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REPORT

of the Committee on External Economic Relations

on economic and trade relations between the European Community
and the EFTA countries in the European Economic Area

Rapporteur: Mr Giorgio ROSSETTI

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A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)

*

= Consultation procedure requiring a single reading

**II

= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

**I

= Cooperation procedure (first reading)

= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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By letter of 22 September 1989 the Committee on External Economic Relations requested authorization to draw up a report on economic and trade relations between the European Community and the EFTA countries in the European Economic Area.

At the sitting of 23 October 1989 the President of the European Parliament announced that the committee had been authorized to report on this subject and that the Committee on Foreign Affairs and Security had been requested to deliver an opinion.

At its meeting of 17 October 1989 the Committee on External Economic Relations appointed Mr Rossetti rapporteur.

At its meeting of 16 July 1991 it decided to include in its report the following motions for resolutions which had been referred to it:

- motion by Mr Mendes Bota (B3-0231/91) on the negotiations between the European Community and the EFTA-countries about the creation of the European Economic Area (EEA) (opinion: Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities)
- motion by Mr Mc Cartin and others (B3-0053/90) on dumping of Norwegian fresh salmon on EC markets (opinion: Committee on Agriculture, Fisheries and Rural Development)

At its meetings of 22 April 1992, 16 June 1992, 22 September 1992 and 16 October 1992 the committee considered the draft report.

At the last meeting it adopted the motion for a resolution unopposed with 2 abstentions.

The following took part in the vote: De Clercq, chairman; Cano Pinto and Stavrou, vice-chairmen; Rossetti, rapporteur; Archimbaud, Benoit, da Cunha Oliveira (for Dido pursuant to Rule 11(2)), de Vries, Miranda de Lage, Moorhouse, Ortiz Climent (for Suarez Gonzalez), Peijs, Sainjon and Titley (for D. Martin).

The opinion of the Committee on Culture, Youth, Education and the Media is attached to this report. The Committee on Foreign Affairs and Security, the Committee on Agriculture, Fisheries and Rural Development and the Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities decided not to deliver opinions.

The report was tabled on 16 October 1992.

The deadline for tabling amendments is noon on Thursday, 22 October.

A
MOTION FOR A RESOLUTION

on economic and trade relations
between the European Community and the EFTA countries
in the European Economic Area

The European Parliament,

- having regard to the Luxembourg Declaration of 1984 on the strengthening of relations between the EEC and EFTA, the outcome of the EEC-EFTA ministerial meetings in November 1988 and March 1989, the statements by the President of the Commission, Jacques Delors, in January and October 1989 on the need for change in and the better structuring of EEC-EFTA relations and the subsequent statements by Vice-President Andriessen on the same subject,
- having regard to its resolutions of 13 December 1989 on EEC-EFTA relations¹, of 5 April 1990 on the European Parliament's role in future EEC-EFTA negotiations², and of 14 March 1991³, 14 June 1991⁴ and 14 February 1992⁵, all concerning developments in the negotiations on the EEA,
- having regard to its interim reports of 12 June 1990 on future political relations with the EFTA countries and on economic and trade relations between the EEC and EFTA⁶,
- having regard to the opinions of the Court of Justice of 14 December 1991 and 10 April 1992 on the draft agreement on the EEA,
- having regard to the agreement establishing the EEA signed on 2 May 1992,
- having regard to Rule 121 of its Rules of Procedure,
- having regard to the motion for a resolution by Mr Mendes Bota on the negotiations between the European Community and the EFTA-countries about the creation of the European Economic Area (EEA) (B3-0231/91),

¹ OJ No. C 15, 22.1.1990

² See minutes of sitting of 5 April 1990

³ OJ No. C 106, 22.4.1991

⁴ OJ No. C 183, 15.7.1991

⁵ OJ No. C 67/196, 16.3.1992

⁶ Docs. A3-116/90 on the Community's future political relations with the EFTA countries, Jepsen report (OJ No. C 175/49) and A3-146/90 on economic and trade relations between the European Community and the EFTA countries, Rossetti report (OJ No. C 175/52)

