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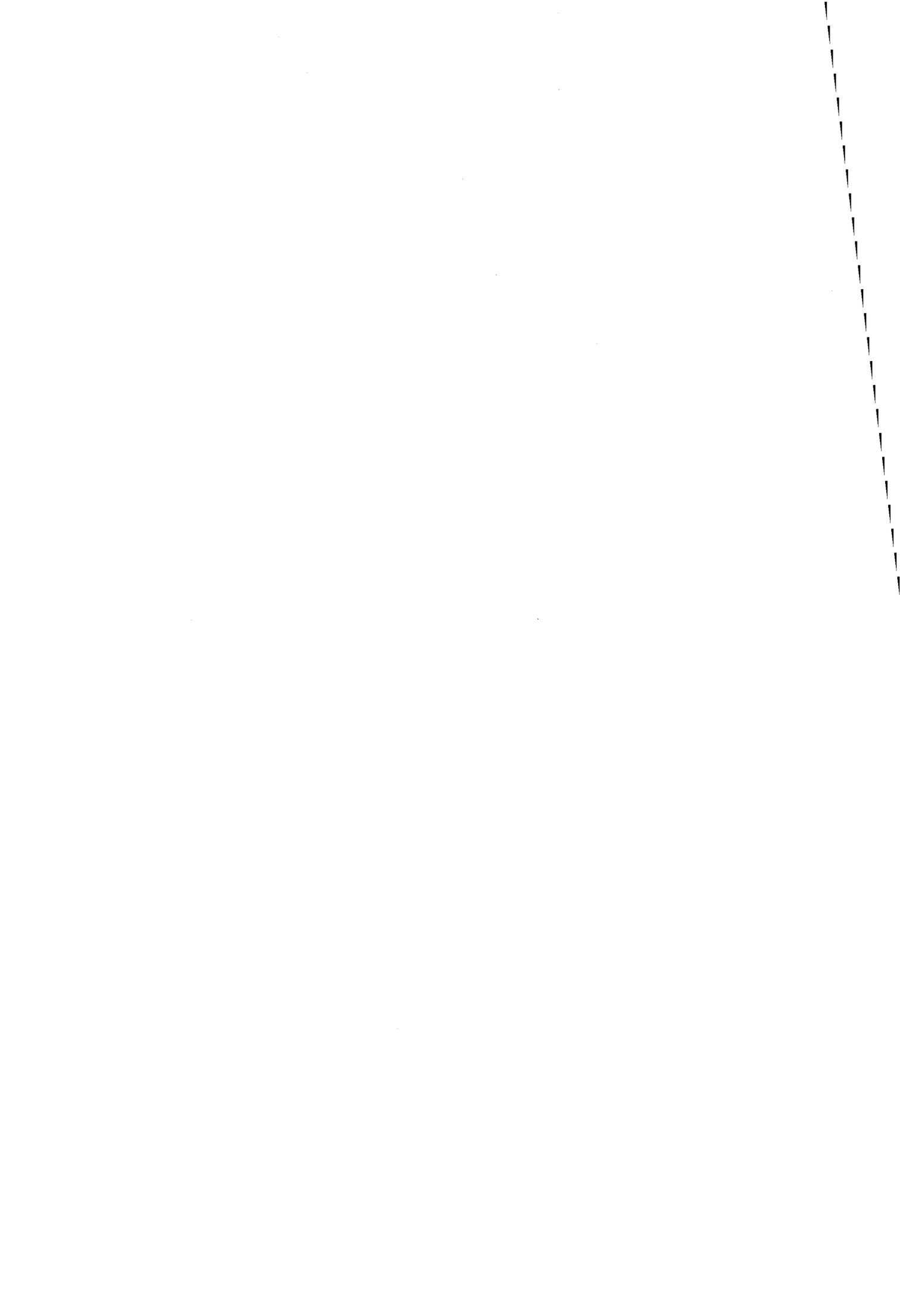
Report

drawn up on behalf of the Political Affairs Committee

on the prospects of enlargement of the Community

Part Two:
Sectoral aspects

Rapporteur: Mr J.-F. PINTAT



By letter of 30 June 1977 the President of the European Parliament authorized the Political Affairs Committee to draw up a report on the prospects of enlargement of the Community.

On 12 July 1977 Mr Durieux was appointed rapporteur.

At its meeting of 18 and 19 May 1978 the Political Affairs Committee appointed Mr Pintat rapporteur to replace Mr Durieux.

At its meeting of 20 and 21 November 1978, given that the opinions of the relevant committees were not all available, the committee decided to adopt this report in two stages: 'Political and institutional aspects' and 'Sectoral aspects' to enable Parliament to state its position on the major principles of enlargement as soon as possible.

The first part, 'Political and institutional aspects', was adopted by the Political Affairs Committee at its meeting of 28 November 1978 (see Doc. 479/78) and by the European Parliament on 18 January 1979 (OJ C 39, 12 December 1979, pp. 47-49).

The Political Affairs Committee considered the present motion for a resolution concerning Part II: Sectoral aspects, at its meetings of 28 February and 28 March 1979 and at the last meeting adopted it unanimously with one abstention.

Present: Mr Alfred Bertrand, chairman; Mr Brugha, vice-chairman; Mr Pintat, rapporteur; Mr Blumenfeld, Mr Fletcher-Cooke, Mr Granelli, Mr Hamilton, Mr Jahn, Lord Kennet (deputizing for Mr Amadei), Mr Lückner (deputizing for Mr Klepsch), Mr de la Malene, Mr Patijn, Lord Reay, Mr Scelba, Mr Schmidt (deputizing for Mr Cot), Mr Seefeld, Mr Sieglerschmidt, Mr Spinelli, Mr Vandewiele, Mr Vergeer and Mr Zagari.

The explanatory statement will be presented orally in plenary sitting.

Attached are the opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets, the Committee on Social Affairs, Employment and Education, the Committee on Agriculture, the Committee on Regional Policy, Regional Planning and Transport, the Committee on Energy and Research, the Committee on External Economic Relations and the Committee on Development and Cooperation.

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The Political Affairs Committee hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the prospects of enlargement of the Community
Part two: Sectoral aspects

The European Parliament,

- having regard to the applications made by Greece on 12 June 1975, Portugal on 28 March 1977 and Spain on 28 July 1977 for accession to the Community,
- recalling its resolution (Doc. 479/78)¹, on the political and institutional aspects of enlargement,
- whereas that resolution constitutes the first part of the report on the prospects of enlargement, the second part dealing with sectoral aspects taking into account the opinions delivered by its committees for the Political Affairs Committee,
- having regard to the documents drawn up by the Commission of the European Community,²
- having regard to the report of the Political Affairs Committee and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets, the Committee on Social Affairs, Employment and Education, the Committee on Agriculture, the Committee on Regional Policy, Regional Planning and Transport, the Committee on Energy and Research, the Committee on External Economic Relations and the Committee on Development and Cooperation (Doc. 42/79),

¹ OJ No. C 39, 12.12.79, pp. 47, 48, 49

² COM (78) 120 final: General considerations on the problems of enlargement
COM (78) 190 final: The transitional period and the institutional implications of enlargement
COM (78) 200 final: Economic and Sectoral aspects

As regards economic and monetary problems

1. Considers that the new enlargement of the Community, despite the favourable long-term prospects, also entails serious economic difficulties, both for the Community itself, which is currently concerned with the development of its existing structure by seeking to promote an integrated approach to economic and monetary union through common or coordinated endeavours, and for the applicant countries, which will have to cope, in particular, with the problems inherent in the opening up of their markets;
2. Believes that in order to overcome such difficulties, it is first necessary, during the transitional periods, to provide for arrangements suited to the levels of economic and social development of the three applicant countries;
3. Considering that the level of development of these three countries is below the average level of the present Member States of the Community, believes that enlargement must take place in such a way that, while assistance is given to these countries, at the same time it is ensured that the Community is strengthened and:
 - efforts are made to achieve a sustained and reasonable rate of growth, which is a major condition for the success of enlargement;
 - economic, budgetary and monetary policies are more closely coordinated with a view to achieving increased economic convergence and greater monetary stability;
 - the economic decision-making power of the Community of Twelve is strengthened, above all by the increased use of the vote by qualified majority within the Council of the Community;
4. Stresses that accession to the European Community entails respect by the applicant countries both for the Community patrimony and for the commitments undertaken by the Community vis-à-vis the Mediterranean basin and ACP countries;

As regards budgetary problems

5. Believes that enlargement calls for a more dynamic budgetary policy involving a considerable switch of resources to the Community budget, thus permitting the Community to persevere towards the goal of economic integration;
6. Fears that the Commission's financial estimates do not take adequate account of the dynamic effects of the development of common policies or the moves to achieve economic and monetary union;
7. Therefore asks the Commission to submit revised estimates in regard to enlargement and also to take the problem of enlargement into account when making its proposals for the ceiling on own resources;
8. Believes that an enlarged Community will require much greater economic solidarity between all the Member States if they wish to overcome the consequences of enlargement while allowing economic integration to be pursued;
9. Believes that the Commission must propose the establishment of new financial instruments, for example a special reserve called for by Parliament, capable of providing immediate aid on a flexible basis to finance structural reforms in the new Member States. Proposals will also have to be made for adapting the existing redistributive instruments to the needs of accession;
10. Supports the immediate integration of the new Member States in the revenue system of the Community and recognizes that this implies an immediate transfer of resources in favour of the applicant countries by means of a flexible mechanism described
11. Considers it essential, since the Community, and not each individual Member State, is the applicant countries' partner, that as a rule financial payments to the applicant countries in connection with accession are likewise made by the Community - and not on the basis of bilateral or multilateral arrangements - and should therefore be entered in the budget pursuant to Article 199 of the Treaty;
12. Considers that enlargement must not become a pretext for calling into question the economic and political achievements in the sphere of budgetary policy;

As regards the problems of social affairs, employment and education

13. Considering that enlargement of the Community to include countries which are also affected by the economic crisis may aggravate the problems it has caused in the Community, believes that all measures must be taken to facilitate the changes which will be required in various sectors of the economy;
14. Requests in this connection that, if necessary, urgent steps be taken by recourse to Article 235 of the Treaty;
15. Considers it essential that all financial instruments of the Community and the European Investment Bank should contribute towards these objectives;
16. Asks that all existing principles and rules governing the free movement of workers and the social security of migrant workers should be extended to cover migrant workers from the three applicant countries, and particularly those at present residing in the Community, on the basis of agreements to be made between the parties;

As regards problems of agriculture

17. Invites the Commission of the European Community to consider in its forecasts, in a strictly realistic manner, the consequences of enlargement on the sectoral and financial aspects of the common agricultural policy;
18. Stresses that there is a danger of a vast increase in competition between the three applicant countries and the Mediterranean areas of the present Community as a result of higher production and productivity in the former and possible changes in current trade patterns.
19. Requests therefore that adequate measures, in addition to those recently adopted, be taken in favour of the Mediterranean regions of the present Community, so as to prevent the farmers of these areas, who are already experiencing difficulties, from having to suffer the consequences of enlargement;
20. Believes that, to prevent costly surpluses in certain products following the enlargement, the farm price and income policy should be based on a two-pronged system;
 - prices fixed on the basis of modern farms, taking into account production costs and
 - direct income support to those who need it to achieve a minimum level of income;
21. Considers that for agricultural structures in the three applicant countries, the modernization of which will necessitate large-scale financial interventions on the part of the Community, clear guidelines will have to be worked out on the kind of production to be promoted in the applicant countries and on the possibility of an agreed division of production on the basis of specific regional suitability;
22. Stresses that enlargement will also cause serious difficulties for the applicant countries themselves in respect of their trade balance and balance in the agricultural and food sector, and will bring with it the danger that, instead of being reduced, the present gap in the agricultural and non-agricultural spheres may be widened; invites the Commission and the Council therefore to adopt adequate safeguard measures to protect the applicant countries;

As regards the problems of regional policy, regional planning and transport

23. Hopes that the Council and Commission of the European Community will take into account at this stage that enlargement may increase the structural, economic and social disparities between the regions of its Member States, in particular along a North-South axis;
24. Emphasizes the urgent need for the Commission of the Community to draw up detailed analyses of the consequences of enlargement in the sphere of regional policy, both for the applicant countries and for the Nine;
25. Calls for all the necessary measures to be taken, on the basis of these analyses, to attenuate the effect of these disparities, in particular by the establishment of a medium-term 'Southern' plan to develop the industrial and social infrastructures of the Mediterranean regions; in connection with such a plan, particular attention should be paid to the following problems:
 - improvements to water supplies, irrigation and afforestation;
 - improvements to energy supplies and transport infrastructures as a basis for the establishment of industry and service undertakings, with due regard to the need for environmental protection;
 - improvements to the social infrastructure;
 - encouragement of investment in the industrial and services sectors taking special account of the importance of tourism, with the aim of creating new employment;
 - support for national, regional and local authorities in their efforts to implement an effective regional policy with the participation of the social groupings;
26. Considers that, as soon as possible, the Commission of the Community should submit proposals to the Council for granting financial aid and technical assistance to Portugal to reform that country's economy and enable it to prepare for its accession to the Community under better conditions;

As regards energy and research:

27. Deplores the fact that despite the continued efforts of Parliament and the Commission, no more than the initial steps towards a Community energy policy have yet been taken;
28. Regrets the Community's deplorable failure to take decisive action to reduce its dependence on imported energy, thereby remaining prone to critical supply difficulties;
29. Believes that enlargement will make the formulation, acceptance and implementation of a Community energy policy more difficult and stresses that this is an additional reason why urgent decisions by the Council are needed on outstanding proposals of the Commission;
30. Is concerned that enlargement will also increase the Community's overall dependence on imported energy sources;
31. Feels that Spain, which is developing an ambitious nuclear power programme, should be supported industrially and through research as soon as it has complied with the provisions of Euratom and agrees to the controls of the International Atomic Energy Agency; Spain should be encouraged to adhere to the Non-Proliferation Treaty;
32. Hopes that the application of the Community's coal policy will facilitate the modernization of coal production in the applicant countries, leading to the improvement of wages and working conditions of miners, and greater productivity;
33. Calls on the Community to give particular aid to Portugal, which is highly dependent on imported energy, especially through greater electrification in order to accelerate industrialization and improve living standards;
34. Considers it essential that the Community assists all three applicant countries under the Community's energy policy so as to reduce their heavy dependence on imported hydrocarbons;

As regards external economic relations

35. Considers that enlargement will have important consequences for the conditions of competition in the Member States of the present Community, particularly as regards the industrial sectors of textiles, clothing, footwear and industries connected with agriculture;
36. Considers that assurances must be given in the short term to the industries of the Nine and that all measures should be taken to foster more rapid development in the acceding countries in order to balance the production conditions applying there with those in the Member States of the present Community;
37. Considers that enlargement will have repercussions on the trade of the acceding states, not only because of competition from the present Member States but also from all the states with which the Community has relations and more particularly the Mediterranean and the ACP countries;
38. Considers that enlargement will also affect the implementation of the agreements between the Community and Turkey, the Maghreb, Mashrek countries, Israel, Malta, Cyprus;
39. Calls upon the Commission therefore to adapt its forecasts in this sphere as the negotiations for accession proceed, and to inform the countries concerned and make proposals to them to offset the disadvantages which would result for them from increased competition;
40. Recalls the particular undertakings given with respect to Turkey, whose balance of payments and trade balance with the Community have considerably deteriorated;

As regards problems of cooperation and development

41. Is of the opinion that the enlargement of the Community **should not have** a detrimental effect on its development policy;
42. Considers in this connection that, both during the accession negotiations and after enlargement, the Institutions and Member States of the Community must ensure that the situation in the developing countries does not deteriorate with respect to the Community but that, on the contrary, the volume of development aid follows a satisfactory pattern;
43. Asks in this connection that consideration should be given to the problem of exports from the developing countries to the Community of agricultural products identical to those produced by the applicant countries, as well as to the problem of the proportion of the Community's budgetary resources devoted to development aid policy after accession of the three new countries.
44. Instructs its President to forward this resolution to the Commission and Council of the Community.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr MULLER-HERMANN

On 18 September 1978 the Committee on Economic and Monetary Affairs appointed Mr MÜLLER-HERMANN draftsman.

It considered the draft opinion at its meeting of 21 November 1978 and adopted it unanimously with 3 abstentions.

Present: Mr Pisani, chairman; Mr Müller-Hermann, draftsman; Mr Edwards (deputizing for Lord Ardwick), Mr Ellis, Mr Glinne, Mr Prescott, Mr Starke, Mr Stetter, Mr Ansquer, and Mr Halvgaard.

The applications for membership submitted by Greece, Spain and Portugal are supported by a substantial majority of politicians, industrialists and trade unions in both the Community Member States and the applicant countries. The controversy over the first enlargement of the Community was centred principally in the applicant countries; the second enlargement, on the other hand, will raise difficulties of a completely different kind. The risks involved derive chiefly from the world economic situation, the Community's internal weakness and the level of economic development of the applicant countries.

I. THE ECONOMIC PROBLEMS OF ENLARGEMENT

1. The applications for membership from Greece, Spain and Portugal are motivated both by the concern of these three democracies to establish themselves more firmly, so preventing a return to dictatorship, and by their belief in the future of a united Europe. However, it must be remembered that this proposed new enlargement of the Community is taking place in circumstances very different from those prevailing at the establishment of the Community in 1958 or its first enlargement in 1973. It involves undeniable economic problems resulting chiefly from the Community's economic situation and from the level of development of the three applicant countries.

(a) The Community's economic situation

2. Like almost all other countries in the world, the Community is experiencing economic difficulties caused by a number of factors: the new international division of labour, the disorganization of the international monetary system and the cost of energy. Despite some signs of recovery, the level of unemployment in the Community is extremely high and may increase still further. The aim of reducing the inflation rate to a low average value and of narrowing the gap between the highest and lowest rate to a maximum of between 4 and 10% has not yet been achieved, although it still seems feasible. The growth rate in 1977 was only 2.6%.

3. Moreover, the movement towards economic and monetary union has scarcely begun. The coordination of economic, budgetary and monetary policies is still far from satisfactory and the Community budget is still a long way from fulfilling the role expected of it. Enlargement therefore entails the obvious risks of diluting the Community or breaking it up into a two or three-tier system. The process of opinion-forming and decision-making in the Community, already difficult enough, is likely to be complicated further by major divergencies of interest.

(b) Level of economic development of the three applicant countries

4. The level of development of the three applicant countries as compared with the Community is considerably lower than that of the three previous new members. In 1975 the gross domestic product of Spain and Greece was one-third below the Community average and that of Portugal under half the Community average¹.

In particular, the economy of the three applicant states is characterized by the following:

- Inadequacy of economic and social infrastructures

5. The differences in the level of development are also reflected in the considerable disparities in their economic and social infrastructures, whether in respect of the degree of social protection or the scale of public services, particularly as regards education and vocational training.

- Employment problems

6. Unemployment, under-employment and emigration have posed a long-standing problem for the three applicant countries. Over the period 1960/1975 as a whole, total employment declined in Greece and Portugal. Spain has achieved a steady rise in its employed working population, although this rise has proved insufficient in view of the labour potential available. There is a marked emigration potential in the applicant countries, stimulated by the differences in wages and social benefits as compared with the Community.

Since 1973, the emergence of high unemployment in the Community has changed the de facto interdependence between the three applicant countries and the Community into a relationship of unilateral dependence of the former on the latter, and in particular on France and Germany.

- Regional imbalances

7. The three applicant countries also suffer from considerable and growing regional imbalances. Regional disparities in the Community, which at present are from 1 to 5.4, would be from 1 to 10 in a Community of twelve.

¹ COM(78) 200 final, p.41

- Lack of diversification of production

8. There is little diversification of production in the three applicant countries. Production is heavily concentrated in the agricultural sector and, for the rest, is frequently in competition with the Community in those sectors facing difficulties (steel, textiles).

