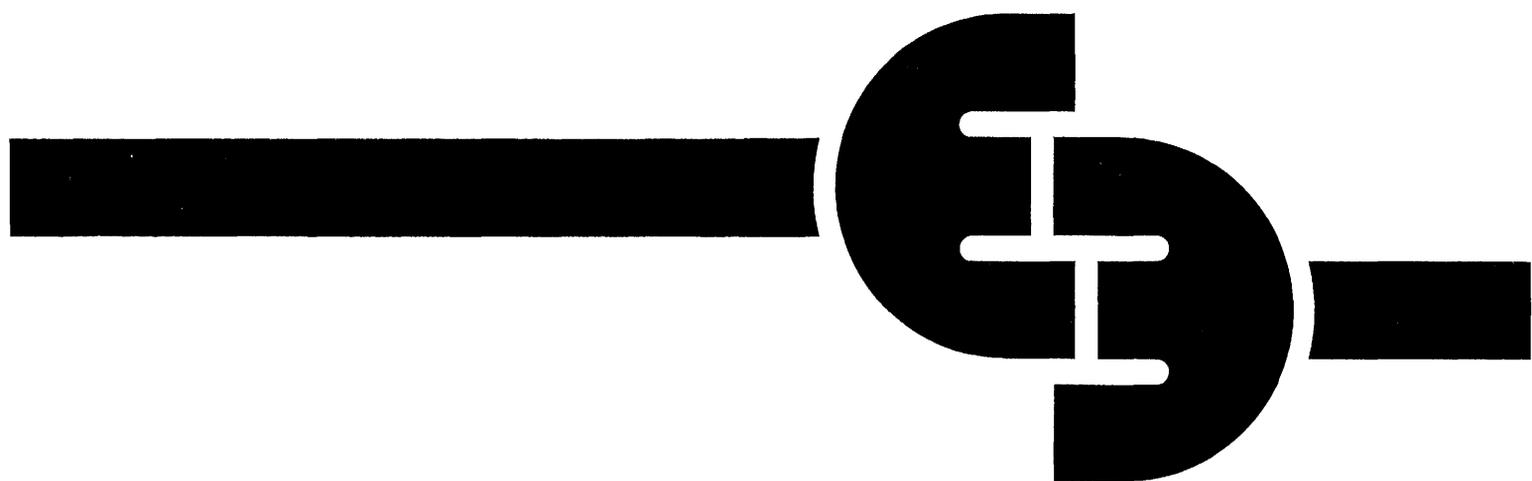


*EUROPEAN COMMUNITIES*

*ECONOMIC AND SOCIAL COMMITTEE*

# TARGET DATE 1992

The Economic and Social Committee  
supports  
"The New-Frontier Europe"



Brussels, January 1988

# TARGET DATE 1992

The Economic and Social Committee  
supports  
"The New-Frontier Europe"

Statement by the Chairman  
of the Economic and Social Committee

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"Making a Success of the Single Act:  
A New Frontier for Europe"

**Rapporteur: Mr. BURNEL**

"Financing of the Community"  
"Own Resources"  
"Budgetary Discipline"

**Rapporteur: Mr. PARDON**

"Reform of the Structural Funds"

**Rapporteur: Mr. SERRA CARACCILO**

"The Commission's Agricultural Proposals  
for implementing the Single Act"

**Rapporteur: Mr. FLUM**

"Agricultural Stabilizers I"

**Rapporteur: Mr. LOJEWSKI**

"Agricultural Stabilizers II"

**Rapporteur: Mr. SCHNIEDERS**

"Social Aspects of the Internal Market  
(European Social Area)"

**Rapporteur: Mr. BERETTA**

Brussels, 17 December 1987

## **STATEMENT BY THE CHAIRMAN**

The Economic and Social Committee regrets that the Copenhagen Summit did not lead to positive results on all the subjects on the agenda.

At a time when the stock market and monetary upheavals could fuel fears of a world recession, the Member States of the Community must as a matter of urgency unite to transcend the obstinate defence of short-term interests and confront the real issues.

In the face of the monetary and trade challenges posed by the new international environment, the Community must hammer out European positions based on solidarity so as to prevent these international upheavals having harmful repercussions in the industrial, agricultural and social spheres.

The members of the Economic and Social Committee, who represent the Community's socio-economic interest groups, have always given priority to "communautaire" measures for stimulating the economy and combating unemployment. They continue to work for completion of the single Community market by 1992 and urge that measures be taken swiftly with a view to guaranteeing the financing of the Community, continuing the reform of the CAP, reforming the structural funds and implementing a social policy in line with the realistic proposals made by the Commission.

The Commission has proposed an overall strategy for achieving the objectives that the governments of the Member States set themselves in the Single Act. The Committee is convinced that the proposed strategy is the minimum needed, and that it is coherent and indivisible.

Without wishing to deny the difficulties of reaching agreement on this overall plan, the Committee takes the view that the Opinions it delivered on the Commission's documents provide a serious political basis.

The Heads of State or Government will once again be faced with their responsibilities in Brussels on 11 and 12 February 1988. They must make sure that they do not let this new opportunity slip by; they must affirm their political will to make a success of the Single Act and reach the new frontier on schedule as a Community that is based on progress, solidarity and freedom and open to the world.

Brussels, 13 May 1987

**O P I N I O N**  
of the Economic and Social Committee  
on  
"Making a success of the Single Act: a new frontier for Europe"  
prepared by the "New Frontier" Sub-Committee  
(COM(87) 100 final)

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On 4 March 1987 the Commission requested the Committee to deliver an Opinion on  
*"Making a Success of the Single Act - A New Frontier for Europe"*  
*(COM(87) 100 final.*

The "New Frontier" Sub-Committee (Chairman: Mr W. POETON), set up by the Plenary Session to prepare the work on the subject, drew up a Draft Opinion on 30 April on the basis of the report by the Rapporteur, Mr BURNEL.

At its 246th Plenary Session, (meeting of 13 May 1987), the Economic and Social Committee adopted in a roll-call vote by 113 votes to 25, with 27 abstentions, the following Opinion:

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### **1. Preliminary Comment**

The Committee has decided to adopt an overall approach in this initial Opinion and reserves the right to follow this up with specific Opinions. The Committee has already taken the initiative of preparing a number of proposals in the social area. Other topics, such as the financing of the Community, the future of the Common Agricultural Policy and the reform of the structural funds, will be studied in depth given their crucial importance.

### **2. The Background**

**1970:** a market without frontiers was to be established under the terms of the Treaty of Rome. This has not been done.

**1987:** signing of the Single Act, which promises that a market without frontiers will be established ... by 1992. The document represents the lowest common denominator. Seventeen years have gone by, and although they have not been completely wasted, the objective (announced thirty years ago) has not been achieved within the deadline initially set. This harmful delay demonstrates clearly the inadequacy - and even absence - of political will on the part of the Member States to enter into commitments towards each other on a permanent and coherent basis. How is the man in the street to become enthusiastic about Europe if nothing changes?

### **3. And now?**

3.1. The Committee notes that the Single Act and the Commission Communication outlining the minimum conditions for translating into deeds, (i.e. into everyday terms) the hopes embodied in the Single Act are two texts that form a whole, the Communication representing the practical implementation of the Single Act.

3.2. The Member States, having signed the Single Act and had it ratified in their Parliaments (reflecting the wishes of their citizens), are now committed to resolutely building a genuine economic and social Community. This in turn requires a wholehearted commitment on the part of their leaders at the highest level and on the part of all those with a position of responsibility in economic and social life.

3.3. The Committee endorses the Commission's initiative of bringing together in a global strategy both the objectives assigned to the Community under the Single Act and the means to be employed in completing the internal market.

The Committee feels that the economic growth which will come about thanks to the size of the single market should take account of the need for social progress and, in keeping with true Community solidarity, should benefit everyone and thereby help to create a people's Europe in harmonious fashion.

#### **4. Building the Europe of the New Frontier**

4.1. The Committee will support the steps taken by the Commission to make a success of the Single Act and build a new-frontier Europe within the time limit laid down. This will mean that the potential of the European market can be fully tapped and that Community firms will be able to compete on the international market.

4.2. With this in mind, the Committee lends its support to the Commission's proposal to opt for mutual recognition of standards and rules, as opposed to the perfectionist's ideal of common standards, as a means of speeding up the establishment of free movement for persons, services, industrial and agricultural products and capital. The Committee asks that the Community "patrimony" and the safety and health objectives laid down in Community framework Directives be taken into account in this harmonization.

4.3. However, the elimination of all barriers, although a pressing need, will not be enough to sustain the cooperative growth strategy for more employment, unless completion of the large internal market is accompanied by the development of a genuine common economic and social area with the following features:

- greater convergence of Member States' economic policies so as to optimize the results of their efforts;
- the will to keep the social dialogue going in accordance with new Treaty Article 118 B (laid down in the Single Act) and to develop Community social legislation on the basis of new Treaty Article 118 A (laid down in the Single Act);
- strengthening of the European Monetary System with a view to expanding the private use of the ECU and promoting it as a European currency;

- an aggressive research and technological development policy to safeguard the future of companies in the Community and prevent a Community scientific and intellectual brain drain;
- a more vigorous Community trade policy.

The Member States, having agreed in the Single Act to assign these objectives to the Community, must provide the Community with the requisite financial and institutional means for their realization.

## **5. Providing the means necessary to meet the challenges facing the Community**

### **5.1. Sufficient, stable and guaranteed resources**

5.1.1. The Commission Communication devotes a lengthy and politically and technically weighty chapter to financing problems. The Committee has a few comments to make already at this stage.

5.1.2. Setting out from the general objectives which have been fixed, the first step is to establish the programmes required to resolve the problems and meet the needs - in an order of priority determined by negotiation. The budget resources should be decided in the light of these programmes. Basing programmes on a pre-determined budget would entail the risk of not meeting priority needs properly and could be economically and socially inefficient.

5.1.3. The Committee believes that the financing system must be equitable and must provide the Community with guaranteed stable and adequate own resources to achieve the objectives set. All financing must be based on easy-to-understand criteria which are objective, verifiable and involve solidarity; this is incompatible with the concept of balancing budget contributions and receipts. Transparency must be the rule in financial matters and financial administration must be rigorous.

### **5.2. A rapid and effective Community decision-making process**

5.2.1. The Committee welcomes the agreement reached in the Single Act to extend qualified majority voting in specific cases to give the European Parliament a cooperative role in the legislative process and to formally recognize the existence of the European Council as an institution.

5.2.2. The Committee feels that this is a step forward, albeit too timid in certain respects. It nevertheless hopes that this will lead to an appropriate strengthening of the Community decision-making process. The Committee trusts that in future each institution will exercise fully the powers vested in it. The Committee itself intends to use the powers assigned to it in the institutional framework to in particular ensure the contribution of the economic and social interest groups to the success of the Single Act.

## **6. Translating speeches about solidarity into everyday realities**

Making a success of the Single Act means building a Europe united by a pact of practical solidarity between the Member States, so that greater prosperity will strengthen the Community's internal cohesion and thus its social dimension.

### **6.1. Internal cohesion**

6.1.1. Opening up the markets of the new Member States will require measures designed (a) to enable these States to maintain and increase their active presence in the Community-wide market, and (b) to reinforce the social and economic cohesion of the Community.

6.1.2. Reformed structural funds which are better coordinated and provided with adequate resources must make possible the financing of genuine regional development programmes, based on the Commission's five objectives and covering a period long enough to enable significant results to be achieved.

6.1.3. The Committee recognizes that the inclusion in the Single Act of a title on the environment underlines the importance of this policy for the development of the Community. But it is to be feared that application of the principle of subsidiarity will mean a limitation of the Community's scope for action in this sphere.

6.1.4. The Committee joins the Commission in stressing the importance of a European transport infrastructure policy whose development goes hand in hand with the completion of the large internal market and which should have adequate financing assured at Community level.

6.1.5. Like environment policy, transport and communications policy is one of the major factors determining the quality of life: this is a fact that the Committee has drawn attention to many times.

### **6.2. A common agricultural policy based on solidarity**

6.2.1. Agricultural policy is a particularly sensitive area and will give rise to numerous discussions which cannot be confined to the issue of farm prices, however important this may be.

6.2.2. Agriculture must be developed within the framework of the large internal market, which underlines the importance of reforming the CAP to make possible (a) the adjustments required by the world market situation and the Community's relations with third countries, and (b) a reduction in the escalating costs.

6.2.3. Thus it is absolutely necessary to preserve the CAP's basic principles, viz. Community preference, the single market and financial solidarity.

6.2.4. As in other areas, every effort must be made to avoid dismantling the CAP, with partial or wholesale "renationalization".

6.2.5. Price policy must be backed up by Community income support policies as part of the necessary development of the socio-structural aspect. The CAP must assign new functions to farmers and forestry enterprises within the framework of an active policy for improving the quality of life and the quality of the environment, which is essential for the protection of the countryside and our natural heritage.

6.2.6. Among other forms of agriculture, preservation of the family farm must be seen as a necessity and given encouragement. In the country, family farms play the humanizing and invigorating role that in towns is performed by small firms and the local shop.

### **6.3. The social dimension of the Community pact**

6.3.1. What is at stake for all Europeans is the ability to continue to forge links of active cooperation and solidarity. The Committee will always seek a social consensus on progress while respecting the identity of the various economic and social partners.

6.3.2. The persistent high level of unemployment is leading to unacceptable personal distress. It is also depriving the economy of useful manpower, particularly in the case of young people, whose integration in working life should be facilitated by appropriate training in the new technologies, which are essential for improving business competitiveness.

Social security policies will never bring a lasting solution. Over a longer period of time benefits will inevitably lead to personal and social marginalization unless they are accompanied by training measures to enhance the job prospects and possibilities of social integration of the unemployed.

6.3.3. The need for a social dimension does emerge vaguely in the Commission's communication. The Committee urges the Commission to show its resolve in explicit terms, since the taking into account of legitimate social aspirations is also a precondition for more sustained economic dynamism.