- having regard to the motion for a resolution by Mr Mc Cartin and others on dumping of Norwegian fresh salmon on EC markets (B3-0053/90),
- having regard to the report of the Committee on External Economic Relations (A3-0306/92),
- A. whereas the EEC and EFTA countries have historically had principles, values and concepts of society in common and these principles and values have now become established throughout the continent of Europe,
- B. whereas the EEC is by far the most important partner of the EFTA countries, accounting for about 60% of their foreign trade, and EFTA is the EEC's main supplier, accounting for more than 25% of non-Community imports,
- C. considering the development of trade and cooperation between the two parties since 1984,
- D. whereas the EFTA countries and the EEC have repeatedly demonstrated their joint desire since 1984, and especially since 1989, to establish more structured relations and whereas the process of unification in the Community's internal market is accelerating,
- E. whereas the two parties have shown a growing interest in consolidating and extending the framework of cooperation beyond the four freedoms, and this in relation to the entirely new problems posed by the turbulent development of the situation in Central and Eastern Europe,
- F. whereas the changes that have occurred in the East, especially in the last two years, have given rise to a situation very different from that obtaining at the time the Commission negotiating received its brief,
- G. Whereas the disappearance of the antagonism between the two political systems in Europe has created new possibilities in terms of international politics for the members of EFTA and has enabled some of them to apply for membership of the EC,
- 1. Notes with satisfaction the establishment of a European Economic Area, which will create the world's largest integrated economic market and is bound further to increase the already extensive trade between the two parties and to consolidate the supremacy of the thus integrated new area in world commercial relations;
- 2. Believes that, in economic terms, both parties are bound to derive benefits and advantages from the EEA;
- 3. Considers that the agreement represents a significant step forward compared with previous free trade agreements between the EEC and the EFTA countries, since it will in essence extend the four freedoms of the internal market to these countries and broaden cooperation to include other important sectors;
- 4. Points out, however, that the agreement does not yet establish a customs union or an organized single market of the 19 countries and that it does not provide for a common policy on foreign trade with third countries, which may continue to be subject to - albeit simplified - frontier

controls and differentiated commercial policy positions; (notes, on the other hand, the will hitherto show by the EFTA countries to join with the Community in increasing trade with third countries);

5. Hopes that the practical implementation of the agreement will create the conditions for the establishment of a customs union, a common policy on trade with third countries and the completion of the internal market, with the disappearance of frontier controls;
6. Believes that the decision of four EFTA countries to apply for membership of the European Community must be seen in the context of:
 - (a) the new European political framework, which has brought an end to the distinctive arrangement of two systems divided by economic and military pacts and to the reasons for exercising particular care in relations between East and West; and
 - (b) the fact that the agreement on the EEA entails a high degree of integration and obligations for these countries without, however, permitting them to play a full part in the future decision-making process in the same way as the Community countries;
7. Emphasizes the importance of the fact that the applications for membership were made just as the Community had decided to progress towards Political and Monetary Union;
8. Believes that after ratification of the Maastricht Treaty the EC's legislation on the organization of the market will be used increasingly in support of the common social, industrial and foreign policy and as an instrument in achieving the conditions for monetary union and that, in this context, the deliberations of the Joint Parliamentary Committee will assume an important coordinating role;
9. Considers that the agreement on the EEA is not at variance with the prospect of accession, but forms part of the same process and represents a step down this road;
10. Believes that the derogations from the four freedoms for which the agreement provides, though limited, must be temporary in nature and that everything possible must be done to ensure that they are withdrawn even before the appointed date;
11. Believes that the absence of any reference to agriculture in the agreement (even though existing bilateral agreements on processed agricultural products are improved) underlines the difficulty there is in reconciling different systems of agricultural support; believes therefore that a satisfactory resolution of the agricultural issue within GATT is essential if enlargement negotiations with EFTA countries are to succeed;
12. Regards the bilateral agreements with Austria and Switzerland in the transport sector as a compromise resulting from a state of necessity, which is not entirely satisfactory to any of the parties involved; hopes, therefore, that this will be a temporary measure and urges the Commission to address this problem by taking measures relating to these two countries under the policy concerning transport infrastructure of Community interest

after due regard is taken of the unique environmental problems in these two countries;