These characteristics situate the three applicant countries as a whole mid-way between the industrialized and the developing countries. However, it should be pointed out that the level of development of Spain and Greece is lower than, but close to, those of Ireland and Italy. The situation is less favourable in the case of Portugal, whose per capita GDP is equivalent to 60% of that of Ireland, the least prosperous Community country.

It should nevertheless be remembered that in 1957, when the European Economic Community was founded, per capita income in Italy was 50% that of France or Belgium. Moreover, even now there are considerable disparities between the various regions of the Community. The economies of the applicant countries have achieved rapid growth of productivity (about 7% in Spain and Greece and 5.5% in Portugal over the period 1960/1975)¹. In a number of industries, the applicant countries have modern and competitive production units.

9. Given the present difficult economic situation and the level of development of the applicant countries, the enlargement of the Community therefore calls for an effort by all the parties to develop a united approach to the various aspects involved. As far as economic conditions are concerned, accession must be accompanied by the simultaneous strengthening of the Community and alignment of the applicant countries.

II. STRENGTHENING OF THE COMMUNITY

Strengthening of the Community is vital not only for its enlargement but also for its survival; it can be achieved by means of growth, which is itself largely dependent on increased economic and monetary integration.

(a) Return to a sufficiently rapid growth rate

10. The prospect of enlargement will present the Community with major difficulties: the restructuring of crisis-hit industries, employment problems, the need for an increased transfer of resources both with regard to the applicant countries and to regions of the Community affected by their accession. The

¹COM(78) 200 final, p.40

special study on a notional budget for 1978 shows that the financing of the additional expenditure resulting from enlargement would amount to approximately 2,700 m EUA and would increase the VAT rate for the Twelve from 0.64% to 0.77%; the net financing requirement would be around 1,000 m EUA. In view of the risks and the handicap which enlargement could well place on the Community's momentum, the Commission is justified in saying that 'a return to sufficiently rapid and lasting growth is a major condition for resolving the serious economic policy problems which have to be overcome'¹.

11. In this connection, the Commission envisages several growth scenarios for the Community. Even with an annual growth rate of 4.5%, numerous difficulties would persist, especially in the regional area, but this rate of growth would make it possible to release sufficient resources to attenuate these problems.

At the other extreme, with an annual Community growth rate limited to 2%, critical conflict situations would tend to multiply and lead inevitably to defensive reactions and protectionism. The Commission therefore recommends an average growth rate of between 3 and 4%.

(b) Implementation of economic and monetary union

12. However, growth is itself partly dependent on the Community's progress towards economic and monetary union. An attempt must be made to create the conditions necessary for increased economic convergence and at the same time to establish a European monetary system and hence a stable situation which would encourage investment and help to reduce inflation.

Although a purely institutional matter, mention should also be made of the need to extend the use of the vote by qualified majority in the Council, above all, as recommended by the Commission², for conjunctural policy measures under Article 103(2) of the EEC Treaty, directives concerning exchange policies under Article 70(1) of the EEC Treaty, and the approximation of laws under Article 100 of the EEC Treaty (customs legislation and the elimination of technical barriers to trade). The prospect of enlargement makes it all the more desirable to increase the effectiveness of conjunctural policy mechanisms.

¹COM(78) 200, p.88

²COM(78) 190 final, p.13 ff.

III. ALIGNMENT OF THE APPLICANT COUNTRIES

13. Accession must also be accompanied by a real effort on the part of the applicant countries to bring their level of development gradually into line with that of the Community. This involves not only respect for the Community patrimony, but also participation in the Community's momentum.

(a) Respect for the Community patrimony

14. Respect for the Community patrimony will oblige the applicant countries to adjust to the opening up of their markets. This will not be easy. They will have to face fierce competition, particularly in the industrial sector, as a result of the total liberalization of their trade with the Community, the adoption of the common customs tariff, and the application of generalized preferences or those granted under the Lomé Convention. Moreover, rationalization of industry in the applicant countries will involve mergers, which may well cause serious employment problems.

The economies of the applicant countries will also have to adjust to the competition laws in force in the Community, and in particular to the system of state aids as defined by the Treaties. Thus whether the economies of the applicant countries would not inevitably suffer damage if they were compelled to compete with the present Member States without the appropriate period of adjustment, is still an open question.

(b) No restriction on the Community's development

15. The applicant countries will have to adopt procedures for applying Community guidelines, whether in connection with the coordination of short-term economic policies, monetary cooperation between banks or medium-term economic planning.

To create the necessary conditions for their accession, these countries will have to re-establish control over prices and costs. If they continue to face unstable situations as regards prices, costs and exchange rates, the monetary cohesion of the Community of Twelve, the convergence of economic trends, and hence economic and monetary union itself, would be seriously jeopardized.

(c) The transitional period

16. The economic problems posed by enlargement show how important the organization of the transitional period is for the success of accession. Given the impossibility of achieving total convergence at the outset, it

is of vital importance during this period to ensure that consistent policies are pursued.

In the light of experience gained during the first enlargement, the adjustment problems should be tackled during the negotiating period. The Commission will take care of the contacts needed to ensure coordination of, for example, structural reconversion policies, with a view to enlargement.

During the interim period between the signing and entry into force of the act of accession, the acceding states will be progressively involved in Community procedures and in the elaboration of new and the revision of existing policies within an interim committee consisting of representatives of the Community and the acceding countries¹.

17. The transitional period should last a minimum of five years and a maximum of ten years. Its actual duration will depend not only on the economic situation of the acceding countries but also on the development of the European and international economic situation. Given the scale and complexity of the questions to be resolved, the Commission rightly states that this transitional period should be characterized by a greater degree of flexibility than was evident at the time of the first enlargement, and in particular that it should be divided into two stages, each with its own objectives and timetable. The accession treaty should provide arrangements not only for the adoption of the Community patrimony but also for the future development of the Community. To prevent any standstill in activity, it should contain derogation or safeguard clauses and measures to enable the applicant countries to 'catch up'. These exceptions and derogations should be strictly limited to avoid undermining the cohesion of the Community.

o o o

To conclude, the Committee on Economic and Monetary Affairs:

1. Notes that the economic background to the applications for membership of the Community submitted by Greece, Spain and Portugal is very different from that which prevailed at the time of the first enlargement, both with regard to the international and Community short-term economic situation and to the level of economic development of the applicant countries;

¹ COM(78) 190 final, p. 3

2. Considers that the new enlargement of the Community, despite the very long-term prospects, also entails serious economic risks, both for the Community itself, which is currently concerned with the development of its existing structure by seeking to promote an integrated approach to economic and monetary union through common or coordinated endeavours, and for the applicant countries, which will have to cope, in particular, with the difficulties inherent in the opening up of their markets;

Considers further, that it is imperative for economic and monetary union to have made decisive progress before the accession of new Member States, so as to prevent any setbacks resulting from enlargement of the Community;

3. Notes that the economies of the three applicant countries are at very different stages of development and that, consequently, differing transitional arrangements will be required; takes it as a basic assumption that the accession of Portugal will create the greatest problems, above all because of her massive balance of payments deficit, the fundamental cause of which is the country's great structural weakness; points out that the applicant countries are as a whole characterized by:

- a level of development which is much lower than that of the three previous new members and which can be described as mid-way between that of the industrialized and that of the developing countries;
- inadequate economic and social infrastructures and the need to close the technology gap;
- a level of earnings far below that of the Community;
- a high level of unemployment and a de facto dependence on the Community as regards employment;
- relatively little diversification of production structures, which are principally orientated towards agriculture or sectors which in the Community are already in crisis;
- very sharp regional disparities that go far deeper than those in the Community and that will markedly accentuate regional differences within the enlarged Community;
- a high level of dependence on imported energy supplies;

4. Emphasizes, therefore, that the accession of these three countries must take place in conditions which will help these countries while at the same time strengthening the Community, and that this should be achieved by means of:

- a sustained and appropriate growth rate, which is a major condition for the success of enlargement;
 - closer coordination of economic, budgetary and monetary policies, with a view to achieving increased economic convergence and greater monetary stability;
 - more effective decision-making on economic policy in the Community of Twelve, above all by increased use of the vote by qualified majority;
5. Stresses also that, for their part, the applicant countries should undertake both to respect the Community patrimony and to make appropriate efforts to promote the development of the Community; that at the same time, the interests of the associated countries must also be safeguarded;
6. Considers, in this connection, that it is essential to organize in detail the procedures relating to the transitional period, and that these arrangements should:
- be based on a sufficiently flexible timetable;
 - guarantee, from the beginning of the negotiations, the coordination of structural reconversion policies from a Community viewpoint;
 - facilitate the progressive participation of the applicant countries in the formulation of common policies;
 - include the safeguard clauses and measures to close the technology gap which are vital to prevent a standstill in Community activity;
7. Considers that the applications for membership from Spain, Greece and Portugal represent an act of faith in the vitality of the Community, which must not be spurned: that the involvement of the three Mediterranean countries in the Community is politically necessary, and also, particularly in the long term, economically desirable, and that enlargement inevitably calls for determined consolidation and progress towards economic and monetary union on the part of the existing Community, and measures to bring the economies of the applicant states into line with the Community.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr DANKERT

On 20 September 1979, the Committee on Budgets appointed Mr Dankert draftsman.

It considered the draft complementary opinion at its meetings of 28/29 March 1979 and 4/5 April 1979 and adopted it unanimously at the latter meeting save for one abstention.

Present: Mr Bangemann, vice-chairman and acting chairman; Mr Cointat, vice-chairman; Mr Dankert, draftsman; Mr van Aerssen, Mr Ajello (deputizing for Mr Dalyell), Lord Bruce of Donington, Mrs Dahlerup, Mr Notenboom and Mr Shaw.

Introduction

1. At its meeting of 21/22 November 1978, the Committee on Budgets adopted a draft interim opinion⁽¹⁾ on the financial consequences of enlargement. This opinion was sent on to the Political Affairs Committee, which has been able to take into account the conclusions of the Committee in drawing up its report.⁽²⁾

2. It was agreed that the views of the Committee on Budgets would represent an interim position, given on the one hand that it wished to preserve the option of reporting directly to Parliament and, on the other hand, that it wished to bring Parliament up to date as the financial and budgetary consequences of enlargement became clearer, during the course of negotiations.

3. The committee has been following closely developments connected with the enlargement issue, as well as those arrangements with third countries which will be intimately affected by the final conditions of enlargement. He has undertaken further contacts with the Commission and certain new figures, still on a tentative basis, can be advanced.

4. The committee believes that it would be appropriate for the European Parliament to take these points into consideration when examining the report from the Political Affairs Committee, drawn up by Mr PINTAT, on the sectoral aspects of enlargement. Furthermore, it should seize this occasion to make certain recommendations to the directly elected Parliament concerning the way in which Parliament scrutinises negotiations with third countries.

The attitude of the Committee on Budgets

5. Members of the committee recalled that the following conclusions were adopted unanimously by the Committee when it made its first examination of enlargement questions:

(1) PE 54.579/fin.

(2) PE 55.934/fin.

"The Committee on Budgets asks the Political Affairs Committee, in the drawing up of its report, to include the following paragraphs in its motion for a resolution:

'The European Parliament

- (i) regrets that the Commission, in its document which provides a thorough analysis of the economic problems confronting the applicant countries, has not advanced any financial estimates, taking into account the dynamic effects caused by the development of Community policies or the moves towards economic and monetary union;
- (ii) asks the Commission to give serious attention to the financial consequences for the countries connected with the Community by Association Agreements and to make appropriate proposals to provide compensating arrangements for these countries;
- (iii) recognises that the enlargement of the Community will necessitate changes in the structure of the common agricultural policy, noting that the Commission has seriously under-estimated the financial consequences for this sector and has not taken into account in those calculations its own most recent proposals for Mediterranean agriculture;
- (iv) considers that the mere use of existing financial instruments would be stretching available resources and would not provide a significant contribution towards solving the chronic economic problems confronting the enlarged Community;
- (v) believes that an enlarged Community would require the achievement of much greater economic solidarity between the Member States in order to overcome the consequences of enlargement and to permit economic integration to be pursued;
- (vi) calls for the Commission to seek means to limit the growth in spending on the support for agricultural prices which result from the provision of incentives for producers to stock up agricultural surpluses;
- (vii) asks the Commission to submit proposals immediately for the implementing of the special enlargement reserve, proposed by the European Parliament, so that aid can quickly be provided to the regions of the applicant countries most disadvantaged;

- (viii) further asks the Commission to submit proposals for the creation of new financial instruments capable of providing immediate financial aid on a flexible basis to finance structural reforms in the new Member States, and proposals for adaptation of such redistributive instruments as the Regional and Social Funds to the needs of efficient functioning;
- (ix) asks the Commission to bring forward proposals and revised estimates in the light of its own initiatives for certain industrial, transport and energy sectors; furthermore, asks the Commission to review those parts of its document which have been superseded by events;
- (x) wants to be informed on the likely problems in terms of efficiency and operational costs in the management of the institutions; asks the Commission to calculate the costs for the institutions of working in extra Community languages;
- (xi) calls upon the Commission to take the problems of enlargement into consideration when making its proposals to remove the ceiling on own resources provided in the Decision of 21 April 1970, and calls upon the Commission to bring forward its proposals as soon as possible in order that an artificial brake should not be applied to Community activity;
- (xii) warns against any attempt to resort to bilateral or multilateral arrangements to cover the costs of accession which would be contrary to Article 199 of the Treaty and which it could, therefore, not accept;
- (xiii) supports the immediate integration of the new Member States in the revenue system of the Community and recognises that this implies an immediate transfer of resources in favour of the applicant countries by means of a flexible mechanism described previously;
- (xiv) believes that the challenge of enlargement must be met by the pursuit of a more dynamic budgetary policy involving a considerable switch of resources to the Community budget, thus permitting the Community of 12 to persevere towards the goal of economic integration;
- (xv) believes, furthermore, that the enlargement of the Community must not become a pretext for calling into question certain economic and political advances that have been registered as regards budgetary policy;

(xvi) instructs its Committee on Budgets to report to it regularly on the financial and budgetary consequences of enlargement as it obtains greater information, during the course of negotiations, and whenever it considers it appropriate to draw Parliament's attention to new developments and, in any case, separately, on the negotiations with the individual countries, at the most appropriate time." (1)

On some of the essential points in these conclusions, the views of the Committee have been fully justified by subsequent events.

6. As regards the transfers between the applicants and the existing Nine, certain guarantees will be necessary in order to make sure that the balance in their favour is substantial and immediate. We are now obtaining fuller evidence that the balance of Community spending can develop in a perverse way, through developments in the agricultural and monetary spheres, outside the control of the Community institutions, which can result in the distribution of Community resources from less prosperous to more prosperous countries and regions. This negative distribution would be an unacceptable extra burden on the economies of Greece, Spain and Portugal; therefore, adequate guarantees, if necessary outside existing Community financial instruments, must be worked out.

7. As regards the proposed reserve for enlargement, valuable time has already been lost. Following the withdrawal of amendments during the December part-session, dealing with the 1979 budget, and as a result of the redistributive attitude adopted by Council, no enlargement reserve was created.

8. In its preliminary draft supplementary budget for 1979, the Commission has created an overall operational reserve, (Chapter 103), where it intends to enter 30 million EUA in total appropriations for payment and 100 million EUA in total appropriations for commitment.

(1) PE 54.579/fin., pages 22 and 23.

This Chapter would then be used to supplement energy policy, research and investment policy, industrial and transport policy, fishing policy and enlargement expenditure. No breakdown is, as yet, provided. The Commission limits itself to saying "the Commission recalls that it recommends general preparatory financial aid to Portugal, while taking the view that aid to Greece and Spain should be specific in nature." (1)

9. In the view of the Committee on Budgets, the amount proposed is totally insufficient to make any perceptible impact on economic structures within the applicant countries. The Commission is at fault in not advancing its thinking as to the means of using a reserve for enlargement. At present, its proposal gives the impression of a token gesture, ill thought out and less than serious in its intentions. The Committee on Budgets considers using the supplementary budget procedure to strengthen the appropriations for enlargement by placing amounts in a separate reserve, similar to that suggested by the rapporteur and Mr BANGEMANN, rapporteur for the 1979 budget, during last year's procedure. This reserve could indicate the kind of support intended for the three states, as well as suggesting a tentative breakdown between grants and soft loans.

10. As regards the dangers underlined by the Committee on Budgets concerning the limits set to own resources and the need to avoid bilateral mechanisms, outside the Community budget, the anxiety expressed has been justified by the increasing reticence of certain Member States to envisage extensions of own resources, even when those same Member States are not satisfied with current support for structural policies. Further information about the full cost of enlargement is necessary to point out to all the Member States of the Community that, by itself, the enlargement will guarantee reaching and exceeding the existing ceiling and that the necessary amendments to the decision of 21 April 1970 must be prepared, formulated and agreed upon speedily.

11. As regards the need for more flexible financial instruments, apart from the existing Social and Regional Funds, the discussions at the end of the budgetary procedure for 1979 highlighted the importance of this aspect. The increasing delays in Community payments mechanisms, resulting partly from lack of staff in the Commission and partly from the Commission's apparent reluctance to suggest simplified payment mechanisms, results in an extraordinarily low rate in payments appropriations utilisation, particularly for social spending. Complete reliance on existing fund mechanisms would accentuate the risk of a negative distribution of Community resources. Therefore, alternative simplified arrangements must be made.

(1) Page 12 of the preliminary draft supplementary budget for 1979

12. It is becoming progressively clearer that the expenditure necessary as regards compensating, in one form or another, other Mediterranean countries, as a result of the effects on them of enlargement, will be very great indeed. In October 1978, the Turkish Government presented new proposals to the Commission designed to revise the third financial protocol in the light of the enlargement of the Community, which the Turkish Government maintains will produce negative effects both on industrial and agricultural sectors and which would, in the view of that Government, complicate the Community's decision-making process on matters concerning Turkey.

13. Therefore, the Turkish Government proposed, as part of the overall investment plan of 63 billion dollars, that of the planned deficit of 15 billion dollars to be provided from foreign reserves, 8 billion should be provided by the EEC to be broken down as follows:

A - EEC direct financial assistance	:	4.4 billion dollars
B - Private capital flow	:	1.2 billion dollars (the part of the EEC is 936 million)
C - Emergency aid by the EEC	:	1.0 billion dollars
D - The contribution of the Member States in the OECD Consortium	:	1.5 billion dollars

It should be recalled that the existing financial protocol envisages a total Community outlay of 310 million EUA of which 220 million EUA is accounted for in soft loans (40 years - 10 year grace period - at 2.5%).

The Commission, on 14 February 1979, proposed a revised fourth protocol to commence in 1981 with approximately double the capital investment that is currently provided (600 million EUA) as well as a 100 million EUA Special Cooperation Fund, which would subsidise, in the form of grants, industrial trade, energy and training programmes.

14. There is obviously a major gap between the demands of the Turkish Government and the Commission's proposals: the closing of that gap may be the necessary condition for the continuation of the association agreement. It would be premature at this stage to speculate on the outcome, either within the Council or within Turkey itself.

15. However, it is already possible to draw certain conclusions. Firstly, we are dealing here with a direct consequence of enlargement: this is the reason for the speed and insistence of the Turkish Government. Secondly, the outlay involved - of up to 1,000 million EUA over the whole period - shows how massive indeed can be the indirect consequences for the Community budget of the enlargement process. This is the first concrete example: others will follow automatically for practically all the Mediterranean states.

The third conclusion concerns the role of Parliament and the fact that direct information and consultation of the institutions is currently extremely limited. Therefore, the Committee on Budgets feels that certain recommendations should be made to the directly elected Parliament about means of remedying this situation.

Associating the Parliament with negotiations with third countries

16. Various problems have arisen as regards Parliamentary control during negotiations with third countries. These problems have been shown to be particularly serious during the enlargement negotiations where the subject matter is of such vital importance.