6.3.4. The Committee stresses that the profound changes in the fabric of industry made necessary by the development of new technologies and the company restructuring inevitably associated with the completion of the large internal market must not lead to

more unemployment and must not affect the will to continue social progress and press ahead with measures to create jobs. The Committee points out that negotiated measures in the area of manpower planning, organization of work, adaptation of working time and retraining are essential here.

#### **6.4. A People's Europe**

6.4.1. The support of public opinion is necessary if a success is to be made of the Single Act.

The Committee therefore urges its members, both individually and collectively, to make a constant effort to inform and convince the groups they represent.

The Community cannot survive simply with the support of its "militants", however necessary they may be, or of the initiated. The Community must be considered to be everybody's business. Unless there is popular support, political determination is bound to waver.

It is therefore necessary to make a larger impact on public opinion by significant progress towards a people's Europe, so as to gain the public's support and ensure extensive participation in the next European Parliament elections.

6.4.2. In the cultural and educational sphere it is necessary to:

- act in the spirit of the Erasmus and YES programmes and develop Community-level cultural and educational projects for the acquisition of a second Community language before the age of 10 and a third Community language after that age, so that young people will be able to achieve their full potential in the new common area of communications, education and culture opened up by the rapprochement of the peoples of Europe and by the development of the new technologies;
- encourage the further development of European awareness by promoting new history programmes so that young people can become more conscious of their European identity.

#### **7. In conclusion**

7.1. The Committee generally endorses the Commission's initiative.

7.2. It would point out vigorously to the governments of the Member States that the strategy proposed by the Commission is a minimum coherent and indivisible set of measures for achieving the objectives they have wittingly set themselves in the Single Act. To adopt only some of the elements of the Single Act or only some of the Commission's proposals would mean renouncing these objectives.

7.3. After 30 years Europe is admittedly still a new idea. This is not any reason or even less an excuse for resting on our oars; this would be all the more disastrous since most of the economic and social problems that the Member States are to varying degrees confronted with cannot be solved by a country on its own or without active solidarity.

7.4. We must therefore resolutely boost job creation policies and maintain social protection systems operating on the principle of solidarity and open to all.

7.5. Making a success of the Single Act poses a dual challenge:

- for firms, the challenge of regaining competitiveness, through among other things the internal market, so as to be in a better position to face up to the growing world dimension of business and the international market, whose centre of gravity is moving towards the Pacific;
- for the peoples of Europe, the challenge of affirming the value of a common heritage in terms of civilization and culture, by demonstrating, their ability to establish a Community based on progress, solidarity and freedom, open to the world. In this way we shall together assume our responsibilities on the international scene, while respecting the identity of other peoples, and we shall articulate better the complementarity of our national and European identities.

Done at Brussels, 13 May 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Roger LOUET

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\* \* \*

N.B.: Appendices overleaf.

ANNEX 1

to the Opinion of the Economic and Social Committee

The following amendment was rejected during the debate:

**Page 2**

Reword the second part of point 3.3. as follows:

*"The creation of a harmonious people's Europe must be a key concern. This presupposes increased employment in Community firms. Here the main solution lies in the building of a new-frontier Europe within the time-limit laid down so as to tap the potential of the European market to the full and enable Community firms to compete on the international market. This is a prerequisite to maintaining social standards in the Community and paving the way for further social progress."*

Delete point 4.1.

For: 36

Against: 92

Abstentions: 14

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ANNEX 2  
to the Opinion of the Economic and Social Committee

The following Members, present or represented, voted in favour of the Opinion:

Mr	ALEXOPOULOS
Mr	ARENA
Mr	ARETS
Mr	ASPINALL
Mr	ATAIDE
Mr	BAZIANAS
Mr	BENTO GONÇALVES
Mr	BERNASCONI
Mr	BLACK
Mr	BLESER
Mr	BOISSEREE
Mrs	BREDIMA
Mr	BRIGANTI
Mr	BURNEL
Mr	CALVET CHAMBON
Mr	CAMPBELL
Mr	CASHMAN
Mr	CEBALLO HERRERO
Mr	CEYRAC
Mr	CLAVEL
Mr	COLLAS
Mr	ALVES CONDE
Mr	CORTOIS
Mr	van DAM
Mr	DASSIS
Mr	DELHOMENIE
Mr	DE TAVERNIER
Miss	DODD
Mr	DONCK
Mr	DROULIN
Mrs	ELSTNER
Mr	EMO CAPODILISTA
Mr	ETTY
Mr	EULEN
Mr	FLUM
Mr	FORJAS I CABRERA
Mr	FRESI
Mr	GERMOZZI
Mr	GEUENICH
Mr	GLESENER
Mr	VAN GREUNSVEN
Mr	HAAS
Mr	HANCOCK
Mr	HILKENS
Mr	HOUTHUYS
Mr	HÖRSEN
Mr	HOVGAARD JAKOBSEN
Mr	JASCHICK
Mr	KAZAZIS
Mr	KELLY
Mr	KRÖGER

Mr	LAKA MARTIN
Mr	LANCASTRE
Mr	LANDABURU
Mr	LAUR
Mr	LOJEWSKI
Mr	LUCHETTI
Mr	MACHADO von TSCHUSI
Mr	MAINETTI
Mr	MARGALEF MASIA
Mr	MARTIN ALMENDRO
Mrs	MARTIN CASTELLA
Mr	MARVIER
Mr	MASPRONE
Mr	MEYER HORN
Mr	MORELAND
Mr	MORSELLI
Mr	MOURGUES
Mr	MUHR
Mr	MULLER
Mr	MUNIZ GUARDADO
Mr	NIERHAUS
Mr	NIEUWENHUIZE
Mr	NOORDWAL
Mr	de NORMANN
Mr	PELLETIER
Mr	PERRIN-PELLETIER
Mr	PETROPOULOS
Mr	POETON
Mr	PROENÇA
Mr	QUEVEDO ROJO
Mr	RAFTOPOULOS
Mr	RAMAEKERS
Mrs	RANGONI-MACHIAVELLI
Mr	RIBIERE
Mr	RIERA MARSÀ
Mr	ROBINSON
Mr	ROLÃO GONÇALVES
Mr	ROMOLI
Mr	ROSEINGRAVE
Mr	ROUZIER
Mr	SAÏU
Mr	SALMON
Mr	SCHMITZ
Mr	SCHNIEDERS
Mr	SCHOEPGES
Mr	SOLARI
Mr	SPEIRS
Mr	SPIJKERS
Mr	STAEDELIN
Mr	STAHLMANN
Mr	STORIE-PUGH
Mr	STRAUSS
Mr	TAMLIN
Mr	TERMES CARRERO
Mr	TIEMAN
Mr	TUKKER
Mr	VASSILARAS
Mr	VIDAL
Mr	WAGNER
Mrs	WILLIAMS
Mr	WHITWORTH
Mr	ZUFIAUR NARVAIZA

The following Members, present or represented, voted against the Opinion:

Mr	AMATO
Mr	BODDY
Mr	LOBO BRANDÃO
Mr	CARROLL
Mr	CAVAZZUTI
Mr	CHRISTIE
Mr	CURLIS
Mr	DRILLEAUD
Mr	DUNET
Mr	GIACOMELLI
Mr	GOMEZ MARTINEZ
Mr	HAMMOND
Mr	JENKINS
Miss	MADDOCKS
Mr	NETO DA SILVA
Mr	ORSI
Mr	SALOMONE
Mr	SILVA
Mr	SMITH A.R.
Mr	SMITH L.J.
Mr	SPRINGBORG
Mr	TIXIER
Mr	VALLEJO CALDERON
Mr	VELASCO MANCEBO
Mr	VERCELLINO

The following Members, present or represented, abstained:

Mr	APARICIO BRAVO
Mr	BAGLIANO
Mr	BELTRAMI
Mr	BERETTA
Mr	BOS
Mr	BRIGANTI
Mr	CORELL AYORA
Mr	COYLE
Mr	von der DECKEN
Mr	DELLA CROCE
Mr	DOS SANTOS
Mr	FRANDI
Mr	GARDNER
Mr	GORIS
Mrs	GREDAL
Mr	GREEN
Mr	HAGEN
Mr	KAARIS
Mr	KENNA
Mr	MURPHY
Mr	NIELSEN B.
Mr	NIELSEN P.
Mr	PARDON
Mr	PEARSON
Mr	PRONK
Mr	PROUMENS
Mr	SKOVBRO LARSEN

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Brussels, 19 November 1987

OPINION  
of the  
Economic and Social Committee  
on the  
Financing of the Community

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## Procedure

On 2 July 1987, the Economic and Social Committee, acting under the fourth paragraph of Article 20 of the Rules of Procedure, decided to draft an Opinion on the

### *Financing of the Community.*

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 9 November 1987. The Rapporteur was Mr PARDON.

At its 250th Plenary Session (meeting of 19 November 1987) the Economic and Social Committee adopted the following Opinion by a majority with 4 votes against and 8 abstentions.

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## Preface

1.1. This is an outline Opinion and the Committee reserves the right to return at a later date to the budgetary and tax mechanisms proposed by the Commission<sup>(1)</sup>.

Two other Opinions are currently being drafted, one on the CAP, the other on the Structural Funds. These will round off the ESC's position on Community financing.

1.2. First of all, the Committee would refer back to previous ESC Opinions<sup>(2)</sup> on the subject and to the Opinion of 13 May 1987 on Making a Success of the Single Act. The principles advocated in those Opinions remain valid.

1.3. The Committee is alarmed by the possible repercussions for the European enterprise of the Community's serious financial situation.

The Committee consequently supports the Commission's wish to put a stop to budgetary expedients and to provide the Community with the resources to implement its policy. This policy was laid down in the Treaties, supplemented by the Single Act and extended by enlargement. Since the Member States wanted such a policy to be followed, they cannot back down just when it is being implemented. Their own credibility and the stability of the Twelve are at stake. In the interests of Europe's economic and social development, the Committee refuses to see the Community as a mere conglomeration of interests, lacking either soul or objectives.

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(1) OJ C 241 of 8 September 1987.

(2) OJ C 358 of 31 December 1983 and OJ C 307 of 17 November 1984.

## **The objectives**

2.1. The Community has set itself the objectives of creating an internal European market by 1992 and of achieving economic and social cohesion.

It should nevertheless be stated that the European venture cannot be reduced to this sole objective, however important it may be. The Committee would refer to its Opinion of 27 November 1985<sup>(3)</sup> and emphasizes that the Community will not develop without a very strong political will backed by public opinion.

However, the Committee notes that progress to date in completing the Internal Market has been very slow and that the delays incurred have triggered scepticism in certain areas as to the feasibility of keeping to schedule. It is therefore imperative that the Member States make full use of the Single Act's provisions in order to step up the present rate of progress.

2.2. Initially, one might think that creating the Internal Market would not require major financial outlay since it is essentially a matter of taking decisions to encourage freer circulation of goods, people and capital. The achievement of the Internal Market is however simply inconceivable without appropriate back-up policies - on transport, R & D the environment and consumer protection - without economic, monetary and fiscal convergence, without a social dimension comprising more meaningful dialogue between the two sides of industry and coordinated action to combat unemployment, without consideration for the specific problems of certain Member States, particularly regions in industrial decline and agricultural regions faced with the changes resulting from the reform of the CAP.

Additional resources will clearly be required to carry out programmes of this nature and they will have to be used appropriately. The bulk of the expenditure should be recouped via the wealth generated by increased economic activity.

Obviously, the Community's objectives in all the above sectors will have to be defined within an overall medium-term programme to be updated in line with future developments. While remaining realistic, the later stages of the programme should not be so detailed and inflexible that they cannot be adapted. Once political agreement has been reached on the programme, the requisite financial resources will have to be provided. This is implicit in the Single Act.

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(3) Opinion on the Completion of the Internal Market - Commission White Paper for submission to the European Council (OJ C 344 of 31.12.85).

The Commission has moreover mapped out a scenario indicating that because of the increase in the structural funds, the cost of clearing the debt of the past, i.e. mainly eliminating agricultural surpluses, and new policies, resources are inadequate under the current financing arrangements even leaving aside the impact of the Community's enlargement<sup>(4)</sup>.

2.3. An increase in the structural funds which was already necessary before enlargement and even more so since then, is now vital to ensure that the accession of Greece, Spain and Portugal does not provoke greater imbalance within the Community and further exacerbate discrepancies between the Member States.

2.4. All these problems are linked and package deals are commonly accepted to be part and parcel of negotiations. The political price of creating Europe also has to be paid.

2.5. It follows from this that, the Community urgently needs more resources. Otherwise, it will be a chimera without the budgetary security which is crucial to its development.

### **Own resources**

3.1. At present, the Community's own resources are drawn primarily from customs duties, agricultural levies and a maximum of 1.4% of the harmonized VAT basis of each Member State. Yet as a result of the Fontainebleau abatement mechanism, the average call-up rate is in fact less than 1,25% of the Community's actual VAT basis.

The Commission is proposing to adapt this system in order to wipe out the debt of the past, offset the structural erosion of existing resources and anticipate future needs.

On this point, it was felt that it was scarcely fair to ask the new Member States to shoulder the cost of wiping out the debt of the past which basically entailed eliminating agricultural surpluses.

Since Spain and Portugal have taken this issue to the Court of Justice, the Committee will refrain from any further comment at this stage.

3.2. In terms of logic the Committee sees no major objection to the - possibly gradual - abolition of the 10% refund of traditional own resources, i.e. levies, premiums, additional or compensatory amounts, fees and other CAP and CCT duties to the Member States. Nor has the Committee any objection to allocating

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(4) In mid-July these figures were assessed at ECU 7 bn, 8 bn and 2.8 bn respectively. The farm surplus figure depends on market movements.

customs duties on ECSC products to the Community, with the proviso that ECSC expenditure must be covered if the levies were inadequate and there was a shortfall in Member States' contributions.

3.3. The Commission is proposing that the VAT levy be reduced from 1.4% to 1% to be collected not on the basis of actual VAT (as initially proposed) but on a harmonized VAT assessment basis (6th Directive). The Committee notes this amendment and advises the Commission to endeavour at all events to concur with the realities of tax collection.

