for Member States to conduct regional policy through national fiscal measures. According to Article 4 of the regulation, only interest subsidies or ordinary subsidies fall under national aid. No reference is made there in any form to fiscal supportive measures.

I should therefore like to ask in this debate what connection is there supposed to be between the future regional development policy—particularly as regards the application of Article 4—and national fiscal policy.

To recapitulate, then, Mr President, I should like to emphasize that a European regional policy can be successful only if the individual Member States do not examine precisely whether they are each receiving sufficient funds but are ready in the interests of European solidarity, particularly in the first phase, to support first of all the weakest areas with the limited resources available. I shall gladly give my support in the future to any such policy, not least from my seat in this Assembly.

(Applause)

President. — I call Mr Normanton.

Mr Normanton. — Since we are now coming towards the end of an exceptionally worthwhile debate, I shall concentrate my attention on only four points which I believe have not been given sufficient attention. I come as an elected Member of the British Parliament, not from an agricultural area, but from the north-western region, in which our problems are overwhelmingly industrial. When I look at the map showing the division into regions and zones, it strikes me straight away that solutions to these regional problems lie not in a speeding up of the transfer of men and women from agricultural activities into industry, but in the fact that we have an

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excellent opportunity to develop these regions as lungs to enable millions of people to breathe more easily. I earnestly hope that Mr Commissioner Thomson will give serious consideration to ways in which these vast geographical areas, fringing on coastal areas of Europe and containing some beautiful country, will be developed in order to take account of the needs of the environment and recreational purposes.

The problems of my area—and I repeat that I represent an old industrial area in the north-west of England—are invariably seen by those in the area, and certainly by those who study them, as largely industrial or economic, but I suggest to Mr Thomson that they are much more social and political than has been stressed so far. I hope that in applying our policies and in considering propositions, proposals or projects for these old industrial areas, he will work closely with Mr Commissioner Spinelli in industrial restructuring, not just in terms of these areas alone but in terms of the whole of Europe.

My third point relates to the size of the Fund, and on this matter there is a considerable amount of common ground among my colleagues in this House. I hope that as a result of pressure in this Parliament the need for the Fund to be a large one will be seen to be crucial to its success. The real answer to success lies not merely in the size of the Fund but in the way it is spent. I suggest that we should think big and make sure that when spending these sums we should take as our criteria effectiveness and adequacy in terms of the proposals and projects considered. We should think of the final result as being an outward sign to the Community in general and the region in particular that the Community cares and is translating hopes into realities. Lastly, I suggest that, in the light of the bitter experience many of us have had of past policies of regional development, we should think in terms of lasting and enduring projects.

Although it would appear that the Commission and the agencies which it has set up will tend to concentrate on drawing from the regions' and from Member States' various proposals, I sincerely hope that the Commission itself will originate projects to be promoted and implemented on the basis of the Community as a whole.

In this connection, I stress the need for the Commission to deal with that most important component of economic and social development—namely, infrastructure. I put in a special plea for bringing into this category such projects as the Channel Tunnel, the expansion and improvement of a comprehensive railway network for Europe that is fully integrated, the

establishment of more tunnels and links between north and south and between east and west with regard to the Alpine regions, and, last but by no means least, I suggest that we give serious attention to achieving effective and long-term developments in airport networks. It is no good our having tiny airports scattered haphazardly across the length and breadth of Europe. I hope that the Commission will concentrate its efforts on this area of activity in the promotion of an effective infrastructure in the interests of the Community as a whole. I therefore join with my colleagues in expressing a warm welcome to the Commission and in particular to Mr Thomson for his highly imaginative and truly hopeful policy for the development of Europe.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — It will not have escaped the notice of my colleagues that Socialist Members in the European Parliament were against having this important debate at all. In Britain, the regions in need of help are mainly represented by Socialist Members. I am able to speak from personal knowledge and interest about Welsh affairs, but the leaders of the British Socialist Party such as Mr Michael Foot and Mr James Callaghan, who sit for Welsh constituencies and who ought now to be here to speak on behalf of Wales, have chosen to stay away from our debates for reasons it becomes increasingly difficult to understand.

In Wales we still depend largely on three industries—agriculture, coal and steel. Many of our farmers have to contend with unfavourable terrain. Our coal is excellent, but the seams are now increasingly unprofitable to work. Many of our older iron and steel works, which were pioneers of the industry 100, even 150 years ago, have become so costly and obsolete that they have had to be closed. We now have great modern steel and strip mills in Wales, but the threat of closure is still an imminent menace for many thousands of Welsh workers. Our problem is that in the large-scale production of coal and steel we were among the first in the field and now many of our old-established industrial works are in desperate need of new capital. Welsh industry is still seriously undercapitalized, yet much of the capital equipment we have has soon to be written off. Wales, therefore, presents an obvious case for special help in providing a modern industrial and social infrastructure and in the renewal of our productive capital assets.

But I have to warn colleagues that help at the level of public projects takes a long time to bring results. South Wales has been designated

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for special help by the British government for the past 40 years, yet it is still behind the general level of the rest of the island. We have to recognize that regional policy, to produce quick results, must overcome the relatively low earning capacity of a population whose skills may be obsolete or which has had only limited experience in industries such as light engineering which tend to pay the highest rates. We also have in Wales many areas where there are only limited employment opportunities for women. We therefore need a Community system which brings about an increase in spending power at personal level.

I am hoping that I shall be able to interest colleagues in my concept of the European social contract. The object of this idea is the unification of Community income tax and social security.

The time is now ripe for a new departure in policy-making on the whole relationship between individual European citizens and the Community, particularly as it expresses itself in terms of cash. It is obvious that economic and monetary union must remain incomplete if Member States hang on to their autonomy in the fields of direct personal taxation, social security contributions and the provision of welfare benefits. These are in fact merely the opposite sides of a lifelong series of personal transitions which link the individual to the community in which he belongs. The introduction of the tax credits system by the British government makes the whole issue topical.

The proposal is to amalgamate the national insurance funds and other official welfare schemes progressively until a uniform structure of taxation and benefits applies throughout the Community. The concept of the 'social contract' involves the payments of an equal proportion of income to provide the necessary contributions, and entitlement, in return, to flat-rate benefits. It is therefore redistributive, but at the same time automatic: it eliminates casework and the necessity to create two nations through the application of special tests of means. As applied in the tax credit scheme, it provides a tapered subsidy for low incomes and is of especial benefit to poor families.

If it operated for the Community as a whole, the transfer of resources at personal level, which is the essence of the scheme, would constitute a new form of regional policy and would have the immediate effect of raising the standard of living in places where incomes are below the average.

President. — I call Mr Kavanagh.

Mr Kavanagh. — Sir Brandon Rhys Williams said that the Socialist Group was against having a debate on regional policy. Perhaps he was not here when Mr Delmotte made his opening remarks in the debate...

Mr Behrendt. — (D) That is not true!

Mr Kavanagh. — ...and outlined the difficulties he was faced with by having 40 amendments tabled to his report, 14 of which he came in possession of only as he entered the Chamber. He thus felt that no worthwhile conclusion could be reached today. He was heartened when we learned from Mr Thomson that if the debate had not taken place today this would not have delayed the setting up of the Fund by the end of the year provided the decisions were taken at the November session. That was why some of us thought that the exercise of holding this debate all day today and late into the night had no great need, and that is why we in the Socialist Group voted against having it. It is clear that one or two remarks which have been made were meant, not for people in this House, but for constituents in the various nations we represent.

The main difference that has emerged from the debate between the Delmotte Report and the report given to us by Mr Thomson lies in the concentration of aid to the various countries of the Community. The distribution of aid in the Delmotte Report would be concentrated in a very few limited areas, while on the other hand the map produced by Mr Thomson has covered an area half the size of the Community and about one-third of its population.

The Delmotte report, on page 20, suggests that the concentration of aid on two or three priority regions will be the test of the universally advocated European solidarity. I am disappointed that the net should have been drawn so widely by Mr Thomson, because, as we have heard from other Members today, once a large area is taken into account for the purposes of regional aid no doubt the individuals, the people who need aid in these areas, will look for it and make their case for it. If the concentration of aid were over a smaller area, the size of the Fund would not be as critical. If Mr Thomson insists on including all these areas I believe that the size of the Fund at 2,250 million u.a. would be highly unsatisfactory. It would be far too small. Indeed, Mr Delmotte in his Explanatory Statement is clearly of the opinion that the concentration of the aid on a small area would not create the same problem for the Community. He says on page 20:

"The problem at the moment is not whether there are two or ten thousand million u.a. to

Kavanagh

spend. Two thousand million would perhaps achieve something substantial in one single country whereas ten thousand million divided between all the Member States would be ineffective.'

That point should be taken by Commissioner Thomson.

Many Members have spoken today about the problem of Ireland. Both Mr Delmotte and Mr Thomson referred specifically to the Irish problem. Both referred with a certain amount of feeling to the problems that we face in Ireland.

I am glad to say that we felt somewhat more reassured by Mr Thomson's words today than when his new proposals came to us in the newspapers over the weekend. Perhaps it was the treatment they received; I do not know. But it suggested that the Fund would benefit Ireland to the tune of about 4 per cent while our neighbours in Great Britain would receive 25 per cent, France 21 per cent, Germany 9 per cent, Holland 2 per cent, Belgium 2 per cent and Luxembourg less than 1 per cent. So I am glad that Mr Thomson has reassured us that these figures are not to be held as the criteria for the disbursement of the Fund, and we can, I hope, expect more in that respect.

I can only assure Parliament that money spent on regional policy will pay a big dividend to the Community. Politically uneven development of the Community would be its undoing, while economically less well-developed areas represent a substantial opportunity for growth by EEC industry and are also a source of labour for the Community to set up its industries.

Ireland has recently become aware—as have other countries—of the great wealth under the ground and under the sea around us, and I believe that money spent in these less well-off areas will perhaps repay the Hamburg worker in the long run far more than he will lose in paying over his taxes in the early days of our accession to the Community.

President. — I call Mr Seefeld.

Mr Seefeld. — (D) Mr President, ladies and gentlemen, I should like to make a few remarks at this rather late hour. A lot has been said in this debate that is true and there is no need to repeat it. I shall therefore begin with something which I believe is not true in order to argue against it. The first thing I want to say concerns Mr James Hill. The chairman of our Committee on Regional Policy and Transport said in this debate this afternoon that he was

sure that the Socialist Group did not want any debate.