17. The first problem is a lack of information. Parliament is not privy to the negotiations. Information provided tends to be partial and acquired only after insistence. There is no systematic provision of information to the institution.

18. Parliamentary influence tends to be negligible. The official consultation of Parliament only takes place after negotiations have been concluded. If Parliament has any major objection it is practically impossible to conceive of the re-opening of negotiations simply to deal with Parliamentary objections. Where Parliament, on its own initiative, takes a view on original negotiating positions or the perspectives for negotiations (e.g. the fresco), the position adopted tends to be superseded by events immediately the negotiations get going.

19. There is a lack of internal coordination between the different Parliamentary committees concerned. Nearly all the committees may have an interest in the substance of negotiations - as is the case for enlargement, for example. By the time all the different opinions and view points have been gathered, the intervention has been much delayed.

20. Some of these problems are common to all legislative bodies and assemblies around the globe. Others require an improvement in internal cooperation and coordination, which is possible to achieve through an improvement in our working methods.

21. However, certain interinstitutional initiatives could be undertaken:

(i) Contacts with the Commission

The rapporteurs of the committee with basic competence and of the Committee on Budgets, which will always be involved, should have extensive contacts with the Commission, which is responsible for all the negotiations, on an official basis, not on the present unofficial one. Demands for information from these individuals would, therefore, be treated as the equivalent of demands from the institution as a whole - without involving the full internal procedure culminating with Presidential information. This would strengthen Parliament's hand and would speed up the flow of information;

(ii) Contacts with the negotiating parties

Again, officially, the rapporteurs from the committee with basis competence and from the Committee on Budgets should have regular contacts with the negotiating parties. When they make approaches to the delegations from third countries, they should have the status of official representatives of the European Parliament;

(iii) Within the negotiating committees

The rapporteurs of the committee with basic competence and of the Committee on Budgets should be invited officially to all the principal meetings of the negotiating bodies as official observers on the side of the European Communities.

22. It would be argued by some that the confidentiality of these negotiations would be violated by the presence of Parliamentarians. In answer to this, it is worth pointing out that Parliament has already accepted a confidentiality procedure for its Subcommittee. Secondly, Parliamentary representatives, if they agree to the principle of confidentiality, are no more liable to breach that principle than representatives of other institutions. They would use the information garnered as part of their general background information for the whole issue. Nonetheless, this participation right through the negotiations, would vastly enhance the general awareness in Parliament of the financial and economic consequences of such issues as enlargement.

Democratic institutions have a precedent in the experience of the United States where Congressional representatives are associated directly with negotiations with third countries and the Committee on Budgets wishes to present positive recommendations to the directly elected Parliament along these lines, and asks the Political Affairs Committee to take account of this opinion.

Further information on the financial consequences of enlargement

1. Following the meeting of the Committee on Budgets on 28/29 March 1979, the rapporteur was instructed by the Committee, which indicated its approval of the major lines of his complementary draft opinion, to complete the text in view of information that he had received and in view of the latest developments in Community budgetary policy. Your rapporteur has, therefore, attached to this document a series of tables which in his view represent a more realistic calculation of the budgetary costs of enlargement, based on the three year multiannual estimates attached to the Commission's preliminary draft budget.
2. This revision of the figures is undertaken by the rapporteur, on his own responsibility. However, they are not entirely random in as much as they result from extensive contacts he has had with Commission services and other authorities.
3. Now, however, the Commission has introduced its global appraisal of the budgetary problems of the Community (COM(79) 85 final), which includes tables giving the general trend in the volume of the Community budget for 1979 to 1982, according to certain dynamic hypotheses. It would, therefore, be appropriate to ask the Commission to put forward estimates of the cost of enlargement, on the basis of these hypotheses. It is interesting to note that the Commission now gives a net expenditure total for Greece of around 450 million EUA in 1981 and 500 million EUA in 1982 in appropriations for commitment. ⁽¹⁾
4. The rapporteur would like to make further comments on a number of points already raised in his complementary opinion (PE 57.709).

Budgetary transfers

5. On the question of the budgetary transfers referred to in paragraph 6, (PE 57.709) it is worth pointing out that an understanding has been reached with Greece in the context of the negotiations that whatever financial aid is agreed to, and whatever revenue is paid in by Greece, she will be a net beneficiary of the Community budget from the outset. This is likely to act as a precedent when it comes to negotiations with Spain and Portugal. It will also require extra budgetary instruments since, apart from the Regional Fund, there is no automatic redistributive mechanism in existing funds.

⁽¹⁾ Page 20 of the Commission's document.

Mediterranean Agriculture

6. In the communique from the Summit, reference was made to the policy for the Mediterranean regions which would imply a substantial upward revision of the financial consequences of that package (already set at +1,000 million EJA). It is stated "also with a view to enlargement, the Council hoped that the efforts to improve structures undertaken in favour of the Mediterranean regions would be continued so that the interests of all agricultural producers in the Community received equal consideration".

Enlargement reserve

7. Following the presentation of the preliminary draft budget, with a small operational reserve partly intended to provide some aid for the applicant countries, Council has deleted this amount altogether in the drawing up of its draft on 22 March. The situation will be considered by the Committee on Budgets in the context of the examination of the draft supplementary and amending budget (no. 1) 1979.

Effects on other Mediterranean countries

8. There have also been some developments on the Turkish front (paragraphs 13 onwards). The third financial protocol has passed the first Parliamentary hurdle in the Turkish Parliament (20 March). It will now be for the Senate to confirm this.

The Council will examine the Commission's proposals for aid to Turkey in the fourth protocol at the beginning of April.

The initial Turkish reaction to the Commission's proposals was extremely hostile. The gap between the two sides is very large indeed and the Commission's proposals already envisage a major budgetary outlay. No outlay is, however, envisaged in the 1979 budget or in the supplementary budget.

There are two main reasons for the size of Turkey's requests: first, because of her special associated status (with, ultimately, right to membership recognised) and, secondly, because of the imminence of Greek membership.

The Committee on Budgets will introduce a separate document subsequently on the overall costs in the context of cooperation expenditure with third countries, resulting from enlargement.

Flexibility of Community instruments

9. As regards the need for more effective and flexible financial instruments to guarantee some speedy structural aid for the applicant countries, referred to in paragraph 11, it is worth pointing out that the European Council, on 12/13 March 1979, when looking at the effectiveness of the Social Fund, "noted the importance of a coordinated contribution by the various Community financial instruments to the intensification of the fight against unemployment". It also called for the Commission "to continue its efforts to improve the effectiveness of the European Social Fund's action by directing its assistance more effectively in order to meet the current employment difficulties better".

When looking at the problems of economic divergence "it emphasised the need for the Community institutions to ensure more effective use of existing instruments in order to attain this objective". Therefore, the European Council at least is thinking of improving what is there already, rather than looking for alternative instruments. In this case, the Commission must bring forward, and rapidly, radical measures to speed up payments under the various funds, otherwise the guarantee to transfer resources to the applicants cannot be met.

One idea which seems to be gaining support is the creation of certain Community zones (perhaps cross-frontier) where a series of integrated actions could be concentrated, with the aim of a concentration and harmonisation of the Community effort.

Conclusion

10. The speed with which the situation is developing necessitates a constant and privileged information of Parliament, by means of its committees, if it is to have any say whatsoever over the development of the enlargement question which will lead to massive budgetary consequences.

Introductory note on these tables

1. The rapporteur tentatively puts forward these figures, on his own responsibility, because he believes that they could contribute to a better informed debate.
2. As regards the "fresco" which contained figures based on a simulation exercise on the 1978 budget (1), these figures have been adapted to take account of recent budgetary developments and of price increases.
3. The rapporteur has then taken figures for 1981 (2), based on the hypothesis that the financial implications of enlargement for the different sectors would evolve between 1978 and 1981 at rates comparable with those included in the multi-annual forecasts (annex to Volume 7 - Section III - Commission's preliminary draft budget for 1979).
4. The first hypothesis, as regards agricultural guarantee spending, simply extrapolates on past experience (3): for other expenditure, your rapporteur has taken the lower alternative contained in the multi-annual forecasts.
5. The two hypotheses (4) for the EAGGF Guarantee take account of a certain dynamic development in the evolution of this expenditure, and take account particularly of the dynamic effects of enlargement itself: for other spending, the higher figure included in the multi-annual forecasts is included.
6. The totals (5) do not take account of the reimbursement of 10% of own resources to Member States.
7. The rapporteur proposes that the Commission be asked to pronounce upon these figures and to produce a further set, based on the general trend in expenditure and revenue 1979 to 1982 contained in the "Global Appraisal of the Budgetary Problems of the Community" (COM(79) 85 final). This would add a further dynamic element to the calculation of likely expenditure.

Revised figures on the financial consequences of enlargement on the general budget of the Communities (according to certain hypotheses) put forward upon the responsibility of the rapporteur and after appropriate and extensive contacts.

TABLE 1: Estimate of the financial costs of enlargement on the general budget of the Communities (range of expenditure)

SECTORS	mEUA		
	1978 (1)	1981 (2)	
		Hypothesis 1 (3)	Hypothesis 2 (4)
- EAGGF - Guarantee	(1,000	1,500	1,250
	(1,500	2,250	1,880
- EAGGF - Guidance	(350	470	470
	(550	740	740
- Social Fund	(190	380	460
	(300	600	720
- Regional Fund	(400	690	860
	(500	870	1,110
- Other expenditure	(250	570	640
	(400	910	1,020
- Totals (5)	(2,190	3,610	3,680
	(3,250	5,370	5,470

NOTES: See introduction on each table

TABLE 2: Estimation of the financial costs of the accession of Greece on the general budget of the European Communities (range of expenditure)

SECTORS	mEUA		
	1978 (1)	1981 (2)	
		Hypothesis 1 (3)	Hypothesis 2 (4)
- EAGGF - Guarantee	(350	525	440
	(600	900	750
- EAGGF - Guidance	(90	120	120
	(150	200	200
- Social Fund	(20	40	50
	(50	100	120
- Regional Fund	(100	170	210
	(120	210	290
- Other expenditure	(50	115	130
	(75	170	190
- Totals (5)	(610	970	950
	(995	1,580	1,550

NOTES: See introduction on each table

TABLE 3: Estimate of the financial costs of the accession of Portugal on the general budget of the European Communities (range of expenditure)

SECTORS	mEUA		
	1978 (1)	1981 (2)	
		Hypothesis 1 (3)	Hypothesis 2 (4)
- EAGGF - Guarantee	(150 (200 (	225 300	190 250
- EAGGF - Guidance	(60 (100 (	80 140	80 140
- Social Fund	(90 (130 (	180 260	220 310
- Regional Fund	(120 (150 (	210 260	260 320
- Other expenditure	(50 (75 (	115 170	130 190
- Totals (5)	(470 (655 (	810 1,130	880 1,210

NOTES: See introduction on each table

TABLE 4: Estimate of the financial costs of the accession of Spain on the general budget of the European Communities (range of expenditure)

mEUA

SECTORS	1978 (1)	1 9 8 1 (2)	
		Hypothesis 1 (3)	Hypothesis 2 (4)
- EAGGF - Guarantee	(500 ((700	750 1,050	620 880
- EAGGF - Guidance	(200 ((300	270 400	270 400
- Social Fund	(80 ((120	160 240	190 290
- Regional Fund	(180 ((230	310 400	390 500
- Other expenditure	(150 ((250	340 570	380 640
- Totals (5)	(1,110 ((1,600	1,830 2,660	1,850 2,710

NOTES: See introduction on each table

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS, EMPLOYMENT AND EDUCATION

Draftsman: Mr PISTILLO

On 16 May 1978 the Committee on Social Affairs, Employment and Education appointed Mr Pistillo draftsman.

It considered the draft opinion at its meetings of 20 June, 2 November and 20 November 1978 and adopted it unanimously on 20 November 1978.

Present: Mr Van der Gun, chairman; Mrs Dunwoody, vice-chairman; Mr Pistillo, vice-chairman and draftsman; Mr Albers, Mr Dinesen, Mr Howell, Mrs Kellett-Bowman, Mr Lezzi, Mr Noe', Mr Schreiber, Mrs Squarcialupi, Mr Vandewiele and Mr Vanvelthoven.

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I. INTRODUCTION

1. The enlargement of the Community to include Greece, Spain and Portugal meets a specific political need: to consolidate the democratic regimes recently restored in the three countries after long and sombre periods of dictatorship; to tackle the problem of the slower development of southern Europe with the aim of correcting long-standing economic and social imbalances, thereby promoting the redistribution of wealth and influence; and to strengthen and develop the idea of European unity whose centre of gravity has hitherto been in the centre or north of Europe, through the entry into the Community of Mediterranean countries leading to a new balance in its policies and actions. In this way, Europe will appear more of an entity and more realistic, containing both highly developed and backward regions, concentrations of great wealth and of poverty, as it pursues a course which will necessarily lead to the formulation of new policies and new forms of action reflecting an overall, planned approach.

2. The enlargement of the Community to include Spain, Greece and Portugal is not, therefore, a concession granted to peoples who suffered under fascism, or a sacrifice for the benefit of less fortunate peoples, but is a specific need if Europe is to become united again and assume its rightful independent role in world affairs.

3. If Europe wishes to become an increasingly effective force for peace and détente among peoples, and to extend democracy to every sphere and at every level, it must deal with the serious disequilibria within the Community and find a solution to them. Democracy cannot exist without social justice and vice-versa. The growth of a two-tier Europe has proved an illusion: the direct consequence is that the richer areas become richer and the poorer areas poorer. There is therefore a need for an overall, coherent and planned approach to the development of Europe.

4. The accession to the Community of the three countries clearly raises numerous and difficult problems. It is impossible to ignore them, and to play them down would be harmful to all concerned. The only proper course is to take due account of these problems in order to find a just and adequate solution. That is the real challenge facing Europe, in a situation made even more difficult by the current economic crisis.

5. Confining ourselves to the social aspects of, firstly, the present situation in the Community, and secondly, the problems arising from enlargement, we have set out below what we consider the most important facts and considerations:

II - SOCIAL AND ECONOMIC SITUATION IN THE COMMUNITY

6. The general analyses made by the Commission of the social development of the Community in 1977 are somewhat threadbare and do not cover more serious factors such as the energy crisis and prices of raw materials, financial and monetary policy and new trends in the international division of labour. Few hard facts are known about the social consequences of the measures promoted by the Community authorities (credit restrictions, checks on public expenditure, increase in public revenue). We do know that production in the Community has increased by only 1.9%, as against an estimated increase of approximately 4.0%.

7. The number of officially registered unemployed has risen from 4,249,300 (December 1976) to 5,845,200 (December 1977). This is the highest figure ever recorded in the Community since its foundation.

8. While insufficient information exists for a comparative assessment of the employment situation in the leading economic sectors, companies of varying sizes, social categories and regions, it is known that the principal victims of unemployment are young people and women (whereas the total number of unemployed has doubled over the last few years, that of unemployed young people has tripled). The worst-hit sectors have been the iron and steel and building industries (although the situation is also serious in the textile and chemical sectors).

9. There has been practically no change in the number of migrant workers, who 'mainly occupy jobs often considered unacceptable by indigenous workers', and still total about 6 million, 4.5 million of whom come from non-Member States. Of the latter category, 1,256,000 are nationals of Spain, Greece and Portugal (448,000, 239,000 and 569,000 respectively).

10. One of the principal consequences has been the increased burden of expenditure on social security, which some Member States have attempted to meet by cutting expenditure on welfare (e.g. public health).

11. At the same time, in order to boost employment, measures have been adopted for the public financing of social benefits, and social services have been expanded to cope with the increase in unemployment and the average age of the population.

12. These trends would seem to be confirmed for the whole of the current year, with the result that growing unemployment stands out as the most serious and dramatic problem within the Community, with no possibility whatsoever of a rapid solution.

13. Taking an all-round view, we are faced with a reduction (varying from country to country) of the purchasing power of cash social benefits (pensions, unemployment benefit, family allowances, etc.) while, in general, there has been no improvement in contractual wage rates. According to the Commission, this is because any such improvement 'must fall within the limits of wage increases fixed under incomes policies or wage agreements'.

14. In their declarations, the Community institutions have recognized the fact that social policy cannot be treated separately from Community policies as a whole. The General Report for 1977 states that: 'Employment was one of the overriding preoccupations in 1977. The main concern has been to coordinate Community action and to mobilize funds'. The Report on the Social Situation affirms that: 'The Commission made the re-establishment of full employment the prime objective, not merely of its social policy, but of its activities as a whole'. The European Council, meeting in Copenhagen, confirmed that 'an improvement in the employment situation is a key objective of the common overall strategy of the Community. It stressed the importance of the Community's growth objective in this context'.

15. In practice, the specific policy pursued in various countries (the situation is somewhat different in Italy) and at Community level has centred on the reorganization of given sectors (iron and steel, textiles, shipbuilding) without adopting specific measures for employment. In short, a deflationary trend has predominated, leading to an increase in unemployment.

16. The Commission has admittedly proposed measures in the social sector (concerning the employment of young people and women, harmonization of labour markets, improved utilization and functioning of the Social Fund, improvement of working conditions and measures for the benefit of migrant workers). However, not only has the effectiveness of these proposals been reduced by the decisions adopted by the Council, but in addition, they were never likely to have much effect on employment given the existing instruments for intervention which, if they were effective during periods of growth, are totally unsuited to the present crisis. The means available at Community level, under the Social Fund, the Regional Fund and the EAGGF's Guarantee Fund, provide little scope for the creation of new jobs needed in the present employment situation.

17. The social situation is therefore central to the development of the Community as a whole. Its overriding importance cannot be expressed in words alone.

18. The solution of the social problems in the EEC, above all that of unemployment, the cause of which is structural, cannot be entrusted merely to market forces - which are frequently irrational - or private enterprise, or to the individual Member States acting separately (and often 'fruitlessly competing among themselves' as the Commission points out in its General Report), but should be tackled at Community level under a strategy of coordinated policies, planned action and increased resources.

19. Because of its statute, the ESF has undertaken no effective action for the creation of new jobs, while its role as regards professional training has been restricted by inadequate resources (6% of the total EEC budget).

20. The prime task connected with the enlargement of the Community to include Greece, Spain and Portugal is to remedy the social situation before it is too late. Enlargement must signify, above all, transformation and modification in order both to tackle the present situation in the Community of the Nine, and to effectively withstand the repercussions which the three countries' accession will have on the social field, as in other domains.

III - SOCIAL AND ECONOMIC SITUATION IN THE THREE CANDIDATE COUNTRIES¹

21. As regards unemployment, the information available indicates that the number of unemployed in 1976 totalled 832,000 in Spain (or 5.3% of the civilian working population), approximately 100,000 in Greece (3%) and 500,000 in Portugal (14-15%), giving a grand total of approximately 1,400,000 on top of the 6 million unemployed in the existing Community.

22. The employment situation becomes even more disquieting when considered in the light of the present structure of the labour market in the three countries and the events, factors and transformations which may influence it following enlargement.

23. The industrial sector accounts for 38% of the working population in Spain, 33% in Portugal and 28% in Greece, as against an average of 42% in the Community.

¹ See COM (78) 200 final and Annexes
'Economic and sectoral aspects - Commission analyses supplementing its views on enlargement'.

24. However, this very sector, of vital importance for economic and social development and the absorption of unemployment, displays the following disturbing features:

- a) average productivity in Spain amounts to 55% of average Community productivity, that in Greece to 51% and that in Portugal to only 33%;
- b) the industrial structure consists in the main, particularly in Greece and Portugal, of small and very small firms which account for a large part of the working population and are protected from external competition by tariff and non-tariff barriers which the Commission itself says are far from negligible, although it is unable to indicate their exact present level;
- c) the leading branches of industry are precisely those which are considered 'sensitive' and are in crisis in the existing Community - iron and steel, textiles, clothing and shipbuilding;
- d) internationally competitive companies do exist, but they are often wholly or partly controlled by foreign interests and their development strategies are fixed by the parent company, in other words by the multinationals: as the latter frequently operate, above all in Spain, through a system of concessions, the subsequent application of Community competition rules might affect their continued production in certain cases.