3.4.1. Finally, the Commission proposes that a new resource be created: a "supplementary" levy at a uniform rate yet to be determined, defined as the difference between the respective GNP of each Member State and the harmonized assessment basis for VAT.

3.4.2. There are good reasons for employing the GNP concept. It is referred to in the Treaties (Article 203(9) EEC Treaty). Within the Community, GNP has - with the assistance of the Statistical Office - been given a uniform definition which also corresponds to the internationally-used concept. GNP reflects, furthermore, the relative prosperity of Member States most accurately and it is used world-wide, e.g. by the OECD, the ILO and the UN.

VAT certainly provides a practical basis but this has its limits since investment, exports and most public expenditure fall outside the VAT net. Using VAT in fact puts the poorest Member States at a disadvantage. In addition, the VAT component of GNP varies considerably from one Member State to another.

3.4.3. Clearly, GNP does not encompass the entire economic activity of a Member State. The black economy or moonlighting (not to mention women working on family-owned farms) is excluded, although not completely, since these activities finally work through to GNP via consumer incomes. Although partially reflected in GNP these forms of work are not, however, recorded in VAT figures.

3.4.4. There is moreover no ideal basis and the Committee believes that, despite certain predictable difficulties, using the GNP criterion will improve the Community's own resources system, since GNP adheres more closely to reality and also more accurately reflects Member States' ability to contribute. In the long term the system will be fairer.

3.4.5. The Committee in fact wondered if the VAT basis should continue to be used and after due consideration, decided in favour for three reasons: (a) VAT has become a feature of everyday life and a familiar tax is more readily accepted, (b) diversifying the sources of Community funding is probably a good thing; the VAT criterion entails no undue complications, thus making for greater flexibility and (c) VAT is levied on individual citizens and is, in this sense, more of a Community tax.

3.5. The Committee merely records the Commission's intention to provide for an additional resource by 1992. Since the Commission is not yet in a position to disclose the nature or magnitude of this resource, the Committee would simply note that it will have to be submitted for parliamentary approval by the 12 Member States and will at all events lie within the maximum overall package of 1.4% of GNP.

For the moment therefore, the Committee can only express its understanding for this concern for flexibility and caution. If, however, the new resource is adopted, the Committee trusts that it will not take the form of a contribution by Member States but will be collected as a genuine own resource.

3.6. As regards the proposed overall ceiling of 1.4% of GNP, the Committee approves the principle of a ceiling but must point out that the figure in question is not absolutely binding.

The 1.4% ceiling is based on calculations and projections which, however coherent they might be, are not absolutely reliable. Unexpected developments such as the recent disturbances on the financial markets are always possible.

3.7. On the whole, the Committee welcomes the Commission's proposal. It courageously recognizes past mistakes - for which the Commission is by no means solely responsible, it should guarantee the Community increased and relatively stable resources and - most importantly - it should allow the Community at last to fulfil the functions it was created for - inter alia to meet the objectives of the Single Act. And this in a spirit of fairness and solidarity.

3.8. Budgetary reform is thus the cornerstone of any future action. The objection might of course be raised that the main priority should be to reform the CAP and administer the Community's current resources more effectively. The CAP reform must certainly be continued but cannot be used as an alibi for doing nothing else - firstly, because the resources which might possibly be clawed back from agriculture would not be sufficient to cover expenditure in other sectors; secondly, because the CAP reform can only be gradual, while some needs have to be met immediately.

Since the CAP is an extremely important common policy, it would be extremely serious if failure to solve the budgetary problems raised the spectre of renationalization. The Committee would also refer to its Opinion on this subject.

3.9. Finally, the Committee insists - as in the past - that the principle of a "fair return" cannot be reconciled with the essential solidarity between Member States on which the Community is based. It is clear that advantages and drawbacks which Community membership entails cannot be assessed in purely

budgetary or financial terms. Too many unknown factors, political aspects and indirect or non-quantifiable consequences are involved for a simple mathematical calculation to be adequate.

Compensatory mechanisms are essential in an organization such as the Community, the better-off help the less privileged in the common interest.

#### **Discipline and budgetary rigour**

4.1. The reform of Community financing must go hand-in-hand with stricter budgetary discipline. The Commission has, moreover, made detailed proposals to this end. The ESC will be expressing its views later.

4.2. The Committee would, however, emphasize that this is a crucial point which is fundamental to the acceptance of an increase in own resources. Even if certain factors such as currency fluctuations are beyond the Community's control, every effort must be made to prevent the errors of the past, in particular as regards multi-annual commitments geared to long-term objectives.

Budgetary control is the crux of the Community's financial problem. Better management and tighter planning are therefore essential. Efficiency must of course take precedence and the impact of certain cut-backs must be carefully assessed. Discipline is essential both in drafting and in implementing the budget.

Done at Brussels, 19 November 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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ECO/103

Brussels, 27 January 1988

**OPINION**  
**of the Economic and Social Committee**  
**on the**  
**Own Resources Decision**  
**(COM(87) 420 final)**

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On 15 September 1987 the Council decided to consult the Economic and Social Committee, under Article 100A of the Treaty establishing the European Economic Community, on the:

*Own Resources Decision*

*(COM(87) 420 final).*

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 12 January 1988. The Rapporteur was Mr PARDON.

At its 252nd Plenary Session (meeting of 27 January 1988) the Economic and Social Committee adopted the following Opinion by a large majority with 2 votes against.

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## **1. Introduction**

1.1. In its Own-initiative Opinion of 19 November 1987 on the Financing of the Community, the ESC expressed its views on certain aspects of the Commission's Communication to the Council entitled "Making a success of the Single Act - a new frontier for Europe".

The current proposal for a Decision deals with own resources. It is merely the legal embodiment of some of the proposals contained in the above Communication.

The Committee's basic standpoint on the Commission's ideas for solving the Community's financial problems is contained in the above-mentioned Opinion. The present Opinion complements that earlier Opinion and must be read in conjunction with it. The failure of the Copenhagen Summit does not change the Opinion's basic tenor.

## **2. General comments**

2.1. The worldwide stock market and monetary disturbances currently being experienced are aggravating the economic and social problems which have existed for a number of years, making it even more urgent for the Community to have the means needed for its policies. The Member States should not skimp in granting it those means. Political compromises are often necessary but in this case it must be ensured that they do not lead to a resurgence of budgetary problems in the shorter or longer term.

But the Community also has a responsibility to the individual citizen who, ultimately, provides the finance which enables the Community to carry out its tasks. Financing should therefore be sufficient, but it should also be as equitable as possible, taking account of each Member State's ability to pay.

2.2. The Commission maintains that a progressive increase in own resources up to a maximum of 1.4% of Community GNP would, by 1992, provide the Community with 45% more resources than would be forthcoming under the present system.

This increase has been assessed over a period of several years at constant prices and with a built-in safety margin to take account of inflation and exchange rate fluctuations.

As forecasts always carry an element of uncertainty, the growth rate is difficult to determine, but this problem can be mitigated to some extent by updating the five-year forecasts each year.

2.3. The 1.4% of GNP ceiling is entirely feasible and a case can be made for it. But real budgetary discipline will still have to be introduced and maintained.

2.4. This top rate will remain in force beyond 1992 unless the decision is amended. The Commission will be submitting a Report on the development of own resources in the period up to 1992 - the date set for completion of the internal market. It would be premature to make any further pledges on this matter for the time being.

2.5. The proposed system has been devised with a view to fairness and solidarity, the aim being to accommodate the less favoured Member States by reducing their contributions and enabling them to benefit from common policies through the structural funds.

### **3. Specific comments**

#### **3.1. Article 2(1)(b)**

The allocation of customs duties on ECSC products to the Community budget, amounting to some 150 MECUs per annum, is entirely acceptable. Specific ECSC needs can be covered by this budget.

#### **3.2. Article 2(1)(c) and 2(2)**

The rate to be applied to the VAT assessment basis is 1%, but this can be adjusted - upwards or downwards - by the Council. Any upward adjustment must clearly fall within the limits set by Article 3 (1).

This discretionary power is limited however by the requirement that the decision be unanimous and that the European Parliament be consulted. The ESC would also expect to be consulted if the Council were to envisage using this power.

This kind of flexibility could be used to make adjustments for national divergences in economic development and/or to correct any mismatch in the composition of own resources e.g. if receipts are inadequate given the rate applied to the additional base.

This flexibility should not however be allowed to undermine the proposed system which uses GNP as the best measure of Member States' relative prosperity.

### **3.3. Article 5**

Under the previous rules it was also possible to carry forward a surplus or deficit of resources over actual spending from one financial year to the next. This option seems all the more justifiable in view of the fact that any differences would be small, as the budget is theoretically balanced and any disparity can only result from changes in the course of a financial year.

### **4. Conclusion**

The ESC greatly regrets that the Member States were not able to sink their differences at the Copenhagen Summit. The failure to tackle the budget problem threatens to put further pressure on the Community's already strained finances. The ESC can only stress that it is absolutely vital that a solution along the lines of the Commission's proposals be achieved at the extraordinary session in Brussels in February 1988.

Done at Brussels, 27 January 1988.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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**ECO/113  
BUDGETARY DISCIPLINE**

**Brussels, 27 January 1988**

**O P I N I O N  
of the  
Economic and Social Committee  
on the  
Commission Communication on Budgetary Discipline  
(COM(87) 430 final)**

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In connection with the work already being carried out on own resources, the Committee's Bureau decided on 15 December 1987 to authorize the Section for Economic, Financial and Monetary Questions to examine, under the third paragraph of Article 20 of the Rules of Procedure, the

*Commission Communication on Budgetary Discipline*

*(COM(87) 430 final).*

At its meeting on 12 January 1988 the Section delivered its Opinion. The Rapporteur was Mr PARDON.

At its 252nd Plenary Session (meeting of 27 January 1988), the Economic and Social Committee adopted the following Opinion by a majority with 3 votes against:

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1.            The following comments refer to the Commission Communication on budgetary discipline (COM(87) 430) which explains in greater detail the proposals on budgetary discipline put forward by the Commission in its Communication "Making a Success of the Single Act" (COM(87) 100) and in its Report on the financing of the Community budget (COM(87) 101).

2.            Tighter budgetary discipline goes hand in hand with any decision on an increase in own resources. In line with the standpoint it adopted in its Opinion on the financing of the Community, the ESC reiterates that discipline is essential both in drafting and in implementing the budget.

3.1.          The budgetary discipline proposed by the Commission bears heavily on agriculture. The arrangements for this sector, their implications and consequences, are linked to the CAP as a whole and cannot be dissociated from it. The agricultural component of budgetary discipline is therefore dealt with in the ESC's Opinion on agricultural stabilizers.

3.2.          The ESC would, however, point out that in its first Opinion of 19 November 1987 on the implementation of agricultural stabilizers it accepted the principle of such measures. Their implementation, by appropriate means, is crucial for the success of budgetary discipline. But their effectiveness depends in part on the mechanism for controlling agricultural spending: spending controls should be implemented in accordance with the general rules governing all budgetary expenditure.

3.3.          In the view of the ESC the aim of budgetary discipline is also to restore balance to Community spending, since agricultural spending cannot go on increasing more rapidly than GNP. However, this means in real terms that agricultural spending could at least remain at its present level. Furthermore,

the increase in financial resources allocated to the structural funds, EAGGF Guidance in particular, should benefit the less developed regions where agricultural structures are more precarious.

3.4. For the rest, the ESC will here confine itself to approving the setting-up of a "monetary reserve" to mitigate the budgetary consequences of exchange rate fluctuations. The recent trend of the dollar, i.e. a devaluation of approx. 10% resulting in additional expenditure of some 800 million ECU, makes this measure particularly opportune. Under the proposal the reserve would amount to 1 thousand million ECU. This is equivalent to a fall in the dollar of about 12%, i.e. it is not an unreasonable sum.

Any adjustments to rates of exchange within the EMS would also have to be taken into consideration.

The ESC also approves the cancelling-out over a three-year period of the budgetary effects of exceptional circumstances. These are by their very nature unforeseeable; the ESC defines them as circumstances extraneous to developments on the agricultural markets but capable of influencing them.

4.1. The Commission's proposals comprise a whole series of measures aimed at reinforcing budgetary discipline both in setting the rates of increase for the various categories of expenditure and in controlling their growth.

Two points would appear fundamental.

4.2. The drawing-up of multiannual forecasts 1987-1992 will make it possible (a) to fix an annual ceiling (always within the 1.4% of GNP) for the own resources which may be called in, and (b) to determine the proportion to be allocated to the major categories of non-obligatory expenditure.

Hence these forecasts, submitted to the Council and European Parliament, play a key role not only as an instrument for achieving clarity and consistency, but also through the choices which they inevitably imply. They should therefore be drawn up with maximum objectivity.

4.3. The aim of the inter-institutional agreement is to involve all relevant parties in fixing the amount of non-obligatory expenditure and in controlling the growth in such spending.

Although they do not have to give their views on the details of this agreement, the socio-economic interest groups are certainly interested in its potential consequences. In this respect we would note that, inter-institutional agreement or not, everything will depend on a political consensus between the institutions. The agreement can facilitate such a consensus but cannot guarantee it. It may however be hoped that this agreement will help to optimize the role of the financial forecasts as a connecting link between the annual budget procedures and the

medium-term commitments resulting, inter alia, from the policies associated with the Single Act. It will, in any event, be advisable to press on ahead with reforming the financial regulation and the structural funds.

5.1. The limits on commitment appropriations are necessary to reconcile the principle of budget annuality with the need to manage multiannual operations.

5.2. This is all the more necessary as the "cost of the past" has to be integrated into the Community's liabilities in a realistic fashion, closely linked to the payment appropriations.

5.3. Furthermore, the discontinuation of the automatic arrangement whereby commitment appropriations remain in existence and payment appropriations are carried over - or at least the obligation to review these appropriations - should in practice lead to greater discipline and transparency. The checking of "dormant commitments" is also sensible so that, where necessary, they can be removed.

6. At all events the application of budgetary discipline must be carefully balanced so as not to hamper achievement of the objectives laid down in the Single Act and not to hinder the pursuit of the Community's external policy objectives .