13. Notes with satisfaction that the free movement of persons is accompanied by the affirmation of principles and the establishment of standards which guarantee social security and equal treatment; regrets the absence of agreements on the abolition of frontier checks on the free movement of persons; calls on the EFTA states to abolish their internal frontier controls as a matter of priority;
14. Believes that the free movement of capital in the EEA will benefit economic integration, but hopes that it will be achieved through effective cooperation on monetary policy and through new agreements on fiscal harmonization;
15. Welcomes the introduction of a financial mechanism in support of economic cohesion in the EEA, which should be used to help the less-developed countries and regions of the Community; urges that the resources for which provision has been made be subject to control by the Joint Parliamentary Committee;
16. Believes that one of the most important tasks of the Joint Committee is to evaluate the economic impact of the EEA in the partner states and to recommend, where appropriate, increased financial aid for the EFTA states and structural adjustments to bring those states in line with the Community's structural programmes;
17. Notes with satisfaction that the EFTA countries will be required to speak with one voice when dealing with the Community during the implementation of the agreement (the 'two-pillar' principle);
18. Considers the procedure provided for changing the *acquis communautaire*, integrating the new standards and resolving any disputes to be particularly complex and intricate;
19. Is concerned that these procedures may weaken the European Parliament's role and therefore considers it essential to lay down new interinstitutional procedures between the Council, Commission and Parliament, providing for a constant flow of timely information on the drafting of proposals, from the time of their initial formulation, and on any amendments thereto, so that any imbalance to Parliament's disadvantage may be avoided;
20. Underlines that in protection of Parliament's autonomous privileges in connection with the legislation procedure for both the Community and the EEA the Commission shall be held fully responsible towards the Parliament through its standing committees and Plenary Session as foreseen in the Rome Treaty.
21. Believes, moreover, that, in order to protect its privileges, Parliament must also deliver an opinion on its possible extension to cover the EEA when taking its decision on the Community Act;
22. Considers that enlargement of the EEA with new countries requires Parliament's assent pursuant to Article 238 of the Treaty;

23. Considers that the Joint Parliamentary Committee for which the agreement provides will enable some useful comparative and investigative work to be done on the administration of the EEA and will also be commensurate with Parliament's overriding interest in protecting its autonomous privileges; calls on the Council to ensure that the President of the EEA Council attends meetings of the Joint Parliamentary Committee when it so requests;
24. Notes with satisfaction that the agreement provides for the coordination of the Community's and EFTA's activities, if in their mutual interests, both in international organizations and in their cooperation with third countries;
25. Believes it right that the contracting parties before the end of 1994 consider which adjustments might be made to the Agreement.
26. Hopes that this arrangement will open the way to further and closer coordination of action in the dealings of the 19 states with the countries of Central and Eastern Europe in particular and with the developing countries in general;
27. Reminds the Member States' governments that prior to any possible enlargement of the European Community, the democratic rights of the European Parliament must be substantially strengthened, and the decision-making processes within the Community must become more efficient and transparent;
28. Further hopes that the EEA will open the way to concerted action to address the many problems in the Baltic region;
29. Points to the fact that in the context of a possible enlargement of the EC the Maastricht Treaty provisions will form an integral part of the *acquis communautaire* to be accepted by any applicant country;
30. Instructs its President to forward this resolution to the Commission, the Council and the EFTA Parliamentary Committee.

EXPLANATORY STATEMENT

INTRODUCTION

There are two basic prerequisites for an overall, considered appraisal of the EEA (European Economic Area) Agreement that avoids biased judgments of or piecemeal approaches to the most complex agreement ever concluded by the Community:

- (a) familiarity with and a critical interpretation of the agreement and in particular of the mechanisms it has introduced;
- (b) an assessment of the changes that occurred in Europe from the time the idea of an EEA was launched until the time the negotiations were concluded. Interpreting the agreement in the context of the historical and political development of the continent of Europe very much influences one's overall assessment of the agreement, which discounts an initial assumption that is largely extraneous to the tumultuous changes that have occurred in Central and Eastern Europe in the past three years.

I SUBSTANCE OF THE AGREEMENT

The contracting parties to the agreement signed in Lisbon on 2 May 1992 after more than two years of negotiations are the EEC, the ECSC, the Member States of the Community and the Member States of EFTA. It is a mixed-type agreement, regulating sectors under the jurisdiction of both the States and the Community so that it will have to be ratified or approved by the European Parliament and the nineteen national parliaments.

This should be done before the end of the year so that the agreement can enter into force on 1 January 1993.

The package consists of the agreement proper, containing the general principles and provisions; 49 protocols, containing in the main rules for the operation of individual sectors; 22 annexes containing all the references needed by the EFTA countries to transpose Community legislation, 32 joint declarations clarifying points whose interpretation could lead to controversy; and 39 declarations by individual parties announcing the existence of problems to which one party or one State is particularly sensitive.

More specifically, the agreement consists of nine parts:

Part 1 states the aim of the agreement, which is to 'promote a continuous and balanced strengthening of trade and economic relations between the Contracting Parties with equal conditions of competition, and the respect of the same rules, with a view to creating a homogenous European Economic Area'.