25. The opening of frontiers and the lowering of tariff and non-tariff barriers vis-a-vis third countries, and the need to increase productivity in order to withstand Community and international competition, will inevitably lead to large-scale restructuring, with harmful consequences on employment which will probably make it more difficult to keep the figures down to their present level.

26. The agricultural sector accounts for an important part of economic activities in the three countries: in each case, however, it suffers from extremely low productivity and absorbs 36% of the total workforce in Greece, 28% in Portugal and 22% in Spain, as against an average of 8.7% in the Community. Following enlargement the number of people employed in agriculture in the Community as a whole will more than double, thus increasing the total by approximately 5 million, whereas overall agricultural production will increase by only a fifth.

27. The Commission itself recognizes in its analyses that an increase in agricultural productivity will call for substantial restructuring and hence a considerable reduction in the number of farm workers: in the absence of alternative jobs in other sectors, this will necessarily lead to an increase in the number of unemployed and migrant workers.

28. Furthermore, the tertiary sector and craft trades, on which the Commission, although stressing their economic importance for the three countries, provides no specific information, appear unable to offset the harmful effects on employment of agricultural and industrial reorganization.

29. Regional disparities will also weigh heavily on the employment situation inasmuch as:

- a) firstly, the differences in the level of development between regions in the enlarged community will be greater than in the existing Community of the Nine (in terms of GNP/inhabitant, the difference between the richest and the poorest region, which is approximately 1:5 between Calabria and Hamburg, will be approximately 1:10 between Hamburg and the four poorest Portuguese regions);
- b) secondly, the enlarged Community will have an additional population of 53 million, 34 million of which inhabit regions whose average per capita product is close to that of the Italian Mezzogiorno and the west of Ireland.

30. In addition to the difference between the level of development in the Community and in these three countries, serious regional imbalances also exist within each applicant State: each shows a high concentration of population and secondary and tertiary activities in one or more regions and a situation of decline and depopulation in others.

31. These factors indicate that the undeniable economic development achieved over the last fifteen to twenty years by these States has not eliminated, but on the contrary has accentuated certain disequilibria with resulting effects on employment, quite apart from the progressive abandonment and decline of whole regions and economic activities.

32. Another not insignificant factor is the increase in the population of working age: it would appear that, over the period leading up to 1985, this increase in the three candidate countries will be approximately 1.1% per annum as against 0.8% in the Community.

33. As a final point concerning the labour market in the future enlarged Community, we should bear in mind the repercussions that reorganization and redeployment in industry and agriculture in the three candidate countries will inevitably have on corresponding sectors in the existing Community and vice-versa.

IV - THE COMMISSION'S APPROACH¹

34. Faced with the seriousness and complexity of the problems and difficulties described above, the Commission, instead of proposing specific, detailed policies and sectoral and general measures, confines itself to declarations which go no further than mere statements of good intentions - that is, when they are not idle slogans : a typical example is the affirmation that we must urgently 'work out a bold policy on employment'.

35. We often hear statements about the need to 'identify the economic sectors holding out prospects for development', 'to capitalize on investment', 'to grant financial aid', and so on : on the other hand, we are provided with no specific or practical indication of which sectors should be developed, the type and amount of financial aid to be allocated and by whom it should be granted - a particularly relevant point at a time such as the present when almost all Member States find themselves in difficult economic, social and budgetary situations.

36. This is all the more incomprehensible when we consider that the Community has already almost completed the negotiations with Greece, in which we may logically assume that specific and practical decisions have already been taken : it is essential that these should be made known.

37. At this stage, and in view of the difficulties connected with enlargement, some planning at European level is imperative. The Commission, however, has done nothing on this score, and instead, has merely affirmed that the likely changes in the employment situation and the financial requirements connected with enlargement cannot be expressed in figures, however approximate. It states merely that these changes and requirements will be 'substantial'.

38. It is true that from time to time, depending on the problem under analysis, the Commission proposes the utilization of the various Community financial instruments - the European Investment Bank, European Social Fund, Regional Development Fund and the EAGGF. It is also true that it provides estimates of expenditure and financial endowments for the general budget of the Communities, the ESF, the Regional Fund and the EAGGF.

¹ See COM (78) 120 final : 'General considerations on the problems of enlargement', and documents referred to under footnote 1, p.4.

39. However, these very estimates and projected figures demonstrate the total inadequacy of the resources made available for tackling the problems raised by enlargement.
40. The budget estimates for the enlarged Community are based on the simple percentage cost of increasing the scale and range of present Community intervention **measures** to cover the three candidate countries.
41. This approach is unacceptable: it is inconceivable that the Community financial instruments which, in their present form, have proved incapable of solving the problems of the existing Community, would have the slightest effect on the difficulties resulting from enlargement.
42. A radically different approach is required, based in particular on the following principles:
- (a) the Community budget should be of sufficient size to have a practical effect on the situation in the Community: in order to achieve this objective, according to a study undertaken by experts, the budget should be increased to represent at least 2.5% of the total budgets of the nine Member States, as against 0.8% at present. In view of the additional needs resulting from enlargement, this percentage of 2.5% should probably now be considered insufficient;
 - (b) the overriding principle of the budget should be its function in the redistribution of wealth;
 - (c) the Community financial instruments should be based on this same principle; they should be reorganized and provided with increased resources for the fulfilment of the new tasks rendered necessary by enlargement. Finally, action should be coordinated, above all at regional level;
 - (d) through the European Investment Bank and, possibly, ad hoc instruments and measures, financing plans should be drawn up for large-scale investment in less-favoured regions in both the three candidate countries and the existing Community: this is perfectly reasonable, one realistic reason being that, following the progressive opening of frontiers and markets, the richer and stronger regions and economies will be the main beneficiaries of enlargement through a recovery and increase in their exports. The need for such financing action is also recognized by the Commission, although it gives no indication of the form, duration and extent of financing involved.
43. Dynamic action is also needed in the field of occupational training: since the Commission confines itself on this issue to stating that,

in the three countries concerned, 'much remains to be done', the European Social Fund should be given the means, both legislative and financial, to launch wide-ranging measures ensuring the creation of the basic structures which, we must assume, are seriously lacking. Furthermore, given the extremely slow development of certain regions in the candidate countries, the matching contribution to less-favoured regions under the Social Fund, which today may represent only 55% of the cost of operations, should be increased.

44. As confirmation of the need for such action, it should be pointed out that occupational training is an important instrument in the struggle against unemployment in general and that among young people in particular, and is also an essential back-up measure for all restructuring and redeployment actions in both agriculture and industry. Occupational training is also an important element in the formulation of an effective employment policy: the scarcity of specialized and qualified workers may cause development and investment plans to fail in their objectives, thereby representing a serious obstacle to successful economic expansion.

45. We must also step up action under the EAGGF and ECSC rules for the training of farm workers who need to obtain new qualifications because of new techniques and production methods, and for the further training of workers in the coal and steel sector.

46. The employment of women is an extremely delicate problem on which the Commission merely informs us that, in 1975, the number of women at work amounted to 19.4% of the total female population in Spain, 11.1% in Greece (in 1971) and 18.2% in Portugal, whereas the Community average was 28.2%. In addition, many women in the three countries perform seasonal or casual jobs or work in family concerns.

47. On the other hand, no information has been provided on whether or not these women receive equal pay: as we are told that, with regard to the minimum daily wage, in Greece the difference between minimum wages for men and women has been reduced to 9%, we may conclude that, in that country at least, discrimination exists.

48. The Community is therefore faced with the problem of applying, in the three candidate countries, the directives on equal treatment in respect of pay, recruitment and working conditions: in this connection, after stating that Greek and Portuguese labour law already contains certain minimum provisions, the Commission merely refers to the future need for adjustments without defining their scope. It has expressed a similar position with regard to the directives on collective redundancies and the protection of employees' rights in the event of mergers.

49. This attitude is extraordinary, not only because of the considerable importance of these provisions, but also in view of the fact that, as mentioned above, the negotiations on Greece's accession are on the point of completion: it is inconceivable that, in these negotiations, decisions have not been taken on the deadlines for applying these directives. It is important that these decisions should be made known, in order that Parliament may express its opinion on them.

50. As we have already pointed out, figures for 1976 indicate an approximate total of 1,256,000 workers from the candidate countries in the Community, of which 448,000 are Spanish nationals, 239,000 Greek and 569,000 Portuguese.

51. Migrant workers have for some time been an important factor in the economy of the three countries, as migration not only represents an outlet relieving the pressure on their domestic labour markets, but also produces a substantial inflow of valuable currency remitted by migrant workers.

52. Although due account should be taken of this situation, there is also cause for concern in the fact that the opening of frontiers, by facilitating and increasing the flow of migrant workers, may jeopardize the effective functioning of the common market or exacerbate the economic and social situation of Community Member States suffering from high unemployment and uncertain prospects of economic recovery.

53. In the light of the above considerations, we agree with the Commission when it states that, in respect of migrant workers from the candidate countries at present resident in the Community, all existing discrimination in respect of recruitment and working conditions must be abolished by the date of accession.

54. However, to prevent any misunderstanding, our committee requests, in respect of these migrant workers, the full application of all the principles and rules currently in force concerning the free movement of workers, together with the full application of the social security systems provided for under Regulations Nos. 1408/71 and 574/72 as subsequently amended and supplemented.

55. We have stated above that the existing social situation in the EEC is dramatic, and that enlargement will raise - and already raises today - complex and difficult problems. We must be fully aware of these facts. It is necessary, indeed essential, to undertake the necessary studies; to acquire the necessary information for obtaining an up-to-date and detailed picture on the overall situation created by enlargement; and to hold meetings with management and labour to reach agreement on joint projects enjoying broad-based support throughout the various stages

of enlargement. However, the need for a global approach to the Europe of the 12 is equally important. Important changes are called for here, which will decide the future of the Community and the destiny of our peoples.

V. CONCLUSIONS

56. The Committee on Social Affairs, Employment and Education requests the Political Affairs Committee, as the committee responsible, to incorporate in full the following conclusions in its report:

(The European Parliament)

1. Firmly believes that the accession of Spain, Portugal and Greece is necessary for the Community and will strengthen its democratic stability. This development will encourage progress towards a genuine European Union and will help Europe to play its rightfully independent role on the international scene;
2. Points out, however, that if enlargement is to become a realistic and workable concept strengthening the existing Community and promoting the development of the candidate countries, it is essential to tackle the serious and complex social problems connected with unemployment and the discrepancies between the incomes and living and working conditions of European citizens - problems which are likely to grow more serious, at least during the initial period following accession;
3. Strongly deplores, in this connection, the lack of practical proposals for solving these problems in the Commission's 'General considerations';¹
4. Emphasizes that this is particularly serious in view of the fact that, given the shortcomings and ineffectiveness of Community action in the social field up to now, enlargement implies the need for a radical transformation of Community policies, structures and instruments which must reflect the overriding importance of social issues and provide the means both for dealing with the present situation in the individual States and effectively preparing the Community for the repercussions which the accession of the three new countries will have in the social field, as in others;
5. Points to the inadequacy of the provisions of the Treaty of Rome concerning overall social policy and, pending an appropriate amendment thereto, stresses the need to make use of the possibilities afforded by Article 235 of the Treaty;
6. Stresses that the formulation of an economic programme coordinated at Community level cannot be put off much longer;
7. Also considers it essential that:
 - (a) the Community budget should be of sufficient size to have a

¹ See COM(78) 120 final

tangible effect on the situation in the Community, in order to overcome the existing imbalances and divergencies of development:

- (b) the European Social Fund, the European Regional Development Fund and the EAGGF's Guidance Section should also be geared towards that same objective, granted increased resources and reorganized with a view, inter alia, to coordinating their actions;
 - (c) the European Social Fund, in particular, should be given the means to help to create new jobs, above all for young people and women, to step up its action for the promotion of professional training and, finally, to increase substantially its share of the financing of projects in less-favoured regions;
 - (d) through the European Investment Bank and, possibly, other ad hoc instruments and actions, financing plans should be drawn up for massive investment in the less-favoured regions of both the candidate countries and the existing Community;
8. Emphasizes the need for all restructuring and redeployment actions which prove necessary in both the agricultural and industrial sectors to be backed by appropriate social measures to safeguard employment and workers' incomes;
9. Asks that all existing principles and rules governing the free movement of workers and the social security of migrant workers should be extended to cover migrant workers from the three candidate countries, and particularly those at present working in the Community, on the basis of agreements to be made between the parties;
10. Requests the Council and the Commission, in view of the serious repercussions which the enlargement of the Community will have on the political, social and economic life of all the States concerned, to closely involve management and labour in the current and future negotiations with a view to obtaining, inter alia, maximum support for the solutions which must be found to all the complex problems raised by enlargement itself.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr LIGIOS

At its meeting of 20 and 21 September 1977 the Committee on Agriculture appointed Mr G. Ligios draftsman.

At its meetings of 22 and 23 June 1978, 19 and 20 September 1978 and 20 and 21 November 1978 it considered the draft opinion and, at the last meeting, adopted it by ten votes to two.

Present: Mr Caillavet, chairman, deputizing for the draftsman;
Mr Hughes, vice chairman; Mr Andersen, Mr Cunningham, Mr Dewulf,
Mr Früh, Mr Halvgaard, Mr Hansen, Mr Hoffman, Mr Howell, Mr Lezzi
(deputizing for Mr Albertini) and Mr Scott-Hopkins

1. Of all the problems posed by the enlargement of the EEC to include the three applicant countries, Greece, Spain and Portugal, those in the agricultural sector are probably the most serious, both because of the importance of agriculture in the applicant countries relative to the other sectors of their economies and because of the high degree of integration already achieved in the Community itself through the common agricultural policy (CAP).

As the European Commission points out, enlargement will mean a substantial increase, for the Community as a whole, in the number of persons employed in agriculture (+ 55%), the total area under agriculture (+ 49%), the number of agricultural holdings (+ 57%) and the volume of agricultural production (+ 24%). The EEC's gross domestic product, on the other hand, will increase by only about 10% (from 1,470,000 to 1,628,000 million dollars - 1977 OECD) and its population by 17%.

In the common agricultural policy the Community has built up such a complex and delicate structure that the incorporation of three new countries will be achieved only through a long and difficult process of mutual adjustment.

2. In this opinion for the Political Affairs Committee, it is your committee's intention to outline the main problems posed by enlargement in the agricultural sector and to set out in the annexes a statistical survey of the most important agricultural data in the three applicant countries, so as to give an overall view of agriculture and trade in these countries.

3. The first obvious point to be made is that the three countries wishing to join the EEC are Mediterranean countries, that is to say, countries whose characteristic features are found within the Community of the Nine only in certain clearly defined areas, i.e. the Italian Mezzogiorno and the South of France. The Mediterranean aspect of these three applicant countries may be demonstrated by a number of objective comparisons, chief of which are the following:

- (a) the type of production: the three applicant countries (see statistics annexed) are important producers of fresh and processed fruit and vegetables, wine, olive oil, tobacco, cotton, hard wheat, sheep and goats, but where the typical Northern products are concerned, particularly corn, cereals for animal feeding, milk and cheese products, sugar, beef and veal and pigmeat, they are dependent on countries outside their own borders or else have difficulty in achieving a precarious self-sufficiency, with the result that they are obliged to import a large part of their requirements;

- (b) agriculture plays a far more important part in the three applicant countries than in other Community countries, as is clear from the number of persons working in agriculture, which ranges from 22% in Spain to 28.1% in Portugal and 35.4% in Greece relative to the total working population (Community average: 8.7%) and the share of the gross domestic product accounted for by agriculture, the average in the three applicant countries being 10.7% as against a Community average of 4.4%;
- (c) the high percentage of total exports accounted for by exports of agricultural products; in 1975 it ranged from 16.8% in Portugal to 22.8% in Spain and 32.7% in Greece as against a Community average of 7.7%;
- (d) the real difficulties facing agriculture in general in the applicant countries, apart from a few more fortunate regions of fertile plains: fragmentation of holdings, shortage of water, unfavourable climate, location of holdings in mountainous or hilly areas, inadequate mechanization, etc;
- (e) the level of the economy, the standard of living, pro capita income and gross national product in the three applicant countries are lower than in the Nine and lie somewhere between the developing countries of the Mediterranean basin and the industrialized countries of Northern Europe. Thus, in 1975 pro capita gross national product¹ was 1,504 US dollars in Portugal, 2,309 in Greece, 2,384 in Spain, while in the Community of the Nine it ranged from 3,945 dollars in France to 2,742 in Italy and 2,512 in Ireland. The figures for gross national product in 1977, at current prices and exchange rates, are as follows: Portugal, 17,000 million dollars; Greece 25,700; Spain 115,600; Ireland 9,200; Denmark 43,000; Belgium 77,500; Netherlands 105,400; Italy 193,800; United Kingdom 245,800; France 377,700; Germany 514,400 (Source: OECD).
4. Given this 'Mediterranean' aspect of the applicant countries it is easy to see the extent and nature of the problems which will be posed in the agricultural sphere by their accession to the Community. These problems must be tackled resolutely during the negotiations and a start must be made on solving them during the transitional period before accession becomes final.

¹ Corrected to take account of the ratio between the internal purchasing powers of the various currencies.

(a) Increased competition with the Community's Mediterranean regions

5. The main problem, which gives serious cause for concern not only to producers in the Community's Mediterranean regions but also to producers in some Northern areas of the Community (greenhouse fruit and vegetables in the Benelux countries, processed products, preserved peaches, etc.), is that of increased competition from the applicant countries once they have joined the Community. As is clear from the tables annexed, Spain is already a large-scale exporter of agricultural products (fruit and vegetables, citrus fruits) to the Community of the Nine. Greece and Portugal on the other hand are strong in certain sectors (the former in tomatoes and peaches in particular and the latter in preserved tomatoes and fish), but their share of Community agricultural imports is rather limited.

6. There is a danger that the accession of the three applicant countries will further aggravate the present situation, in which other countries in the Nine are importing less and less from the Community's Mediterranean regions and more and more from other countries in the Mediterranean basin (in this connection see previous LIGIOS reports, Doc. 467/77 and Doc. 34/78). The following are the reasons why the competition situation may continue to deteriorate:

- as we shall see more clearly in the section on surpluses, it may be presumed that production will increase in the three applicant countries for a number of related reasons, including higher prices and more favourable Community guarantees for certain products, the likelihood of considerable increases, particularly in Spain, in the areas under cultivation and in productivity, structural improvements and improvements in the distribution networks, etc.;
- changes in present trade patterns: when the barriers that still exist between the applicant countries and the Community market are removed, such as the obligation to respect the reference price, delivery schedules, quotas, etc., are removed, the applicant countries will find it easier and more convenient to sell on the Community market that part of their export which at present goes to the world market;
- lower wage levels, and consequently lower production costs, will ensure, at least for a time, that the applicant countries can offer their goods at keener prices on the Community market;

- the applicant countries expect that the Community will not only provide them with substantial financial aid towards the improvement of their structures but will also open its markets to their agricultural exports without any restrictions; this will entail intensive pressure at all levels to achieve this aim.

7. As we have seen in the earlier reports already referred to, it is doubtful whether the southern regions of the present Community are in a position to withstand increased competition from the applicant countries, particularly in sensitive sectors that are already in a state of crisis, such as wine, certain fruit and vegetables (citrus fruits, tomatoes, peaches) and some processed fruit and vegetable products. The 'Mediterranean package' recently adopted by the Council, particularly the structural measures for irrigation, restructuring of vineyards and the processing of certain agricultural products, will take effect only in the medium and long term, and unless the entry of the three applicant countries is accompanied by adequate safeguards there is a danger that some regions that are already experiencing economic difficulties will have to pay an economic price for the political benefits of enlargement.