Sir Brandon Rhys Williams expressed himself in similar terms but repetition does not make Mr Hill's remark any the more true. I should like to say quite clearly that anyone trying to provoke us has obviously not understood what is meant by procedural matters. We were not trying to get out of a debate. We have a number of things to say. We have spoken today, will continue to speak and will speak when the debate is continued in November. What we were concerned about was the best way of proceeding and we were concerned about Mr Delmotte and the manner in which he should present his report.

The second remark I wish to make is this: Many of those who spoke so stoutly today on behalf of regional policy have long since disappeared. Their interest has waned noticeably since this afternoon. If I may express my personal opinion it is that a number of people here today had a speech ready written for today's debate that they wanted to get off their chests. And I suppose we should understand them. As vice-chairman of the committee I should in any case like to thank all those who have stayed on until now and have spoken so objectively on the subject.

If I might summarize my impressions there is one that prevails—namely that regional policy, as I have realized today more clearly than ever before, must be kept free from thoughts about one's own church tower, however near it may be to this or that. Regional policy must look at Europe as a whole, and perhaps this is more possible in our second debate than in the first.

Anyway, the speakers on behalf of a number of areas potentially qualifying for aid have put forward their arguments today and I support them. We have heard the arguments and must now take them into consideration.

Now to my third point. Many people say that the differences in Europe must be changed for the better by the regional policy. Ladies and gentlemen, this debate is concerned—and I should like to stress this point—not merely with regions but with the people who live in the regions. And I should like to call upon everyone here to ensure that a good deal of regional policy is supported by legislation passed in their own national parliaments. I am thinking of more social justice, on improved consumer policy and of more equality of opportunity in one or other of the countries for the various regions concerned. It is not enough just for us to keep staring at Europe and waiting for miracles to happen. The disappointment will be great indeed if we do not do something ourselves.

Seefeld

Mr President, ladies and gentlemen, Mr Delmotte has in his very instructive report—and this is my fourth point—mentioned a number of things which I should like to stress. I can remember paragraphs 3 and 6 of the motion in which he emphasizes the social aspect and says that human factors must be given greater consideration. Here I think is where we must take our starting point in any further discussions on our regional policy. We should also look carefully to his paragraph 10 in which he says that both sides of industry concerned should be brought into the discussion as well as local and regional authorities. I would consider it to be a great step forward in regional policy if this were the case.

One very last remark, Mr President, and I will be brief. During discussions on regional policy mention is made again and again of European solidarity. This is something which must be thought over carefully and given some content. It is my impression that not everyone in our Community is clear that European solidarity exists or, at least should exist. I do not imagine that every citizen in the Community is ready to identify with the principle of European solidarity. Would you not agree that there are people in the developed regions to whom we must make clear why such solidarity is necessary? Only if we succeed in this will these people begin to see the sense of regional policy.

Only then will they also see the need for equality and help for those in need at the expense of those who can afford it.

Ladies and gentlemen, those were just a few thoughts which I felt should still be expressed. I saw that the debate had gone the round and all groups had a good chance of expressing a full range of opinions. Let us try by the next part-session to work out together what is best for our regional policy.

(Applause)

President. — I call Mr Schwabe.

Mr Schwabe. — *(D)* Mr President, ladies and gentlemen, I have learnt from Mr Delmotte both how to give an excellent report and how to appeal to others to save time. I was greatly impressed by this request. I want to follow his example and not say anything else. I look forward to the next round.

President. — I call Mr Aigner.

Mr Aigner. — *(D)* Mr President, ladies and gentlemen, I have now been in this Parliament for twelve years and I must confess that I have never been so moved by a debate as by this

one—not because it is taking place at night and with a very full House but because the debate provided almost frightening evidence of the hope of European solidarity—a hope—and here I can only stress what Mr Seefeld has already said—which cannot fail to be frustrated. But this debate is also an accusation against those countries which have not managed to achieve even some small reduction in the abyss which separates the rich and the poor regions so that the regions are seeking new tools, making for new shores in order to seek and to find the solution to their problems.

But it is also my belief, Mr President, that there is a great danger in this debate. The Community has managed—and the mass media have helped in this—to arouse expectation in all the regions of Europe, an expectation which will certainly not be fulfilled. I am not trying to speak against European solidarity when I say this. On the contrary I would say today that this European solidarity will have to be paid for in thousands of millions if it is to achieve credibility. I am ready to do this today because we are seeing the gradual emergence on this continent of a movement which could result in the financial power of this continent being wrongly directed. I should like to make one thing clear. I would rather help to give ten thousand million to the West than to send a single million to Moscow where it would be used to increase the weaponry which could be used against us. So I am in favour of European solidarity to an extent that goes far beyond what we are discussing here today. To say all this is much more difficult for a German member of Parliament than for an Italian but I see a great danger in the Community's action in another way too.

If the Community believes it will be enough to contribute another mite in order to solve the problem of regional imbalance, just another mite to add to the other mites contributed by individual countries, it will produce a flood of disappointment and do more harm than good.

If the Community does not have the courage to start work on a new economic and regional policy with real energy and if needs be in sharp opposition to certain economic dogmas which we are afraid of attacking today—even in our own countries, as I have often said in this house—then we are lost. What is actually the cause of the regional imbalances within the Community? The answer is the areas of high population. There is a boil which gradually sucks all the strength from a country and generates costs which are many times greater than those which would be involved in order to achieve the same efficiency in the weak regions. We must ultimately have the courage to put an end to

Aigner

this process of agglomeration and congestion, which is a step in the wrong direction, even if it costs millions and thousand of millions.

The Commission gave a few hints on this point and I am grateful that it did so. But this is not enough. If the Commission fails finally to put before the Member States the appropriate directives and oblige them by public discussion and the force of public opinion finally to develop the instruments which can be used to combat this tendency to conglomerate, its policy will be without the success which we expect from it. My request at this late hour is that the individual countries should have more courage. They will be met by an eager response from these regions, all the regions of Europe.

(Applause)

President. — I call Mr Thomson to close the general debate by stating the Commission's position.

Mr Thomson, Member of the Commission of the European Communities. — Mr President, I am very grateful to you for giving me the opportunity to say a word or two in winding up this extremely interesting and very important debate. I assure those who have so heroically stuck it out to the end that I will not, at 11.15 p.m., delay you many minutes. In any case, I have an aeroplane waiting to take me off to one of the problem regions of Europe where I am due to arrive tomorrow morning.

I should like to say how grateful I am to all those who have spoken. I hope it goes without saying that I and my collaborators here will study extremely carefully every one of the speeches that have been made, whether they were made with all the weight of a political group behind them, with the authority of one of the rapporteurs of one of the major committees of Parliament or, as in the latter half of the debate, individually, often reflecting the particular problems of particular regions.

It has from my point of view been an extremely valuable debate. I can assure you that the content of it will be studied and will influence the thinking and the actions of the Commission.

Might I comment extremely briefly on one or two of the specific points that were made? Mr Mitterdorfer asked what was the justification for the figures that we have put forward. We have put forward figures of 2,250 million units of account over three years primarily on a political judgment. I do not think there is any magical way of determining exactly what is the right level of figures on economic grounds.

It might help Parliament to know that, according to the best figures we have, this order of expenditure by the Community over the first three years will represent roughly 12 per cent of the expenditure by Member States on regional policies in their widest sense, but in the real sense of the term, not only direct aid to industry on a regional or sectoral basis, but also infrastructure expenditure by national States on regional policies.

As I emphasized in my opening remarks, the purpose of Community regional policy is to have a growing fund so that as the Community advances to becoming more integrated and more united, so the proportion of funds spent on regional policies at the Community level will become greater and greater. It is that growth element that it is very important to remember.

Baroness Elles asked about statistics and emphasized the need to improve them. I wish simply to say to her that I fully take her point. A great deal of work is being done on this. There has, I think, been quite a significant improvement in the comparability of the statistics as between the first report of the Commission on this last year and the latest map and list of regions that has been published. Nevertheless, a great deal of work still requires to be done.

Mr Nolan and a number of speakers from Ireland emphasized similar points. Mr Nolan mentioned the President of the Commission's press conference on his visit to Dublin. I believe there has been an immense amount of misunderstanding of what the President said, and he has been quoted completely out of context. I simply say as plainly as I can that there is no suggestion at all, and there cannot be any such suggestion, that the receipts from the Common Agricultural Policy on any one country will affect the receipts from the Regional Development Fund. What is important, I think—and I hope I would carry Parliament with me—is that the Community's efforts in all its various policies, whether they are operating through the Regional Development Fund, through the guidance section of EAGGF or through the Social Fund, should be effectively coordinated so that there is no overlapping of expenditures.

Indeed, it would only be common sense in agricultural areas to ensure that some of the regional developments that are encouraged through the Community's Regional Development Fund are based on agricultural developments. As a simple example, I think of forestry development in agriculture linking up with secondary industrial development. It is, I think, tremendously important that these various aspects of Community policy should be properly integrated with each other.

Thomson

A representative of the Socialist Group echoed the need for a Community incomes policy by seeing that the regional policy is reflected in a closing of the income gap which is so extreme within the Community. Lady Elles mentioned a ratio of 5 to 1, which I believe is absolutely right. Sir Brandon Rhys Williams put forward a proposition for income equalization machinery at Community level. This links up with what was said by so many Members, and was repeated by Irish Members who were doubtful whether our proposals go far enough in bringing about a proper transfer of resources and in ensuring the fulfillment of what I was glad to hear from the centre of the hemicycle quoted as a slogan which would have some appeal to me—namely, from each according to his ability, to each according to his need.

I should like to plead with everybody, particularly with my Irish friends, on this score. Perhaps I can make this plea with that slogan behind me: it is that we should have a reasonable sense of political balance. We are carrying through an extremely difficult process which demands new attitudes and a willingness to transfer wealth over a much wider scale than has happened so far. One of our Irish friends in this House still seems to believe that somewhere hidden in the Commission's propositions is the theory of *juste retour*. This is not so. The Commission's proposals are put forward on the basis that at this stage we have to enable each Member State to feel that some account is taken of its own internal imbalance by the Community.

There is no doubt that the richer Member States of the Community will pay the most and that the poorer Member States of the Community will get the most. Somebody threw around a figure for Ireland that has haunted me a great deal—namely, the figure of 3.9 or 4 per cent. This is the figure of the Irish population against the population of other regions determined by these criteria. I hope that I put the matter in proper context in my opening remarks. If the *juste retour* were operating, the figure for Ireland would be an average of 0.04 per cent. But that is not the figure which we have in mind, because that is a population figure. On a *juste retour* basis the figure would be 0.56 per cent.