Part 2¹ definitely improves the free movement of goods in that it prohibits customs duties (including those of a fiscal nature) and equivalent charges, quantitative restrictions on imports and exports, taxes on imported products that are of such nature as to discriminate against similar domestic products, and repayment of taxes on exported products in order to distort competition. There are provisions concerning the adjustment of state monopolies, rules of origin, frontier controls and anti-dumping and the safeguard clause. Agricultural and fishery products are exceptions to the free movement rule, although there is some flexibility and a future developments clause that provides for the 'progressive liberalization of agricultural trade'. An undertaking is given to review the restrictions at two-yearly intervals.

The EEA agreement does not include a common trade policy. It provides for neither common external customs tariffs nor a common trade protection policy vis-à-vis third countries.

Part 3 stipulates that 'freedom of movement for workers shall be secured among EC Member States and EFTA States' and that there shall be no restrictions on freedom of establishment (Article 31), on the provision of services (Article 36) or on the movement of capital (Article 40).

The chapter on transport (Articles 47 et seq.) refers to Annex XIII, the subject of a separate agreement between the Ministers of Transport that covers the difficult issue of transit through Switzerland and Austria.

Part 4 defines rules of competition (Articles 53 and 54) very similar to the Community ones (Articles 85 and 86 of the EEC Treaty). The EFTA States will create an independent surveillance authority with powers similar to those of the EC Commission as regards competition and jurisdiction over violations of the rules of competition (see Articles 53 and 54 and principles laid down in Articles 55 to 59). The rules on state aid (Articles 61 to 63) are equivalent in practice to Articles 92 et seq. of the Treaty of Rome.

Part 5 lists the principles of social equity (undertaking to improve the working conditions and standard of living of workers, particularly with reference to safety and health at work; equal pay for men and women and in more general terms promotion of equal treatment for men and women, the right of workers to information and to be consulted; promotion of the dialogue between the economic and social partners at European level and the creation of an EEA Consultative Committee analogous to the ESC).

Reference is also made to the principles of environmental protection, harmonization of statistics, consumer protection and company law, with the provisions of the Treaty of Rome or Community legislation being extended to the EEA.

¹ N.B. For a more detailed examination of the four freedoms, rules of competition, horizontal provisions concerning social policy, consumer protection, environment, statistics and company law as well as cooperation in sectors having no bearing on the four freedoms, see the opinion delivered by the REX committee on the Foreign Affairs Committee's report. The REX committee's opinion is to be regarded as an integral part of this report which, for the above sections, merely provides a summary.

Part 6 defines the cooperation procedure for framework programmes, specific programmes and other Community projects in various sectors (Article 78: R&D, information services, education, training and youth, SMEs, tourism, the audio-visual sector, civil protection, as well as the environment, social policy and consumer protection, already considered from the point of view of promoting the four freedoms). Cooperation will take the form of a contribution by the EFTA states to financing and management and a share in the benefits of Community projects.

PART 7: INSTITUTIONAL PROVISIONS

STRUCTURE OF THE ASSOCIATION: Provision is made for an institutional structure based on an EEA Council, a Joint Committee for the management of the EEA, a Joint Parliamentary Committee and a joint Economic and Social Committee.

- (a) The EEA Council (Article 89) meets twice a year to lay down the general political guidelines to be followed by the EEA Joint Committee. It consists of the members of the Council and the Commission and one member of each EFTA government.

Article 90(2) provides the first key to the decision-making mechanism: decisions by the EEA Council 'shall be taken by agreement between the Community on the one hand and the EFTA states on the other'.

- (b) The EEA Joint Committee manages the EEA or, more precisely (Article 92) 'shall ensure the effective implementation and operation of this Agreement', takes decisions and exchanges information and opinions. It consists of the contracting parties to the agreement. Here too decisions are taken by agreement between the Community on the one hand and the EFTA States on the other, but, and this is important, the EFTA States must speak with one voice (Article 93).

This then confirms the principle of two pillars, each of which works out its own decisions autonomously; so that decisions can then be adopted in the EEA, there must be substantial convergence or identity of views on both sides.

This expedient safeguards the autonomy of decision-making of the Community which will thus be able to take decisions according to its own procedures. And on the other hand EFTA's autonomy is also safeguarded: although it has broadly accepted the existing Community legislation, it does not consider it can confine itself to simply accepting Community decisions in the future.

But it would seem that this mechanism, albeit unexceptionable in formal terms, will not be easy to implement in practice. What can be done to ensure that legislators on all sides arrive at the same decision that can be applied in the EEA?

