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REPORT

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 1-348/80) for a Directive on the development of agriculture in the French overseas departments

Rapporteur: Mrs E CRESSON



By letter of 28 July 1980 the President of the Council requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a directive on the development of agriculture in the French overseas departments.

On 27 August 1980 the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets and the Committee on Development and Cooperation for their opinions.

On 24 September 1980 the Committee on Agriculture appointed Mrs Cresson rapporteur.

On 29 September 1980 the Council requested the European Parliament to consider this proposal by urgent procedure pursuant to Rule 14 of its Rules of Procedure.

The Committee on Agriculture considered this proposal at its meeting of 13 October 1980 and at the same meeting adopted the motion for a resolution and the explanatory statement by 21 votes to none with 5 absentions.

Present: Sir Henry Plumb, chairman; Mr Fröh, vice-chairman; Mrs Cresson, rapporteur; Mr Battersby, Mr Bocklet, Mrs Castle, Mr Clinton, Mr Colleselli, Mr Curry, Mr Dalsass, Mr Fanton (deputizing for Mrs Buchou), Mr Gautier, Mr Helms, Mr Hord, Mr Howell (deputizing for Mr Provan); Mr Josselin (deputizing for Mr Gatto), Mr Kavanagh (deputizing for Mr Lynge), Mr Kirk, Mr McCartin (deputizing for Mr Tolman), Mr Maffre-Baugé, Mr Maher, Mrs Martin (deputizing for Mr Dalatte); Mr d'Ormesson, Miss Quin, Mr Sutra and Mr Woltjer.

The opinion of the Committee on Budgets is attached to this report.

The opinion of the Committee on Development and Cooperation will be published separately.

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A

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a directive on the development of agriculture in the French overseas departments

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM (80) 384 final),
- having been consulted by the Council pursuant to Article 43 of the Treaty setting up the EEC (Doc. 1-348/80),
- having regard to the report by the Committee on Agriculture, the opinion of the Committee on Budgets and the opinion of the Committee on Development and Cooperation (Doc.1-489/80 ),

approves the Commission proposal.

EXPLANATORY STATEMENT

1. Until the judgement handed down by the Court of Justice on 10 October 1978 (known as 'Hansen' judgement) the status (within the European Community<sup>1</sup>) of the French overseas departments, Guadeloupe, Martinique, Guiana, Reunion and Saint-Pierre-et-Miquelon, was hybrid and ambiguous.

Until that judgement these departments were sometimes equated with metropolitan France, and, as such, placed on the same footing as the Member States with regard to the matters covered by Article 227 (2) of the EEC Treaty; in other cases they were assimilated to the overseas territories of the Member States (OCT)<sup>2</sup> whose status is laid down in Articles 131 to 137, 227 (3) Annex IV to the EEC Treaty and the Implementing Convention on the Association of these countries with the Community.

2. However, since the 'Hansen' judgement relations between the overseas departments and the Community have been clarified. The Court ruled that all the provisions of the EEC Treaty and of secondary Community legislation should apply fully to the overseas departments.
3. That is the background to the Commission's proposal whose purpose is to replace measures under the EDF (European Development Fund which finances economic development projects for ACP States associated with the Community and for the overseas countries and territories) by action under the EAGGF - Guidance Section - which finances agricultural structural projects in the Community. The overseas departments are thus now covered by the general arrangements applicable in the Community.
4. The weakness of the economy of the overseas departments is immediately apparent. This is due:
- to their population structure,
  - to the fact that their service sector is large in relation to their production activities: 75% of GDP in Martinique and Réunion,
  - to the fact that their primary sector is based, as in many Third World countries, on a few insufficiently diversified agricultural products (bananas, sugar cane, etc.),
  - to their large trade deficit: exports cover only 10% of imports in Guyana, 20% in Réunion.
5. There is very little diversity in agriculture production<sup>3</sup>. Sugar cane is the main resource of Martinique, Guadeloupe and Reunion and it is a source of rum as well as sugar.

<sup>1</sup> PE 65.949 - 'The situation of the French overseas departments' (FODs)

<sup>2</sup> Overseas countries and territories

<sup>3</sup> See PE 65.949, p. 25 ff

Bananas are particularly important for Guadeloupe and Martinique because these two islands supply a large part of the French market. Martinique also produces pineapple but this product encounters competition from other states especially the Ivory Coast. The Community therefore grants production aid to tinned pineapple from Martinique<sup>1</sup>.

Aubergines are also an important resource for these two departments but they are handicapped by distance (involving high transport costs) in competing with aubergines produced in the Community or in Spain and Israel. The Commission accordingly submitted to the Council a proposal for a Regulation establishing a system of aid for the marketing of aubergines grown in the French Antilles<sup>2</sup> which the European Parliament approved at its sitting of 16 November 1979<sup>3</sup>. The Council has still not taken a decision on this proposal.

Rice is an essential basic foodstuff for the population of Reunion and since 1 January 1978 Reunion has enjoyed a special system of exemption from import levies; imports also benefit from the production subsidy on rice grown in the Community. This department also produces geranium and vetiver (Bourbon essences) for export but there is strong competition from China, Egypt and Haiti.

Guiana produces tropical timber for export.

Saint-Pierre-et-Miquelon constitutes an exception in that this department is sparsely populated and its economic resources are derived primarily from fishing. It is moreover not affected by this proposal for a directive.

6. Since agriculture in the FODs is clearly backward in relation to that in other regions of the Community and since Directive 72/159/EEC on the modernisation of farms applies only partially to the situation of the FODs, the Commission is of the opinion that a special pluriannual programme should be provided for the FODs.