Within the Commission's proposal there is a substantial element of the proposition: 'From each according to his ability, to each according to his needs.' It may not go quite so far as some people would like or be quite so radical as some people think, but I would like this Parliament to recognize that the principle which is being operated as a matter of judgment is the principle of how successfully we carry out that principle over the first few years.

Inevitably, this debate has had one defect. It has consisted in large part of speeches by people who personally are deeply concerned, either individually or as representatives of regions or groups, that the Community should have a regional policy. But if the debate had reflected opinion throughout the Community and thrown up the problems which face us, then we should have heard a number of other speeches pointing out the many obstacles which lie in the way of a successful regional policy and expressing various degrees of reluctance.

I welcomed the vigour of the remarks made by Mr Aigner. It is surely one of the fundamental issues which face us that in politics we should behave in a responsible way and should not raise expectations which we cannot finally fulfill. I feel sure that Mr Aigner's fears will prove to be wrong.

I welcome what Mr Aigner and others said about the corollary of a Community regional policy in transferring resources to the regions that need them—namely, that we must have a policy to prevent further overcongestion of areas which are already overcrowded and where the quality of life is being destroyed. I hope that this item will be high on the agenda of the Regional Policy Committee when it is finally set up.

I also wish to say to Mr Aigner that although the proposals put forward by the Commission may seem modest against the scale of the problem, the resources the Community can muster will have a trigger effect. They will be judged not only in terms of their own size but in terms of the degree to which, if wisely directed, they can produce a transfer of private investment resources from the congested regions of the Community to those areas that need them so badly.

This debate has been extremely important since it creates the kind of climate of influence which will encourage and assist member governments and the Community as a whole to reach important and positive decisions which will enable the kind of expectations that were raised at the Summit last October to be fulfilled in the setting up of a Regional Development Fund from 1 January.

President. — I thank Mr Thomson. As we agreed, the motion will be discussed further in the committee responsible. I thank all speakers for being so disciplined and so considerate in keeping to the speaking time allotted to them. I particularly thank the many new Members from the recently acceded Member States who spoke on the regional policy in the making.

15. *Agenda for next sitting*

President. — The next sitting will be held tomorrow, Friday 19 October 1973, at 9.30 a.m., with the following agenda:

- report by Mr Héger on behalf of the Committee on Agriculture on measures to be taken in the agricultural sector following the raising of the central rate of the Dutch florin;

- report by Mr Arndt on behalf of the Committee on Economic and Monetary Affairs on the adjustment of short-term monetary support arrangements and the progressive pooling of reserves.

Finally, I should like to express my personal thanks for the efforts which have been made in connection with this late sitting.

The sitting is closed.

(The sitting was closed at 11.25 p.m.)

SITTING OF FRIDAY, 19 OCTOBER 1973

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IN THE CHAIR: MR DEWULF

Vice-President

President. — The sitting is open.

(The sitting was opened at 9.30 a.m.)

1. *Approval of minutes*

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

Are there any comments?

President

The minutes of proceedings are approved.

I call Mr Lange for a procedural motion.

Mr Lange, *chairman of the Committee on Economic and Monetary Affairs*. — (D) Mr President, ladies and gentlemen. I am afraid that I shall have to raise yet another point on the agenda. Yesterday the De Koning report on olive oil was deleted from the agenda without a proper explanation. We know that Parliament's opinion has to be delivered by a certain time and we also know that in the present conditions a number of rights of Parliament are involved. Of course opinion may be divided about whether it is right for a parliament to make decisions on prices; but we are doing that today, and must do it today and we must form an opinion. Mr President, it is my view that there is no purpose in Parliament wilfully renouncing its powers by exceeding deadlines. I therefore propose that the De Koning Report be put back onto the agenda.

President. — For the moment, we cannot open a debate on this subject. It has been referred to the Committee on Agriculture, and is to be included in the agenda of a later part-session of the European Parliament. I ask Mr Lange to be patient. We were fully aware of the situation when we discussed this matter yesterday and arrived at a decision. The decision is therefore a democratic one. Mr Lange and others may regret it, but the decision must be respected. I call Mr Lardinois.

Mr Lardinois, *Member of the Commission of the European Communities*. — (NL) Mr President, I arrived here half an hour ago. I have since heard about Parliament's decision on the postponement and about its opinion on the olive oil price.

I would in the first place emphasize that it is a matter for Parliament itself to determine its agenda and whether or not to discuss a certain item. But as the Commissioner responsible for this matter, I think I should—both for the sake of Parliament and that of public opinion, point out the effect that this postponement will have. For I can tell you that after 1 November we shall find ourselves in a legal vacuum since the fixed prices are only valid until 1 November. This relates not only to the additional charges we may impose. Perhaps this is indeed a matter on which a decision could be taken at a later stage, but at this moment the whole import and export situation and everything related to it is particularly concerned.

I would emphasize that Parliament has taken upon itself a great responsibility in this matter

and that I do not see how, legally speaking, the Commission and the Council can resolve this matter. I very much regret it, especially now Parliament itself and a large sector of public opinion are involved in an effort to strengthen Parliament's powers, that this Parliament should have come to such conclusions in respect of a very difficult point in the total development of the Community, especially of the common agricultural policy.

President. — We note Mr Lardinois' statement, but the Commission was represented here yesterday when these arguments were brought forward.

I appeal to the House not to dramatize the matter. With regard to price-fixing we have already had occasion to reproach the Commission or the Council.

This item is closed.

2. *Texts of treaties forwarded by the Council*

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

— Agreement in the form of an exchange of letters renewing the Agreement on trade and technical cooperation between the European Economic Community and the Member States, of the one part, and the Lebanese Republic, of the other part;

— Protocol relating to the Agreement on trade and technical cooperation between the European Economic Community and the Member States, of the one part, and the Lebanese Republic, of the other part.

3. *Regulation on agricultural measures following the revaluation of the Dutch florin*

President. — The next item is a debate on the report drawn up by Mr Héger on behalf of the Committee on Agriculture on a proposal from the Commission of the European Communities to the Council for a regulation on measures to be taken in the agricultural sector following the raising of the central rate of the Dutch florin (Doc. 192/73).

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

Mr Héger, *rapporteur*. — (F) Mr President, ladies and gentlemen, I shall not try to conceal from you that like a large number of members of the Committee on Agriculture I learned with

Héger

some degree of bitterness of the Netherlands Government's decision to revalue the florin.

Everyone working for the construction of a unified agricultural market within our Community finds fluctuations in the money market both painful and distressing. We are committed to the free movement of goods and to the unity of the market and whenever a change in parities occurs we have the feeling that we have taken a step backwards and have moved further away from the common agricultural policy.

I shall not enter upon a long historical account, Mr President, I shall not recall previous devaluations and revaluations and all the complications they have brought with them. When goods move freely and currencies are revalued, the farmers in the revaluing country are the ones who suffer. To avoid this happening, special compensatory measures are introduced in the form of intra-Community taxes and levies. All this is a matter of considerable complexity which Mr Lardinois has explained and which he is now suffering under because it is he and his departments who have to repeat the same calculations day after day.

The Netherlands Government has thought it necessary to revalue the florin by 5% pleading the need to combat inflation.

I should like to make a few remarks on the subject and say that it seems to me to be a dangerous thing to consider that revaluation or devaluation of a country's currency is not the result of an economic or financial situation but a tool used to cool an overheated economy or stimulate a sluggish one.

From this moment onwards we might see a boom or a landslide, depending upon whether we are talking in terms of a revaluation or devaluation. In order to stimulate or foster economic development in a country *vis-à-vis* that of its competitors it would be enough to devalue and perhaps force one's partners to do the same to avoid distortions in competition.

I believe that it is an extremely dangerous procedure to use devaluation or revaluation as a means or instrument rather than to regard it as a barometer of the economic situation.

The revaluation in the Netherlands took the members of the Committee on Agriculture by surprise, as it did the other Community countries and I think to some extent the Commission. In fact, as far as I am aware, there was little consultation before the decision to revalue was taken and this failure to consult is, obviously, in a Community such as our own the source of a certain feeling of bitterness.

In a few moments Mr Lardinois will certainly be telling you how the Commission appreciates the appropriate prior consultation when it becomes necessary to alter a rate of exchange. Parliament, too, might think that it should have been consulted but here we should not have any illusions. No government will take monetary measures by public debate since this would leave the way free for speculation or would put the success of the whole operation in jeopardy.

As I was saying a few moments ago, previous revaluations involved the use of compensatory measures. We should be grateful to the Netherlands Government for not having used the same method and for having preferred another system, namely the use of a particular representative rate applicable to the conversion of units of account into national currencies within the context of the common agricultural policy. The *Official Journal of the European Communities* shows the rate of exchange of the Dutch florin as being 1 florin to 0.2904 units of account.

The Netherlands government should, of course, watch over the interests of its farmers since they will be experiencing a fall in prices. In order to assist its farmers, it has decided to alter the rate of VAT applicable to their products from 4.25% to 6.25% for a period of six months, at the end of which period it reserves the right to review the situation and especially the level of profitability of farms.

The estimated amount of this aid is 120 million florins—an amount which does not, apparently, fully cover possible losses by Dutch farmers, especially in certain areas of activity.

The Commission has proposed that the European Agricultural Guidance and Guarantee Fund should pay 15% of this 120 million florins, which means five million units of account.

We should be interested in this connection if Mr Lardinois could explain to us the bases on which the EAGGF contribution was calculated. I personally believe—and this was also the opinion of the Committee on Agriculture—that these bases tend to be rather retrospective, that is to say that the starting point was the total value of Netherlands agricultural production calculated at 240 million florins. Six months would therefore be 120 million florins and 15% of that 5 million units of account.

We in the Committee on Agriculture at least would have hoped, as we mention in the motion for a resolution, to have been given more objective and more up-to-date information. Everyone knows that for some time now the world market has shown an upward trend in farm prices with inevitable repercussions on levies and rebates. We may therefore ask our-

Héger

selves whether the figures on which the assessment was based are in fact in accord with market fluctuations over the coming months and especially the rhythm of levies or rebates on exports or imports from third countries.

There is another point to be considered besides the loss to farmers resulting from the fall in production prices. Farmers are important customers for raw materials which are often imported from abroad such as seed, fertilizers, phyto-pharmacological products, agricultural machinery etc. In this case their purchasing power is, of course, increased since they need fewer florins to buy imported potassium fertilizers, selected seeds, chemical products and other necessary products.