7. Overall, this attempt to restore budgetary order is to be welcomed. If properly carried out it should enable the Community to manage its increased resources over the next five years in such a way as to help reinforce the economic and social cohesion of the Community.

Done at Brussels, 27 January 1988.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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**REG/47**

**Brussels, 19 November 1987**

**OPINION**  
**of the Economic and Social Committee**  
**on the**  
**REFORM OF THE STRUCTURAL FUNDS**  
**(COM (87) 376 final)**

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On 15 September 1987, the Council of the European Communities, acting under Article 130 D of the Treaty establishing the European Economic Community, asked the Economic and Social Committee for an Opinion on:

*The Reform of the Structural Funds*

*1. Commission Communication*

*2. Comprehensive proposal pursuant to Article 130 D of the EEC Treaty*

*(COM(87) 376 final/2)*

The Committee instructed its Section for Regional Development and Town and Country Planning to prepare the Opinion. The Section adopted its Opinion, based on the Report by Mr SERRA CARACCILOLO on 11 November 1987.

The Committee adopted the following Opinion at its 250th Plenary Session of 18 and 19 November (meeting of 19 November 1987) by 91 votes to 2, with 9 Abstentions:

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**1. Foreword**

1.1. The Single European Act has set the Community of Twelve an important new objective: a large barrier-free internal market based on greater economic and social cohesion and geared towards rectifying imbalances between countries, regions, production sectors and economic and social groups. Since the Single Act chiefly seeks to achieve economic and social cohesion within the Community, it is encouraging to hear the Commission declare, in COM(87) 376 final, that it is particularly anxious to reduce regional economic disparities and promote growth in less-developed areas.

1.2. Economic and social cohesion ought, therefore, to be a common goal of all Community policies, whether present or planned: the common science and technology policy, the strengthening of monetary policy, the creation of a Community social area, the development of a transport and communications infrastructure guaranteeing complete freedom of movement of people and goods, as well as coordinated environmental action.

1.3. Cohesion very much depends on implementing the right programming and financial measures.

This in turn implies the use of the following economic and social policy tools:

- a) the coordination of Member States' economic policies for boosting growth and employment;
- b) the common regional policy, which is geared to redressing geographical imbalances by developing backward regions and restructuring areas in industrial decline.

Regional policy should, therefore, involve:

- the running of structural activities in the above-mentioned regions;
  - the coordination of all common policies with a regional impact (beginning with the CAP and the policy for completion of the internal market);
  - the coordination of Member States' regional policies;
  - the coordination of national aids;
- c) the creation of a Community social area consisting of:
- an employment policy aimed chiefly at combating long-term unemployment and promoting the occupational integration of young people;
  - a social policy based on Community legislation;
  - the encouragement of dialogue between social groups;
- d) regular monitoring to ensure that cohesion grows as the internal market is completed.

1.4. The Committee therefore invites the Commission to present additional regulatory proposals for means and programmes for achieving economic and social cohesion within the Community.

1.5. Reforming the Structural Funds is not, then, the only way to bring about economic and social cohesion and discussions on the reform of Community financing and the CAP should therefore take place within a general context. An overall approach is needed to ensure completion of the single market and to highlight the importance of achieving widespread solidarity.

1.6. Reform of the Structural Funds is an essential element here. After all, redressing imbalances is an ambitious goal which cannot be attained as long as structural funds are treated as mere vehicles for transferring funds and making compensation payments, instead of giving them the means to generate real economic growth.

1.7. Structural fund reform can help in:

- adding a Community dimension to assistance;
- achieving wider and more lasting internal stability and greater control over external imbalances;
- allocating resources in such a way as to make the most of the scale advantages and, at the same time, stimulate innovation and competitiveness;
- combating medium and long-term unemployment effectively;
- stimulating economic activity and distributing wealth more fairly, thus narrowing the income gap between the Community's citizens by allotting resources on the basis of specific criteria.

## 2. General Comments

2.1. Although the Committee endorses some of the Commission's proposals - particularly its decision to focus intervention on five main objectives - it considers the regulation to be inadequate overall, for the following reasons:

- there is no clear ranking of the five objectives;
- the decision to concentrate assistance, which the Committee endorses, is contradicted in the description of the objectives themselves;
- the mixing together of geographical and horizontal objectives has the effect of blurring the whole proposal;
- there is a certain amount of hedging and indecision concerning the integrated approach option and the role of the regions;
- there is no specific mention of the role of economic and social pressure groups.

In such conditions, words such as quality, effectiveness and complementarity lose much of their relevance.

2.2. The Committee endorses the Commission's call for swifter, more coordinated management. However, it is convinced that even if existing Funds are doubled in real terms (which is not in fact the case), resources will still be insufficient to promote development and redress all imbalances.

There is a glaring disparity between the importance of the objective and the inadequate, not to say meagre, financial resources for achieving it.

2.3. This aspect is clearly linked to the overall evaluation of the reform of EEC financing which has itself been the subject of a specific Committee Opinion. Without wishing to go into a matter which lies outside the scope of this Opinion, one can nonetheless say that the proposals are a backwards step vis-à-vis the Single Act and could encourage the spread of renationalization. The Commission's treatment of revenue is particularly disturbing as it involves self-limitation of expenditure; this contravenes both the spirit and the letter of the Treaty according to which expenditure should be based on concerted political decisions.

Structural funds are clearly liable to be pushed aside, under a budget which cuts back on non-obligatory expenditure.

### **3. The objectives**

3.1. The Committee approves the priority given by the Commission to the development at least-favoured regions where per capital GDP is lowest.

3.2. The five objectives proposed by the Commission cannot be endorsed until their real horizontal and geographical validity has been elucidated. Two of the objectives are clearly of a geographical nature (Objective 1: development of backward regions; Objective 2: conversion of areas in industrial decline). Two are plainly horizontal (Objective 3: combating long-term unemployment; Objective 4: occupational integration of young people). One combines both characteristics (Objective 5: adjustment of agricultural structures and development of rural areas). Moreover, it is not clear whether or not Objective 1 covers Objective 2.

3.3. The horizontal objectives are reasonable enough but for practical purposes their geographical scope needs to be clearly defined, particularly as regards the allocation of funds between the five objectives.

This means that, in accordance with the information provided by the Commission:

- Objectives 2 and 5 should deal with areas not covered by Objective 1;
- Objectives 3 and 4 should deal with areas not covered by Objectives 1 and 2.

This should not be seen as restrictive. There is no reason why horizontal intervention should not be undertaken in areas covered by Objectives 1 and 2.

3.4. It is on this geographical basis that the five objectives should be ranked. In the Committee's opinion, priority must be given to Objective 1.

3.5. As regards the activities of the Funds under each Objective, the proposals relating to Objectives 1,2,3 and 4 are endorsed.

3.6. However, the reference to the development of rural areas under Objective 5 can be criticized on the grounds that this is a regional development matter. Objective 5 should concentrate instead on adjusting agricultural structures in areas not covered by Objective 1.

As far as Objective 5 is concerned, therefore, the ERDF and the ESF should confine their operations to island and upland areas.

3.7. As regards concentration, the proposal to set aside up to 80% of ERDF funds for Objective 1 is noted. However, in view of the proposed geographical extension (see 7.5), a minimum of 80% would be more appropriate. In addition, precise figures are needed for the ESF and EAGGF Guidance Section.

#### **4. Quality of Intervention**

4.1. Obtaining positive results for all five Commission objectives will depend on improving intervention techniques.

Better programming, and improved procedures and coordination, should be the hallmarks of any attempt to reform the structural funds.

4.2. The Committee believes that integrated programming methods should be employed as widely as possible, though not necessarily exclusively.

The trouble with intervention at the moment is that there are too many individual projects; this allows national authorities to take use of Community grants for past schemes and planned expenditure which would have been carried out anyhow.

4.3. An integrated approach that was applied not just to traditionally disadvantaged regions but to others as well would bring out the local potential of such regions and enable it to be used to the full, with active participation from local government and other interested parties.

4.4. Developing local programmes in Objective I regions does, however, pose a number of problems. Semi-public agencies could usefully be set up in the regions to promote economic

development and employment and thus provide the impetus for putting integrated programmes into effect. The agencies will need to be part-financed by the structural funds.

4.5. As for the conversion of declining industrial regions (Objective 2), development programmes should put most emphasis on encouraging private investment in order: (i) to create alternative job opportunities; and (ii) to combat unemployment

and promote vocational training, skill upgrading and retraining. Preventive measures are more effective at tackling unemployment than ones taken after the event. Objectives 3 and 4, call for a more flexible approach than the others.

4.6. As regards Objective 5, two key words stand out: **compensation** for the negative effects of the CAP, and **conversion** (to other activities) for those hit by restrictive Community measures. Such actions certainly have their place - in some regions, the creation of non-farm jobs is of especial importance - but that does not necessarily mean this should be the priority objective for agricultural and rural communities.

## 5. Methods and Instruments

5.1. If anything is to be achieved by the five objectives, care will need to be taken to choose instruments and methods which do not conflict with one another. It is hoped, therefore, that the funds will not merely be coordinated, but properly integrated.

5.2. The main task of the ERDF will be to encourage investment. This will sometimes mean giving priority to investment in infrastructure for the less-developed regions; at other times the target will be private investment in declining industrial areas in need of restructuring.

Apart from this general priority, much more private investment will have to be funnelled into the less developed areas than has recently been the case.

5.3. Integration will also mean upgrading the Social Fund as an effective employment instrument. Wherever appropriate, measures must be at regional level. However, some measures to promote new technologies may be implemented under wider non-regional programmes. The Community's technological innovation programmes will have to be backed by vocational training courses to help workers master the new technologies and thus retain their jobs.

5.4. As regards the EAGGF - Guidance Section, assistance should be used to help adapt farm structures.

However, rural development is such a vast area that we must avoid using agricultural funds to finance projects which may in the end have only the most tenuous links with farming.

5.5. The relationship between structural policies backed up by structural funds and other policies (e.g. transport and communications, energy, environment) which, as stated in the foreword, also involve structural intervention of a sort, should be more clearly delineated.

In this connection, it would be misguided to attempt to dismantle any structural intervention already under way.

The reference to a genuine Community framework perhaps offers a clue to the basic question: what kind of structural policy does the Community want?

5.6. **Complementarity** is essential if the Community's structural actions are to be effective.

The Commission's proposal here is far from clear. The point of Community assistance is not to complement that of Member States but to promote synergy between the two.

The **additionality** of Community assistance, in terms of added value, should be guaranteed.

5.7. On the subject of partnership, the Commission, for all its expressions of hope and declarations of good intent, is far from clear. It repeatedly calls for a joint effort by the Community, Member States, regions and economic and social groups; but it goes on to remind us of the legally binding, exclusive nature of its relationship with the Member States, denigrating itself to the role of humble purveyor of technical assistance to simplify procedures.

In other words, although the Commission says that we must in future involve "local economic agents" it goes on to emphasize that local and regional authorities will only be included if this is deemed necessary by the central government. Without imposing conditions, why not allow non-State bodies a share of Community funds?

It would be interesting to know what possible meaning and scope a partnership involving local and regional authorities, as well as interest groups such as workers and firms, could have when the greatest obstacle to any such partnership in the past continues to loom as large as ever.

5.8. The IMP experience here is instructive by by-passing normal official channels, at least as regards programme implementation, the Commission is able to reach the real protagonists (regions, other local authorities, economic agents); in addition, it is the parties themselves who determine the extent of their financial commitment.

5.9. The level at which **consultations** with economic and social groups are to be held is of major interest to the Economic and Social Committee. Consultations with local authorities must also take place during the second stage of the two-part procedure prescribed (presentation of national programmes and establishment of a Community framework of reference), otherwise these bodies will be even more marginalized and centralizing tendencies will become even stronger.

This brings us to the question of whether the second stage of the Commission's proposed partnership scheme is democratic: consultations should not only be decentralized, but should also take place within the institutional framework of the European Parliament and the Economic and Social Committee.

5.10. The Commission refers to the "budgetary authority" which is to participate in the definition of the financial framework for the use of the funds, through the joint preparation of multiannual financial forecasts and via the annual budget procedure. It also stipulates, in Article 15 of the final provisions, that an annual report on the application of the Regulation shall be submitted to the European Parliament.

The Committee feels strongly that it, too, should be involved in this procedure.

5.11. It is regrettable that the Commission does not wish to strengthen the partnership by involving the consultative assemblies to varying degrees in discussions on:

- the allocation of resources amongst the Funds;
- the complementarity of Community and Member State assistance;
- policy decisions and the relative scale of actions targetted to the five priority objectives;
- identification of measures within a Community support framework.

5.12. The Commission's view that the concepts of **integration** and **efficiency** are pre-requisites for giving impetus and substance to the reform of the structural Funds is fully endorsed.

However, as regards the "**integrated approach**", apart from the theoretical considerations already referred to, the Committee is concerned to see that these principles have often been relegated to a marginal position and apply only to "specific cases".

5.13. This is all the more unacceptable if we look at the track record of integrated programmes. They have been correctly conceived as a means of increasing the impact of Community and national assistance by making the best possible use of each region's potential, thus boosting added value, and by concentrating financial aid on specific objectives and geographical areas.

An integrated approach is the only way of implementing a multiyear programme.

Furthermore it ensures the highest possible level of coherence between:

- different objectives, and
  
- different partners.

The approach: methods and solutions - although they cannot work miracles - still offer the best means of carrying out the commitments undertaken in the Single Act.

5.14. **Efficiency** is not achieved by simply fulfilling the wishes of those who want support. Efficiency must be considered from the start as a "sine qua non" for the conception and success of a project.

5.15. In the absence of adequate funding, available resources must be carefully used in order to reap the maximum benefit. The Commission's emphasis in principle on sectoral and **geographical concentration** is welcomed. This will help to prevent wasteful "scattering" of assistance.

Financial concentration also contributes to efficient programming. It should be backed up by multiyear programmes in order to avoid fragmentation of assistance.