The fact that the EFTA countries must speak with one voice is an innovation since, unlike the Community, the free trade association has no supranational prerogatives and its summits are confined to intergovernmental cooperation. It was in fact the European Parliament that called for the EFTA states to speak with one voice since it is unthinkable that, given its size and prerogatives, the Community should always undertake to negotiate an agreement in the EEA with seven different partners, each with its own views.

The fact that the EFTA countries now have to speak with one voice is thus to the credit of the agreement. The practical consequence of this is that the executive structures of the association have been strengthened with the creation of a standing committee of the EFTA countries consisting of one representative of each government to guarantee the homogeneity of decisions arrived at on the EFTA side.

On the other hand, consideration has also to be given to the possibility that someone on the Community side of the Joint Committee could give a unilateral interpretation of Community decisions adopted autonomously and in accordance with the prescribed procedures. An EEC regulation will be adopted, specifying that it is the Commission that expresses the Community's official views.

- (c) The EEA Joint Parliamentary Committee provided for in Article 95 and governed by Protocol 36 has the task of contributing 'through dialogue and debate, to a better understanding between the Community and the EFTA states' in the fields covered by the agreement. It consists of 66 members, 33 from the EFTA side and the same number of MEPs on the Community side. As a general rule it holds two meetings a year, alternately in a Community state and in an EFTA state.

To get back to prerogatives, the EP had maintained that the task of the joint parliamentary delegation should be 'to enable proper democratic control to be exercised by the EP and by the parliaments of the EFTA countries' (resolution adopted on 14 June 1991). This wording does not appear in the agreement. However, the views expressed on the subject in the letter of 20 December 1991 from the chairman of the REX Committee and your rapporteur to the President of the EP following a wide-ranging debate on working document PE 155.068 are valid. To quote some passages from the letter:

'As regards interparliamentary cooperation, Article 106 (now 95) and Protocol 36 differ from Parliament's resolution of 14 June 1991 which tackled this argument in the following points:

1. In respect of the task of enabling proper democratic control to be exercised by the European Parliament and the EFTA Interparliamentary Committee, Article 106 (now 95) provides for the promotion of better mutual understanding between the two parties 'through dialogue and debate'. This is a rather general policy statement; but although the wording of the article is different from that of Parliament's resolution it does not conflict with Parliament's main concern, which was not to lose its prerogatives.
2. The article makes no explicit reference to the possibility of inviting Ministers, Members of the Commission and officials for discussions, but does provide that the President of the EEA Council may appear before the Joint Committee. It should be made explicit, if only in a Council declaration that would serve as an authentic interpretation of the text, that this may also occur at the request of the Joint Parliamentary Committee.
3. While the resolution provided that the Joint Parliamentary Committee should convey its views in a report to the European Parliament and the EFTA Interparliamentary Committee, Article 106 (now 95) provides for the wider and more structured possibility of expressing views through reports or resolutions and for consideration of the annual report which the EEA Council is obviously required to produce.

In conclusion, although the wording of the article does not coincide with Parliament's, it does not seem to affect what has been Parliament's main preoccupation, safeguarding its prerogatives, and consequently rejecting any delegation of those prerogatives to the Joint Parliamentary Committee'.

Any further comment is unnecessary.

(d) The EEA Consultative Committee is concerned with cooperation between the economic and social partners. It is composed of 'equal numbers of, on the one hand, members of the ESC of the Community and, on the other, members of the EFTA Consultative Committee' (Article 96). It expresses its views in the form of reports or resolutions.

THE DECISION-MAKING PROCEDURE

COMMUNITY LEGISLATION. The fact that the EFTA countries are to assimilate Community legislation on the four freedoms and horizontal policies means that three quarters of Community legislation (some 1500 directives, regulations and decisions) will become part of their legal system. The transposition work should be completed by 31 December 1992 so that the agreement can enter into force on 1 January 1993.

AMENDMENT OF LEGISLATION. The agreement specifies that the rules applicable in the EEA must be homogeneous. This applies not only to existing legislation involving the transposition of Community legislation by the EFTA countries but also future legislation.

Here the problem has arisen of safeguarding the decision-making autonomy of the contracting parties without thwarting the objective of legislative homogeneity. The problem has been resolved through a complex process involving continuous information and consultation by the parties from the drafting stage onwards, as laid down in Article 99, and in Article 100 in the case of certain measures. The procedure is as follows:

- As soon as new legislation is being drafted, the Commission informally consults experts from the EFTA states in the same way as it consults experts from the Member States;
- When transmitting the proposal to the Council, the Commission also transmits it to the EFTA states;
- At the request of one of the contracting parties, a preliminary exchange of views takes place in the EEA Joint Committee;
- During the stage preceding the EC Council's decision the parties consult each other and continuously exchange views in the EEA Joint Committee; at all these stages they are required to act in good faith in order to facilitate the adoption of decisions by the EEA Joint Committee.