If the Netherlands Government in its desire to slow down inflation wished to avoid a price rise to consumers by bearing part of the effects of the measure, it should be pointed out that here again the consumer will have an increased purchasing power abroad. Obviously the number of florins required to buy a Mercedes in Germany or a barrel of wine in France will be reduced. But it is not up to the Committee on Agriculture to express disapproval of the fact that Netherlands consumers might be placed at an advantage in certain sectors or operations.

In its motion for a resolution the Committee on Agriculture cannot help but regret that as a result of the measures taken in the monetary field we are faced with a slowing down, if not a setback in progress towards an economic and monetary union.

We also deplore the fact that there was no agreement reached before such a measure was taken.

As I was saying a few moments ago we would have liked to have more up-to-date information on which to make an assessment than that used as the basis for the Commission's proposal. However, since the Netherlands Government has opted for the solution least unfavourable from the point of view of economic and monetary union, by which I mean that it is endeavouring not to introduce into Benelux compensatory sums, taxes, levies or rebates which are not applied at present, thereby avoiding the complicated calculations which this method would have involved and since it considers that this provisional measure is a temporary one the Committee on Agriculture, on whose behalf I am speaking, asks you vote in favour of the Commission's proposal.

(Applause)

President. — I call Mr Pounder, rapporteur for the opinion of the Committee on Budgets.

Mr Pounder. — On behalf of the Committee on Budgets, whose opinion I have been asked to give the House this morning, I express very warm appreciation of the work which Mr Héger has put into his report and for the very detailed consideration which he has clearly given to the important subject raised by his report and his motion for a resolution.

The Committee on Budgets at its meeting on 17 October expressed its support both for Mr Héger's report and for the motion for a resolution. The committee accepted the points but recognized the danger to the progress towards economic and monetary union and towards the achievement of an agricultural common market. Nevertheless, the committee agrees with the reservations of the Commission's proposals in relation to this regulation.

President. — I call Mr Lardinois to state the Commission's position.

Mr Lardinois, *member of the Commission of the European Communities.* — (NL) Mr President, I should like to endorse the words of the last speaker, Mr Pounder, when he complimented the rapporteur, Mr Héger, and the Committee on Agriculture for the important work they have performed in this matter. The report prepared by Mr Héger on behalf of the Committee on Agriculture contains a judgment that is in general characterized by a balanced approach.

The Commission of the European Communities shares the concern expressed by Mr Héger about the revaluation of the Dutch florin and especially the consequences of this for the Common Market. Having said this, I fully agree with Mr Héger's remarks that, given the development of the Dutch trade balance etc., and considered objectively, it cannot be disputed that the factors present clearly indicated the need for a revaluation. Perhaps it ought to have happened sooner or later. If it had happened at the same time as the revaluation of the Deutsche Mark, that is, a month and a half ago, we should have been spared a new upset in international payments. But it cannot be said that there were no reasons for the present measure. The Commission can also feel a certain appreciation for this measure, partly because the market in the Benelux countries is not disrupted in the agricultural sector and partly because, in the broader framework of the Common Market of the Nine, no frontier obstacles are being created over and above those that already exist. The Commission has therefore taken a favourable view of the compensation measures proposed by the Netherlands. We can also agree to the size of the amount involved in the compensation

Lardinois

measures. I am happy that Parliament's opinion tends in the same direction.

To Mr Héger I would say that the amount which we proposed of a round five million u.a. is not a precise figure; the precise amount is 15 % of the proposed compensation of an extra 2 % on most agricultural and horticultural products. So the five million u.a. are an estimated amount for six months.

Mr President, I must tell you that I appreciate it very much that the Commission's proposal has been favourably received, both by the Committee on Agriculture and by the Committee on Budgets. I should like to thank both committees for their positive attitude in this matter.

President. — Thank you, Mr Lardinois.

Does anyone else wish to speak?

The general debate is closed.

We shall now consider the motion for a resolution.

I have no amendments or speakers listed.

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted ¹.

*4. Report from the Commission
on the adjustment of short-term
monetary support*

President. — The next item is a debate on the report drawn up by Mr Arndt on behalf of the Commission of the European Communities to the Council on the adjustment of short-term monetary support arrangements and the conditions for the progressive pooling of reserves (Doc. 189/73).

Mr Haferkamp is still on the way here. I will ask Mr Lardinois to be so good as to represent the Commission until he arrives. We can then begin the general debate if the rapporteur is in agreement.

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

Mr Arndt, rapporteur. — (D) Mr President, ladies and gentlemen, I would like to present my report on the European Monetary Fund in the form of answers to three questions:

The first question is what is the European Monetary Fund at the present time?

The second question, what should it develop into?

And finally the third question: why should the Committee on Economic and Monetary Affairs recommend this special resolution to the House?

The answer to question 1: at the moment the European Monetary Fund is not much more than a clearing house for monthly support operations in the European monetary system, working out the balance that interest is payable on. It also manages short-term support credits to individual Member States which are in fact very limited in size and have existed for some time. Now in the case of these short-term support credits the European Monetary Fund—which has existed since early this year—has yielded nothing which did not already exist. As far as the balance is concerned it does less than the European Payments union in the 50's.

This leads us to question 2: what is to become of the embryo?—let us consult the views of the European Parliament in its resolution of this spring in which it states that the Fund should receive greater powers; it should be able to dispose of greater monetary reserves; it should build up a system of external intervention additional to the internal support.

All these fine ideals should gradually make the European Monetary Fund into a European Central Bank, a Central Bank which is under independent and in good hands, namely the hands of the Presidents of the central banks of the Member States. This development from caterpillar to butterfly would have required extra stimulus in the form of a greater volume of monetary reserves. Once it exists then everything else, the increased powers, the external intervention will follow. And that was the desire of this House early this year. The European Parliament, Mr President, gave the resolution a large majority in March. Indeed I could perhaps say that there was some evidence of enthusiasm. The Commission was asked at the time for an appropriate plan of action. This report from the Commission is now before the House together with the motion for a resolution of the Committee on Economic and Monetary Affairs. The motion is short, limited to the essentials. It also sees the development of the fund as part of the development of general economic policy. The motion also gives evidence of monetary discipline and respects the property of the Member States deposited in the monetary reserves.

I now come to the third question: why is the Committee on Economic and Monetary Affairs now recommending this motion for a resolution? Or more precisely, why is it recommending you

¹ OJ No C95, 10. 11. 1973.

Arndt

to adopt it today and not in November or December? Let us remember what happened in the Spring, in the month of March, and our enthusiasm then about the building up of the Monetary Fund! In that month of March the last major monetary disturbance took place and there was a European answer to this disturbance, given by six Member States, which was no more interventions in respect of the dollar, no support purchases for the dollar, but rather mutual support of the European currencies of the six. In short the answer was the answer of the European monetary system or monetary block as we now see it.

There was of course only a partial answer. Only six Member States were involved and not nine. What would have happened if all nine had agreed on these measures? Mr President, the Committee on Economic and Monetary Affairs would then not have had to present this motion for a resolution to the House and to you. If things had been so, the national central banks would have been prepared to deposit the greater volume of monetary reserves in the European Monetary Fund, representing about 20 % of the national monetary reserves, which our motion refers to as step number 1. Perhaps there would also have been further developments meanwhile. It is clear that had the pound sterling been included in the European monetary system—and not been outside it—it would have required a stronger buffer of monetary reserves. Perhaps the amount we hope to have, i.e. more than 20% of national monetary reserves at the disposition of the Community would in fact today have been over 50%.

So in March all the doors would have been open, the doors of the Parliament for an expansion of the Monetary Fund and the monetary reserves at the disposition of the Communities. There are Member States with strong currencies, which naturally had to contribute in proportion to their quota, but more than their proportion in absolute figures, and were also holding their doors open. Why should all the doors be closed today? Why is everything closed today? In Europe many things have ground to a halt since the Spring. The Committee on Economic and Monetary Affairs is therefore of the opinion that it is all the more important to allow what seems to be a matter of course or almost a matter of course to develop further and it recommends you to open the door once more by adopting this resolution. Every day we are liable to be forced into new situations by monetary developments. Monetary disturbance usually arises as a consequence of wars. There is war once again; this time it is even nearer, not east but rather west of Suez.

The Committee on Economic and Monetary Affairs therefore sees the rapid development of the Monetary Fund as a precautionary act. It has formulated the technical conditions in such a way that the essential points are retained, but the Commission and Council can in fact decide in favour of the strengthening of the fund.

President. — Before proceeding with the list of speakers, I wish to extend a hearty welcome to Mr Haferkamp and to thank him and his colleagues for the effort they have made to be here this morning.

I call Mr Artzinger on behalf of the Christian-Democratic Group.

Mr Artzinger. — (D) Mr President, ladies and gentlemen, let me start by offering my congratulations to the rapporteur for his concise but very intensive report, in which he touched on the essential problems.

Let me also say on behalf of the Christian-Democratic Group that we are in favour of the motion for a resolution. It has however fallen to me to elucidate to the House some points of our attitude which appear to us to be essential.

First of all we should reserve high praise for the Commission's proposal. It provides an excellent analysis of the situation and clearly enunciates the difficult problems. This is something for which we should express our gratitude. We should ask ourselves why this proposal had to be made at this time when we consider that all our efforts must be concentrated in order to ensure that at the end of the year, on which everybody's hopes have been set since the Paris Summit Conference, all our expectations do not end in a poor compromise.

The rapporteur spoke of the change which has taken place between the Spring and the present time, a change which is not only indicated by actual facts but which has also brought with it a difference in atmosphere. So let me express here my sympathy for attitudes which may be enunciated in the course of the discussions by those who may be somewhat hesitant about the Commission's proposal.

These reservations should not be allowed to detract from the importance of the proposal. What is at stake is not only the pooling of the bilateral credit system maintained until now, not only the facilitation of the technical aspect of the working out of the balance, but also the Commission is undoubtedly directing its sights at further prospects. For example, as the rapporteur so clearly underlined, the development from the embryonic European Monetary Fund

Artzinger

as we know it today, to a European Central Bank and consequently the possibility of greater coordination of monetary policies, control of exchange rates and the authority to speak on behalf of the EEC in international currency talks. The Commission is aware of all this and quite rightly makes allowance for it in its proposal.

We, however, are of the opinion that what the Community lacks today is not prospects for the future, however pleasant and informative these may be. What we require today is a genuine advance now towards the actual aim. This requires effective coordination of economic policy, structural balance—i.e. regional policy—substantial social policy and not least of all the covering of the democracy deficit which is going to be even clearer as a result of these enlarged responsibilities than it was before.