The fact that the outline for programmes contains not the slightest indication of a quantitative appraisal of projects and programmes is a distinct weakness. Furthermore, it is regrettable that COM(87) 376 final contains no mention of the efficient "**programme contracts**" formula outlined in the COM(87) 100 final (page 17). It should be reinserted in the new regulation as it is by far the best tool for planning and carrying out interventions.

5.16. Finally, if efficiency is to be measured in terms of effectiveness, the Section feels that it is essential to publicize the Community's work:

1) beforehand, as part of the information policy described by the Commission in document (87) 100 final, but not referred to in the proposal for the reform of the structural Funds;

2) afterwards, by circulating results as widely as possible. Efficiency would be enhanced if local authorities and economic and social operators, acting in partnership, could be given a free hand in spreading news of positive results.

## **6. Financing**

6.1. The Committee has repeatedly criticized the inadequacy of the Funds' allocations. Particularly in its Opinions CES 485/87 and 1013/85, ERDF and ESF funding has never represented more than a tiny percentage of Member States' social and regional spending. EAGGF - Guidance funding has fallen to a paltry 2.8% of all agricultural spending, compared to the 33% (sic) recommended by the Stresa conference and the 25% recently requested by the European Parliament. The qualitative leap now required of EEC structural policy can thus only strengthen the political call for a level of financing consonant with the Funds' new tasks.

6.2. The Commission Proposal to double of the funds in real terms is inadequate. This assessment was arrived at on the basis of data contained in Commission document (87) 230 final.

- a) In the space of 13 years, the membership of the Community has doubled. With each successive enlargement, one of the newcomers has invariably come at the bottom of the income league table.
- b) With the last enlargement, the Communities' population has increased by 18% and its area by 36%. Whilst the number of employed and GDP have risen by only 12% and 13%, the number of jobless has shot up by 30%, and the number of farmers and farm workers by 36%.
- c) The number of lagging regions has doubled as a result. One-fifth of the population of the enlarged Community lives in regions where per capita GDP is 60% below the Community average.

6.3. The proposal to double the structural funds' commitment appropriations in real terms by 1992 requires some explanation.

The total for the period under consideration comes to approximately ECU 61,000 m. However, if the full impact on the structural policy of Spain and Portugal's entry into the Community had been taken into consideration in the basic calculations, this figure would be in the region of ECU 75,000 m. This, then, is the figure we should have in mind if we are going to talk about "doubling" resources.

6.4. It should also be pointed out that, with or without the reform, the Funds' resources would have increased at any rate by 40% over the next five years. Even if we reduce the Commission's initial figures to the minimum possible, by basing them on the Community of 10, what we have is not a doubling of resources but a purely linear increase of 60%.

6.5. As the reformed funds will play an active economic and social role rather than simply handing out financial compensation, it is considered especially important for the "doubling" of the funds' resources to be based on their relative percentage of the overall Community budget. This comes to 28% and not 25% as the Commission claims.

6.6. a) Finally, it is necessary to make a comment which may appear purely technical, but is in fact of a political nature and is also mentioned in Commission document (87) 100 in the chapter entitled "New Rules for Managing the Budget". One of the reasons for the Community's deepening financial crisis lies in "overbudgeting" caused by excessive lenience in carrying credit from one year over to the next.

This is largely due to the inability of some Member States to spend the sums within the time limit.

The problem could be solved by making better use of the technical assistance provided by the Commission.

Frankly speaking, the Section feels that it is time to call a halt to this practice of swelling annual commitment appropriations to proportions which the Commission can no longer handle and Member States can no longer absorb. We must put an end to "dormant commitments" once and for all.

b) In mentioning payment appropriations, which are the mainstay of socio-structural policy, the Commission suggests that it is differences between the funds in the matter of re-utilization which is responsible for so many resources lying unused. A possible solution here would be to draw up, in conjunction with the competent authorities, a timetable for phased payments, and to use this as a means of regulating commitment appropriations.

c) The conditionality of Community aid should be extended to encourage more efficient national and Community decision-making.

## **7. Detailed comments**

### **7.1. The Committees**

a) — The Commission's views on Management Committees have been noted, as has its proposal to replace them with Advisory Committees.

— Some aspects, however, require fuller treatment.

— First of all, the criteria and methods the Commission intends to apply in carrying out the proposed changes are not clear. In fact, the Commission has absolutely no authority to replace the present ESF Committee with an Advisory Committee since the former has its legal basis in the Treaty.

b) — These three Committees are to be classified by objective, meaning that each one should be capable of tackling and solving the problems facing each fund. The Economic and Social Committee believes this could give rise to confusion, with overlapping responsibilities and opinions.

— The connection between the three Committees and the five objectives is therefore a matter for concern. The three Committees could each end up specializing in one fund, just as they do at present.

c) — It is suggested that there should be a single committee responsible for all five objectives.

— Finally, when one considers the primary functions of these committees (establishing the list of regions and assistance within the Community reference framework), reservations about their membership are not unjustified. Restricting it to representatives of Member States would, for example, be unacceptable.

— The ESF Committee has long had a balanced membership, including representatives of other interest groups. It is hoped that this format will be adopted in the reform and extended to all five objectives.

### **7.2. The burden of the past**

The absence of any reference to the "burden of the past", or to possible solutions for dealing with it in the years to come, is a worrying one. This problem has to be settled; it must not be allowed to stand in the way of the structural funds, still less to reduce them to impotence. The Commission is

therefore urged to submit its solutions as quickly and in as clear a manner as possible, together with its estimate of the impact the burden is likely to have on the Community budget each year.

### **7.3. The transitional period**

The Commission envisages a transitional period during which various adjustments will be made to smooth the changeover from the present system to the proposed one. The ESC fails to understand why not even the most general indication of how this is to be done has been provided by the Commission. Particular concern is felt about Objective 1. If 75% of the appropriations under this objective are to be shared out between Member States, the remaining 25% should be used as a Community reserve to focus intervention on the most backward regions or vulnerable sectors, e.g. certain frontier and cross-frontier regions in difficulty.

These funds should not be used to finance schemes decided prior to the reform and implemented under a system now judged to have serious shortcomings. This would postpone the benefits of the reform and hold up action in support of regions identified under the first objective. Effective solutions are needed, but special budget lines, which could only blur the issue and defer its solution, are not the answer.

### **7.4. Relationship of the Funds with other structural instruments**

The relationship between the Funds (the ERDF in particular) and the EIB, the NCI, the ECSC etc. during the transitional period should be spelt out more clearly. It is hoped that the Commission will provide more details concerning the balance it intends to keep between capital grants and bank loans. Similarly, greater efforts should be made to clarify the EIB's role in structural fund reorganization. Special emphasis should be placed on equal access to bank guarantees. The present system actually makes the situation worse because the more backward a region is, the less able it is to benefit from these guarantees.

### **7.5. Geographical eligibility criteria**

As regards Objective 1, it is proposed to extend its application to mountain and island areas in regions whose per capita GDP does not exceed the Community average.

As regards Objective 2, the relevant administrative units should be NUTS III<sup>(1)</sup>. NUTS II is too broad an indicator for this purpose as it does not take labour market characteristics into account. The Commission is requested to define firm parameters for identifying eligible areas not covered by Objective 1.

#### 7.6 Assessment of regional impact

In the absence of such an approach, the Commission would require more experience in assessing regional impact, over and above the sort of "Community follow-up" which simply involves **ex-post** coordination. Were the Commission to develop a much more **ex ante** approach, it would find it easier to coordinate and increase the synergistic effects of all the structural intervention involved in common policies.

#### 7.7. Financial engineering

In discussing possible forms of assistance, the Commission proposal mentions other "financial engineering techniques". The Commission's willingness to try new methods is welcomed. The Economic and Social Committee is in favour of the Commission taking practical steps to promote new forms of shareholding to give impetus to business in backward regions. By reducing the risk factor for small and medium-sized businesses trying to start up and expand in the new technology sector, backward and industrially-declining regions could return to the mainstream of economic development and competition. The Economic and Social Committee urges the Commission to continue research along these lines, adapting it to take full advantage of the new forms of financial assistance.

Done at Brussels, 19 November 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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**N.B.:** Appendix overleaf.

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(1) NUTS: Nomenclature of Statistical Territorial Units.

**A P P E N D I X**  
to the Opinion of the Economic and Social Committee

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**A. REJECTED AMENDMENTS**

The following proposal for amendment, based on the Section Opinion and tabled by Mr HANCOCK, was rejected in the course of the debate:

**Page 2**

**Point 1.3.(b)**

Delete the first indent.

**Reason**

This would appear to advocate a major and unwarranted extension of the Commission's powers in an area of policy which should be essentially one of partnership between the Commission and Member States.

**Voting**

For: 25

Against: 63

Abstentions: 6

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**AGR/304  
SINGLE ACT/  
AGRICULTURAL SECTOR**

**Brussels, 19 November 1987**

**OWN-INITIATIVE OPINION  
of the Economic and Social Committee  
on the  
Commission's agricultural proposals  
for implementing the Single Act**

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On 29 June 1987 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Own-initiative Opinion on the

*Commission's agricultural proposals for implementing the Single Act.*

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 5 November 1987 in the light of the oral report by Mr FLUM.

At its 250th Plenary Session held on 18 and 19 November 1987 (meetings of 18 and 19 November) the Economic and Social Committee adopted the following Own-initiative Opinion by 91 votes to 26 with 11 abstentions:

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## 1. Introductory remarks

1.1. Agriculture is of vital importance to the Community, constituting a fundamental sector from an economic, social and strategic point of view. Thus a crisis in the agricultural sector is a crisis for the EC, which all sections of society must help to resolve.

1.2. About 9% of those gainfully employed in the EC are still to be found in agriculture as farmers, family members and hired workers (in 1960 the figure - based on EUR 10 - was 18.4%). In 1985 the net value added at market prices in the agricultural sector was just under 71 thousand million ECU (EUR 10); the agricultural sector used inputs at the market price of some 55 thousand million ECU (EUR 10 - 1985)<sup>(1)</sup>. If the upstream and downstream industries are included, at least every sixth job is closely related to agriculture.

1.3. "Agricultural regions", that is to say regions in which the proportion of gainfully employed in agriculture is more than 50% above the EC average, comprise about a third of the regions of the EC and contain 23% of its total workforce, but 58% of those employed in agriculture<sup>(2)</sup>. Some Member States, in particular the Mediterranean countries and Ireland, have a very high proportion of such agricultural regions.

1.4. In the course of its deliberations on the perspectives for the CAP with reference to COM(85) 333, the Committee dealt in detail with the historical development of the CAP, its successes

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(1) EC Commission: The Situation of Agriculture in the Community in 1986, Brussels/Luxembourg 1987, p. 206 et seq.

(2) COM(87) 230 final, p. 41.

and problems. The Committee would refer to these basic documents; two years have elapsed but the fundamental statements made in these documents still stand. It would, however, point out that the special position of agriculture precludes a complete change of agricultural policy overnight. During its first decades the Community's institutions and bodies also failed to give a sufficiently strong warning against the CAP's excessive reliance on market and price policy as a means of safeguarding farm incomes and the consequent disadvantages of increasing overproduction.

The Committee has already pointed out on earlier occasions that a policy aimed at setting agriculture on a new course should certainly be able to call on extra funding for a specified period in order to create the basis for recovery and long-term stability in the sector.

1.5. The decision taken by the Council of Agriculture Ministers on 13 July 1987 on the financing of guarantee expenditure after EC funds have been exhausted and the most recent proposals from the USA on the complete elimination of agricultural subsidies worldwide do, however, demonstrate that there has been a further tightening of the budgetary and trade policy parameters for the CAP. Such success as has been achieved to date in reducing surpluses has not yet been sufficient to balance EC revenue and expenditure. The Community continues to spend large sums on export refunds, storage and the destruction or denaturing of farm products. The high level of expenditure by the Community in this field has not benefitted farmers as a whole but rather boosted the incomes of particular people engaged in agricultural production and marketing and, more especially, the incomes of owners of warehouses used for storing surplus production. In addition, labour market trends, which are so important for the process of structural adjustments in agriculture, remain extremely unfavourable. The fall in unemployment over the period May 1986 - May 1987 was a mere 20,000, bringing the figure to 15.6 million. These labour market problems impede the process of conversion and adjustment in agriculture and hinder structural change in disadvantaged regions in particular.

1.6. The Committee noted with interest the Commission's Communication to the Council entitled "Making a Success of the Single European Act. A New Frontier for Europe" (COM(87) 100), because it saw in it the beginnings of long-term effective agricultural reform. It comments below on a number of fundamental issues with regard to the agricultural reform needed in the Community.

## **2. Aims and principles of the CAP**

2.1. In the founding phase of the EC, security of supply was a priority of agricultural policy. There was no way of foreseeing the scale and repercussions of the subsequent problems of surpluses brought about by technical progress and structural change. Despite the present surpluses and the cost of disposing

of them, the aims and principles of the CAP developed in the early 1960s must continue to hold good. Higher productivity in agriculture and, by means of this, an increase in the individual earnings of persons engaged in agriculture remain particular objectives of the CAP. Now, however, more than previously, higher productivity should be achieved through a better balance between supply and demand, with particular regard to product quality, improved working conditions and certain environmental requirements. But higher productivity can no longer be attained through increased production; the objective should be a more efficient use of the factors of production. Furthermore, it is necessary to gear production towards higher quality products to improve working conditions and to develop methods of cultivation and stockrearing compatible with the protection of the environment. The output of various farm products will have to be reduced, taking into account the employment situation and the consequent social costs, if supply and demand are to be brought into balance. The CAP has not achieved the aforementioned goal of ensuring a reasonable income for all those employed in agriculture, despite the fact that expenditure has risen considerably - as shown by the data on the value added of the agricultural sector.

2.2. Among the objectives set out in Article 39 of the EEC Treaty, stabilization of the markets is the one on which least progress has been made. For a while, therefore, priority should be given to this objective in the reform of the CAP. Stocks should be reduced as quickly as possible to a level which is acceptable from the point of view of consumer policy and socially acceptable. At the same time it must be ensured that no new, unacceptably high surpluses are created.