(b) Surpluses and their costs

8. There is already a crisis situation in the Nine in respect of certain Mediterranean products because of overabundant supply, sometimes compounded by an unsatisfactory quality level (wine). This problem of excess supply may be caused by a fall in consumption, sometimes due to changing consumer tastes (olive oil, Oriental tobaccos), or by the lack of adequate protection at the frontiers (certain processed fruits and vegetables, peaches, tomatoes). Enlargement will make this situation even worse, for the simple reason that the applicant countries are already producing more of these Mediterranean products than they require, but mainly because their production is likely to show a further substantial increase.

The present degree of self-sufficiency in the Nine in respect of certain Mediterranean products is as follows (1974/75 average)¹:

Fresh vegetables	94%
Fresh fruit (except citrus fruit)	79%
Citrus fruit	43%
Wine	103%
Olive oil	78%

¹ From the 1977 Report on the Agricultural Situation in the Community

Even if we suppose that the status quo is maintained, and that the applicant countries do not considerably increase their production by taking advantages of the favourable consequences of accession to the EEC, it is certain that they would cover more than 100% of their requirements in wine, vegetables, (particularly potatoes and tomatoes), peaches and pears, and very close to 100% of their requirements in olive oil and honey. However, this situation will undoubtedly change, mainly because producer prices in the applicant countries are at present lower than Community prices for the main products, particularly wine, olive oil, fruit and vegetables, and if present Community regulations on prices and intervention are extended to these countries, a considerable increase in production will probably ensue. It is difficult to assess the financial effect that this will have on the EAGGF, Guarantee Section. In 1978 a sum of just over 1,000 million EUA was entered in the budget for all Mediterranean products, including aid for hard wheat, out of a total of almost 7,000 million for the entire Guarantee Section. If the same regulations are applied, this figure is likely to reach at least 2,500 million in the first year of accession of the applicant countries.

10. A second significant factor is that after the accession of the applicant countries, Community regulations for Mediterranean products may well be further strengthened as a result of the combined political pressure that the new members will be able to exert, together with the other two Mediterranean countries: France and Italy. In the future Council of Ministers the Mediterranean countries will enjoy far greater influence than at present; this might bring about changes in Community policy towards the products of these regions which so far have not enjoyed the same treatment as Northern products.

11. Up to now the Community has always pursued a policy of high prices as a means of maintaining producers' incomes; in the case of some products, at least this has led to high costs and substantial surpluses. However, this policy has been much less marked in the case of Mediterranean products. Of the overall appropriations in the 1978 budget under the Guarantee Section of the EAGGF (excluding monetary compensatory amounts), 41.6% were earmarked for milk and cheese products, 20.5% for cereals, 11.6% for sugar, and 7.8% for beef, veal and pigmeat, but a far lower percentage went to typical Mediterranean products: 4.1% for olive oil, 3.2% for wine, 3.4% for tobacco and 2% for fruit and vegetables, while some important products of the Mediterranean area (sheepmeat, potatoes, agricultural alcohol) were given no assistance at all from the EAGGF. Your rapporteur feels that there are certain obvious conclusions to be drawn from this situation:

- if the Community is not prepared to forego the machinery of high prices as a means of supporting producer incomes, it must accept the inevitable accumulation of surpluses, as is happening at present in highly protected sectors, particularly milk and cheese products;
- if, on the other hand, the policy is to be changed, this must be clearly stated and all the necessary instruments must be brought to bear on the problem (low intervention prices, accompanied by income subsidies, direct aids and other similar measures);
- in any case, the Community must be prepared to transfer large sums of money; if this is not done under the Guarantee Section of the EAGGF, which up to now has in practice been the only normal instrument for making transfers of this kind, it must be effected through all the other instruments at the Community's disposal, particularly the Guidance Section, the Regional Fund and the EIB. We shall return to this point when we come to consider the agricultural structures of the applicant countries.

(c) Relations with the other Mediterranean countries and with the ACP States

12. The Community has concluded agreement of various kinds - association, cooperation or preferential - with all the countries of the Mediterranean basin, except Libya and Albania, and with many developing countries in Africa, the Caribbean and the Pacific. The principal feature common to all these agreements is that agricultural products from these countries are granted concessions of various kinds on the Community market, particularly in the form of tariff reductions and quotas with exemption from customs duties or at favourable prices. With the enlargement of the Community from 9 to 12 consequent on the entry of the three Mediterranean countries, this entire complex of preferential relations will be threatened with a fresh crisis. Furthermore, on their accession to the Community, the three applicant countries will themselves have to subscribe to the existing agreements and to admit into their territories competing products originating in the other Mediterranean countries and in the ACP States (sugar, for example!).

13. There will clearly be two alternatives after enlargement: either the Community will have massive recourse - as seems logical - to the agricultural products of the three applicant countries, in which case the quota of the other Mediterranean countries on the Community market will inevitably be reduced, or else this quota will remain unchanged, in which case one of the applicant countries' principal aims in joining the EEC will not be attained - namely, that of achieving a substantial increase in their agricultural exports to the EEC.

The problems will be most difficult for Israel (citrus fruits and fresh fruit), Morocco (tomatoes, olive oil, preserved fruits), and Tunisia (olive oil and preserved fruits). 63 - 70% of the total agricultural exports of these three countries go to the Nine, so that for them enlargement will bring very serious economic problems.

14. The logic of the system of Community preference and of the Community's ultimate objectives would seem to demand that an advantage in the matter of access to the Community market be given to the three applicant countries as against the other countries in the Mediterranean basin. This will mean that the other countries that are linked with the Community by agreements will have to be compensated in some way, and compensation in their favour can only be of a financial nature in the form of investments, technical aid, industrial cooperation, etc. On the other hand, the existing agreements can not be extended to the applicant countries without certain restrictive clauses and inevitable derogations.

This argument, however, also holds true in reverse: if the Community, or certain Member States, wish to maintain privileged relations with some Mediterranean countries, adequate compensation will have to be given to the three applicant countries for products adversely affected by preferential imports.

15. All this may lead to resentments and reprisals against the Community, particularly if the latter is unable or unwilling to sustain the financial effort involved which might well be substantial. If we consider the political and economic implications and the delicate balances in the Mediterranean basin (oil, Arab-Israeli conflict, Community exports of industrial products, etc.), we can not fail to appreciate the need for these thorny problems to be tackled resolutely during the negotiations.

(d) Agricultural structures in the applicant countries

16. The three applicant countries are still in the throes of the uncertain transition from a rural to an industrial economy. In addition they are faced with the typical structural problems of agriculture in Southern Europe, particularly:

- the increasing concentration of production in areas that can be irrigated and are climatically favourable, and the abandonment of other areas;
- the predominance of hill farming;
- shortcomings in the matter of marketing, producer cooperatives and distribution;
- the excessive number of persons working in agriculture.

17. All this is aggravated by the fragmentation of agricultural holdings. In Greece three-quarters of all holdings are small (17.3% from 1 to 5 hectares) and take up only 43% of the (utilized agricultural area). Only 5% of all holdings are larger than 10 ha, accounting for 25% of the total UAA. 40% of the UAA is in mountainous regions. There is also a predominance of older persons engaged in agriculture (11% are over 65 years of age, 38% between 45 and 64, etc).

In Spain the situation is a little better: 50.5% of all agricultural holdings are between 1 and 5 ha (5.3% of the UAA) and 29.6% are larger than 10 ha (88.7% of the UAA). In addition, hill farming is less widespread than in Greece and Portugal.

For Portugal there are no up to date statistics. In 1968, 63.6% of all agricultural holdings were between 1 and 4 ha (12% of the UAA), 30.9% between 4 and 20 ha and 5.5% larger than 20 ha (62.9% of the UAA). There are also marked differences between one region and another, with small holdings operating at subsistence level in the north and centre and insufficiently cultivated large estates in the south. At present, however, an agrarian reform is being carried out, the effectiveness and results of which cannot as yet be assessed.

18. In the structural sector the three applicant countries are bedevilled by conflicting factors:

- too many workers cannot be taken away from the agricultural sector for fear of increasing the unemployment figures, because there are no alternative jobs: the traditional industrial sectors (textiles, steel) are in recession and emigration no longer provides the traditional safety valve;

- it is imperative for agriculture to be modernized, with a restructuring of land ownership and substantial investments in irrigation, mechanization, cooperation and trade and distribution structures;
- a difficult question then arises: if structures are improved what can be produced with them? The fact is that as far as the main Mediterranean products are concerned, consumption is decreasing or at a standstill, while there is a glut on the Community market and only limited outlets on the world market;
- geographical and climatic difficulties stand in the way of the development of products of which the applicant countries have a shortage, particularly cereals and livestock; at the same time there are surpluses of these same products in the Nine.

19. The role of the Community in this structural sector has complex implications. On the one hand, it must be prepared to make an enormous financial effort and, on the other, it must not only provide the necessary assistance but must also give clear guidance on the kind of production to be developed and on the way in which the products in question are to be marketed. Can products be developed of which the Community is at present in short supply, for example, vegetable proteins, soya and fodder cereals; Is it reasonable to think in terms of an international division of labour, under which agricultural products will be cultivated only in those areas and countries where conditions for producing them are optimal? Of these two aspects of the structural problem - financial interventions and clear guidelines - the former, strangely enough, seems the easier to tackle and solve, if the political resolve to do so exists, while the latter has so many and such difficult implications, even at international political level, that there does not seem to be any reasonable possibility of a solution in the near future.

(e) Consequences of entry for the applicant countries

20. If we take Southern Italy or the Mediterranean areas of France as a basis for comparison in studying the real likelihood of the applicant countries narrowing their economic gap with the rest of the Community, the conclusions as to the Community's ability to narrow this gap are bound to be rather pessimistic. The fact is that in the regions mentioned the passage of time has seen the gap, which has existed since the very beginning of the Community, become much wider rather than narrower. This is neither the time nor the place to analyse the reasons for this situation, which in any case has already been discussed in previous reports, but it is a fact that there are two main reasons why this gap has widened; the prices and guarantees afforded by the CAP to Mediterranean products have not provided an adequate income for producers and have thus failed to raise their living standards;

secondly the Community has failed to take measures of a structural and regional nature, or at least has only done so recently.

21. This point will have to be spelled out with the utmost clarity during the negotiations in order to prevent the applicant countries from entertaining unwarranted illusions and feeling that once the process of integration has begun, the present economic gap will automatically be closed. It will not be closed unless instruments, measures, time-limits and aims are clearly defined and agreed upon before accession and if the common agricultural policy continues to remain isolated from other policy areas.

22. Apart from this inability on the part of the Community to reduce regional imbalances, other difficulties are in store for the applicant countries. Firstly, the trade balance of both Spain and Portugal in respect of food products already shows a marked deficit. In 1975 it was of the order of 976.5 million dollars for the former and 573.3 million dollars for the latter. Greek exports of agricultural products, on the other hand, exceed imports by 225.5 million dollars. The main characteristic, however, that all three countries have in common is the need to import basic necessities: grain, fodder cereals, meat, milk and cheese products, oilseeds and sugar. The applicant countries' prospects in this area after accession are not very favourable. They will either have to buy these products on the Community market at a price higher than that obtaining on the world market or else they will continue to procure their supplies on the world market, in which case they will be subject to the extremely high Community import levies. Either way their trade balance will not be helped.

22. Furthermore, there is a danger that the efforts of the applicant countries to reduce this deficit by stepping up their national production in sectors in which they have a shortage could be nullified, particularly if the system of monetary compensatory amounts is applied to them, as this system enables countries with stronger currencies to overcome all competition, as far as prices are concerned, from countries with weaker currencies. In this connection Italy provides a notable example: as a result of this system it sees its livestock herds constantly diminishing and is obliged to ask the Community every year for a reduction in the import levy on maize coming from third countries, as well as other support measures.

23. In countering these very real dangers to the economy of the applicant countries, the all-important element will be the negotiations prior to accession which will have to fix safeguard clauses, derogations and exemptions from existing Community regulations. The Nine will have to be moderate in the demands they make on the Three with regard to the products already referred to, in order not to stretch the fragile economy of the applicant countries to breaking-point.

(g) Other problems

24. Apart from the very real difficulties in the agricultural sector, the negotiations which the three applicant countries, are or will be independently conducting with the Community with a view to accession are extremely important. These negotiations are proving inadequate to cope with the basic problems, since they are in general being conducted at a technical rather than political level. The applicant countries are being presented with the CAP as an untouchable package, to which they must gradually adjust themselves, except for certain derogations of greater or lesser importance brought about by particular situations. This is how it was when the Community went from six to nine Member States, and this is how it is again now. The negotiations are concerned with the technical details, whereas the real need is for a more wide-ranging debate at ministerial level to see if anything should be changed in the very structure of the CAP. In the present negotiating system the main problems are postponed until after accession with the result that the bold new solutions, which are the only hope of laying new foundations for the future, cannot be found.

25. Some innovations in the CAP have already been suggested at various levels, and they deserve to be examined in greater depth during the negotiations prior to the accession of the three applicant countries. The following are a few examples of the proposed changes:

- fixed agricultural prices as a means of income support should be confined to certain products; instead, direct non-price related income support systems should be introduced for Mediterranean producers; furthermore, the Community system of prices and interventions to aid structural objectives should be perfected, Community prices should be adjusted to regional needs and the pretence of unified Community prices should be done away with for certain products;
- a flexible structural policy should be pursued on a regional basis; with this end in view the criteria laid down in the present structural directives, e.g. comparable income, should be changed, so as to maintain jobs in agriculture in those areas where non-agricultural jobs are not available.

26. The importance of the transitional period should also be underlined. It must be sufficiently long to enable the applicant countries to adjust themselves gradually to Community regulations and sufficiently flexible to allow changes in its duration, depending on how the objectives laid down in advance are being achieved.

27. One further point that should be discussed is the functioning of the Council of Ministers. The Community institutions were devised for a Community of Six, and they have not functioned very satisfactorily in the Community of Nine, whereas in the Twelve there will probably be a complete breakdown. This

is particularly true of the agricultural sector, which differs somewhat from the others inasmuch as almost all the most important decisions are taken at the great annual marathon meeting on agricultural prices. This year's proceedings are revealing involving as they did months of interminable negotiations on a package which included not only prices but also a review of certain major market organizations, monetary measures, structural interventions and special measures in favour of the Mediterranean areas.

28. Can anything be done, however, to break the grip of this institutional paralysis? Certainly not by abandoning the principle of unanimity. In the agricultural field particularly, even decisions that are of little importance for the Community as a whole may be vital for a particular group of producers or for a particular geographical area, however small. It is quite clear that no Member State can be asked, on the basis of a majority decision, to assume political responsibility vis-à-vis the regions and sectors concerned for a regulation that it finds intolerable. Some remedies may be found in a better organization of the Council's work, which must be spaced out over the entire year and not all packed into the price-fixing session, and in giving more scope to the Commission for certain management duties. But this still leaves us with the basic problem: the impossibility of asking any one Member State to sacrifice legitimate national interests on the basis of a decision taken by a coalition of the other Member States.

There is therefore a very real danger of a renationalization of the CAP, i.e. that the Council of Ministers will be allowed to decide unanimously on the broad political outlines only and that the various specific measures will be left to the Member States. This again is a problem that must be resolutely tackled before accession.

(h) Fisheries problems

29. We cannot conclude this opinion without briefly touching upon the problems to which the accession of the three applicant countries will give rise in the fisheries sector. This is not an easy question, as can be seen from the recent differences between Spain and Ireland concerning the seizure of Spanish fishing vessels which do not hold the necessary licence to fish in Irish waters. Fishing is one of the main economic resources of these three applicant countries, and especially of Spain, as shown by the following figures, which are compared with the corresponding figures for the Community of Nine.¹

	<u>Greece</u>	<u>Spain</u>	<u>Portugal</u>	<u>EEC of Nine</u>
Total weight of live catch (in thousand metric tonnes) - 1975	64	1,504	368	4,812
Total weight of live catch (in thousand metric tonnes) - 1976	64	1,462	339	5,002
Value of catch (in million pounds sterling) - 1976	57.9	636.7	51.4	1,108.9
Percentage value of catch in relation to GNP at market prices. -	0.467	1,116	0.874 ²	0.145
Fish exports (in million pounds sterling) - 1976	2.7 ²	134.1	27.0	648.7
Per capita fish consumption (kg)	15.2	38.5	58.5	16.2
Number of fishermen - 1976	47,000	72,124	30,562	153,651
Gross tonnage of fishing vessels of over 100 t (in 1000 t - 1976)	46.6	581.1	129.8	842.0

30. These figures show the importance of fishing for Spain in particular. To this must be added the fact that Spain fishes much of its catch in Community waters or in the fishing zones also used by Community fishing vessels, especially the eastern North Atlantic. In terms of catches, Spain comes third after Scotland and the USSR in the Scottish and Irish waters, fourth in the waters of western Ireland, and second, after the USSR, in the waters of southern Ireland. In the eastern North Atlantic, Spain, with a catch of 649.6 thousand metric tonnes, closely follows the United Kingdom

¹Sources: FAO, FERU (Fishery Economics Research Unit)

²In 1973

(951.4) and is ahead of France (646.7). Greece for its part fishes two-thirds of its catch in the waters of the Mediterranean and the Black Sea, which puts it in direct competition with the other Mediterranean countries, while Portugal fishes mainly in its own waters and eastern north Atlantic. In the preceding paragraphs we noted the importance for Greece of fishing and of the processing of sardines (some 11,000 T of canned sardines exported in 1975).

31. The arrangements in force with Spain, which expired on 30 September 1978, were replaced by a provisional agreement, valid to the end of 1978, providing for the granting of 240 licences (instead of the previous 121). The quota for cod has been increased from 2,650 tonnes to 4,500 tonnes. The definitive outline agreement with Spain is, however, still held up in the Council because of differences among the Member States.

32. What conclusions can be drawn from these facts? It is difficult at present to make any forecasts because no final order has yet been introduced in the tangle of negotiations, agreements, quotas, limits and licences arising out of the adoption of the 200-mile limit. However, it is clear that the accession of the three countries, and in particular of Spain, will involve complex negotiations in the fisheries sector and will then also complicate the adoption of a Community policy in that sector. Moreover, any reduction of the present quotas and licences, even if it follows the adoption of more stringent measures to preserve fishing resources, will have serious social and economic repercussions in various regions, both because of the reduction in the number of fishermen and because of the crisis in the related fish-processing industries. So here too there will be a need for costly training measures and massive financial assistance from the Community.

Conclusions

33. The Committee on Agriculture invites the Political Affairs Committee as the committee responsible to take the following points into consideration in drawing up its report and instructs its chairman, if necessary, to put these points to the House in the form of amendments.