The Commission is also aware of these present needs. On page 2 of the report we read: 'In the absence of effective coordination of economic policies this structure might seem fragile.' And on page 10—with the permission of the President I would like to quote: 'If all the proposed measures are to be successfully put into effect, the economic policies of the Member States must be effectively brought closer together. If full use is made of all the various types of coordinating machinery available to the Community, it should be possible to maintain sufficient cohesion between the economies of the Member States for the proposed monetary organization to operate harmoniously.' Excellent! We agree with every word.

But then we find in the second paragraph on the same page: 'In the Commission's view, for the ideas outlined in this document to be given shape, there will be no need for new institutional measures to be adopted at the same time.' Permit me to formulate a somewhat light-hearted parallel. It is our impression, based on this and the explanations of the Commission on the budgetary powers of Parliament, that the Commission clearly fears a change in the Treaty as the devil fears holy water.

But this does not necessarily imply a change in the Treaty. We also believe we could be content if the Commission's words became reality. 'However, there will have to be a firm political will to apply strictly the existing coordinating mechanisms', they write in their report. So far, so good! We do not insist on changes in the Treaty: if, in the opinion of the Commission, the provisions of the Treaty meet the case, so much the better. But they must be applied.

This is what we want to see put into effect and not only hear about or read about. It is for this reason that we agree most whole-heartedly with paragraph 5 of the present motion for a resolution by the Committee on Economic and Monetary Affairs. There is no mechanism which would achieve a pooling of monetary reserves by 1980; what is required is an initial step, starting with 20%, and this only on condition that the Community's powers of decision in economic policy are strengthened at the same time. Before a further transfer of monetary reserves can be contemplated, further institutional developments must be considered. We are grateful that the Committee on Economic and Monetary Affairs has so clearly emphasized this parallel requirement. As the spokesman of my group I wish to further underline this inter-relationship.

The Commission must force the Council to make the decision with which it has only been toying so far; the decision must be made now, if the peoples of Europe are to believe in 1980 as a credible date for the achievement of our aims. *(Applause)*

President. — I call Mr Harmegnies on behalf of the Socialist Group.

Mr Harmegnies. — *(F)* Mr President, the Socialist Group is, obviously, in favour of the report submitted which it considers to be excellent and on which it would like to congratulate the author Mr Arndt, one of whose merits, and not the least, is that he has been remarkably concise in drawing the conclusions of the discussions which were particularly important, interesting and thorough. I say 'thorough' intentionally, Mr President, since in accordance with its terms of reference laid down in a Council Resolution of March 1971 and confirmed at the highest level, namely the October 1972 Summit Conference, the appropriate parliamentary committee devoted between July and October no less than eight meetings to a study of this important Commission document. The last of these meetings, which took place a few days ago, concluded with the unanimous adoption, with one abstention, of the motion which is now before the full assembly.

This is what allows me to say that all the Commission members have more than sufficient opportunity to express their opinion in good time and also to make any proposals on their own account.

Perhaps with your permission, Mr President, we might return to this aspect of the matter when the time comes to study the wordings of the

Harmegnies

amendments which were tabled during the part-session without the appropriate committee having been informed.

Having said this I should like to remark, and I do so willingly after Mr Artzinger, the spokesman for the Christian-Democratic Group, that the essential point of Mr Arndt's proposal as approved by the committee is in paragraph 5. It is not by chance this is stressed so that the strengthening of the European Monetary Fund goes hand in hand with a strengthening of Community decision-making powers in matters of economic policy.

It is only too clear, as, incidentally the Commission points out in its document, that the establishment of a stable and lasting monetary system is just as important as the achieving of progress in other fields of the Community's activity.

But Mr Artzinger, let me say with the greatest possible respect that this is only one of the important points. We also must also act simultaneously in all the other spheres of Community policy and, I would stress, with equal firmness.

On the other hand, we are more and more frequently involved with another exercise whenever it is a matter here on or in the specialized committees of adapting and strengthening the powers of our Parliament. I was greatly interested yesterday to hear Mr Ortoli's statement when, referring to the relations between Community institutions he stressed the importance of the ceaseless struggle of Parliament to gain the position which is its due. We have reached the very core of the matter when it comes to creating within the Community so lasting an instrument to make room for the provisions by which we shall be governed until the advent of the new order.

If I had time I would have liked to quote one of the passages from the Commission's document. In fact, when one describes this juxtaposition of means and looks at the needs with which the Member States individually and the Community as a whole are confronted, when it is a case of facing up sometimes to monetary disturbances, as Mr Arndt said, but sometimes, too, crises of an infinitely more serious nature and when we compare the slenderness of our means and the enormity of the solutions which have to be found we are inevitably led to think that in this sector at least as much as in others, Europe should be able to influence the decisions taken at world level or at the level of the larger regions, not in a more or less dispersed order with the loss of credibility which this would involve but with a unanimity which would be

the sum of all our wishes rather than a compromise between our wishes and those of others.

This is why I think it important to inform Parliament from the start that the Socialist Group cannot accept such an attempt, however sympathetic or dictated by prudence, which would culminate in new practices in this field, that is to say which would postpone, measures which we feel should be implemented as soon as possible.

All too often, Mr President, particularly when we are concerned with Parliament's powers of budgetary control we accumulate prerequisite conditions which end up by being intangible and are often the cause of a delay which is extremely harmful to Europe.

This is what I wished to say in the name of the Socialist Group which will, of course, vote on the motion for a resolution tabled by Mr Arndt.
(Applause)

President. — I call Sir Brandon Rhys Williams, who I understand will also speak to the amendments which he has tabled on behalf of the European Conservative Group.

Sir Brandon Rhys Williams. — I should like to speak on behalf of my group on the report as a whole, but the amendments which I have tabled are for the most part of a technical character: I hope to put those forward on my own behalf. I hope that the House will permit me to introduce my amendments separately so that I do not need to incorporate those remarks in my remarks on the report as a whole. I hope that this will have the President's agreement.

President. — Yes.

Sir Brandon Rhys Williams. — I open my remarks on behalf of the European Conservative Group by welcoming to our Parliament Vice-President Haferkamp, who, I believe, at considerable inconvenience to himself made a special journey back to Strasbourg to join us in this morning's important debate. We very much appreciate this gesture on his part and I would not like it to be thought that we have not noticed he has made this special effort in order to contribute to this debate. We know him in the Conservative Group as a friend to the new Members of the Community. We respect him and like him as a personality. If, therefore, I have some possibly critical remarks to make this morning, he must not take them in any sense as a personal reflection, but must realize that in what we say we are trying to do our duty as Members of Parliament.

Rhys Williams

I cannot help asking myself — and I think it is right Parliament should ask the question — is the Commission making the most of its opportunities in the economic field? Is it working to a clear plan to achieve the desirable objective of economic and monetary union? Is the Vice-President himself giving the necessary leadership? Is he sufficiently remorseless and subtle in the way he is guiding the Community towards the achievement of monetary union by 1980, which is not so very far away? I think that it is Parliament's duty to put these questions.

It is now a year since we had the communiqué from the Summit conference and saw that the Heads of State or Government had endorsed the programme for economic and monetary union and had put up the ambitious date of 1980 for it to be achieved. I welcomed that decision as did the great majority of parliamentary colleagues, and certainly this applies to the Conservative Group. Now, a year later, we must ask ourselves, what progress have we made?

In particular, what has the Commission been able to achieve in the last twelve months? We have set up the European Fund for Monetary Cooperation which was called for in the far-seeing proposals by Mr Pierre Werner. It was a landmark in April 1973 when the Fund opened its doors. To say that it 'opened its doors' is perhaps an unfortunate expression because even now it has no premises and very little or no staff. It is just a facility for central bankers. The European Investment Bank has a headquarters where one can walk in and meet people and have very convincing discussions with dedicated officials who have power to make progress on the European front on the capital side; but on current account I do not see that we have made the progress that we are entitled to expect.

The rapporteur in introducing his paper said that the European Fund was only a pale copy of the EPU or — at least — that it did not compare particularly favourably with it. I am bound to agree with him. If Vice-President Haferkamp does not agree that the establishment of the European Fund for Monetary Cooperation is flimsy and inadequate let him turn up his copy of the rules of the European Payments Union. He will then see what Europe achieved 20 years ago; we still have not got back to that.

We then had from the Commission the report on progress in stage one and the Commission's programme for stage two. We received this in June and debated it in July, when Parliament adopted a series of resolutions which I had the honour to put forward as rapporteur. One of our concerns which we expressed in our first resolution was that Parliament:

'regrets the lack of precision in the outline programme of action from the Commission.'

In the rest of the resolutions which Parliament adopted in July we put forward a series of indications as to the ways in which we in our committee—and Parliament as a whole—thought that the Commission should be advancing. Since then we have had one further line of guidance from the Commission on its thinking. We have had the report of 25 July, which we are debating today. But nothing else has been produced before Parliament or before our committee. If the Commission has plans other than those which are embodied in the report of 25 July, the Commission is letting time go by in a dangerous way. We have not as much time as we think, if we wish to make real progress.

It will be a setback if 1 January 1974, which the Summit Conference marked out as a definite stage in our progress towards economic and monetary union, comes and goes without anything significant happening at all.

Mr Arndt in his report has once again shown Parliament his expert knowledge of this subject. Few people know it better. He has produced, as we would have expected, concise and meaningful resolutions. We had an interesting debate upon them in Committee. The abstention which Parliament will have noted, when we voted on the resolution as a whole, was mine. I am glad to have the opportunity of saying a few words on the reason why I personally am not happy that Parliament should accept Mr Arndt's resolutions precisely as they stand.

The Conservatives — let me make this clear in speaking on behalf of the Group — fully endorse the Summit programme for economic and monetary union, but not because of the federal implications which some people might see in it. Many of our voters distrust the federal philosophy. They perhaps had not yet come round to that. Perhaps they will. Perhaps they will not. Nor do we support the Summit programme because it imposes a discipline or because it is the sort of burden which we must bear for ideological or political reasons. We do not see it like that at all.

We support the programme of economic and monetary union because it is going to bring wider opportunities, a bigger choice for our shoppers, bigger output, better wages, higher returns on capital investment. We want EMU to advance, and we recollect the benefits with the European Payments Union undoubtedly brought to our countries in the days when it was in operation.

But our doubts about the Commission's proposals are: are they sufficiently broad in application?