In the medium term other objectives have comparable importance in the reform of the CAP. Reform and accompanying measures must contribute to the attainment of other goals; an assured income, social security, structural improvement in disadvantaged regions and protection of the environment are of particular concern for the farming community and rural areas. In addition, reform must ensure that consumer prices are reasonable and that supplies are permanently safeguarded.

2.3. The Commission also intends that the single market, Community preference and financial solidarity should continue to be fundamental principles of the CAP. The Committee welcomes this clear commitment to the past development and the future of the CAP.

2.4. For the stability of the Community as a whole, of the agricultural regions and of agriculture itself, as well as in the interests of regional balance, it is more than ever necessary to accelerate European integration in all other policy areas too,

e.g. through monetary union and a much more far-reaching alignment of foreign, economic, environmental, structural, social and transport policies. This would also make a decisive contribution to the elimination of distortions of competition.

2.5. The Committee stresses the Community's obligation, set out in Article 25 of the Single European Act, to make "environmental protection requirements .... a component of the Community's other policies", i.e. also of the CAP. The goal of economic and social cohesion set out in the Single Act is, for the CAP too, an objective of fundamental importance. This gives rise to new constraints - in addition to the well-known conflicts of aims inherent from the start in Article 39 of the EEC Treaty - with regard to the orientation of the CAP; these too will have to be taken into consideration.

2.6. The reform of the CAP, too, must help to provide budgetary scope for the implementation of the Single European Act.

### **3. Economic and political parameters**

3.1. The Committee broadly agrees with the Commission's analysis of the economic and political parameters for the development of agriculture. Since the establishment of the EEC the general economic environment and the situation on the agricultural markets have indeed undergone radical changes.

3.2. Economic growth has slowed down and unemployment has become one of the Community's main problems. Exceptional increases in production coupled with stagnating or even declining demand for agricultural products have brought about serious problems of imbalance on agricultural markets. Other industrialized countries and, more recently, many Third World countries are having to contend with similar difficulties.

3.3. World markets are saturated, so that farm surpluses can only be disposed of by means of substantial export refunds. This expenditure is an important contributory factor in the permanent EC budgetary crisis, exacerbated by considerable fluctuations in exchange rates, and the continuing weakness of the dollar. Agricultural surpluses are a particular threat to the development of Third World countries which are dependent on agriculture to build up their economies. The export refunds of the major economic blocs, the USA and the EC, are depressing world prices to such an extent that even the ability of developing countries to feed themselves is being impaired.

3.4. Coinciding with the budgetary problems and the problems on the agricultural markets in the Community, the social situation of the majority of those gainfully employed in

agriculture has deteriorated. This applies both to the incomes of many farmers and their families and to the income of agricultural workers<sup>(3)</sup>.

3.5. Price policy cannot be the sole instrument of market, income and social policy, especially while the markets are suffering from surpluses.

3.6. These factors make it necessary to adjust agricultural policy to the new situation. Reform objectives, conditions and instruments must be established for the CAP which help to provide both those working in agriculture and the upstream and downstream sectors with a reliable basis on which to plan for the future.

#### **4. Prerequisites for reform**

4.1. The Committee welcomes the Commission's expressed intent of taking account of the special features of the agricultural sector in the reform of the CAP. The process of adjustment must therefore take place within the framework of the objectives of the CAP and its underlying principles.

4.2. The distortions of the CAP have aggravated imbalances in agriculture in the Community. These imbalances exist both between different products and farms and between different regions. Any reform of the CAP must seek to eliminate such imbalances.

4.3. As in other sectors, the process of adjustment must be carried out in a socially acceptable manner - in other words the people affected must be offered options which, while not standing in the way of reductions in capacity, nonetheless ensure there is no unacceptable hardship.

4.4. A reduction in surpluses and underemployment in agriculture release workers, especially in less well-off agricultural regions. As their migration would lead to lasting structural weaknesses in these regions, new jobs should be created there. Priority should be given, for instance, to jobs in forestry and allied industries, in wood processing, the protection of nature and the environment, and the services sector.

4.5. The CAP reform measures must take account of the fact that farms are predominantly family concerns. Consideration must also be given to the social situation of hired farm workers, of workers employed in related industries and in first stage processing.

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(3) CES 209/86

4.6. In many regions of the Community agriculture has a special significance over and above the production of agricultural products and, in connection with the reform of the CAP, this special significance should be given greater weight in other Community policies.

4.7. Account must be taken in the CAP reform of the interests of tax-payers and consumers. As an example, the marketing of food products must not be jeopardized by the introduction of new taxes and additional tax burdens must not be placed upon consumers.

4.8. Finally, it is of decisive importance a) that the difficult process of realigning the CAP should be accompanied at international level by appropriate treaties and agreements within the framework of GATT, b) that effective account be taken of the interests of Third World countries, and c) that all the Member States participate in the essential reform of the CAP with the same degree of commitment, especially in the reduction of surpluses.

## **5. Instruments of CAP reform**

5.1. In its Green Paper the Commission set out a strategy, which it adopted following the consultations on that document. This strategy comprises the following elements:

- a restrictive price policy;
- more flexible application of the guarantee provisions;
- adjustment of the intervention mechanisms;
- a reinforcement of producer co-responsibility;
- the introduction or tightening-up of quota rules, and
- back-up measures in the form of income transfers.

5.2. The Committee regrets that no analysis has so far been made of the potential impact of this strategy on the individual groups of people working in agriculture and on the regions of the Community, despite the fact that various parties - and in particular, the Committee - have expressly called for such an analysis. This analysis is particularly necessary as it is the only means of enabling:

- the degree to which the various instruments are applied to be properly regulated bearing in mind the reform parameters set out above;
- the associated, non-agricultural measures to be determined at the same time.

The Committee therefore views with concern agricultural policy decisions which are not geared to finding appropriate solutions within the abovementioned reform parameters, but rather are determined exclusively by budgetary pressures. In the Committee's view it is perfectly possible to take account of both aspects (budgetary considerations and the need to find

appropriate solutions) at the same time. This is all the more necessary from a political point of view since it is the only way of promoting the necessary consensus of all parties concerned.

5.3. The Committee has already on earlier occasions expressed the view that greater importance should be attached to structural policy compared with market and price policies<sup>(4)</sup>. Price policy must take a new direction and must send out the right signals to producers at a time when there are imbalances on the agricultural markets. As the Commission rightly notes, such a policy must help to create additional market prospects, particularly as regards uses currently excluded because of high costs.

5.3.1. A price policy is needed which gives no (further) incentives for overproduction and removes existing surpluses. This aim can be more readily achieved by linking aid to the quantity and quality of agricultural products. Price policy must - with particular regard to Article 39(2)(a) - be backed up by income, market, social and structural measures. For a certain time restrictive pricing must be used to counter structural surpluses until they are reduced to a reasonable level. Price policy must help to influence production trends and to bring them more into line with the market. Furthermore, such a policy will help to bring about a solution to the ever more serious disputes over trade in agricultural products on the world markets. It will also provide better prospects for the increased use of agricultural products for non-food purposes.

5.3.2. The Community should avoid anything which encourages the production and marketing of imitation products and which jeopardizes the expansion and security of farmers' outlets in the food and raw materials sectors.

5.3.3. The Council should also consider introducing improved measures to protect the EC market against imports of certain products and raw materials.

5.4. A change in price policy on its own is not an acceptable way of eliminating the present surpluses and imbalances on the agricultural markets as this would jeopardize the livelihood of the majority of farms. It would lead to a loss of income for the farmer which is not justifiable on structural and social grounds. Price policy must be accompanied, inter alia, by measures to regulate the markets aimed at reducing the surpluses and reducing consumer prices. Of course direct income support in line with social policy criteria will be needed to compensate the farmer for the consequent loss in income.

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(4) CES 224/84, p. 5, point 4; CES 298/86, points 3.1., 3.3 and 7.1. and CES 474/86, point 1.3.

5.4.1. Intervention buying no longer fulfills its original function of providing a safety net for seasonal fluctuations in supply, but has become an additional, artificial outlet. There must be greater differentiation in the way intervention prices are geared to target prices, so that price acts as a regulator of production and provides an incentive for diversification and improvements in quality. As long as it is more profitable to put produce into store, recycle it and sell it at less than cost (with the cost of these measures being passed on to the taxpayer, i.e. the consumer), those producers and traders who are interested in new products and new outlets will not have a fair chance. The Committee therefore basically welcomes the Commission's intention to apply intervention mechanisms more flexibly. It would, however, warn against constant changes of direction within a financial year which would alter the data on which participants in the market base their plans. It also opposes any intervention in the cultivation and marketing of new products or products with industrial uses if this could distort competition.

The Commission should examine whether and to what extent a reduction in the quantities bought into intervention - by the imposition of quantitative and qualitative restrictions according to product and region - could contribute to an effective cutback in surplus production and at the same time satisfy specific regional conditions and the requirements of social and structural policy.

5.4.2. A long-term market policy should be developed for each agricultural product. The measures introduced in the milk and beef sectors demonstrate this. In particular the Committee would like to encourage the Commission to continue its policy of putting emphasis on the production of high-quality products. It should, however, apply intrinsic quality criteria to a greater extent.

5.4.3. Cereals surpluses have recently developed into one of the Community's main problems. The Committee proposes that producers should be obliged, within a certain time, to reduce farmland production (cereals units). The Commission should stipulate the requisite deadline and offer alternative methods of implementation, commensurate with the specific conditions in each country. For instance, the reduction in production could be achieved through less intensive cultivation (by banning, taxing or rationing yield-boosting inputs). This would, at the same time, help to counteract the threat to the environment from fertilizer and pesticide pollution of ground water. Agricultural land could also be taken out of use or put to other uses.

Small farms would be exempt from this requirement provided they were the principal occupation of their owners. In addition, those farmers and farmworkers hit by production curbs would be granted appropriate income support for a certain time on

a degressive scale according to farm size, the yield capacity of the soil, regional farm rent levels and social criteria. Not least, it must always be ensured that such measures do not harm the environment. Comparable measures should be taken where necessary for other agricultural products; in particular, further measures are needed to reduce the surpluses of animal products. A study should be undertaken of whether, inter alia, stockrearing should be tied to the land resources of farms.

5.5. Environmental damage - whose principal causes include various industries, households and transport, but also modern farming methods - strikes at the very roots of society. At the same time agriculture is one of those sectors of the economy seriously affected by damage to the environment. Pollution should in the first instance be prevented and more heavily penalized economically, in accordance with the polluter pays principle. Ecological improvements brought about by agriculture should be specially rewarded, for which new criteria are needed.

5.6. The Committee views technical advances and biotechnology in particular with great concern; technical progress and the resultant economic growth must no longer be achieved at any price. The repercussions must be examined before new developments are introduced; they must be both socially and environmentally acceptable. There are some developments in agriculture which need to be regulated by social policy measures.

5.7. Many of the problems particularly affecting the CAP today cannot be solved at all or only very inadequately within the framework of the internal agricultural policy; the Committee has pointed this out on many occasions. Thus cutbacks in production and subsidized exports of EC farm products can only succeed if accompanied by agreement within GATT on limits to the import of agricultural products and in particular of feed substitutes. The measures which the EC could take to remedy this situation should, before they are implemented, be prescribed in identical provisions by all the major economic powers, e.g. within the context of the GATT negotiations.

5.7.1. Major infringements of the principle of Community preference stem from the initial phase of the CAP. In today's changed situation the bitterness about the effects of these infringements is understandable, just as there is a clear need to find contractual solutions where commitments have been entered into vis-à-vis third parties.

5.7.2. Considerable efforts on the part of the Community and its trading partners are called for, given the threat to the functioning of the world agricultural markets posed by the huge surpluses in a number of important farm-produce exporting countries, the considerable price fluctuations for farm produce on international commodity exchanges and the currency fluctuations themselves. The Committee supports the Commission in its intention to orient its negotiating strategies - inter alia in GATT - to the requirements of economic efficiency, solidarity and regional planning and to resist the temptations of protectionism. But curbs on production within the EC must not be undermined by imports from third countries.

5.7.3. A situation similar to that of Community preference applies with regard to the agromonetary problems arising from the Member States' monetary policies in the absence of economic and monetary union. The Committee recognizes the difficulties confronting the Commission and the Council as they tackle the dual task of:

- adjusting the specifically agricultural arrangements to the general monetary system and
- preventing the abolition of the monetary compensatory amounts from exacerbating inflation, unacceptable hardship from arising and preventing tendencies towards overproduction from being encouraged by monetary factors.

Since the problems involved are so complex, it does not seem likely that it will be possible to counteract the effects of monetary policy on the agricultural sector solely or mainly with agricultural policy instruments.

At the same time, the Committee recognizes that green rates will have to be abolished in order to enable the unified market proposed in the Single European Act to become a reality.

5.8. The policy aimed at putting the agricultural markets in order requires sacrifices from those working in agriculture. These sacrifices will be tolerable only if the conditions set out in point 4 are met. In this respect the Committee welcomes the Commission's statement that its proposals must take account of the different agricultural situations in the Community of Twelve. Regional, socio-structural and natural factors and the typical farm size must be considered.

5.8.1. If these structural differences are ignored, the trend towards renationalization of the CAP that are already evident will inevitably be boosted and in the interests of Europe, this must not be allowed to happen. The measures backing up reform of the CAP thus take on considerable importance.

5.8.2. The Commission has already devised market policy measures - a levy on milk producers, aids for small cereal farmers, consideration of regional policy aspects in the application of production quotas - which mark the first stages of a differentiated, more socially balanced agricultural policy. The less price policy is able to meet the demands of income and social policy, the stronger the latter policies must be, either in their own right or in a supporting role. For instance:

- There is a greater need for income transfers to the owners of small agricultural enterprises in disadvantaged farming regions or to farmers and their employees in areas where farming should be preserved for ecological reasons. The amount of these payments should be aligned on the income of the other inhabitants of the region.
- Measures should be introduced to align social security in the Member States.
- Farmers who have to give up their farms for structural reasons should receive assistance such as that received by the unemployed in other sectors of the economy.