The Committee on Agriculture

1. Stresses that the broad political objectives underlying the accession of three new States to the Community, objectives which it wholeheartedly supports, cannot be attained if enlargement causes the three applicant countries or the present members of the Community to suffer economic disadvantages, particularly in the agricultural sector;

2. Believes that, to achieve these objectives and to eliminate the present corporative character of the common agricultural policy, planning should be an essential feature of the new Community policy, which must be based on policy decisions taken at all levels and on continuous feedback between the Community authorities and the Parliaments, regions - or equivalent local bodies in the various countries - and both sides of industry;
3. Believes that the necessary coordination of the various financial instruments available to the Community is only a temporary measure and that, as soon as possible, the Community should set up a Community rural fund to implement a wide-ranging farm policy which takes account of all the different ways of utilizing farmland, and pays particular attention to relations between agriculture and non-agricultural occupations in rural areas, a feature of particular interest to the applicant countries;

4. Stresses that there is a danger of a vast increase in competition between the three applicant countries and the Mediterranean areas of the present Community as a result of higher production and productivity in the former and possible changes in current trade patterns;
5. Requests therefore that adequate measures, in addition to those recently adopted, be taken in favour of the Mediterranean regions of the present Community, so as to prevent the farmers of these areas, who are already experiencing difficulties, from having to suffer the consequences of enlargement;
6. Believes that, to prevent costly surpluses in certain products following the enlargement, the farm price and income policy should be based on a two-pronged system:
 - prices fixed on the basis of modern farms taking into account production costs and
 - direct income support to those who need it to achieve a minimum level of income;
7. Stresses the difficulties enlargement will cause to the other countries of the Mediterranean basin that export agricultural products to the Community and are linked with it by agreements of various kinds, and invites the Commission to work out detailed programmes for aids and financial compensations to these countries;
8. Considers that for agricultural structures in the three applicant countries, the modernization of which will necessitate large-scale financial interventions on the part of the Community, clear guidelines will have to be worked out on the kind of production to be promoted in the applicant countries and on the possibility of an agreed division of production on the basis of specific regional suitability;
9. Stresses that enlargement will also cause serious difficulties for the applicant countries themselves in respect of their trade balance and balance in the agricultural and food sector, and will bring with it the danger that, instead of being reduced, the present gap in the agricultural and non-agricultural spheres may be widened; invites the Commission and the Council therefore to adopt adequate safeguard measures to protect the applicant countries;

10. Takes the view that the basic political problems should also be tackled in the course of the negotiations, which should not be confined to an extension, with technical adjustments, of existing Community regulations in the agricultural field to the three applicant countries; otherwise problems and reforms left in abeyance may lead at a later stage to a serious crisis for the enlarged Community;
11. As regards the fisheries sector, notes its vital economic and social importance for the three applicant countries, in particular Spain, and emphasizes the need for the negotiations to produce solutions acceptable to all parties on the problems involved such as quotas and fishing zones, the financial burden of retraining for other occupations or the assistance to be granted to regions and social groups that may be adversely affected by the Community measures;
12. Takes the view that the transitional period should be sufficiently long to enable the gap between the agriculture and economy of the Three and those of the Nine to be narrowed and sufficiently flexible to enable its duration to be changed in the light of the extent to which the objectives laid down in advance are being achieved;
13. Fears that the Council of Agricultural Ministers may function in such a way that it will be impossible for it to take decisions and asks for bold solutions to be devised so as to prevent an ultimate renationalization of the Common Agricultural Policy;
14. Is therefore in favour of the accession of the three applicant countries, provided that during the negotiations and later during the transitional period the serious problems for the agricultural sector in the applicant countries themselves and in the Community's Mediterranean regions are tackled and solved, chiefly by means of financial measures and compensations.

Table I

Principal imports to the EEC of agricultural products from the three applicant countries (in tonnes)¹

	Portugal	Spain	Greece	Intra-Community Trade
New Potatoes	-	63,618	25,724	265,073
Onions	-	130,274	1,983	363,648
Artichokes	-	30,807	-	12,016
Tomatoes	-	85,406	-	310,250
Cucumbers and gherkins (1.10-15.5)	-	2,237	12,891	82,877
Sweet peppers	-	5,296	7,215	54,448
Aubergines, marrows and pumpkins	-	13,870	-	15,970
Citrus fruit (except lemons and grapefruits)	-	1,347,586	30,065	107,700
Lemons	-	83,260	13,029	116,218
Dried figs	371	-	2,940	463
Table grapes	-	86,964	29,979	267,011
Dried grapes	-	638	77,569	801
Almonds, bitter and sweet	1,592	16,186	-	3,222
Apricots	-	4,533	17,609	7,030
Peaches	-	16,218	159,993	254,652
Cherries (1.5-15.7)	-	-	3,275	37,126
Olive oil	332	31,913	20,261	8,150
Tinned sardines	10,996	4,928	1,013	591
Tinned tunny	1,373	1,360	-	3,366
Tinned mackerel	1,843	1,216	-	1,830
Tinned anchovies	194	962	-	378
Canned tomatoes	22,764	41,962	53,661	183,694
Canned asparagus	-	4,618	-	2,854
Preserved capers and olives	433	15,297	11,898	2,641
Other vegetable preserves	-	15,033	640	288,140
Preserved peaches and apricots	-	42,912	79,245	22,754
Mixed fruits	-	11,234	-	43,145
Grape juices	-	15,218	26,005	62,272
Citrus fruit juices	-	11,164	5,838	138,234
Wines of up to 13 ^o	14,185	68,303	27,616	1,220,477
Wines over 13 ^o	41,909	111,288	19,339	395,356
Wines flavoured with aro- matic extracts	-	10,763	5,414	126,160
Beet pulp	-	63,776	23,815	580,157
Virginia tobaccos	634	-	79	3,900
Burley tobaccos	-	-	1,486	10,675
Oriental tobaccos	-	-	13,800	3,215

¹ Source: EUROSTAT - analytical tables of external trade (NIMEXE 1975)-A 1-24

TABLE 2

PRINCIPAL AGRICULTURAL EXPORTS FROM THE EEC TO THE THREE APPLICANT COUNTRIES
(in tonnes)¹

	Portugal	Spain	Greece	Total EEC exports to third countries
Frozen beef and veal	21,002	251	3,742	160,195
Anchovies, not filleted	-	10,016	-	10,225
Cod, salted or in brine	-	1,040	289	2,113
Smoked anchovies	-	-	1,289	3,223
Crabs and freshwater crayfish	321	1,760	-	2,465
Whole milk	4,347	176,175	-	237,330
Whey	998	15,622	1,469	37,214
Milk or cream in powder	1,470	14,365	2,458	226,329
Tinned milk	-	-	52,010	302,451
Cheese	1,875	4,909	1,482	159,796
Animal guts, bladders and stomachs	1,117	4,159	94	20,163
Bulbs and tubers	151	623	467	39,397
Other plants	67	1,887	97	24,502
Tubers - seed potatoes	34,730	16,642	10,105	343,026
Potatoes	-	3,948	-	285,583
Onions	1,895	-	-	80,655
Cultivated mushrooms	-	5,386	-	6,939
Beans	-	5,718	-	72,581
Pears	-	4,541	-	39,530
Dried prunes	-	761	-	1,678
Common wheat	75,116	-	-	4,943,315
Barley	5,699	1,070	15,169	1,811,829
Maize	-	24,488	-	253,205
Rice, semi-milled and long grained	31,264	-	-	57,506
Wheat flour	-	-	-	2,048,054
Malt	-	2,150	1,422	988,670
Potato starch	-	-	1,345	44,662
Soya beans	-	2,643	-	13,771
Linseed	-	1,596	-	3,001
Colza and rape seed	-	1,446	-	22,920
Sunflower seed	2,115	-	-	5,445

Source: See Table I

TABLE 2 (contd)

	Portugal	Spain	Greece	Total EEC exports to third countries
Sugar beet seeds	79	2,550	178	8,092
Fats of bovine cattle	-	11,584	-	34,045
Fish oils	-	3,492	-	9,380
Other animal fats and oils	-	1,940	-	10,695
Crude soya bean oil	-	-	5,529	190,830
Crude groundnut oil	2,307	4,362	1,045	19,737
Processed animal and vegetable oils	230	199	231	14,490
Industrial fatty acids	763	5,692	820	129,076
Glycerine	-	1,957	-	26,390
Sugar	-	671	5,106	653,020
Molasses	11,254	16,502	-	209,381
Cocoa powder, unsweetened	-	-	752	43,097
Preparations for use as infant food or for dietetic purposes	667	-	2,588	39,314
Pre-cooked cereals	207	343	211	28,973
Prepared milk in powder form (for use as infant food or for dietetic purposes)	342	3,628	1,517	39,946
Miscellaneous food preparations	223	1,716	786	35,471
Beer	-	4,640	682	441,273
Ethyl alcohol	1,357	9,698	3,245	424,782
Meat and fish paste	2,076	17,580	11,893	302,668
Soya bean cakes	1,132	-	17,155	350,593
Crude tartar	-	2,123	-	3,920
Preparations for animal feeding	5,191	3,160	34,794	509,222
Cigarettes	49	368	239	30,837

Greece's agricultural production¹

(in 1000 tonnes)

	<u>1973</u>	<u>1974</u>	<u>1975</u>
Wheat	1,682	2,142	2,140 ²
Rye	6	7	7
Barley	850	933	936
Oats	108	121	115
Maize	605	455	468
Rice	84	107	104
Cotton	361	367	361
Tobacco	91	85	117
Potatoes	765	757	895
Legumes (beans, peas, etc.)	83	74	74
Melons	678	589	1,000
Tomatoes	1,265	1,585	1,627
Other fruits	965	...	...
Dried grapes	146	180	155
Table grapes	177	203	216
Wine	427	491	434
Table olives	88	84	148
Olive oil	240	274	...
Citrus fruit	636	778	787
Fresh figs	42	...	...
Dried figs	22	...	...

¹Source: STATICAL YEARBOOK OF GREECE, 1976 (no final statistics for 1974 and 1975)

²of which bread wheat: 359.8

TABLE 4

PRODUCTION OF AGRICULTURAL PRODUCTS IN PORTUGAL COMPARED WITH THAT OF THE
COMMUNITY¹

(in 1,000 tonnes unless otherwise indicated)

PRODUCTS	1 9 7 4			1 9 7 5		
	Portugal	EEC '9'	Portugal /EEC '9' %	Portugal	EEC '9'	Portugal /EEC '9' %
1	2	3	4	5	6	7
Cereals (total)						
Wheat	533.6	45,352	1.2	601.2	38,105	1.6
Rye	142.8	3,347	4.3	145.2	2,851	5.1
Barley	115.0	34,775	0.3	146.1	32,430	0.4
Oats	99.1	9,999	1.0	120.7	9,512	1.3
Maize	485.5	14,486	3.4	451.3	14,111	3.2
<u>RICE</u>	129.4	877	14.7	132.7	841	15.8
<u>OLIVE OIL</u>	480.9	475	101.2	492.8	692.2	71.2
<u>WINE</u> (1,000 hl)	14,010.1	160,245	8.7	8,888.1	145,375.2	6.1
<u>FRUIT</u>						
Oranges	114.3	1,771	6.5	120.0	1,585	7.6
Mandarines	18.0	350	5.1	17.2	366	4.7
Lemons	21.1	781	2.7	21.6	820	2.6
Table grapes	40.0	1,125	3.6	35.0	1,103	3.2
Honey	122.2	5,904	2.0	140.5	7,553	1.9
Pears	49.5	2,574	1.9	61.9	2,402	2.6
Apricots	9.6	180	5.3	7.8	161	4.8
Peaches	52.6	1,722	3.0	62.9	1,2	5.0
Cherries	15.0	518	2.9	15.4	545	2.8
Potatoes	1,252.0	41,640	3.0	1,092.6	33,511	3.3
Tomatoes	714.4	4,907	14.6	826.2	4,830	17.1
Tomato concentrate	128.1	181	70.8	128.1	180	71.2
<u>MILK</u>	483.7	100,307	0.5	514.6	101,176	0.5
<u>MEAT (total)</u>						
Pigmeat	70.0	8,433	0.8	81.7	8,302	1.0
Beef and veal	84.3	6,485	1.3	97.7	6,582	1.5
Sheepmeat	18.2	499	3.6	17.8	515	3.5
Poultrymeat	99.6	3,142	3.2	100.0	3,162	3.2
<u>EGGS</u>	44.7	3,734	1.1	46.8	3,766	1.2

- 1974

- 1975

¹ Source: COM(78) 220 fin.

Table V

SPAIN'S AGRICULTURAL PRODUCTION (1975) ¹

<u>Products</u>	<u>Production</u>	(in tonnes)
Tobacco	23,000	
Apricots	212,000	
Peaches	400,000	
Pears	450,000	
Honey	1,019,000	
Table grapes	525,000	
Citrus fruit	2,900,000	
Fresh fruit	4,133,000	
Fresh tomatoes	2,400,000	
Onions	862,000	
Garlic	194,000	
Melons and watermelons	1,154,000	
Artichokes	302,000	
Lettuce	499,772	
Potatoes	5,693,000	
Fresh vegetables	3,000,000	
Processed tomatoes	700,000	
Olive oil	470,000	
Wine	3,150,000	
Sugar	751,000	
Cereals (total)	14,253,000	
Corn	4,300,000	
Maize	1,843,000	
Rice	364,233	
Beef and veal	454,000	
Sheepmeat	142,000	
Pigmeat	710,000	
Milk	5,130,000	
Cheese	173,900	

¹ Source: Spanish Ministry of Agriculture

FINAL AGRICULTURAL PRODUCTION (1975)

	FRANCE	ITALY	EEC (9)	SPAIN	GREECE ¹	PORTUGAL
<u>Vegetable products</u>	43.6	60.0	40.3	58.8	68.5	65.1
Cereals	15.1	12.0	10.8	10.6	13.3	12.2
Fruit	6.8	12.7	7.1	13.9	7.7	9.7
of which citrus fruit	0.0	2.9	0.6	3.2	1.8	n.c
Wine	8.3	8.2	4.6	4.9	6.1	10.5
Olive oil	0.0	6.6	1.4	4.3	8.3	5.6
Others	10.0	10.7	8.0	10.2	25.0	14.8
<u>Animal products</u>	54.9	39.5	58.9	41.2	30.9	34.9
Meat	35.4	25.9	34.9	27.0	18.2	23.4
Milk	16.9	10.0	18.7	9.6	8.5	8.4
Eggs	2.5	3.5	3.8	4.3	2.7	2.7
Others	0.1	0.1	1.5	0.3	1.5	0.4
<u>Final agricultural production</u>	100	100	100	100	100	100

¹ Statistics: 1976

Source: COM(78) 200 final - Annexes

OPINION OF THE COMMITTEE ON REGIONAL POLICY, REGIONAL PLANNING AND TRANSPORT

Draftsman: Mr HOFFMANN

On 29 November 1977 the Committee on Regional Policy, Regional Planning and Transport appointed Mr HOFFMANN draftsman of the opinion.

The committee considered and unanimously adopted the draft opinion at its meeting of 24 May 1978.

Present: Lord Bruce of Donington, chairman; Mr McDonald, vice-chairman; Mr Hoffmann, draftsman of the opinion; Mr Brosnan, Mr Damseaux, Mr Fitch, Mr Ibrügger, Mr Noè, Mr Schyns and Mr Seefeld.

I. Introduction

1. Called upon to analyse the implications of enlargement, the European Community is beginning to tackle a problem which has been commanding the attention of the European Parliament for a long time.

This opinion of the Committee on Regional Policy, Regional Planning and Transport cannot and would not claim to give at this juncture a complete and detailed survey of the likely regional implications.

Comprehensive and wide-ranging expert studies would be necessary for that and they would go beyond the bounds of a committee report. The report drawn up by the Political Affairs Committee only touches on the regional and transport implications of an enlargement of the Community.

The following opinion is therefore less of a commentary on the report than a supplement to it.

2. The major emphasis in this opinion is laid on regional policy rather than the transport aspects, since whereas regional problems will be multiplied by enlargement, its implications for the transport sector can only be described as forming an addition to current problems since a common transport policy is virtually non-existent at present.

II. Increasing disparities

3. The enlargement of the Community to take in Greece, Spain and Portugal will entail an increase in the Community's population by 53 million to give a total of 310 million inhabitants.

- According to the Commission, 34 million of these have an average per capita income similar to that of the Mezzogiorno.

- The three new countries, with their 53 million inhabitants, will represent 21% of the population of the enlarged community but account for only 10% of the GDP of the twelve Member States.

4. - The wide disparity in wealth between the nine Member States and the three applicant countries is highlighted by a comparison of per capita income: if we take the average per capita income as 100, then the new countries come out as follows: Greece, 44%; Spain, 54%; Portugal, 32%. (The comparative figures for Ireland and Italy are 47% and 59% respectively).

The number of people employed on the land is disproportionately high. In the three applicant countries the proportion is between 23% and 36%, as against 9% in the Europe of the Nine.

But the contribution of agriculture to the Gross National Product is only between 14% and 19%.

5. - In Greece, Spain and Portugal a total of around 5 million people are employed in agriculture. Enlargement would therefore result in a 50% increase in the number of those employed in agriculture. The number of those so employed in the Mediterranean regions would treble; as a result, after enlargement one out of every two persons employed in agriculture would live in the Community's Mediterranean regions.
 - The proportion of workers employed in industry in the three applicant countries is low: whereas in the present Community an average of 43% (1974) of the working population is employed in this sector the figures for Spain, Portugal and Greece are 38%, 34% and 25% respectively.
6. - The present per capita income ratio between the advanced and backward regions of the Community is 6:1. Enlargement of the Community would increase this ratio to 12:1. This means that an inhabitant of Hamburg, the richest Community region, earns on average 12 times as much as an inhabitant of the Guarda Province in Portugal, the poorest region in the applicant countries.
 - Whereas in the present Community some 45 million citizens live in less-favoured regions - about 18% of the total population - some 34 million people in the three applicant countries (65% of all the inhabitants) live in less-favoured regions if the same criteria are applied.
7. - An enlargement of the Community will entail a sharp increase in the number of unemployed, from approximately 6.2 million (1977) in the nine Member States to just on 9 million.
8. - The most striking illustration of regional imbalance between the present and future Member States is the movement of labour from the three applicant countries. Between 1955 and 1975 some 5 million people emigrated from the three countries to seek employment. Most of them moved to the Member States of the Community, especially Germany, France and the Benelux countries.

III. Regional implications of enlargement

9. The medium and long-term implications of enlargement will vary significantly for the regions of the present and future Member States;

consequently a separate analysis must be made.

10. For the industrially developed regions of the present Member States, the following effects of enlargement are foreseeable:

- The liberalization of trade will give the industries of the present Community access to a market of 53 million consumers in the Mediterranean area. Initially the consumer goods industries will benefit. At a later stage, provided that a comprehensive 'Southern Plan' is implemented, the capital goods industries in the present Community will benefit from enlargement, since a not inconsiderable share of development aid for the Mediterranean regions will flow back in the form of additional contracts for the industries in the north of the Community.

11. Enlargement will therefore mean that the consumer goods sectors and the capital goods industries established in the already highly developed industrial regions of the Community will receive additional demand and growth incentives which will increase even further their present advantage over the less-favoured regions. The textile, footwear, shipbuilding and steel industries will to some extent be the exception here, since the present Member States must count on increased competition in view of their comparatively higher wage costs.

12. Enlargement will also significantly benefit North European agriculture. Agriculture in the Mediterranean regions of the present Community will face increased competition from products such as wine, olives and vegetables, where a high degree of self-sufficiency has already been obtained but agriculture in the north of the Community will find additional outlets for meat and dairy produce and cereal products, since the three applicant countries are obliged to import these.

13. Summary: The enlargement of the Community to include three Mediterranean countries will unilaterally benefit the industrial regions and certain agricultural regions in the north of the Community which are already among the most highly developed regions in the Community.

14. If we concentrate solely on the regional implications, accession to the Community will not be entirely beneficial for the applicant countries.

The producers of agricultural products in Greece, Spain and Portugal will at the end of a transitional period have duty-free access to 257 million consumers in the nine Member States, but the latter have virtually no additional need for Mediterranean products such as wine, olives, fruit and vegetables.

15. The existing market organizations for these products, if applied without modification in the three applicant countries, would hardly lead to any real structural improvement in the less-favoured agricultural regions there.

The comparatively low production costs for Mediterranean products would only marginally benefit the producers in the applicant countries.

16. One thing is clear: in the agricultural sector, competition would increase between regions in the Nine and the Three which are already less-favoured regions. There are virtually no alternative crops which could be introduced there. Subsidiary measures as part of a specific regional policy to create alternative employment in industry and the services sector are absolutely essential.

17. The recently created and poorly developed industry in the three applicant countries is at present protected by customs barriers. It would face stiffer competition from the highly developed industries of the Nine Member States. This is particularly true of the advanced technology sectors (engineering, electronics, etc.). On the other hand, enlargement would certainly give new growth incentives to the labour cost-intensive industrial sectors in Portugal, Spain and Greece. Regions where the textile, footwear, steel and shipbuilding industries are established would benefit.