Rhys Williams

This is a tremendous field. It will change every aspect of the daily life of business and industry in the Community. Are these recommendations from the Commission strictly practical and realistic? Will they serve the common purpose? To us it seems that they have a certain symbolic purpose; possibly even they have been designed to stage a confrontation with the Council of Ministers. We can quite understand the vexation of the Commission with the slow progress of the Council of Ministers, and we can well understand if Vice-President Haferkamp himself wants to throw down the glove. But this is not the way to succeed in a field as complex as this.

Since July, when he brought out this paper, Parliament must take account of the fact that there has been a major event on the world monetary scene—perhaps I should say a major non-event on the world monetary scene. That was the meeting of the International Monetary Fund in Nairobi in September. No one, I think, expected too much from the IMF meeting in September, but now that we can examine what actually happened there, we have to recognize that there will be no progress on vexed questions like the future of gold, or of the SDR, at least until next July and probably not until 1976 as an optimistic estimate.

Thus, one of the conditions which went into Mr Haferkamp's paper, namely, that the progressive pooling of European reserves should take in gold and primary assets, has been knocked away because it is not possible to place an accurate valuation on gold. Central bankers will not do it. Nor will they be ready to part with their primary assets, consisting of claims on the International Monetary Fund, while the whole question of their future value is in the melting pot. The Commission should take note of the fact that world circumstances have changed and are making it virtually impossible for progress on the progressive pooling of reserves to go ahead.

In my view, the Commission ought now to be studying ways in which we can progress on other fronts. There is plenty of room for progress in this huge field. It is vitally important to maintain momentum. The Commission has the duty to succeed. It ought not to stage confrontations which lead to political disarray among the people who want the economic Community to go ahead.

I wish now to deal very briefly with two aspects of the report which I hope to have an opportunity to speak about again later this morning. As to the pooling of reserves, I have mentioned my concern that the central bankers of Europe are not prepared to part with their primary

assets while their value is still in doubt. Why not consider strengthening the European Fund with dollars or perhaps even with national currencies? I should like to hear today from Mr Haferkamp what he feels about that suggestion.

As to the expansion of credit, with inflation raging as it is, many people are of course afraid that his proposals are too ambitious and will lead to extravagant and inflationary expenditure. Mr Arndt in his own resolutions draws attention to this anxiety and quite rightly so. No amount of credit or swap agreements or inter-bank telephone calls will solve the problem if exchange rates or monetary policies within the Community are out of line. We must learn to work together in this sphere and not simply to depend on enormous volumes of credit being available to permit national policies of an obstinate character to continue when it is obvious that they are out of line. We saw that all too clearly in the years when the United States dollar was out of line, leading up to the Nixon shock of 1971.

These, then, briefly are the reasons why we feel anxiety about the general tenor of Mr Arndt's endorsement of Mr Haferkamp's paper. I am bound to say that if Parliament does not accept any substantial amendments today in the text of Mr Arndt's resolutions, I shall have to advise my colleagues to abstain.

President. — I call Mr Haferkamp to state the position of the Commission of the European Communities.

Mr Haferkamp, Vice-President of the Commission of the European Communities. — (D) Mr President, Ladies and Gentlemen. I would first of all like to associate myself with the gratitude already expressed to the rapporteur who has once again presented an excellent report. Even though I see Mr Arndt waving my gratitude aside, I would like to say why I wish to emphasize this point. We all remember the debate some months ago on his report on the reform of the international monetary system and we are aware of the rapporteur's continual work to the benefit of this House. Please accept my genuine expression of gratitude, Mr Arndt.

Mr President, I would like to continue by making a number of observations as part of this debate. It has been pointed out that time is pressing. It has been said that there are very important decisions to be made before the end of the year and the question has been asked whether the Commission has not been wasting time. In all modesty I would like to answer this question in the negative. I would also like to

Haferkamp

explain why. The Summit Conference asked for two reports, one on the question of the pooling of reserves and the other on the improvement of the credit machinery. The deadlines fixed for these reports were the 30 September and 31 December of this year. In February the Commission proposed to the Council, and the Council accepted this proposal by the Commission, that these deadlines should be put forward to 30 June. I would like to ask you to believe me that it was not easy for us to compile this report in such a short time in the midst of the tensions during the monetary crisis at the beginning of this year. But we accepted the task because we were convinced that it was necessary to gain time and progress more rapidly, and thus we have submitted the report six months earlier. It is only because of this that we are in a position to be able to discuss it today and possibly to request, and I think we should request, that the Council should make the major decisions on the contents of the report by the end of the year. To this end I believe it is significant that we have the support of the Parliament, in the form of a resolution, for the discussions which are to come in the Council.

It was asked what else has happened in the time since the Summit Conference. We have discussed these questions on several occasions. Therefore I would like to recall them briefly. The proposals which the Commission made during the monetary crisis after the 1 March—the rapporteur has already referred to them—made such an impact that there has since been considerably closer cooperation in the monetary sphere.

During this period we have seen that the point of view of the Community and the Member States of the Community has been put forward at many conferences on international reform by a single speaker, the President-in-Office of the Council, and this in every case on the basis of a text accepted by the Council after having been prepared and proposed by the Commission. This was the case for the Paris and Washington Conferences and also for the General Assembly in Nairobi. For this it was also necessary for us to try to work out a standard position on the important questions in these reform discussions. And we were successful on important points, such as the problem of machinery for adaptation and also convertibility.

Nor can it be said that we have been wasting time. I would even say that during, and because of, these crises we as a Community have experienced much closer cooperation and much closer understanding than was the case previously.

One observation, Mr President, on the importance of the coordination of economic policies referred to in this connection by many speakers, with justification. The word parallelism has been used again today, a concept that has been under discussion for some time.

It is the opinion of the Commission that we must start at a point beyond the theories of economists and monetarists where we can record practical results in this parallelism and where we must begin to incorporate effective mechanisms which take us beyond the concentrations which have existed up to the present time. On this point, therefore, I can only emphasize everything which has been said in this debate by the Members of this Parliament.

I would like to point out that we have for this very reason built into the credit system a very close link with coordination on economic policy. You know that we have made provision for a credit system which provides for an automatic extension of credit for six months after a very short-term period of 30 days. The provisions go on to state—and this is the first point in which coordination is important in this connection—that an extension for a period of six months should automatically incur a review of the economic position of the debtor country by the Commission and the Monetary Committee. A further extension of credits would only be possible after the Council, on the proposal of the Commission had made known its conditions for the economic policy of the country.

I consider this to be a very important matter, for the following reasons. The credit system which we wish to build up is a very real expression of the solidarity there is in this Community, in other words, the solidarity on the part of those who can help Member States which find themselves in difficulties. It is for me a matter of course that the Member State calling on this solidarity should conform with the rules of the Community. This is reflected in the proposals. I realize that this means considerable political decisions. Countries must be prepared to reveal their domestic situation, to submit themselves to the Community's rules and to controls. That is certainly not so simple but I am of the opinion that the time has now come for us to demand that this should be so; rules must also be introduced in order to ensure that there are more than simply declarations. Two days ago we were speaking about the economic report and the transition to the second stage. In this connection the question of the directive on stability was raised. I said that we would be making a proposal very soon. This proposal will also be accompanied by proposals for procedures and mechanisms tending towards stricter and more

Haferkamp

binding coordination of economic policies. I mention that here because we do not want to confine ourselves to discussing this problem only in connection with the acute monetary problem but because this is also a matter which we must emphasize equally in all possible spheres and on every occasion; this is also important in other policies, e.g. in cultural policy, regional policy and social policy. We can see these interrelationships. And although we are only discussing a single part we are certainly doing it with regard for interdependence between the different policies, at least you can take this to be so.

I would like to make some further remarks on a number of points from the motion for a resolution. The motion states with reference to the fund's capital that it could be considerably less and even a symbolic sum would suffice. To this I would like to say that the fund does not require capital in the same way as an undertaking in order to use it for operations. It is however a fact that other institutions of a similar kind do have such capital. However the capital and the amount mentioned by us are also meant to be an expression of the importance given to this institution and also an expression of self-commitment. I had occasion to make an observation on this point two days ago. It is my view that if it should be a symbol it should be a clear symbol and not a small one. But that of course is not the decisive point for the Monetary Fund. Far more important is that the fund should be capable of action, that it should have considerable reserves. This is the intention of paragraph 2 of the motion which has our complete and willing support.

A further observation on the discussion of paragraph 4 of the motion in which concern is expressed about an excessive supply of liquid assets. I think there is a misunderstanding here. The Commission proposes an increase in quotas. At present we have low quotas but it is possible for us to concentrate these on a single debtor. Our proposal does not make provision for such concentration of the increased quotas. So the comparison between them and the present lower quotas can only be relative. I would like to add that conditions for the individual quotas may vary according to the situation.

If there is trouble anywhere we shall have to give massive help as a token of solidarity; and I do not believe that we shall then start calculating in terms of quotas. With regard to the total volume of liquid assets it should be said that not all quotas will be taken up at the same time. There will always be givers and takers in this process. But I do not believe that these two points, namely capital and what I said about

quotas, are the most important points on which decisions will have to be made in the near future. The decisions in the near future will be concerned with those points in which the resolution underlines and supports the views of the Commission and we are agreed on these points; i.e. the fund must be set up not only because we need it technically but also because it is required for monetary policy. That is an important point.

However the general political importance of this move is in my opinion much greater. The significance of the central bank reserves of each state is not only economic; it is also a symbol, an expression of orderly housekeeping, of economic strength part of which may be made over, if things are going well, to common management, or the conducting of a common policy; so that at the end of this process there will be a common fund as part of the economic and monetary union; so that it will be clear to outsiders that we wish to cooperate and that we are a Community. This is the real political and symbolic act which must be achieved here. Seen against the significance of all the things which could be achieved in this field, which would show and will show I hope that this Community is making progress, all the technical problems pale into relative insignificance.

(Applause)

President. — Thank you, Mr Haferkamp.

I call the rapporteur, Mr Arndt.

Mr Arndt, rapporteur. — *(D)* Mr President, I would like to start by thanking my colleagues and also Vice-President Haferkamp for their gratitude. It is not so simple for a national Member of Parliament to come to terms with these European customs: in this House thanks are the order of the day; in the national parliament we are more accustomed to being attacked, Mr President, and if there is praise from the other side one immediately wonders where the trap is.

(Laughter)

Things are quite different here. Here the praise is not that given to Mark Anthony, but every—and in my opinion even modest—effort like the present one is simply given fulsome and perhaps even more than fulsome praise. In any case, thank you.