The Committee endorses the Commission's view that there must be limits to such differentiation in agricultural policy if the principle of the single market is not to be violated. The Committee therefore welcomed the submission of the Commission document COM(87) 166 final, which provided for:

- an additional instrument for supplementing incomes;
- a framework for measures at national level and
- an early retirement scheme for those working in agriculture.
- The Committee is at present preparing an Opinion. We would refer to this document and earlier comments<sup>(5)</sup>.

5.8.3. The Committee reiterates calls it has already made for:

- support for mountain areas and less-favoured areas<sup>(6)</sup>;
- constructive voluntary measures for improving the environment<sup>(7)</sup>, and would once again urge the stepping-up of efforts in the area of agricultural research and extension services<sup>(8)</sup>, which should concentrate principally on promoting the production and marketing of industrial raw materials and environmentally benign products

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(5) CES 798/87, CES 930/85, point 11.4; CES 209/86; CES 298/86.

(6) CES 224/84, point 3.1., CES 930/85, point 12.3.

(7) CES 730/85 point 3.1., CES 224/84 point 3.3.

(8) CES 930/85, point 7.1.

with alternative uses. Similarly, the basic and advanced training of the agricultural workforce - particularly in connection with the introduction of new socially and environmentally acceptable technologies - is extremely important<sup>(9)</sup>.

5.8.4. The Committee welcomes the Commission's intention to take special account of the need to create non-agricultural jobs, particularly in rural regions, and to devote greater efforts to this matter in the context of its regional policy. Combatting mass unemployment in the Community is one of the most effective ways of facilitating the structural adjustment process in the agricultural sector. The Committee also considers it essential to improve coordination between Community policies and national job-creating measures. Jobs which help to protect the natural environment call for special support from the Community.

5.8.5. The Committee would reiterate the introductory and general comments it made on the 1987/88 farm price proposals<sup>(10)</sup>.

5.9. Rational budgeting is particularly important in a period when agricultural policy is being adjusted.

5.10. The subsidy frauds which are repeatedly noted by the Budgetary Control Committee on the basis of investigations by the Court of Auditors must be countered more energetically than hitherto for economic, legal and, last but not least, European reasons. This kind of "mis-allocation" of Community resources undermines confidence in the European institutions which is so urgently needed right now.

## 6. Concluding remarks

The path ahead in agriculture and agricultural policy has become more difficult. This path can be travelled only in a spirit of constructive cooperation and understanding for the concerns of those most seriously affected - the people working in agriculture and the rural community. The Community will only master the crisis in agriculture if, together with its trading partners, policies are applied which will contain production of commodities currently in structural surplus. These policies will, no doubt, have to include a series of measures of which a prudent prices policy must be one. But price policy in agriculture acts

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(9) CES 209/86 point 3.6; CES 298/86 point 7.4.

(10) CES 356/87 points 1 and 2.

only slowly and urgent action is required to control surplus production without further damaging farmers' incomes. This means that greater emphasis must be placed on production controls.

In the Committee's view, everything must be done to ensure that the method chosen to solve the problem meets with the approval of the Community's citizens.

The answer to this question will be a good indication of whether, by 1992, Europe will have a social dimension and a political affirmation of the basic European idea or whether we shall merely have a Europe of free markets.

Done at Brussels, 19 November 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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**N.B.:** See Appendix overleaf.

## A P P E N D I X

(Fourth paragraph of Article 43 of the Rules of Procedure)

The following amendments were rejected by the Plenary Session.

Add the following point 4.5. (b):

*"Taxpayers and consumers need to understand that CAP has already taken into account their interests considering that as much as 70% of the final cost of food products is accounted for by processing and retailing costs."*

### voting

For: 34

Against: 60

Abstentions: 8

Insert a new paragraph 5.2.(a) worded as follows:

*"The CAP adjustment measures concerning the restoration of a balance between supply and demand are necessary but are not enough. Simply complying with the laws of supply and demand is not the best way of reforming the CAP.*

*The CAP must continue to act as a guide for developing the Community.*

*The main instrument of reform will have to be the introduction of (i) planning and (ii) crop forecast management.*

*The Community must be able to decide what it wants to produce, and where and how it should be produced.*

*Such choices will determine the way in which the instruments of the CAP will be used: prices, intervention, product quality policy, external trade policy, structural aid, income aid, etc.*

*Blanket, across-the-board measures should not be used; instead, support should be given to established programmes within a regional dimension and as part of a consistent European economic and social policy. The aim of such programmes should be to define the form to be given to agriculture as regards products, social aspects, the environment and the management of the countryside.*

*All the instruments listed here must provide a 'guided guarantee' framework for implementing such programmes and supporting rural populations, thus contributing to regional development."*

**Voting**

For: 34

Against: 66

Abstentions: 9

Add the following to Point 5.7.1.:

*"The Committee would support the Commission's proposals for the re-balancing of agricultural support under which there would be a greater element of protection from imports of cereal substitutes, oilseeds and proteins."*

**Voting**

For: 29

Against: 71

Abstentions: 8

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**Brussels, 19 November 1987**

**OPINION  
of the Economic and Social Committee  
on the  
Implementation of Agricultural Stabilizers  
(COM (87) 452 final - Volume I)  
and the proposals concerning the following sectors:**

- Sugar (COM(87) 452 final - Volume II A)
  - Milk (COM(87) 452 final - Volume II B)
  - Sheepmeat and goatmeat (COM(87) 452 final - Volume II C)
  - Other products (COM(87) 452 final - Volume II D)
-

On 8 October 1987 the Council decided, in accordance with Articles 43 and 198 of the EEC Treaty, to ask the Economic and Social Committee to draw up an Opinion on the:

*Implementation of Agricultural Stabilizers*

*(COM(87) 452 final - Volume I)*

and the proposals concerning the following sectors:

- Sugar (COM(87) 452 final - Volume II A)
- Milk (COM(87) 452 final - Volume II B)
- Sheepmeat and goatmeat (COM(87) 452 final - Volume II C)
- Other products (COM(87) 452 final - Volume II D).

The Section for Agriculture and Fisheries, responsible for preparing the work on this matter, submitted its Opinion on 5 November 1987 (oral report by Mr LOJEWSKI).

At its 250th Plenary Session held on 18 and 19 November 1987 (meeting of 19 November 1987) the Economic and Social Committee adopted the following Opinion by a large majority, with 2 votes against:

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The Committee stresses that the Commission's proposals are a set of ad hoc measures which do not meet the need to reform CAP, and may pose a threat to the survival of agriculture, particularly family farms.

The Committee is concerned that these measures, if not accompanied by others which bring about a qualitative change in CAP and eliminate regional disparities, may consolidate and even accentuate the present imbalances.

However, in view of the serious financial problems of the Community, and the Council's reluctance to really get to grips with the problem of the CAP, the Committee supports the adoption of effective, timely measures to contain and control surplus production and agricultural spending.

The Committee is aware that, for purposes of budgetary control, the relevant legal rules and political commitment must be clear-cut, effective, take account of the need to guarantee a fair income for farmers and not generate a further increase in consumer prices.

However, a careful examination must be made of the technical aspects and action to be taken in the various sectors.

To do this properly, the ESC requires more time than it has been given and it will only be in a position to deliver an Opinion at a later stage, in the light of progress in the Agricultural Council's work on this matter.

Done at Brussels, 19 November 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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Brussels, 27 January 1988

O P I N I O N  
of the  
Economic and Social Committee  
on  
The implementation of agricultural stabilizers  
(COM(87) 452 final - Volume I)  
and the proposals concerning the following sectors:  
- Sugar (COM(87) 452 final - Volume II A)  
- Milk sector (COM(87) 452 final - Volume II B)  
- Sheepmeat and Goatmeat (COM(87) 452 final - Volume II C)  
- Other products (COM(87) 452 final - Volume II D)

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On 8 October 1987 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Economic Community, on

*The implementation of agricultural stabilizers*

*(COM(87) 452 final - Volume I)*

and the proposals concerning the following sectors:

- *Sugar (COM(87) 452 final - Volume II A)*
- *Milk sector (COM(87) 452 final - Volume II B)*
- *Sheepmeat and goatmeat (COM(87) 452 final - Volume II C)*
- *Other products (COM(87) 452 final - Volume II D).*

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work, drew up its Opinion on 20 January 1988. The Rapporteur was Mr SCHNIEDERS.

On 27 January, at its 252nd Plenary Session, the Economic and Social Committee adopted the following Opinion by 70 votes to 24, with 18 abstentions:

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## 1. General comments

On 19 November 1987 the Committee adopted, with two votes against, an initial Opinion on the principle of implementing a system of budgetary stabilizers in the Community's agricultural sector<sup>(1)</sup>. This was one of the subjects discussed at the Copenhagen Summit in December.

The present Opinion, which has been made necessary by the failure of the Copenhagen Summit, must be read in the light of this initial Opinion and the Committee's Opinion on the agricultural proposals for implementing the Single Act, which was also adopted on 19 November 1987 (91 votes to 26, with 11 abstentions)<sup>(2)</sup>.

Thus, since the Committee has already endorsed, by a very large majority, the adoption of effective appropriate measures for curbing surplus production and agricultural spending, the present Opinion only considers the essentially technical proposals put forwards by the Commission for certain products.

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(1) CES 1071/87

(2) CES 1070/87

The comments on set-aside made in this Opinion disregard the Proposal for a Council Regulation (EEC) amending Regulation (EEC) No. 797/85 and No. 1760/87 on the withdrawal of agricultural land and the extensification and conversion of production, submitted by the Commission on 13 January 1988 (COM(88) 1 final).

The Committee will deliver its Opinion on this proposal at the earliest opportunity.

## **2. Comments on products**

### **2.1. Cereals**

The proposed maximum quantity of 155 million tonnes is based exclusively on domestic consumption and imports of cereal substitutes. No account is taken of current export prospects. For the Community of Twelve 155 million tonnes is less than can be expected from an average harvest. The Committee would therefore like to see a more realistic maximum tonnage.

The Committee considers that measures should be differentiated according to whether products are in surplus or deficit and according to quality (the quality in demand on the market being encouraged and the quantity which cannot find an economic market outlet being discouraged).

The Committee points out that measures to stabilize cereal production in the Community must be backed up by measures on the import of substitution products. These should include the extension of the co-responsibility levy to these imports. Only if the import of substitution products is simultaneously stabilized can measures to limit cereal production in the EC be successful.

The measures currently proposed by the Commission will not have any effect on the 1988 harvest as farmers have already planted cereals, rape and beans. Transitional measures will therefore be needed for the 1988 harvest. The maximum quantity arrangements (stabilizers) should not be applied before 1989.

The Committee believes that set-aside can make an effective contribution to the reduction of cereal volumes by bringing about sharper price reductions, thus preventing further falls in farmers' already much reduced incomes.

It is suggested that farmers be allowed to choose whether to participate in the set-aside programme, to which the Committee lent its support on a previous occasion, or pay a co-responsibility levy.

The amount of the levy and the practical details of the set-aside programme should be fixed and communicated to farmers before planting starts, to enable them to decide which possibility they will opt for. In the light of the present state of the markets and the outlook, strong incentives for set-aside, extensification, or the search for alternative forms of production could be attractive solutions. Lower production levels will permit financial savings and facilitate agreement in GATT. It is suggested that the extensification proposals already adopted by the Council be further developed with this in mind.

Given that these are market stabilization measures, it is justifiable for the Community to bear more than 50% of the cost of set-aside of farm land. The obligatory payments should be met from the EAGGF (Guarantee Section). The Member States must promise to ensure that unusable and hitherto unfarmed land does not attract set-aside premiums. Provision could be made for waiving application of set-aside in disadvantaged agricultural regions, to prevent depopulation and drops in production.

## **2.2. Sugar beet**

The market organization system for sugar requires that the sector be self-financing. In view of the expected annual budget deficit of some 230 million ECUs the Committee opposes the introduction of supplementary retrospective charges. Instead, the cost of market promotion, which is borne by the producers, should be made known in advance and should, most importantly, be affordable for all producers. Furthermore, the Community's sugar producers should not be treated any worse than ACP sugar exporters and isoglucose producers. Developing countries must not be caused any more difficulty either. The use of false blended-sugar declarations to get round sugar quotas must also be prevented.

## **2.3. Oilseeds**

The Committee favours an increase in the maximum quantities specified by the stabilization measures for rape and sunflower seed and soya beans. The Committee stresses that the increased costs in the oilseed sector are due to the lack of external protection.

Measures to adapt cereal production to the requirements of the market place will have a spin-off effect on oilseeds and should therefore be coordinated. The Committee is opposed to deep price cuts in a deficit sector.

Arrangements on the lines of the system for sugar should be introduced. These arrangements should take account of the marketing structure of the oilseed sector.

The Committee believes that a system of stabilizers must be introduced throughout the entire oils and fats sector, taking account of the need to avoid arrangements and measures which might result in an increase in the consumer prices of individual products.

#### **2.3.1. Olive oil**

This product is very important as an income support for many poor families and many poor Mediterranean regions. The Committee is in favour of the Commission proposing measures which safeguard the incomes of small and medium-sized producers in particular without further increasing production. Effective controls would of course be required.

#### **2.4. High-protein crops**

Given the enormous zero-tariff imports of soya into the Community, the mechanism proposed by the Community would have an excessive and unjustified effect on high-protein crop prices. Since the Community has a low level of self-sufficiency and imports 22 million tonnes of high-protein feed, finding sales outlets is hardly going to be a problem in this sector.

The high-protein crop sector cannot be seen in isolation from the adjustment measures for cereals and oilseeds. The Committee recommends a small reduction in the subsidy.

#### **2.5. Fruit and vegetables**

Total EAGGF expenditure in the fruit and vegetable sector (fresh and processed) has fallen, as the Commission notes. The biggest drop has been in intervention costs - whose share of total expenditure has fallen to under 20%, partly thanks to a cautious intervention-pricing policy. The intervention price may be no higher than needed to provide a safety net in the event of serious market disturbances. In order to avoid excessive intervention, it would be advisable to introduce intervention ceilings for certain products.