18. Enlargement will probably benefit all 12 Member States. However, these benefits will be unevenly distributed between the regions. The already highly developed regions in the applicant countries and in the present Community will find new growth incentives but the weak regions will face additional difficulties. Unless the Member States concerned and the Community as such take supporting measures, the regional imbalance in an enlarged Community will increase - as a result of restructuring which will follow enlargement.

IV. Regional policy in the three applicant countries

19. The success of a future Community regional policy in Greece, Portugal and Spain will largely depend on the scope and level of the regional policy which these countries are at present pursuing. The regional policies pursued in these three countries vary considerably.

20. In Spain, development plans incorporating regional objectives have been in existence since the first Four-Year Plan drawn up in 1964. The Ministry of Planning has extensive powers. The country is divided into 15 planning areas. In 1975 aid was granted to individual sectors as follows:

- reduced interest loans	882 m u.a.
- tax relief	63 m u.a.
- infrastructure investment	172 m u.a.

The area around Barcelona, part of the Basque country and Madrid do not count as development regions because the first signs of excessive concentration are visible there. Taken together, these parts of Spain, which cover some 4% of the Country's territory, account for about 39% of the Gross Domestic Product.

21. The encouragement of investment in Spain's other regions is intended to counteract the considerable internal population movements. Six million Spaniards changed their domicile between 1950 and 1970. This led to a very sharp increase in urban population and to the depopulation and desolation of some rural areas.

22. The regional policy in Greece is notable for public investment and regional aid programmes in the form of tax relief or even total tax exemption. The country is divided into five planning areas. The Athens/Piraeus region is already highly developed. In 1975, 635 m u.a. was allocated to public investment programmes. Approximately one third of this went to Attica, which is already comparatively highly developed. No figures are available on the scope of preferential tax treatment.

The Greek Ministry of Co-ordination and Planning is at present preparing a more effective regional policy. The new development programmes being drawn up are based essentially on the Community system embodied in the European Regional Fund.

23. There is no integrated regional planning in Portugal, although initial steps to develop a policy have been taken. Neither at present nor in the foreseeable future are the resources available to carry out such a policy. The Portuguese Ministry of Planning is in the process of dividing the country up into decentralized development areas. With the exception of the Lisbon-Setubal and Porto regions the whole country (as in Ireland) may be considered a development area. The per capita income in the Lisbon area is three times as high as in the country's poorest region. The essential objective of a future Portuguese regional policy would be to reduce the manpower drain by the creation of employment at home, partly with the aid of Community investment.

V. Conclusions for a future Community regional policy

24. It is clear that the Community's present regional instruments - the Guidance Section of the Agricultural Fund, the Social Fund and the Regional Fund - will be unable to prevent a further increase in regional

imbalances. This was impossible in the Community of the Nine and cannot therefore be expected to succeed in a Community of twelve.

In view of this ominous prospect the Committee on Regional Policy, Regional Planning and Transport proposes the following measures:

(A) Immediate measures

25. - For Portugal, verging on economic collapse, immediate and generous Community financial aid measures are essential - including the financing of the regional development programme. The Council is urged to translate its repeated declarations of intent into action. Speed is of the essence here.

26. - The Commission is urged to draw up, in close co-operation with the relevant ministries in the three applicant countries, detailed analyses of the regional implications of enlargement both for the applicant countries and for the Nine, especially the French and Italian Mediterranean regions. The Commission should forward to the European Parliament the results of this study and the list of measures based upon it to be applied during the adjustment and transitional phase.

27. - In view of the fact that regional development planning, especially in Greece and Portugal, is in its infancy, the Commission is urged to assist these countries immediately by making available technical aid for the preparation and implementation of their national development programmes. Expert assistance of this nature will be helpful on two counts: The applicant countries will be encouraged to make an immediate start on tackling more energetically the regional imbalances within their own countries. And then the regional development programmes to be drawn up could be aligned with the Community's regional policy at the preliminary stage - as is already the case with Greece.

(B) The Southern Plan

28. The Committee on Regional Policy, Regional Planning and Transport considers it self-evident that a special appeal must be made to the Community's industrial regions - which, as shown above, will derive particular benefit from enlargement - to make a considerable financial contribution towards the elimination of a North-South conflict within a Community of twelve.

In view of the disparity in wealth, which will increase even more in the future, the Committee on Regional Policy, Regional Planning and Transport considers that a Southern Plan, along the lines of the Marshall Plan, is urgently required for the Mediterranean regions.

The aim of a Southern Plan of this nature must be the extension of the industrial and social infrastructure. One precondition for such a Southern Plan is full-score coordination of regional and sectoral development plans.

29. The following individual measures might be taken:

- improvements to water supplies, irrigation and afforestation
- improvements to energy supplies and transport infrastructures as a basis for the establishment of industry and service undertakings, with due regard to the need for environmental protection
- improvements to the social infrastructure
- encouragement of investment in the industrial and services sectors taking special account of the importance of tourism, with the aim of creating new employment
- support for national, regional and local authorities in their efforts to implement an effective regional policy with the participation of the social partners.

30. Taking as a starting point the experience acquired with the Regional Fund, it is obvious that a Southern Plan should be implemented along similar (though not identical) lines. A distribution system not limited by quotes would be particularly important in that case.

The Committee on Regional Policy, Regional Planning and Transport calls on the Commission to draw up detailed proposals for such a Southern Plan - taking particular account of the specific problems of the various Mediterranean regions, and setting time and cost limits.

31. The Committee on Regional Policy, Regional Planning and Transport is aware that future programmes forming part of a Southern Plan would contribute only partially to solving the regional problems in the Mediterranean parts of the enlarged Community. The other Community policies (agricultural, energy, industrial and competition policies) must take greater account than hitherto of regional implications.

32. This is particularly true of the agricultural policy which, the Committee on Regional Policy, Regional Planning and Transport feels, must be given a totally new direction. The present heavy subsidizing of farm prices must be superseded by increased aid leading to an improvement in agricultural production structures.

33. Price subsidies as applied in the Community of the Nine will make it impossible to improve the unfavourable agricultural structures in the three applicant countries. And at the same time this will make it impossible to eliminate the regional imbalances in a Community of Twelve. Instead, the Community must recognize that it will have an effective regional policy only when it successfully combines a comprehensive Community agricultural structural policy with a balanced sectoral industrial policy.

OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Draftsman: Mr T. NORMANTON, vice-chairman of the committee¹

The Committee on Energy and Research:

1. Deplores the fact that despite the continued efforts of Parliament and the Commission no more than the initial steps towards a Community energy policy have yet been taken;
2. Regrets the Community's lamentable failure to take decisive action to reduce its dependence on imported energy, thereby remaining prone to critical supply difficulties;
3. Believes that enlargement will make the formulation, acceptance and implementation of a Community energy policy more difficult and stresses that this is an additional reason why urgent decisions by the Council are needed on outstanding proposals of the Commission;
4. Is concerned that enlargement will also increase the Community's overall dependence on imported energy sources;
5. Feels that Spain, which is developing an ambitious nuclear power programme, should be supported industrially and through research as soon as it has complied with the provisions of Euratom and agreed to the controls of the International Atomic Energy Authority; Spain should be encouraged to adhere to the Non-Proliferation Treaty;
6. Calls on the Commission to afford all help to the applicant countries in the development of all new forms of energy;
7. Notes that Spain is a significant producer of coal while Greece is self-sufficient in lignite production;

¹ Adopted unanimously at the meeting of 13 February 1979. Present: Mrs Walz, chairman; Mr Flämig, vice-chairman; Mr Normanton, vice-chairman and draftsman of the opinion; Mr Brown, Mr Edwards, Mr Ellis (deputizing for Mr Lezzi), Mr Fioret, Mr Fitch, Mr Leonardi, Mr Mitchell, Mr Hans-Werner Müller, Mr Noè, Mr Osborn and Mr Würtz (deputizing for Mr Ibrügger).

8. Hopes that the application of the Community's coal policy will facilitate the modernization of coal production in the applicant countries, leading to the improvement of wages and working conditions of miners, and greater productivity;
9. Hopes also that the applicant countries will be able to benefit from the Commission's proposed scheme for Community subsidies to increase coal-fired electricity generation capacity;
10. Calls on the Community to give particular aid to Portugal, which is highly dependent on imported energy, especially through greater electrification in order to accelerate industrialization and improve living standards;
11. Considers it essential that the Community assist all three applicant countries under the Community's energy policy so as to reduce their heavy dependence on imported hydrocarbons;
12. Considers it essential that both governments and industry in the applicant countries enter into dialogue with the institutions of the Community forthwith, so as to become familiar with their procedures.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr J. Scott-Hopkins

On 23 May 1978 the Committee on External Economic Relations appointed Mr Scott-Hopkins draftsman.

It considered the draft opinion at its meeting of 28 February 1979 and adopted it unanimously.

Present: Mr Scott-Hopkins, chairman; Mr Martinelli, vice-chairman; Mr Van Aerssen, Mr De Clercq, Mr Fitch, Mr McDonald (deputizing for Mr L'Estrange), Mr Muller, Mr Sandri, Lord St Oswald, Mr Vanvelthoven (deputizing for Lord Kennet).

INTRODUCTION

The Committee on External Economic Relations has been asked for its opinion on the aspects of the enlargement of the Community falling within its terms of reference.

The Community is preparing for a development of vital importance which is justified mainly by arguments of a political nature. The Community is not a closed entity but is open to all European countries possessing democratic institutions which request membership. Enlargement, therefore, reflects the political requirement that the Community should open its frontiers and support the young democracies which have been established in the three candidate countries following years of dictatorship.

The importance of this objective must be clear to all, since Europe has substantial economic and political interests in the Mediterranean area.

Enlargement is thus fully justified and supported at political level; however, the process of enlargement must be implemented in such a way as to ensure economic benefits for both parties.

To ensure that the second enlargement is a success, in the negotiations for the entry of the three new Member States and in the organization of the transitional period, the Community should allow for the possible emergence of difficulties for (a) the candidate countries, (b) the present Community, and (c) the countries linked to the Community by various types of agreement.

The various approaches considered by the Community, such as the Mediterranean policy, the Lomé Convention etc., have been applied with a view to maintaining the principle of the complementarity of the Community's relations with other economic regions of the world. Enlargement will undoubtedly modify the economic and political equilibria hitherto established by the Community. As regards the Community's external relations, given the structure of production and external trade of the candidate countries, enlargement will have particular repercussions on the Community's relations with the Mediterranean countries, the developing countries (in particular the ACP) and countries benefiting from the scheme of generalized preferences, and on multilateral negotiations in GATT.

The accession of Greece, Portugal and Spain is bound to lead to changes in the patterns of trade and production capacity of various Community sectors. The pattern of migration is also likely to be affected. It is therefore essential that the Community should review

not only its internal organization but also all the relations it has established over the last few years with third countries. These relations must be modified with reference to the requirements and new equilibria inherent in the Community of the Twelve.

This opinion intends to examine the consequences of enlargement for the abovementioned countries or group of countries, with a view to determining what measures the Community should take to ensure that the political process of enlargement benefits all the parties concerned.

II. The Community's external relations in the light of enlargement

The current negotiations with Greece and those to be opened with the other two candidate countries are based on the principle that these countries must accept the entire 'acquis communautaire' (all the existing attainments of the Community). The total acceptance of this 'acquis communautaire' will determine the consequences of enlargement in the sector of external relations. We must therefore establish the consequences which the acceptance by the candidate countries of all the commitments entered into by the Community in this sector will have on existing trade relations between the parties involved.

Enlargement will mainly affect the Mediterranean countries, the EFTA countries, trade within the framework of GATT, the ACP states and the application of generalized preferences.

(a) Consequences of enlargement for the Mediterranean countries

The area most affected by enlargement will undoubtedly be the Mediterranean. The products of the Maghreb countries, the Mashreq, Israel, Malta and Cyprus, which occupy the same geographical area as Spain, Greece and Portugal, are limited to certain sectors, some of which are considered sensitive by the present Community which takes most of their exports. These countries will be directly exposed to competition from the products of the candidate countries. Yugoslavia and Turkey will also be affected by enlargement, but not in the same way as the abovementioned group of countries, owing to the association relations linking Turkey to the Community and the economic situation in Yugoslavia, which may be considered different in many aspects from that prevailing in the other Mediterranean countries.

(a) (i) Maghreb, Mashreq and Israel

This group of countries, commonly known as 'the Eight', has particularly important trade links with the Community. Community trade with the Eight has today reached a level equivalent to that with the three candidate countries. For the Community, therefore, the Eight represent an important market (approximately 7% of the total EEC exports).

EEC exports to these countries show a healthy balance. The following table illustrates the situation regarding Community exports to the Eight and to the three candidate countries :

EEC TRADE WITH THE SOUTHERN MEDITERRANEAN COUNTRIES
AND THE CANDIDATE COUNTRIES

(in million EUA)¹

	1970	1971	1972	1973	1974	1975	1976
<u>'8'</u> ²							
EXPORTS	2,759.6	2,965.0	3,332.1	4,345.8	7,028.3	8,646.9	9,245.8
IMPORTS	2,059.5	1,940.4	2,080.8	2,658.1	4,722.0	4,658.3	5,500.6
Trade balance	+ 700.1	+1,024.6	+1,251.3	+1,687.7	+2,306.3	+3,988.6	+3,745.2
Cover rate %	134.0	152.8	160.1	163.5	148.8	185.6	168.1
<u>'3'</u> ³							
EXPORTS	3,659.0	4,079.0	4,822.0	6,240.0	8,247.0	7,724.0	9,167.0
IMPORTS	2,070.0	2,397.0	2,863.0	3,941.0	5,034.0	5,144.0	6,470.0
Trade balance	+1,589.0	+1,682.0	+1,959.0	+2,299.0	+3,213.0	+2,580.0	+2,697.0
Cover rate %	176.8	170.2	162.7	158.3	163.8	150.2	141.7

¹ Exporter/importer: EEC 9

² Maghreb, Mashreq, Israel

³ Greece, Portugal, Spain (including Canaries)

The above table shows that, in 1976, EEC exports to the Eight totalled 9,245.8 million EUA, as against total EEC exports to the three candidate countries of 9,167 million EUA. In the same year, the Community's trade balance showed a surplus of 3,745.2 million EUA with the Eight as against a surplus of 2,697 million EUA with the three candidate countries. These figures indicate the importance for the Community of the market represented by the Eight especially when we consider that the surplus on the trade balance with the Eight increased from 700.1 million EUA in 1970 to 3,745.2 million EUA in 1976, i.e. a five-fold increase over seven years.

Agriculture will undoubtedly be the sector most affected by enlargement in the countries in question. The following figures indicate the importance of agriculture in the economy of these countries: in Morocco and Tunisia, agriculture accounts for between 45% and 55% of the working population, whereas agricultural production accounts for 20% of total GDP in Morocco and over 10% in Tunisia.

It may be concluded, therefore, that the agricultural sector, which is the most important economic sector in these associated countries, may suffer serious difficulties following enlargement. These difficulties may be summarized as follows:

- enlargement will increase the Community's degree of self-sufficiency in certain agricultural products which today represent a substantial share of exports to the Community from the associated countries of North Africa. In particular, Morocco, Tunisia and Israel are likely to find themselves faced with economic problems resulting from the limited scope for agricultural exports to the Europe of the Twelve;
- the new conditions prevailing in agriculture in the candidate countries may lead to an increase in the output of certain products, with the danger that strong pressure may be exerted within the Community of the Twelve to introduce restrictive measures, which would make it even more difficult for certain agricultural products from the southern Mediterranean countries to find outlets on the Community market.

Enlargement may also lead to new problems in the industrial sector. An analysis of the structure of exports to the Community of the principal industrial products from the eight associated countries and the three candidate countries indicates that directly competing products (in particular, textiles, petroleum products, chemical products and steel) account for a significant proportion of total trade. The table below provides a clear picture of the situation:

Main EEC manufactured products from applicant
countries and southern Mediterranean countries

Country	1976 million EUA			
	Textile Products	Petroleum Products	Chemicals	Iron and Steel Products
Greece	341.3	163.9	43.2	24.9
Spain	178.7	102.9	127.9	166.9
Portugal	223.2	4.9	42.4	24.9
Algeria	2.8	63.4	3.9	19.0
Morocco	98.7	1.2	13.0	-
Tunisia	112.9	5.2	51.8	-
Egypt	24.6	94.8	6.3	4.4
Jordan)	3.5	3.2	3.0	0.4
Lebanon)				
Syria)				
Israel	89.7	26.8	64.9	1.3
Total applicant countries	743.2	271.7	213.5	202.7
Total southern Mediterranean countries	332.2	194.6	142.9	25.1

The new conditions of competition resulting from enlargement will thus affect all the southern Mediterranean countries, given that, generally speaking, they all export to the Community the products listed above.

This state of affairs might be exacerbated by the possibility that, following enlargement, Community production may increase in certain sectors, leading to an upsurge of protectionist and restrictive measures with serious consequences for the southern Mediterranean countries.

Such a situation would call into question the whole of the trade element in the cooperation agreements with the southern Mediterranean countries, the Community having consistently taken the stand that these countries should concentrate on developing industrial sectors rather than boosting agricultural production.

(a) (ii) Malta and Cyprus

These countries are linked to the Community by association agreements aimed at the progressive establishment of a customs union. Economic and financial cooperation has been negotiated within the framework of the global approach.

As regards trade, the 1974 figures show that import and export trade with the Community represents 51% of overall trade for Cyprus and 65% for Malta. It is likely that, in the short and medium term, trade flows will be concentrated still further on the nine and twelve-member Community. The longer-term trend will depend largely on the trade arrangements granted by the Community to these countries.

There is every likelihood that EEC-Cyprus trade relations will encounter problems in the agricultural sector following enlargement, particularly with regard to such products as fruit and vegetables and wine.

Moreover, it should be stressed that enlargement could have important consequences for Malta because of this country's special political and economic situation. It should be recalled that in recent years the Maltese Government has steered a middle course between Europe and North Africa. For this reason, any major event, such as enlargement, could influence Malta's attitude towards Europe, especially if enlargement affected its economic development. Some particularly sensitive sectors, such as textile products, would very probably be affected by enlargement. So it is hoped that the Community will take due consideration of Malta's economic situation.

(a) (iii) Turkey

Turkey is linked to the EEC by an association agreement concluded in 1963 which provides for particularly close ties between the two parties.

The Association has progressed through successive stages in which the prevailing atmosphere has varied considerably. In 1974 relations with this country entered a critical phase and have deteriorated ever since. This deterioration has given grounds for anxiety both in Turkey and in the Community. Turkey is concerned about the economic effects of enlargement, particularly in the sensitive industries and with regard to the employment prospects of Turkish workers in the Community.

Greece will be required to honour the Ankara agreements upon its accession. This should not pose any economic difficulties, and has not given rise to particular problems during the negotiations.

Turkey has submitted requests to the Community on which the latter has yet to reach a decision. The Turkish Government's requests may be summarized as follows: the waiving for five years of the obligations to dismantle tariffs, access to the Community for Turkish agricultural products, social measures and financial assistance, possibly through the creation of a special cooperation fund for priority interventions. Turkey's requests pose certain problems for the Community. The situation may be further complicated by enlargement; Turkey - as it recently declared - does not feel it should submit a further request for accession, being aware of the difficulties which this might create for the Community, but requests that its own difficulties should be taken into account and that the Community should act promptly and provide adequate resources to help solve the serious problems facing this country.

(a) (iv) Yugoslavia

Yugoslavia is linked to the Community by non-preferential trade agreements and a new agreement is currently being drawn up. Yugoslavia enjoys privileged access to the Community market under the generalized scheme of preferences. Enlargement threatens to erode the privileged position of certain Yugoslav exports on the Community market.

Yugoslavia will face stiff competition from the applicant countries on the Community market because of their comparable level of development and similar export structure.