Article 100 confirms the important role of the experts. 'The EC Commission shall ensure experts of the EFTA States as wide a participation as possible ... in the preparatory stage of draft measures to be submitted subsequently to the committees which assist the EC Commission in the exercise of its executive powers ... on the same basis as it refers to experts of the EC Member States'.

The European Parliament is not consulted by the Commission on its proposals but by the Council. This means that Parliament will be able to take cognizance of and state its views on proposals only after the experts of 9 countries and the Commission have completed all the consultations and exchanges of views necessary for a decision.

Unless we want to end up with the paradox of proposals being submitted to the experts (and thus the governments) of non-Community countries before being submitted to the European Parliament, a number of new points must clearly be made:

1. The EP must be kept constantly informed of legislative proposals being drawn up from the outset and not merely when they arrive at the Council, which then consults Parliament. Without a constant flow of information including developments during the Commission's drafting of proposals and any discussions in the Joint Committee immediately after the act is forwarded to the Council and the EFTA governments, there is a danger that Parliament's opinion will become a pure formality and totally ineffective given that a political agreement was reached as early as the drafting stage. Or the case could arise of the Joint Committee agreeing to change a proposal not yet adopted by the EC Council but with the Council's assent to the amendment. In this case the EP could find itself discussing a proposal that has in fact lapsed without Parliament knowing anything about it. All this means that it is essential to devise new inter-institutional procedures, otherwise further disequilibrium would arise to the detriment of the EP.

2. In order to safeguard another aspect of its prerogatives, the EP should, when delivering its opinion on Community legislation, also state its views on possibly extending the legislation to cover the EEA. Otherwise a measure which, given its external repercussions, would normally presuppose the conclusion of an international agreement by the Community and thus be subject to parliamentary scrutiny, would bypass Parliament.

NEGOTIATIONS FOR THE INTEGRATION OF NEW LEGISLATION

In order to guarantee legal homogeneity and substantial concomitance of the entry into force of new legislation or of amendments to existing legislation:

- the Community must, when adopting the act, immediately forward it to the EEA Joint Committee;
- the Joint Committee must take a decision on its extension to the EEA as soon as possible.

This presupposes agreement from the EFTA side. If there is an agreement, there is no problem. If there is no agreement or if the subject matter comes under the jurisdiction of the parliaments of the EFTA states, the agreements provides for the following procedures:

1. Every effort must be made to find a mutually acceptable solution in the case of an issue which falls within the legislative competence of the EFTA countries;
2. If this path cannot be followed, the Joint Committee must examine all further possibilities to maintain the 'good functioning' of the agreement, including possible recognition of the equivalence of legislation. A decision must be taken within six months of the date of notification of the problem or of entry into force in the Community;
3. If at the end of six months (see 2. above) the new legislation has not been adopted, the annex or part thereof amended is regarded as suspended and every effort must be made to find a solution so that the suspension is terminated as soon as possible;
4. The practical consequences of the suspension must be examined and the necessary adjustments made by the Joint Committee.

In each of these four processes the Commission and the Council, which sit on the Joint Committee exercise discretionary powers that could have repercussions for the Community measure adopted. In no case is any mention made of whether or how the EP is to be informed of such intervention.

Here too there is a shift in the interinstitutional balance to the detriment of the EP.

Possible suspension of the annex whose amendment has not been approved concerns only the EFTA countries and not the Community because the Community measure is formally perfect.

SAFEGUARD MEASURES The unilateral safeguard measures provided for in the event of serious economic, societal or environmental difficulties must be restricted with regard to their scope and duration and, save in exceptional circumstances which require immediate action, must be notified in advance to the EEA Joint Committee and discussed therein. For the Community, the safeguard measures are adopted by the Commission.

SURVEILLANCE PROCEDURE AND SETTLEMENT OF DISPUTES

HOMOGENEITY To resolve the problem of legal homogeneity, the Joint Committee has been assigned the task of keeping under constant review the case law of the Court of Justice and the EFTA court. If the Joint Committee has not succeeded in resolving differences in case law within two months, the procedure for settling disputes may be initiated.

SURVEILLANCE PROCEDURE The EFTA states are to establish an independent surveillance authority and an EFTA Court of Justice competent for actions concerning the surveillance procedure regarding the EFTA states, appeals concerning decisions in the field of competition initiated by the surveillance authority and the settlement of disputes between EFTA states.