The Committee favours coherent application of the instruments of the common market organization. Priority must be given to effective monitoring of compliance with common quality standards and effective protection of Community preference.

#### **2.6. Milk**

The Commission confirms that the milk quota system has proved to be an effective means of limiting production. The system should therefore be retained for at least an extra five years. This is necessary to give producers and processing firms clear guidance in their planning.

The Committee thinks that, as a matter of principle, the Community must press at the forthcoming GATT negotiations for the adoption of equivalent adjustment measures by other producer countries.

The Committee is also opposed to the plan to move the start of the milk marketing year from 1 April to 1 October. This would make it more difficult for producers to keep to the quotas since summer milk production - which is heavily influenced by the weather - will be at the end of the marketing year.

The Committee is in favour of the retention of 10 ECU/100 kg compensation for the 5.5% quota suspended temporarily. It should remain possible to transfer reference quantities from direct sales to deliveries. The mandatory establishment of national reserves amounting to 2% of each Member State's guaranteed quantity is rejected.

## **2.7. Sheepmeat and goatmeat**

Since its establishment, the market regime for sheepmeat and goatmeat has stabilized producers' incomes. The premium system has proved its worth, since the funds used go straight to the producers. The Committee therefore advocates that the harmonization proposals be reconsidered. The calculation of income losses must take account of differences in production conditions, slaughter weight, quality and market prices. The Commission's proposal for the calculation of income losses would cut incomes by an average of 25% in the European Community and by up to 50% in some Member States (e.g. region 3). The limit on the number of animals eligible for the premium should be raised beyond the 500 mark. The simplified definition of an eligible ewe as a ewe which has lambed during the marketing year is welcomed. The costs of the market organization are determined in the main by import factors (prices, quantities, processed produce). The viability of this deficit sector in the Community depends on the rules governing imports; restoration of Community preference is a *sine qua non*.

The Committee nevertheless considers that it would not be justified to change the present geographical regions. There would be a risk of *de facto* discrimination in assessing farmers' loss of income, as a result of the special nature of (and differences between) production of high-weight and low-weight lambs.

## 2.8. Tobacco

Tobacco production is of decisive importance for the socio-economic equilibrium in the less developed regions of the Community.

The Committee thinks that the Commission's proposals do not take this into account. The ceiling on production should be raised, especially in the case of varieties in heavy demand, and the imbalance on the tobacco market should be gradually eliminated by adopting socio-structural measures and switching over to varieties in greater demand.

## 2.9. Wine

The Committee has taken note of the Commission's proposals and will comment on the details when the proposals are referred to it.

The Committee supports the Commission's attempts to reduce the amount of unmarketable table wine by improving quality, reducing the areas under vine and introducing socio-structural measures.

The Committee stresses the need to avoid the malpractice of using table grapes to make wine. It also urges the Commission to take appropriate measures to encourage greater wine consumption, particularly in the regions where it is low. Clear and forthright responses are needed to adverse publicity which is increasingly being used against a product that is a healthy and useful part of a balanced diet.

Done at Brussels, 27 January 1988.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

\*

\*       \*

**N.B.:** Appendix overleaf.

## APPENDIX

(Article 43, fourth paragraph of the Rules of Procedure)

The following amendments were rejected at the Plenary Session:

### Point 2.2. - Sugar beet

Delete the first three sentences and substitute:

*"The market organization system for sugar requires that the sector be self-financing, which means that it is paid for by high consumer prices rather than by tax payments via the EAGGF budget. The cost can only be stabilized by reducing the surplus production.*

*Such reduction would eliminate retrospective additional levies. It must be ensured that the cost of sales promotion, which is borne by producers, is known in advance and, most importantly, is affordable ...." (remainder unchanged).*

### Reasons

The high consumer price (currently approximately three times world market price) finances both production required for EEC consumption and the subsidies necessary to sell the excesses abroad. During 1986/1987, excess Community production has increased further and is now 30.4%. Too high an average product price was paid for this, leaving 230m ECU to be found next year. Given the "self-financing" nature, this cannot be covered by budgetary funds. The Commission therefore proposes to fund up to 60% of this by reducing the average producer price next year and the rest by further increasing the price paid by the consumer.

### Vote

for: 31

Against: 56

Abstentions: 15

### Point 2.3.

Delete existing paragraph and substitute:

**"2.3. Oilseeds**

*The Committee reiterates its strong objection expressed in CES 356/87 to the proposed stabilizer for oils and fats, which is in fact an oils and fats tax.*

*The Committee believes that a system of stabilizers must be introduced throughout the entire oils and fats sector, taking account also of the need to avoid arrangements and measures which might result in an increase in the consumer prices of individual products."*

**Vote**

For: 33

Against: 67

Abstentions: 2

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Brussels, 19 November 1987

OPINION  
of the Economic and Social Committee  
on the  
Social Aspects of the Internal Market  
(European Social Area)

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Rapporteur: Mr BERETTA

On 24 September 1987 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Opinion on the

*Social Aspects of the Internal Market (European Social Area).*

The Section for Social, Family, Educational and Cultural Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 12 November 1987. The Rapporteur was Mr BERETTA.

At its 250th Plenary Session (meeting of 19 November 1987), the Economic and Social Committee adopted the following Opinion by 97 votes to 44, with 13 abstentions. The Opinion was based on the findings and conclusions set out in the Information Report<sup>(1)</sup> forwarded to the Community Institutions subsequent to the majority decision taken at the Plenary Session on 24 September 1987.

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## **1. Making a success of the Internal Market and European Social Area**

1.1. The Committee reiterates its earlier endorsement<sup>(2)</sup> of the need to create and consolidate a single market which it sees as a major stepping-stone towards European political unity as well as economic unity - a prerequisite for fostering future development, boosting employment and enhancing prospects for Community exports on the world market. A Community-wide single market is therefore the key component of a broader plan for revitalizing the Community economy so that firms will reap the benefits of economies of scale and sharpen their competitive edge.

In addition, the Committee would also point out that since economic and social policies are intertwined the internal market's aims can only be attained if the requisite industrial, commercial, financial and tax measures go hand-in-hand with social action to preserve and improve the existing balance.

1.2. In present circumstances, the Committee also notes that the Member States do not seem wholly convinced that Community development is a vital element in their national interests. Hence their failure to provide the Community institutions with adequate resources and the political authority to promote and press ahead with the development process.

The resulting contradictions and uncertainty are seriously undermining the decision-making process and delaying

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(1) CES 225/87 fin of 17 September 1987.

(2) OJ No. C 344 of 31 December 1985.

the phased creation of a single market when what is actually needed, with such vital aims at stake, is speedier action.

1.3. Further, current far-reaching upheavals, and the high level and structural pattern of unemployment, seriously complicate pursuit of the internal market's economic and social goals. Consequently, the Community institutions have justifiably opted for a pragmatic approach laying stress on consensus.

1.4. As the Single Act formally declares, social dialogue is the key instrument of consensus. To give practical encouragement to the development of this, the Community institutions must shoulder their individual responsibilities for the framing and implementation of growth strategies.

1.5. The problems to be tackled include employment, restructuring of the labour market, redistribution and length of working time, work organization, firms' capacity to adjust to technological change and improve competitiveness, and organization of social welfare schemes. Closely tied up with these is the need to secure convergence of national laws to meet the requirements of the internal market, including its social dimension. All this brings a pressing need for basic social rules which can be adapted to the entire Community. Such rules are necessary to avoid market distortions and provide industrial and economic decision-makers with a stable basis making it possible to extend social dialogue.

1.6. Adoption of Community legislation guaranteeing basic social rights immune to competitive pressures is therefore a key stage in the creation of the single market.

1.7. The Community institutions must avail themselves of the Single Act's provision for qualified majority voting, thereby altering the legal basis for proposals on a number of social matters which, as proposed by the European Parliament, should be based on application of Article 118 A of the Single Act in its broadest sense. The perplexity that continues to reign in some Member States and Community circles regarding use of this legislative instrument could be dispelled since Article 189 of the Treaty clearly stipulates that although a Directive "shall be binding, as to the result to be achieved, upon each Member State to which it is addressed", "the choice of form and methods" for achieving the desired result shall be the responsibility of the national authorities.

## 2. Proposals

2.1. Weighing the case for social policy framework directives the Committee feels that in the present situation the adoption of a framework Directive setting out inalienable basic social rights is both feasible and necessary to infuse Community policy as a whole with fresh momentum and meaning. These provisions - which could be inspired by existing Commission proposals, bearing in mind relevant European Parliament and Economic and Social Committee Opinions, the fruits of social dialogue and declarations by ILO and the Council of Europe - would be designed to secure:

*- the right of all workers, irrespective of contractual status and thus including part-time and fixed-term contract workers, (a) to negotiate and be covered by collective bargaining agreements or professional agreements, (b) to be protected by health and safety measures at the workplace, and (c) to contribute to and benefit from social security schemes;*

*- a ban on repeated renewal of fixed-term contracts;*

*- the right of workers to be informed and consulted in decision-making bodies on technological innovation and on changes which affect business structures, the organization of production, and employment.*

Such rights would provide a firm basis for smoother relations between labour and management in their traditional sectoral negotiations on wages, work organization and the flexibility which firms will need in adapting to new market dictates - while avoiding uncontrolled deregulation.

2.2. Industrial relations account for a large proportion of the social aspects, but they do not embrace all the guarantees needed to maintain the Community's social fabric. The following measures are therefore needed:

*- emphasis on individual and joint social responsibility to underpin support for the most vulnerable and disadvantaged groups outside the labour market;*

*- support measures to help safeguard family unity and family values which can be beneficial to society as a whole;*

*- provisions to guarantee free movement of Community citizens, with particular reference to migrant and frontier workers;*

*- determination of conditions for the recognition of educational and vocational qualifications obtained in another Member State;*

*- measures to protect the rights of ethnic minorities;*

*- more positive action to guarantee women more tangible equal opportunities in education, training and employment;*

*- confirmation of consumers' and users' right to help define plant and product safety standards and their potential effects on health and the environment.*

2.3. The Community and most of the Member States are discussing and initiating social security reforms. In view of the development of the internal market and the Community governments' wish for "economic and social cohesion," the Committee recommends a more coordinated Community policy on any changes in social security schemes. Such coordination must not lead to a downward alignment of allowances.

Apart from being an expression of solidarity with the most underprivileged sections of society such as persons unable to find work, social security is also a *sine qua non* for maintaining an acceptable level of skills, efficiency and motivation in the economic system, thereby providing significant support for industry.

2.4. As far as the possibility of quantitative and qualitative growth is concerned, the Commission has forecast a growth rate of some 2% for 1988 and an annual 2.5% growth rate is expected for the years 1987 to 1991.

The Community unemployment rate should be about 12% in 1988, dipping slightly by 1991<sup>(3)</sup>. The trends which the Commission would like to have seen and which were set out in its 1985 scenario for a "cooperation growth strategy for more employment" have clearly not materialized to any great extent.

2.4.1. It is therefore obvious that the market alone cannot offer concrete short or medium-term prospects of restoring the employment balance; the technological progress which affects all sectors combined with demographic and sociological trends make it impossible to use traditional ways to absorb redundancies in declining industries.

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(3) COM(87) 500 final.

In addition to support for economic growth through appropriate supply and demand policies such as those formulated by the Commission, it is essential to propose other measures to speed up job-creation and qualitative growth.

The Committee therefore feels that it is necessary: (i) to devote a proportion of productivity gains to negotiated reduction of working hours, taking into account the specific features of individual sectors; and (ii) to give greater attention to problems of qualitative growth with the intention of developing new economic activities to meet changing demands.

Attempts to improve the quality of life must meet specific requirements. By implementing these according to an agreed, planned order of priority, it will be possible (a) to launch new economic activities capable of mobilizing public investments which will be profitable in the long term, (b) to provide - by stimulating ancillary sectors - attractive opportunities for private investors and entrepreneurs.

Investment should preferably be channelled into areas such as protection and enhancement of the natural and cultural heritage, optimum land use, the environment, the safeguarding of the ecological balance, "clean" technology, and the safety of natural and technical products.

2.4.2. Such prospects may enhance the validity of the five priority areas set out by the Commission in its communication "A new frontier for Europe" and strengthen the case for increasing, and even doubling, EC structural funds.

Finally, closer scrutiny of the qualitative aspects of Community support and initiatives could be an important element in the shift from aid focusing on isolated projects towards programmes (spread over a number of years) which encourage the involvement of the two sides of industry and the local authorities.

Done at Brussels, 19 November 1987.

The Chairman  
of the Economic and  
Social Committee

Alfons MARGOT

The Secretary-General  
of the Economic and  
Social Committee

Jacques MOREAU

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\* \* \*

NB: Appendix overleaf.

**APPENDIX to the OPINION**  
of the Economic and Social Committee

The following amendments were defeated during the debate but obtained at least one quarter of the votes cast:

**Point 1.5.**

In line 5, replace "basic social legislation" by "general guidelines whereby the differences which currently exist in the Community can be dealt with effectively".

**Reasons**

It is not appropriate to propose a strategy of uniform Community rules or legislation without beforehand carrying out the necessary and complex analysis of various highly diverse situations, without defining the content, scope and object of the laws, and without evaluating the direct and indirect effects they are likely to produce in different areas (legal, economic, social). The differences existing within the Community make the type of Commission legislation proposed here both unviable and inappropriate.

**Voting**

For: 54

Against: 84

Abstentions: 7

**Point 2.1.**

Delete.

**Reasons**

It is contradictory to first question the possibility of social policy framework Directives, and then to state that such Directives are both "feasible and necessary".

It is also contradictory to call for a Directive setting out "inalienable basic social rights" and then to call for the securing of the three concrete areas of labour law set out in this passage.

Lastly, this point is unacceptable for the reasons set out in the second amendment.

**Voting**

For: 50

Against: 82

Abstentions: 10

**Page 3, point 2.1., third line**

Replace "is both feasible and necessary" by "could prove helpful".

**Reasons**

Saying that a framework Directive should be drawn up is a bit jumping the gun, but it would hardly be realistic to rule out the possibility for ever.

**Voting**

For: 46

Against: 85

Abstentions: 16

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