The development of trade with Yugoslavia will largely depend on the effects of enlargement on the generalized scheme of preferences. It must not be forgotten that EEC-Yugoslavia relations are also important in political terms as well as at economic and trade level. The deterioration in economic relations between the two parties, which is already taking place, is hampering Yugoslavia's attempts to strike a balance between its Eastern and Western trade partners.

In the case of Yugoslavia, enlargement will also involve transport problems. Owing to its geographical position, Yugoslavia is of particular importance to Greece, and after enlargement this will become a matter for the Community.

(b) Development aid

The Community, especially over the last few years, has formulated and implemented a policy of development aid. The principles of this policy have been laid down in the light of the degree of economic development of the Community's partners, and the capacity of the nine Member States to grant financial contributions having regard to the economic and political requirements of the present Community.

The candidate countries, particularly in certain sectors, are in an intermediate position between the developed and the developing countries. This is bound to create problems for the Community's policy vis-à-vis the developing countries.

Following accession, the candidate countries will become parties to all the agreements concluded by the Community within the framework of its development policy, including the Lomé Convention, the GSP, and the financial protocols concluded between the Community and certain third countries. Specifically, the candidate countries must undertake to:

- open their frontiers to products from the countries in question, save for certain exceptions which will be the subject of negotiations. This should not have harmful effects on the candidate countries. As regards the countries benefiting from the GSP, the increased market to which their products will enjoy privileged access will represent a real advantage;
- contribute to the financing of development policy.

In 1977, public development aid granted by the EEC Member States in various forms totalled US \$6,251.5 million. The Community's share of this aid was US \$565 million: consequently, given the limited proportion of total aid represented by the Community contribution, the candidate countries' contribution to Community financing should not pose serious problems.

Spain is the only candidate country which has so far made a significant contribution to development aid. Over the period 1969-74, Spain granted an average of US \$80 million annually, of which almost US \$55 million went to Latin American countries.

As regards the GSP, the possibility of reviewing and improving the system has been jeopardized by the world economic recession. These difficulties are likely to increase with enlargement. Over the past three years the world recession has prompted the Community to restrict its offers under the GSP for Community sectors in crisis. The products on which the Community has attempted to adopt a less flexible position are generally those in respect of which the accession of the candidate countries will lead to an increase in the Community's production capacity.

Following enlargement, therefore, the Community will undoubtedly be compelled to limit any improvements of the GSP for the benefit of developing countries.

(c) Trade in GATT

Following enlargement, it is likely that some existing trade movements between the candidate countries and third countries will be redirected towards the Community, or that certain imports into the Community of the Nine from third countries may be supplied by the new Member States. After the transitional period the candidate countries will have to grant the other Mediterranean countries full access to their markets, in accordance with the existing agreements between the Community and the Mediterranean countries in question. With regard to the USA and Japan, the effects of enlargement are likely to be of only limited importance. For example, US exports of fruit and preserves to the Europe of the Twelve may be reduced, while exports of other products may increase after enlargement, particularly as a result of the application of the CCT and the CAP by the three new Member States.

Enlargement may provoke a reaction from some industrialized countries, such as Canada, Australia, New Zealand, Japan and the US. These countries, which are traditionally the most active in the defense of their trade interests, may request a review of their trade relations, as enlargement is likely to modify existing equilibria.

(d) EFTA

Portugal is currently a member of EFTA and Spain is linked to it by a recent agreement; Greece on the other hand has no formal relations with EFTA. The three countries' trade with EFTA represents a relatively important share of their total trade, viz:

1976	<u>Value (US \$1000)</u>			
	<u>Imports</u>		<u>Exports</u>	
	\$	%(+)	\$	%(+)
- Greece	535,629	8.9	91,165	3.6
- Portugal	451,561	10.5	291,681	16
- Spain	871,552	5.1	605,843	7

(+)% of world trade

As Portugal is already a member of EFTA, and the other candidate countries' volume of trade is relatively low, the accession of the three countries is likely to have little effect on EEC trade with the EFTA countries and will not significantly expose the industries of the candidate countries to increased competition from the industries of the EFTA countries.

III. Conclusions

The transition from the Community of the Nine to the Community of the Twelve is bound to have important repercussions in the field of the Community's external relations. There is no doubt that enlargement will modify certain patterns of trade and, as a result, the relations which the Community has established with third countries.

Enlargement will therefore lead to a modification of the basic factors which have guided the Community in its decisions in the field of external relations. It is important that the economic principles and political choices on which its action has been based should not be changed by this important development.

In short, we must establish how the acceptance of the Community patrimony by the candidate countries will affect the relations of the Community of the Twelve with third countries.

The enlargement of the Community, and the consequent acceptance by the candidate countries of all the commitments which it has assumed in the field of external relations, may well lead to certain imbalances in trade caused by economic and social difficulties, with consequences which may also be political. We must therefore attempt to establish new equilibria and a new degree of complementarity between third countries and the Community of the Twelve. Enlargement will signify the progressive opening of the Community market to Spanish, Greek and Portuguese products, frequently at the expense of exports from third countries. The latter will be faced with grave difficulties which may well jeopardize the advantages granted to them under the numerous agreements concluded by the Community in recent years.

In order to tackle these problems we must change the pattern of trade, above all through the conversion of production in third countries. This process of conversion will call for a considerable economic and financial effort and the deployment of resources which are generally lacking in the countries in question.

In order to limit the consequences of enlargement, we must clearly make maximum use of the opportunities afforded by the transitional periods. This will facilitate the necessary adjustments in the various sectors by both the Community and our trading partners in the Mediterranean basin.

It is essential for adjustment and conversion measures to be implemented in accordance with a carefully established schedule. The conversion and adjustment of production takes time and calls for substantial resources. The Community must therefore take suitable measures in good time, as even measures which are technically valid are sometimes ineffective if applied too late or at the wrong time.

The Community must undertake final adjustments on the basis of effective consultation following the joint examination of the situation in respect of agriculture, industry, and market prospects.

The measures to be taken within the framework of this consultation must be consistent with the other objectives of the new Community, and integrated within an overall structural design, with a view to ensuring regular trade and the promotion of these countries' development with the assistance of the Community.

We agree with the Commission that certain important guidelines should be laid down.

In the agricultural sector we must:

- at the same time, promote the conversion of production in the Mediterranean countries, particularly with reference to their food requirements, and give

maximum encouragement to the development of products which will be in short supply in the Europe of the Twelve. Considerable use must be made of Community financial aid programmes.

In the industrial sector we must:

- improve the conditions for industrial cooperation and adapt the development of trade between the enlarged Community and its partners. To achieve this, we must seek ways of ensuring that:
- the pattern of investment reflects potential outlets on the respective markets;
- patterns of trade are analysed with a view to preventing any inordinate or sharp increase in the flow of products to any of the partners.

Particular attention is drawn to the consequences of enlargement on relations between the EEC and Turkey. Relations between the two parties are currently undergoing a critical phase owing to the unsatisfactory results of the Association. The seriousness of the consequences of enlargement on the Community's relations with Turkey is not only an economic problem - this country is faced with grave difficulties of economic growth and social development - but also has political implications. The erosion of the economic advantages granted to Turkey by the Community would undoubtedly make political relations deteriorate still further. Western Europe cannot ignore the strategic importance of Turkey as this country represents from a strategic point of view, one of the political and military outposts of the Western world. Its strategic and political importance has recently increased following recent events in Iran.

The Community must therefore give careful consideration to the requests submitted by the Turkish Government in order to prevent the erosion of the privileged position which Turkey ought to enjoy in view of its status as an associated country. It is important that the Community should grant the Turkish economy adequate financial support, as requested by the Turkish Government.

In conclusion, without going into details at this early stage, it is hoped that the Community will prepare in good time for the practical consequences of enlargement. It must take account of the economic and political interests of the parties involved to ensure the successful outcome of enlargement not only for the Community but also, and above all, for the countries with which it has established economic and political links designed to promote development of these peoples and the liberalization of world trade.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr NOLAN

At its meeting of 19 October 1978 the Committee on Development and Cooperation appointed Mr Thomas NOLAN draftsman.

At the same meeting it considered and unanimously adopted the draft opinion.

Present: Miss FLESCH, chairman; Mr BERSANI, vice-chairman;
Mr LAGORCE, vice-chairman; Mr SANDRI, vice-chairman; Mr NOLAN, draftsman;
Mr BROEKSZ, Lord CASTLE, Mr CUNNINGHAM, Mr DELMOTTE, Mr DESCHAMPS,
Mr DEWULF, Mr VERGEER and Mr WAWRZIK.

Introduction

The enlargement of the Community to include three new Member States is at present one of the central preoccupations of Community, and indeed national, institutions and bodies. It is only natural that such a transformation, or rather evolution, of the Community, with all its repercussions on and implications for Community policies and the working of the institutions, should give pause for thought; and it is desirable that this in turn should give rise to an accurate analysis of the consequences of enlargement for the Community and the three applicant countries.

The Commission attempted such an analysis in its communication to the Council of 20 April 1978¹.

For its own part, the European Parliament authorized the Political Affairs Committee to draw up an own-initiative report on the 'political and institutional aspects of the enlargement of the Community'. The Committee on Development and Cooperation was asked for its opinion.

The effects of enlargement on Community development aid policy are perhaps less direct and less obvious than they are in other sectors (for example, agricultural or regional policy). Nevertheless, they are still very real and warrant careful consideration by our committee.

In its resolution of 29 September 1978, the ACP-EEC Consultative Assembly pointed out that 'the prospective enlargement of the Community, from a membership of nine to a membership of twelve, provides the possibility of advantages, as well as of problems for the ACP states, which are themselves likely to be increased in number in the years immediately ahead'. In view of this, the ACP-EEC Consultative Assembly called on those who would be engaged in the negotiation of a new agreement 'to take these factors fully into account in their deliberations'.

Your draftsman feels that, as regards the Community's development aid policy and the position of the developing countries, the enlargement of the Community poses a number of problems in connection with:

- exports from developing countries to the Community of agricultural products identical to those originating in the three applicant countries;
- the proportion of the Community's budgetary resources given over to development aid policy after the accession of the three new Member States;

¹ Bulletin of the European Communities: Supplements 1 and 2/78

- increases, after accession, in Community production capacity in certain 'sensitive' sectors and the impact on the generalized preference system.

Effects of enlargement on trade, in particular in the agricultural sector, between the Community and the developing countries

In its communication to the Council entitled 'Enlargement of the Community - General Considerations'¹ the Commission points out that 'the consequences [of enlargement] will be particularly marked in the Community's trade with the Mediterranean and the developing countries. There is no avoiding the fact that, as matters stand, the Community market's capacity to absorb its agricultural and industrial consumer goods, trade in which is important to the economies of some non-member countries, particularly in the Mediterranean region, will be limited' (para. 36).

It would seem that enlargement will have a particularly pronounced effect on the exports of agricultural products to the Community from the developing countries situated in the Mediterranean region, for these products (fruit and vegetables, wine, olive oil etc.) will come into direct competition with those of the enlarged Community.

When one reads in the Commission's communication that the accession of the three applicant countries would mean an increase in the area given over to agriculture (+49%), in the number of farms (+57%) and in agricultural production (+24%), one cannot help wondering what will become of the agricultural products from the developing countries, and in particular the Mediterranean countries. Moreover, the Commission also recognizes the 'danger of an increase in the rate of self-supply in some sectors, which are already in surplus or bordering on surplus' (para. 17).

Enlargement will obviously have a less pronounced effect on the trading position of developing countries outside the Mediterranean region, and in particular the ACP countries. The Commission is right in stressing that enlargement will provide the ACP states with a larger market for their tropical products. Nevertheless, the exports to the Community from certain developing countries which produce vegetables (e.g. Senegal, which exports tomatoes) are liable to be placed at risk as a result of enlargement.

Faced with the double requirement of providing the applicant countries with a normal market for their agricultural produce and ensuring that the trading position of the developing countries is not jeopardized in this sector, the Community must, in your draftsman's view,

¹ Bulletin of the European Communities - Supplement 1/78

- bear in mind that enlargement will adversely affect the preferential treatment currently granted to certain developing countries,
- take advantage of the transitional period after accession to regulate the market in agricultural products, including fruit and vegetables, in order to avoid compromising the commercial position of the developing countries in this sector.

Arrangements of this kind could allay the legitimate fears of the ACP states expressed in the report by Mr GUILLABERT, which was recently adopted by the ACP-EEC Consultative Assembly and which stressed that, with the prospect of a new convention, the difficulties encountered by the ACP states in the agricultural sector may worsen when the applicant Mediterranean countries actually join the Community.

Effects of enlargement on the proportion of the Community's budgetary resources given over to development aid

On the subject of budgetary problems, the Commission points out in its document that 'estimates based on projections of the 1978 budget according to present mechanisms and on the basis of the present funds show that (the applicant countries') full share of budget expenditure and resources would result in a net balance corresponding, for Greece, to 2.30% of its gross domestic product, for Portugal to 2.5% and for Spain to 0.40%, assuming maximum contributions' (paragraph 12). It adds that 'if the three applicant countries are allowed to contribute to own resources during the transitional period on the sort of favourable terms granted to Britain, Denmark and Ireland in 1973, their relative advantage will be considerably greater'.

As far as the resources devoted to development are concerned, these figures should be seen in the light of the statistics on the percentage of its GNP which each of the three applicant countries allocates to public development aid and which, for 1976, is shown to be negligible.

Your draftsman concludes from this that, unless measures are taken to ensure that in the enlarged Community a certain proportion of the budget is allocated to development aid policy, the funds for the latter might well be swallowed up in the costs of enlargement. In the Council's 1979 draft budget the (payment) appropriations allocated to cooperation with developing and non-member countries amount to only 3.7% (excluding EDF appropriations) of the total given over to common policies, which only serves to reinforce the fears expressed above.

These fears can be allayed only by a more comprehensive and more rigorous Community budgetary policy, establishing a better balance between the appropriations allocated to the various Community policies.

Increases, after enlargement of the Community, in production capacities in certain 'sensitive' sectors and impact on the generalized preferences system

In its communication the Commission states in passing that 'enlargement will add to production capacities in certain 'sensitive' sectors of the Community' (paragraph 25). This applies in particular to the textile and footwear industries - both sectors in which the developing countries are trying to find outlets for their products. The 'sensitivity' of these sectors in the Community will increase after enlargement, which in turn might lead to protectionist measures with direct prejudicial effects on the developing countries.

It should be added that the trading position of the developing countries might further deteriorate as a result of the effects of enlargement on the Community system of generalized preferences. Indeed, the Commission states that 'there will be an impact on the generalized system of preferences as a result of the increase in the potential for producing sensitive products, which in general are precisely those that are of the greatest interest to the countries that benefit under the system' (paragraph 37).

The quotas at present granted to the various countries which benefit from the generalized preference system are already relatively low for products in the 'sensitive' sectors. The enlargement of the Community, and hence the increase in Community production in these sectors, could result in a 'freezing' of these quotas. Your draftsman takes the view that any measure of this type would simply be an easy way out; it would not only fail to take into account the interests of the developing countries but would also represent a step backwards in the liberalization of trade.

It is to be hoped that the Community will remain true to the undertakings it has given on many occasions and will not venture along this path but will in this case too take advantage of the transitional arrangements and eventually manage to reconcile the interests of the new Member States with those of the developing countries.

Conclusions

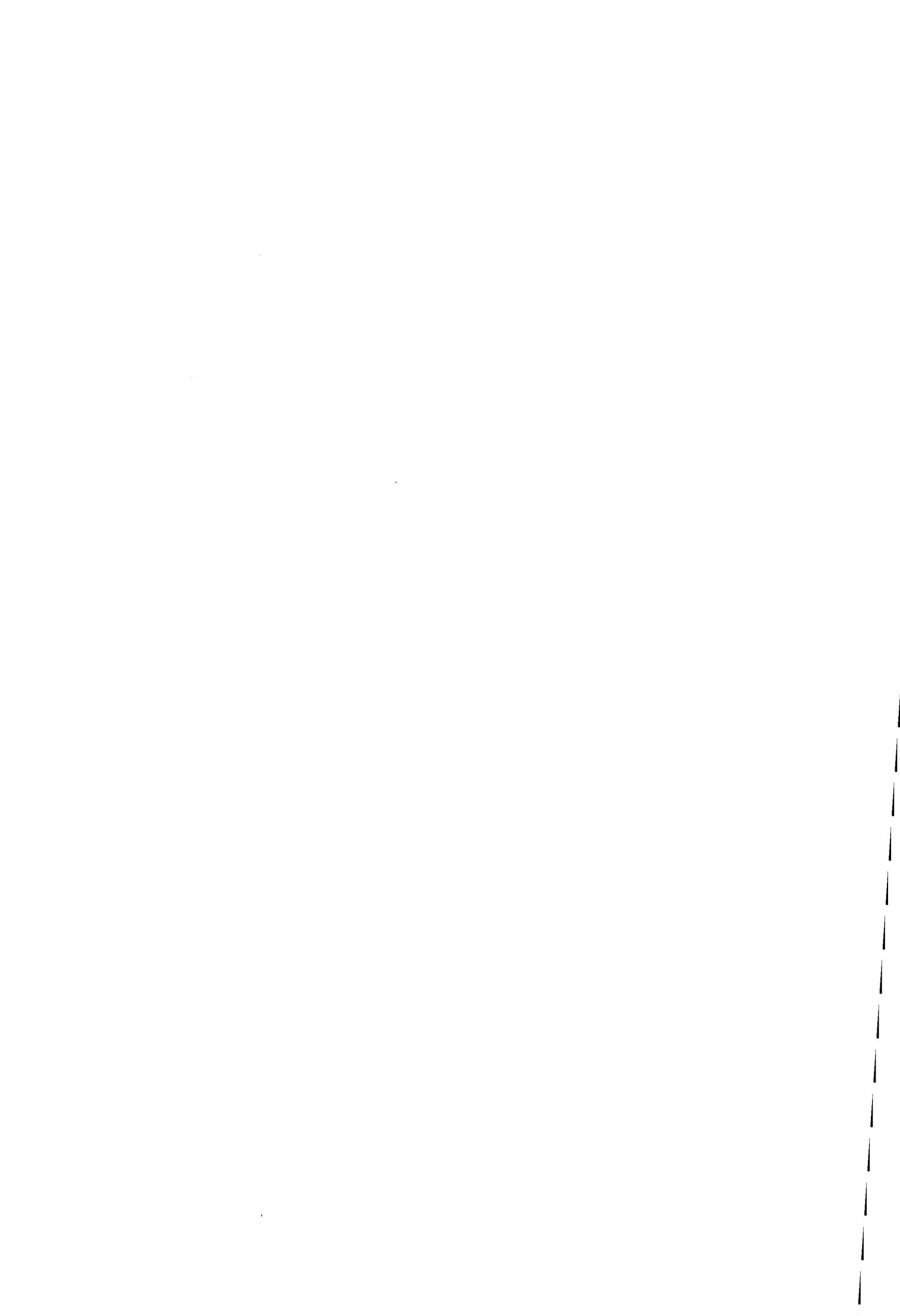
This opinion draws particular attention to the problems which the enlargement of the Community will raise in connection with the implementation and promotion of development aid policy. However, your draftsman in no way intends to belittle the importance and political significance of enlargement. This development will undoubtedly strengthen the Community's role in the world, in particular in the Mediterranean and African area. At the same time, any enlargement of the European Community will, by increasing its political importance, represent a further step towards European unification.

In this opinion the Committee on Development and Cooperation has merely tried to draw attention to a number of difficulties which, if not taken into account, could call into question the Community's development aid policy.

To sum up, the Committee on Development and Cooperation calls for measures to ensure that:

- the enlargement of the Community will not adversely affect the preferential trading position granted to certain developing countries, including the ACP, in particular in the fruit and vegetables sector;
- the enlargement of the Community does not diminish the priority to be given in the Community budget to the Community's development aid policy.





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