The EFTA Surveillance Authority and the Commission cooperate, exchange information and consult each other on complaints concerning the fulfilment of obligations arising from the Agreement. If the two parties disagree on the response to be made to a complaint, the Joint Committee may initiate proceedings.

SETTLEMENT OF DISPUTES In the event of a dispute the Community or an EFTA state may bring the matter before the Joint Committee. If the dispute has not been settled within three months, the parties may by common accord bring the matter before the Court of Justice of the Community. If, however, no settlement has been reached within six months or if the parties have not agreed to ask the Court of Justice for a ruling, one party may adopt safeguard measures or suspend that part of the Agreement over which the dispute has arisen. Finally, disputes over certain issues (scope or duration of safeguard measures, proportionality of rebalancing measures) may be referred to arbitration.

The theory of the two pillars is confirmed, but the system is so complex as to raise doubts about how efficiently it can function.

FINANCIAL MECHANISM

ECONOMIC AND SOCIAL COHESION

Article 115 of the Agreement contains an important statement of principle on the subject of economic and social cohesion: 'The contracting parties agree on the need to reduce the economic and social disparities between their regions'. While the undertaking is still based on the objective of promoting a continuous and balanced strengthening of trade and economic relations, what counts is the practical consequence: the EFTA states are to establish a financial mechanism in the context of the EEA designed, in conjunction with Community initiatives, to bring about cohesion.

The financial mechanism has an endowment of ECU 1.5 m for 3% interest rebates on loans granted by the EIB and ECU 500 m in the form of direct grants. The total endowment will be spread over five years, starting from 1993.

Greece, Ireland and Portugal, some regions of Spain and Ulster will receive assistance for projects concerning the environment, transport and education and training; the main recipients will be SMEs.

A delicate institutional problem arose during the negotiations: that of the Community's decision-making autonomy on cohesion issues, which was leading to

the exclusion of EFTA from fora in which the Commission takes decisions on Community aid for seriously underdeveloped regions; at the same time there was the problem of cohesion between intervention by the EFTA financial mechanism and Community initiatives. The problem was resolved as follows: the financial management will be entrusted to the EIB but decisions will be subject to approval by a special EFTA committee and to the Commission's opinion. In the case of direct grants, provision is made for the recipient states to submit proposals and for the procedure of approval by the EFTA special committee and an opinion from the Commission as described above².

THE NEW HISTORICAL AND POLITICAL BACKGROUND TO THE AGREEMENT

The Luxembourg Declaration of 1984 which initiated a pragmatic strengthening of cooperation between the EEC and EFTA provided an incentive for the EFTA countries to have a more binding and more structured form of relations with the Community.

The enlargement of the Community, the greater degree of integration prompted by the Single Act and the move towards a single market caused considerable concern and repercussions in the EFTA countries. The Community proved to be very attractive to operators and capital in the free trade area. This led to worries in the mid-1980s about a 'fortress Europe' that would be able to lay down its own terms to the European market's other western partners.

Thus arose the call for the extension to EFTA of some of the objectives the Community was setting itself as regards the four freedoms and ancillary policies. The first opening, albeit limited, was provided by the agreement reached in Geneva in November 1988. In January 1989 the President of the Commission, Mr Delors, voiced the need for a change in EEC-EFTA relations and advanced two possibilities: further strengthening of bilateral relations between the Community and individual EFTA countries or a new, more structured, type of institutional agreement.

The subsequent debate revealed the basic questions prompted by the second Delors alternative:

- Was EFTA willing to accept an agreement based on two pillars?
- Was it willing to accept not only the advantages of possible liberalization of the market but also the cost and the terms involved?
- Was it prepared to cooperate in other sectors too and to embark on joint discussion of foreign and security policy?
- How could more structured relations be established with EFTA and at the same time the Community's decision-making autonomy be safeguarded?

The summit of EFTA Heads of State in March 1989 expressed a willingness to take on these commitments and the EFTA Council in June confirmed it.

Speaking before the Council of Europe in October that year, Mr Delors put forward the possibility of a Europe with several concentric circles: firstly, the Community, and then the larger but less binding political and institutional

² The financial mechanism is governed by Protocol 38

circle represented by the EEA. In reality there was a third circle comprising Central and Eastern Europe where - following the joint declaration of mutual recognition by the EEC and COMECON in June 1988, countries were opening up to cooperation links with the Community.