But I must say one thing: the motion is not mine, Sir Brandon, it is not an Arndt resolution which the Committee on Economic and Monetary Affairs is tabling. After the discussions in the Committee on Economic and Monetary Affairs I surrendered one or two of my own

Arndt

ideas and my own final formulation of paragraph 2 was not only that the contribution by the 1 January 1974 should be 20% but that there should be a further 20% by the 1 July 1975. There was little enthusiasm for this in the Committee and so it was eradicated. And the whole of paragraph 6 was included at your suggestion, Sir Brandon.

Paragraph 6 'considers it necessary to remove by stages restrictions on monetary and capital movements within the Community' and—the rest was rather hard for some of our members to accept—'where conditions make it possible and appropriate, to replace the present multiplicity of controls by a division of a currency markets'; this is a not uncontroversial point. I may say, Mr President, that as rapporteur I did try in the committee to make this motion for a resolution acceptable; I put some of my own ideas into the background and took over other ideas wherever possible so that the report would go further. If Parliament is not interested in having the expansion of the European Monetary Fund included along with the other unfinished business of the Council. There are said to be 400 proposals awaiting consideration and we do not wish this to be number 401, we wish it to be acceptable.

President. — Does anyone else wish to speak? The general debate is closed.

We shall now consider the motion for a resolution.

On the preamble I have no amendments or speakers listed.

I put the preamble to the vote.

The preamble is adopted.

An paragraph 1, I have Amendment No 1/rev., tabled by Sir Brandon Rhys Williams and worded as follows:

Paragraph 1

Replace this paragraph by the following three new paragraphs:

- "1. Insists that decisive further steps should be taken on 1 January 1974 towards economic and monetary union, and regrets that the Commission has not yet responded to the resolutions of Parliament and the decisions of the Summit Conference by putting forward a wide range of specific and practical proposals to give momentum to the pace of unification;
- 1a. Accepts that the pooling of reserves should be recognized as the Community's final aim, but judges that other objectives have also to be attained before economic and monetary union can be achieved and are of more immediate relevance, including:

- the development of more dependable systems to protect traders, particularly in agricultural products, from the consequences of parity changes,
- the creation of a unified capital market,
- agreement to develop the European Fund for Monetary Cooperation into a Community Central Bank,
- harmonization of fiscal, budgetary and social policies,
- the acceptance of a Community code of practice governing the timing and extent of unilateral parity changes,
- the adoption of a Community policy in regard to the future role of gold,
- the settlement of the precise role of the European Unit of Account, including the formula for introducing changes, and
- the establishment of an authoritative Community statistical and economic policy review centre;

- 1b. Judges that the Commission's programme for the progressive pooling of reserves is unacceptable in detail, because it leaves unsolved the problems of valuation of gold and other primary assets; will lead to a wholly unnecessary confrontation with the Council of Ministers, with discouraging political results; and in substance is premature, unnecessary and ill-advised."

I call Sir Brandon Rhys Williams to move this amendment and also, if he wishes, the others of which he is the author.

Sir Brandon Rhys Williams. — I should prefer to have the opportunity to speak separately on my amendments because they are for the most part on quite different themes. I think that it will not take more time to deal with them in that way and would make for greater clarity in the discussions. Before proceeding to my first amendment I should like to say that, as Parliament has detected, there have been differences of opinion in the Committee. I want to take the opportunity of saying that I fully recognize that our rapporteur has done all he can to achieve reconciliation. I appreciate that. I recognize that he has put into his resolutions things which were intended to meet my own points of view and indeed do so. Naturally I think that they have strengthened the resolutions, but I recognize that others may think that it has introduced a somewhat speculative point of view.

I should not like the opportunity to pass without thanking Mr Arndt for his gestures where he has taken ideas which I advanced in the committee, but I must still say that on Resolution No 2, which is the principal point of dispute between us, he has not felt that the committee wanted a change, and I accept that it did not; but I still feel that events will prove that my

Rhys Williams

reservations were justified. I hope that I am wrong, but I must say, speaking today, that I do not think so.

Coming to the first of my amendments, I realize that the delightful habit of courtesy which Mr Arndt referred to in the Parliament — long may it continue ; it makes it so different and so much happier in atmosphere than some national Parliaments — prevents many of my colleagues here from wanting to support my first amendment, particularly if they read it to the end. As a Member of Parliament I think that it is my duty to say what I think and to follow my voice with my vote. I have therefore tried not just to be critical but to be constructive. I hope that my colleagues, though they may not agree with my resolution, may at any rate give me the credit for this. I have tried to be absolutely specific and make positive suggestions which I think that time will show to be realistic and not out of range of the possible and desirable.

The difference between us in the committee is one of tactics, not strategy. It is a question of priorities, a question of choice of targets. I fully understand the position of colleagues in the committee who think that the most important thing is to set up the European Fund and give it independence by giving it its own reserves. Of course I think that too.

If we had been debating these resolutions of Mr Arndt's in June or July, I should have accepted his Resolution No 2 just as willingly as everybody else. It is what has happened in the weeks since Mr Haferkamp produced his proposals that has convinced me that times have changed and that it is no longer right to insist on them. Times will change again and we shall have the opportunity to return to the progressive pooling of reserves.

We have an expression in English — I do not know whether it is possible for our translators to convey my meaning when I say, 'Softly, softly catchee monkey.' There is nothing softly about Mr Haferkamp's approach. He has rather, adopted the blunderbuss approach. I do not think that the Council of Ministers will be frightened off by Mr Haferkamp's blunderbuss because, if they reject his recommendation on 26 October it is because they are right. He has not done the technical preparatory work which is necessary for it to become possible for his recommendations to be adopted. Suppose they agreed that there should be a pooling of our gold reserves on 1 January. Where would the gold be sent? Would they send it care of the porter in the Hotel Cravat in Luxembourg? The institution is not ready. Mr Haferkamp has not done the preparatory work for this. There are other

problems as well which must be tackled on a technical level. The Commission has not yet produced the answers.

Progress depends on the art of the possible and an accurate assessment of what is immediately necessary. I do not think that progressive pooling of reserves, including gold and primary assets, is immediately necessary. After all, the European Fund, although it may be flimsy and have a rather inadequate constitution, is getting on all right without reserves. It intervened decisively in September to protect the French franc from the attacks of the speculators who were trying to force a totally unnecessary devaluation of the French franc. The Fund was there. It acted very quietly, but the French franc was protected by the Fund's tactful intervention. Let us give credit where it is due. That is what the Fund did in the case of the French franc.

I made eight points here that colleagues can read. I think that all of them are substantial and the Community is entitled to expect precise guidance on all these points from the Commission. The Commission is failing in its duty, because it is not giving the practical detailed leadership which is an essential condition for any advance.

I hope that I may be able to commend this alternative to Resolution No 1 and that colleagues will support me; but I shall not be afraid if I do not now have their support because I believe that time is on my side.

President. — What is the rapporteur's position?

Mr Arndt, rapporteur. — (D) Mr President. As rapporteur it is unfortunately only possible for me to recommend in the politest possible terms that the amendment tabled by my colleague, Sir Brandon Rhys Williams, should be rejected.

A resolution on the expansion of the European Monetary Fund is not the right occasion for the enumeration of a catalogue of everything that could possibly be included in an economic and monetary union. The committee recognizes that these things do in fact belong to such a union, in paragraph 5 which states that the strengthening of the European Monetary Fund should also lead to a strengthening of the Community's powers of decision in matters of economic policy. With respect to the 20% by 1 January 1974 and any other percentages, the following sentence applies: 'if all further deposits of monetary reserves are considered, the Community's responsibilities in the field of economic policy must be further strengthened.'

This covers everything which Sir Brandon has listed in his paragraph 1a; a unified capital

Arndt

market, harmonization of fiscal, budgetary and social policies, etc. We were simply not able to decide in favour of his list which is slightly different than what the Committee wanted. He says that these other objectives are even more urgent. This brings us to the problem whether we in Europe will be able to extricate ourselves from stagnation by multiple package solutions in which something must be done in all sectors at the same time, or by making feasible plans which then create imbalances and pull other policies in their wake. In the Committee we emphasized parallelism. We did not say that the Monetary Fund should wait until we had achieved harmonization of social policy. This would have been going too far for us; nor would the terms of reference of the Committee on Economic and Monetary Affairs have enabled it to present such an ambitious statement to the House for its approval.

As things stand we are of the opinion that our formulation of paragraph 1 'that the Commission's report mentioned above generally meets the requests put forward by the European Parliament' is good and that the amendment proposed by Sir Brandon must be rejected because he says the opposite, namely in paragraph 1b—this is the critical passage—that the report is unacceptable. There would never have been a majority for this in the committee.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — Since Mr Arndt was attacking me partly on procedural grounds in that he said he felt that my suggested list of amendments did not fall properly within his resolution, he is forcing me to say something which I omitted to say earlier, namely, that his resolution states that Mr Haferkamp's report generally meets the requests put forward by the European Parliament, Frankly, it does not. If we look back to the resolutions which I had the honour to propose on the committee's behalf in July, paragraph 5 calls on the Commission to produce its proposals for stability, growth and full employment. But this has not appeared. Paragraph No 7 stresses the need for a positive plan for unification within the European Common Market; but we have not heard a squeak from the Commission on that subject. Then Paragraph No 8 deals with protection against parity changes affecting transactions on current account. But the Commission has not followed up what Parliament has asked it to do under that heading.

I think that I was not wrong to try to list in detail the points on which I consider the Commission is not doing what the resolution says

that it is doing, namely, to meet the requests put forward by the European Parliament. I cannot help expressing my own dissatisfaction.

President. — I call Mr Arndt.

Mr Arndt, rapporteur. — (D) Mr President, I think there is a slight misunderstanding here. Paragraph 1 of the committee's motion naturally refers mainly to the resolution on the setting up of a European Fund for Currency Cooperation which the European Parliament adopted in March. This says that the fund must function independently of the Council, it should be able to develop and have more powers, etc. We are not taking up a position here on the whole range of problems concerned with economic and monetary union. We are not taking up a position in respect of the 'heavens' as Mr Dahrendorf would say, but we are simply asking about the future of the Monetary Fund. I think that there has been a misunderstanding.

President. — I put Amendment No 1/rev. to the vote.

Amendment No 1/rev. is not adopted.

I put paragraph 1 to the vote.

Paragraph 1 is adopted.

On paragraph 2 I have Amendment No 2/rev. tabled by Sir Brandon Rhys Williams and worded as follows:

'Paragraph 2

Replace this paragraph by the following:

"2. Is agreed that the advance towards economic and monetary union should now proceed on a broad front; considers that the European Fund for Monetary Cooperation should be given command of the necessary resources to enable it to act effectively as a stabilizing and unifying force; and calls on the Commission to publish its proposals for providing more secure conditions for current commercial transactions across Community frontiers which may be affected by parity changes, and greater freedom of movement of capital for long-term investment;"

I call Sir Brandon Rhys Williams to move this amendment.