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<sup>1</sup> Regulation (EEC) No 525/77 - O.J. No L73 of 21.03.1977, p. 46

<sup>2</sup> Doc. 1-276/79 and Doc. 1-468/79 - Rapporteur: Mr Caillavet

<sup>3</sup> O.J. No C309 of 10.12.1979, p. 68

7. The purpose of this programme is to assist the development of agriculture in the FODs by means of
- a) collective irrigation operations
  - b) improvement of the agricultural infrastructure,
  - c) improvement of the soil, protection against flooding and other protection work,
  - d) reforestation operations and the improvement of neglected forests including the establishment of wind-breaks and forest roads,
  - e) measures to encourage cattle-rearing and cultivation of greater variety of crops.
8. The whole programme which is to last 6 years, will cost 211 mEUA. The EAGGF is to cover 50% of the expense incurred in financing activities under points a, c, d and e) and 40% of the expenditure committed to finance point b), in total 96,5 mEUA. This proportion accords with the Council's consensus that infrastructure financing must not exceed the share of the ERDF, i.e. exactly 40%.
9. The expenditure breaks down as follows:

in mEUA

Projects	Cost of Project	EAGGF expenditure
Irrigation	31	15.5
Agriculture infrastructure	90	36.0
Improvements of soils and pasture-land	47	23.5
Reforestation and improvement of access to forests	9	4.5
Guidance of production	34	17.0
<b>TOTAL</b>	<b>211</b>	<b>96.5</b>

10. It will be noted that the Community already came to the aid of the FODs when Martinique and Guadeloupe were ravaged by hurricanes 'David' and 'Frederick'; on that occasion the EAGGF was used to reconstitute their agriculture<sup>1</sup>.

<sup>1</sup>Doc. 1-430/79 - Rapporteur: Sir Henry Plumb.



11. Since the 'Hansen' judgement the EDF cannot continue to finance structural projects in the FODs in 1980. The Committee on Agriculture therefore considers that the Commission's proposal should be approved. With this Community aid France will be able to improve the agricultural structures of its overseas departments and diversify production; this is necessary in order to enable the FODs to earn more revenue from agriculture.
12. Of course, the Committee on Agriculture knows that this Community aid on its own cannot solve the problems of imbalance in agricultural production in the FODs and the economic imbalance resulting from it. Aid will have no effect unless there is:
- strict monitoring of the utilization of EAGGF and ERDF appropriations, which must be used to reduce the currently excessive disparities in income, particularly by vigorous efforts to create local jobs in agriculture and fisheries,
  - genuine agricultural reform, aiming to increase the area available for the growing of food products, particularly by enforcing the legislation on uncultivated or insufficiently cultivated land, so as to develop the food crops essential to the population of the FODs,
  - application of the safeguard clause enabling FOD agricultural production to be protected in the event of market disturbance.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Sir Henry Plumb,  
chairman of the Committee on Agriculture

Strasbourg, 14 October 1980

Subject: Opinion of the Committee on Budgets on a proposal for  
a Council Directive on the development of agriculture  
in the French overseas departments  
(Doc. COM(80) 384 final)

Dear Sir Henry,

At its meeting of 24 and 25 September 1980 the Committee on Budgets considered the above proposal for a Council directive.<sup>1</sup>

This proposal raises a number of fundamental questions.

1. By earmarking funds from the general budget of the Communities to finance agricultural development measures hitherto covered by the European Development Fund this proposal demonstrates once again the Council's inconsistency in opposing the budgetization of the EDF;
2. On several occasions Parliament and the Committee on Budgets have opposed the inclusion of financial ceilings in regulations and certain procedures of the Management Committee raising the possibility of appeal to the Council.

Although the basic regulation, 729/70, on the financing of the common agricultural policy, refers merely to the 'estimated total cost', which does not necessarily entail ceilings on individual measures, Article 5(1) of the present proposal strictly limits the budgetary implications of the programme. Article 8 makes the Fund Committee responsible for decisions on aid from the Fund, and for the detailed rules for implementation.

3. Article 7 of the proposal states that 'the Commission shall, by agreement with the French Republic, determine the manner in which it shall be kept informed of the progress of the programme.' A provision of this nature in a directive is without precedent. The Committee on Budgets would point out that the overseas departments are an integral part of the French Republic. Such discrimination between Member States must be eschewed;
4. Finally, the Committee on Budgets would draw your attention to the

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<sup>1</sup>Present: Mr Lange, Chairman; Mr Notenboom and Mr Spinelli, Vice-Chairmen; Mr Adonnino, Mr Aigner, Mr Baillot, Mrs Boserup, Mr Forth, Mrs Hoff, Mr Howell, Mr Langes, Mr Motchane, Mr Newton Dunn, Mr Orlandi, Mr Simonnet and Mr John Mark Taylor

fact that the object of this proposal is to establish, by a directive addressed to a single Member State, a common measure with substantial financial implications, and representing a major departure from the terms and limits set by Directive 72/159, in particular Articles 14 and 18 thereof, on the modernization of farms.

In these circumstances, the Committee on Budgets does not object to the principle of using appropriations from the overall endowment of the EAGGF Guidance Section to finance a common measure to assist the French overseas departments. However, it can deliver a favourable opinion only if the Commission undertakes to introduce without delay a proposal revising the procedures of the Management Committee defining its functions as purely advisory, and to amend Article 5 of the proposal for a directive making the figures mentioned purely indicative in nature.

Yours sincerely,

Erwin LANGE