The negotiations that began with EFTA in mid-1990 took place to this background. The Commission's negotiating mandate had well-defined parameters that took account of the political context, and the agreement now before Parliament must be seen in the light of what inspired it three years ago.

The outlook for the EFTA countries at that time included participating in the benefits of the internal market while safeguarding their autonomy and above all their special position on the international scene, mainly as neutral states not as a general rule bound by international alliances, solidly attached to Western democratic values but active in the policy of good-neighbourliness and quite prepared to cooperate with the countries of Central and Eastern Europe.

The collapse of the systems in the countries of Central and Eastern Europe weakens the historical and political arguments that prompted the EFTA countries to take a cautious and neutral stance on the international scene; on the other hand the problems of a radical reconstruction of the countries of Eastern Europe calls for greater cooperation and integration between the countries of Western Europe.

The recent far-reaching changes on the European political scene and the fact that the agreement gives the EFTA countries only a minor role in the EEA's decision-making process have prompted four of the EFTA countries to apply for accession to the Community. The fact that they want to join a Community that decided in Maastricht to move on to political union and EMU and to adopt a new approach to common defence and security issues is a measure of the profound political changes that have occurred.

This means that the agreement on the EEA has lost some of the political validity that it might have had three years ago. The agreement has assumed the form of a transitional phase which at least the four applicant EFTA countries are trying to shorten as much as possible.

This does not detract from the merits of the agreement, which creates a much more solid basis for trade and cooperation between the Community and the EFTA countries than exists at present; it represents a step that will facilitate their entry into the Community. The formal accession of the applicant countries to the Community will not take place in the immediate future and so the EEA will have favourable repercussions at least as regards trade and economic relations between the two parties and, it is to be hoped, on the coordination of measures to assist the countries of Eastern Europe and the developing countries.

Your rapporteur does not share the view that the agreement is an opportunity not taken by the Community to define a broader European strategy that includes the countries of Central and Eastern Europe. It is quite true that the strategy is taking shape with difficulty, and the complex mechanism introduced in the form of the EEA is unlikely to become an institutional point of reference for the countries of Central and Eastern Europe.

But it would be wrong to blame the agreement for the general (and objective) difficulty of redrawing the institutional map of a Europe that extends to the Urals.

13 March 1991

B3-0231/91

MOTION FOR A RESOLUTION

tabled pursuant to Rule 63 of the Rules of Procedure

by Mr MENDES BOTA

on the negotiations between the European Community and the EFTA countries about the creation of the European Economic Area (EEA)

The European Parliament,

- having regard to the ongoing negotiation between the European Community and the EFTA countries about the creation of the European Economic Area which should be concluded on 30 June 1991;
- having regard to Article 130a under the title 'Economic and Social Cohesion' of the EEC Treaty stipulating that the Community '(...) shall aim at reducing disparities between various regions and the backwardness of the least-favoured regions.';
- 1. Welcomes EFTA's readiness and the twelve EC Member States' receptive response to the possible establishment of an autonomous fund financed by the EFTA-countries and directed to the backward regions of the European Community;
- 2. Considers that the EFTA fund should complement the Community's structural funds in such a way that it focuses mainly on housing, health, education, environment and productive investments;
- 3. Calls on its responsible committees to elaborate two studies one on the possible functioning and effectiveness of the EFTA fund, the other on the consequences which will derive from the creation of the European Economic Area for the economic sectors and geographic regions in the Community.

15 January 1990

B3-0053/90

MOTION FOR A RESOLUTION

tabled pursuant to Rule 63 of the Rules of Procedure

by the following members: Mc CARTIN, BANOTTI, CUSHNAHAN and COONEY

on dumping of Norwegian fresh salmon on EC markets

The European Parliament,

- A. whereas the Norwegian Central Sales Organization operates a concerted pricing strategy in EC markets;
 - B. whereas this pricing strategy amounts to dumping of Norwegian salmon on EC markets and is to the serious detriment of EC salmon producers and processors, particularly those in Ireland and Scotland;
 - C. whereas the trends in Norwegian prices and exports, since 1988 (Norwegian production has grown at 70% p.a. since 1987) point clearly to a concerted effort to expand the Norwegian market share at the expense of EC producers;
 - D. whereas the Commission is investigating the Norwegian strategy;
1. Strongly supports the Irish and Scottish case for the safeguard clause under Article 24 of EEC Regulation 3796/81 to be invoked in the current serious market situation;
 2. Believes that the Commission should act immediately on this matter to safeguard current Community and private sector investment in salmon production, processing and marketing both in Ireland and Scotland;
 3. Instructs its President to forward this resolution to the Commission and the Council.