Sir Brandon Rhys Williams. — This is where we come to the crunch. Do we really want to go ahead with the specific recommendations made by the Committee—with one abstention—and particularly by our rapporteur, which embody this particular reference to 20 per cent of monetary reserves in the appropriate proportions of gold, special drawing rights and foreign currency? Are we prepared to tell our voters

Rhys Williams

that this is what we think should happen on 1 January 1974? Are we prepared to say in public at home, particularly among experts on economic and monetary affairs, that we think that this is realistic? And that it will advance the cause of economic and monetary union? And that this is the thing that has to come first? I find it impossible to say that, and I do not think that colleagues in Parliament will find it in their hearts to say so either.

So in order to make possible a compromise on this I have taken considerable trouble to draft an alternative paragraph which I think meets the wishes of those who want this European Fund to succeed. I have said that it should be given command of the necessary reserves to enable it to act effectively as a stabilizing and unifying force. That means that I want the European Fund to go far beyond what it is at the moment, which is just a service, an agency for completely autonomous central banks. It must emerge as a power in its right, and we must say this. Mr Haferkamp has a duty to the people of half a continent to see that it succeeds.

There are certain things that we have to leave over. I do not know that I have been convinced—I do not think the rapporteur has been convinced—that it is necessary for central banks or national governments to agree to the actual surrender of funds to the European Fund at this point. I do not see why we should not find some formula whereby funds are deposited by national governments with the Fund in the same way as a private citizen deposits his money in a central bank. I should like to hear Mr Haferkamp on this. Is it necessary to insist on this surrender when it is obviously premature, the institution is not ready to receive the money and, if it had it, has no guidelines under which to operate to make use of such enormous sums?

Let us spell it out. Mr Haferkamp reminded me that progressive pooling of reserves has already taken place to a certain extent because Germany's own reserves constitute more than half the reserves of the Community. For Germany to be willing to make this surrender of 20 per cent of this enormous total has to be recognized as a generous gesture of the first magnitude. But do not let us call upon German voters to make generous gestures if they are largely futile and ill-prepared.

I think that possibly the right way ahead for the European Fund in 1974 is to organize a system of credits according to strict and comprehensible rules which would enable the Fund to intervene with ever greater influence when

speculators start to disturb our equilibrium. This is my personal belief. I think that the phrase which I have chosen in this compromise paragraph makes it possible for that sort of progress to go ahead.

For the remainder, I have dwelt on the three aspects of the progress which I believe we must see: first the institutional, secondly the capital account and thirdly protection of current account transactions.

This is my attempt to produce a brief resolution which is meaningful and genuinely meets the wishes of the majority of Members of Parliament in Strasbourg and also the consensus of views in our Committee.

President. — What is the rapporteur's position?

Mr Arndt, rapporteur. — (D) Mr President, I am of course touched by the great concern which Sir Brandon has for German economic policy and the problems of the Federal Government and explanations of these for German voters. All I can do is to mention to a member of our government what a great measure of sympathy and understanding he would find in you. The resulting problems of any government and even of the German Government leave me relatively cold. I am more interested in how this is all going to function. In other words, will any government be able to say at the end of all these negotiations 'what a sacrifice?' It is not really a sacrifice, Sir Brandon. Even in your text the word is 'deposit'. It is not 'surrender'. I see from the English text that the translation is 'deposit' and the money is not deposited in the form of bars collected together at a certain point. What does in fact happen is that a certificate is deposited, nothing more than that. Unfortunately your amendment does not mention that 20 % of the monetary reserves should be deposited by 1 January 1974, i.e. accounts could then be opened on this amount. But in the opinion of the Committee on Economic and Monetary Affairs it is essential that that should be so.

I would therefore request that this amendment should be rejected. It changes the practical proposal—20% of monetary reserves by 1 January 1974—into a vague hope that something of the kind may come about at some time in the future.

President. — I put Amendment No 2/rev. to the vote.

Amendment No 2/rev. is not adopted.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

President

On paragraph 3 I have Amendment No 3/rev. tabled by Sir Brandon Rhys Williams and worded as follows:

'Paragraph 3

Delete the words "even symbolical."'

I call Sir Brandon Rhys Williams to move this amendment.

Sir Brandon Rhys Williams. — Mr President, here I think I may command general support for the suggestion that we should delete the words 'even symbolical'.

I was rather surprised that Mr Arndt included this phrase, which tends if anything to weaken the Fund rather than strengthen it, as I feel we all really want in our committee. I think we should take out the idea that the Fund should have only a symbolical asset under its direct control.

Mr Haferkamp explained to the committee that he wanted the Fund to have a sufficient mass of capital under its ownership to be able to be totally independent of pressures that might be exerted by outside forces through the supply of cash simply to carry on its direct administrative operations.

In my view this is an important matter. It does not need as much money as was suggested: the figure of 500 million units is too much. But to go on and say that the Fund should be only 'symbolical' is going to the other extreme which we should avoid.

It is necessary to protect the independence of the Fund. It should have at least as concrete and as real a status as the European Investment Bank. My vision is that in Europe we shall have a European Fund which corresponds to the International Monetary Fund and a European Bank which corresponds to the World Bank. In Washington there is a sort of double-yoked egg, a twin financial institution. It has real premises and an effective staff. I should like to see our European Institution as a double-yoked egg, half dealing with the current account and half with the capital account. It must be able to carry on business in a dignified and effective way.

Let us not then have any suggestion of symbolical funds. I do not think that is good enough.

President. — What is the rapporteur's position?

Mr Arndt, rapporteur. — (D) The committee presumed that it would be easier for the Council ministers to make a decision on the European Monetary Fund if the resolution was formulated as we have formulated it. It cannot be denied

that money is needed in many places, in the regional development fund, in the social fund, etc., which really require budgetary resources. Such resources are not required here. If the monetary fund is properly set up it will make profits and be able to form capital from these profits. This was the intention and this was the reason why the committee evolved this view.

President. — I call Mr Lange.

Mr Lange, chairman of the Committee on Economic and Monetary Affairs. — (D) Mr President, may I, as chairman of the Committee on Economic and Monetary Affairs, address a single observation to my esteemed colleague Sir Brandon Rhys Williams. It is not the capital of the fund which makes the fund operational but the deposits of monetary reserves; these enable it to do what we have been talking about this morning.

President. — I put Amendment No 3/rev. to the vote.

Amendment No 3/rev. is not adopted.

I put paragraph 3 to the vote.

Paragraph 3 is unanimously adopted.

On paragraph 4 I have Amendment No 4/rev., tabled by Sir Brandon Rhys Williams and worded as follows:

'Paragraph 4

This paragraph should be reworded as follows:

"4. Considers a credit ceiling of the proposed amount to be mistakenly high and suggests that to double the existing facilities for creation of credit through the European Fund for Monetary Cooperation would give adequate room for manoeuvre in the foreseeable future, provided that Member States adopt reasonable exchange and monetary policies: Parliament assumes that the Fund's credits and debits will involve the payment of interest at rates conforming to the market situation;"'

I call Sir Brandon Rhys Williams to move this amendment.

Sir Brandon Rhys Williams. — I think that my colleagues will appreciate that this does not greatly differ from the rapporteur's text, but it is a more specific version of the resolution in that I have suggested that we should try initially to double the existing facilities; I believe that that will give us ample room for manoeuvre and will not scare people who believe that any expansion of the European money supply from any source at this time is bound to find its way to assist the inflationary forces.

Rhys Williams

I do not think that we should excite anxiety by making provision for open-ended expansion of credit. I think that our rapporteur feels the same. At the same time we must ensure that the Fund can develop its intervention techniques without simply exposing a flank to speculators who will begin to count up on their fingers and notice when the time has been reached that the Fund has become fully exposed.

The version I suggest draws attention to the fact that no amount of credit can overcome the problems which arise if a major country refuses to adopt a reasonable exchange or monetary policy. We saw in the United States in the end that even that great country—that enormous economy with its vast reserves—by persisting in an exchange rate policy which was quite unrealistic during the 1960s was eventually forced to come to terms with reality.

I think that we must find a balance between the policy of extending credit and making arrangements among ourselves to protect countries which are under temporary difficulties and, on the other hand, of avoiding the risk of using our reserves and credit facilities to allow a country to be obstinate in an exchange or interest rate policy which is out of line with the general interest of the Community.

That is why I have suggested in paragraph 4 a slight rewording of our rapporteur's text.

I hope that Parliament will notice that I have picked up his question of the payment of interest on funds, credits and debits. It goes slightly beyond his text, which refers only to c.edits. I do not think that he will disagree with me over that. Indeed, I hope that on this occasion he will recommend Parliament to accept my amendment.

President. — What is the rapporteur's position?

Mr Arndt, rapporteur. — (D) Mr President, the draft which I submitted to the committee did contain a precise credit ceiling, as did the Commission's report, but the opinion of the committee was that any figure would harm our cause and give rise to controversy. Neither Mr Haferkamp nor Sir Brandon nor Mr Arndt can be present in every editorial office between Glasgow and Palermo, Bordeaux and Århus and so good intentions may be put in a false light. For this reason the opinion of the committee was that no figure should be mentioned, that it should simply be stated that the proposal by the Commission was 'mistakenly high'. It is not simply too high, Mr Vice-President; that is why the formulation is so succinct. It is my job to

support the text approved by the committee and not my own opinion.

President. — I put Amendment No 4/rev. to the vote.

Amendment No 4/rev. is not adopted.

I put paragraph 4 to the vote.

Paragraph 4 is adopted.

On paragraphs 5 to 8, I have no amendments or speakers listed.

I put them to the vote.

Paragraphs 5 to 8 are adopted.

I put the motion for a resolution to the vote.

The resolution is adopted.¹

5. Date and place of next sittings

President. — There are no other items on the agenda.

The enlarged Bureau proposes that our next sittings be held at Strasbourg during the week from 12 to 16 November 1973.

Are there any objections?

That is agreed.

I draw your attention to the fact that the December part-session will probably last somewhat longer. This has also been decided by the enlarged Bureau.

6. Approval of 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.

7. Adjournment of session

President. — I declare the session of the European Parliament adjourned.

The sitting is closed.

(The sitting was closed at 11.30 a.m.)

¹ OJ No C95, 10. 11. 1973.